Obama Does Havana

Observations on Cuban-U.S. History and Economic Prospects During Obama's Visit

Mary M. Cleveland, June 3, 2016

March 21, 2016, Old Havana. By coincidence, our cruise ship has returned to Havana at the same time as President Obama's two-day state visit. We make our way around barricaded streets to the Central Park, actually a plaza dominated by a giant white marble statue of revolutionary hero José Martí. Already, an excited crowd waits for the President and his entourage to arrive for a state dinner at the ornate Grand Theater of Havana. Behind the Martí statue, an ITV camera points across the street at the white Moorish-style Inglaterra Hotel. A woman in a light blue shirt and slacks, obviously a reporter, walks briskly towards the camera gesturing over her shoulder. She is saying something as she walks; after several tries she gets it right: "The American Starwood hotel chain will now take over managing the Inglaterra Hotel. But Obama cannot give the Cuban people what they really want, an end to the embargo." I start to tell the reporter that Obama has great latitude in interpreting the U.S. embargo. That's how he has re-opened direct postal and telephone service between the U.S. and Cuba. Just then, the crowd screams and rushes for the Grand Theater. Ahead of us, a forest of arms hold up cell phones, ready to snap a picture. False alarm; Obama is still at the Brewery on Old Plaza.

From Central Park we stroll east on Obispo Street in Old Havana, through crowds of Cubans and tourists. Much spruced up since I was there last July, Obispo hosts a number of expensive shops and art galleries as well as bars and cafés. We make two left turns into O'Reilly Street, where we stop for mojitos at the Café O'Reilly, with its dark green trim and gold-lettered motto: An aroma floats in the air, an aroma with the flavor of Cuba. West of us back toward Central Park, a cheering crowd waves cell phones. Michelle Obama and the girls, we are told, are dining at a restaurant there. We head south for a fresh fish dinner at The Fisherman's Tavern¹ This hole-in-the-wall restaurant typifies Havana's successful private businesses. Mounted sailfish, groupers, sharks and a giant lobster occupy the wall on one side; on the other side, between paintings of jumping marlins, a black and white TV runs a program on Ernest Hemmingway.

I am an economist, eager to understand what is happening in Cuba; last July I spent three weeks studying Spanish at the University of Havana. This time, my husband and I joined our old friend John McAuliff, his wife and another couple for a ten-day trip including the cruise. John is a career peace entrepreneur who radiates good cheer; he has led trips to Cuba for some twenty years and before that to Viet Nam. Under Obama, he has relied on People to People or "P2P" visas, administered by his tiny foundation, the Fund for Reconciliation and Developmentⁱⁱ. P2P allows Americans to visit Cuba for educational purposes, without the sponsorship of an institution like a university. Two years ago John expanded P2P trips to industrial scale by arranging for Americans to join one-week cruises around the island on a Greek ship, the Celestial Crystal. The cruises, which run December through April, include on board lectures on history and culture, and educational tours in ports.

On our particular trip, John introduced us to some of his Cuban friends, including prominent writers, artists and activists. We chatted over excellent meals or between sets of a phenomenal jazz concert. Cubans do not hesitate to criticize the government, publicly as well as privately. In my account below, I draw heavily on friends of John, notably retired diplomat José "Pepe" Viera

Linares, and Chief Editor of *Temas* Magazineⁱⁱⁱ Rafael Hernández, both of whom give lectures on the cruise ship when it docks in Havana.

My informants always start with history—it's impossible to escape history in Cuba.

Since Columbus's ships first dropped anchor here in 1492, Cuba has lived under siege. Two thirds the size of Florida, with the same mostly-flat limestone terrain and many fine natural harbors, Cuba was obviously a rich prize. Within twenty years—a hundred years before the Mayflower—the Spanish had conquered the island and founded six towns, including Havana on the north coast and Santiago on the southeast coast, each protected by massive limestone fortifications. Spanish settlers initially mined gold and copper with enslaved Arawak natives who also taught them to smoke tobacco. Then settlers raised cattle, to supply meat and leather to the Spanish fleets. Havana soon became the central port where treasure ships from America gathered for the perilous return journey to Spain, protected by the Spanish navy against the pirates of the Caribbean, such as the English buccaneer Henry Morgan. By 1600, having exterminated the natives, Cubans had begun cultivating tobacco and sugar—"white gold"—with imported African slaves. The Spanish crown tried to enforce a monopoly, requiring growers to sell only to Spain, which led to massive smuggling. Between pirate raids, slave uprisings and Spanish reprisals, the increasingly wealthy Cuban landholders lived on edge. Our walk through Old Havana takes us past early mansions like the Palace of the Captains General: Inside, highceilinged rooms and balconies surround a lush garden and patio centered on a white marble statue of Columbus; on the outside, massive limestone walls guard the occupants.

By 1800, the Spanish empire was crumbling, and Cuba had acquired a covetous neighbor to the north. In 1819 the U.S. purchased Florida from Spain; in 1823, John Quincy Adams wrote that Cuba "can gravitate only towards the North American union." Cuban "Annexationists", eager to protect slavery, actively sought union with the U.S.; they even modeled what became the Cuban flag on the Texas flag. But in 1868 wealthy sugar grower Carlos Manuel de Céspedes freed his slaves and invited them to join in a war of liberation against Spain. While this war ended in stalemate in 1878, revolutionary organizing continued, led by two of Cuba's most famous revolutionary heroes. One was a mulatto from a poor family, General Antonio Maceo, known as the Bronze Titan. The other was lawyer and poet José Martí, who did most of his organizing from exile in New York City. (I often pass his statue while walking in Central Park.) Martí was killed immediately on returning to Cuba to restart the revolution in 1895; Maceo was killed a year later. Nonetheless the Cuban revolutionary army successfully pressed on. Then in 1898 the U.S. Battleship Maine blew up in Havana Harbor, probably an accident. Given this perfect excuse, the U.S. declared war on Spain. After the U.S. demolished the Spanish fleets in Cuba and the Philippines, and Teddy Roosevelt galloped up San Juan Hill in Santiago, the U.S. and Spain signed the 1898 Treaty of Paris. Spain sold the Philippines to the U.S. for \$20,000, gave the U.S. Guam and Puerto Rico, and renounced its claim to Cuba. However, the U.S. military stayed on; Guantanamo Bay Naval Base dates to 1898. For all their efforts and suffering, the Cubans had traded one master for another.

The 20th century saw coups, counter-coups, bogus elections, and repeated U.S. military and political interventions. After the war of liberation from Spain, U.S. interests like United Fruit snapped up huge landholdings in the devastated country. To expand sugar plantations, they razed forests, displaced peasant farmers, and imported poor migrant workers from the Caribbean region. U.S. banks forced out Cuban banks. Well-heeled Americans like my grandparents flocked to Havana for winter fun, including gambling; old family photos show them with my

teenage mom in an open black sedan on the Malecón, Havana's waterfront promenade. Under the surface, the unfinished Cuban revolution simmered on. In 1959, revolutionaries led by Fidel Castro successfully evicted a particularly loathsome and brutal U.S.-backed dictator, Fulgencio Batista.

This was a different kind of revolution. Castro was a charismatic young lawyer from a wealthy family and ideologically a socialist. He immediately carried out what development economists consider an essential first step: breaking up large landholdings and giving land to the peasant farmers. He also set up a crash literacy program and universal health care. Meanwhile, as the dispossessed elites fled to Miami, the U.S. (aided by United Fruit) bungled an April 1961 invasion at the Bay of Pigs on Cuba's south coast. Amid continuing harassment from the US, and well-founded fears of a second invasion, Castro turned to the Soviet Union—only to find his country again in the crossfire of empires. Responding to nuclear missiles newly placed in Turkey by U.S. President John F. Kennedy, Soviet Premier Nikita Khrushchev began moving missiles to Cuba. That led to the Cuban missile crisis^{iv} of October 1962, ending in withdrawal of missiles from both Turkey and Cuba. Only then did Castro institute full-scale soviet-style central planning in Cuba, exchanging overpriced sugar for fuel, chemicals and machinery from the Soviet bloc.

A 1960 U.S State Department memo^v observing that Castro enjoyed strong domestic support, recommended a policy "to decrease monetary and real wages, to bring about hunger, desperation and the overthrow of government." To this end, starting in 1960 and the latest in 2000, the U.S. Congress passed a series of laws banning most trade with Cuba, even of food and medicine. In addition, there ensued years of CIA assassination attempts on Castro (remember the exploding cigar plot?), efforts to disseminate plant, animal and human diseases, attacks on Cuban ships by U.S. coastguard cutters, sabotage by U.S.-supported Cuban exiles, and on and on. The continuing embargo—Cubans call it the "blockade"—also impedes trade between Cuba and other nations, because most international trade is conducted in dollars, cleared through New York banks.

On December 17, 2014, over fifty years after the revolution, President Obama announced a surprise restoration of diplomatic relations with Cuba, acknowledging that "it does not serve America's interests, or the Cuban people, to try to push Cuba toward collapse" Obama's speech produced an expectation that the kiss of the American prince—or maybe his Midas touch—would awaken Cuba from her half-century sleep. Actually Cuba has changed profoundly over the years.

Cuba followed the Soviet model until the Soviet Union began to implode in 1990. The sudden loss of a sugar market threw Cubans into a "special period" of several years' severe deprivation. Tractors and harvesters rusted in the fields for lack of fuel or spare parts, replaced by ox plows and machetes. Horse buggies replaced cars and trucks. While no one actually starved, everyone lost weight. TB and vitamin-deficiency diseases reappeared. A friend tells me she remembers eating sugar sandwiches. Yet Cubans responded with the same make-do ingenuity that kept the old Chevys running: they applied their science education to developing some of the most sophisticated organic agriculture in the worldvii. From 1996 to 2005, per capita food production increased 4.2% a year. The government also began to encourage foreign tourism. In 2000, the U.S. relaxed the embargo enough to allow Cuba to purchase frozen chicken legsviii from suppliers in Arkansas, Louisiana and Georgia, as well as pharmaceuticals—for hard cash up front. But Cuba continues to import much of its food from elsewhere, including rice from Vietnam and Brazil, and powdered milk from New Zealand.

In 2006, Fidel Castro turned over management to his younger brother, Raúl, who began a cautious implementation of reforms. Notably, the government issued a list of 178 private occupations for which it would grant individual licenses, including taxi-driver, bed and breakfast operator, tour guide, translator, and food vendor. By the time I visited last summer, there were tiny cafés and food vendors all over central Havana.

Today, at the time of Obama's visit, what are Cuba's prospects? As Pepe Linares tells us, government remains hyper-centralized, with little autonomy left to provincial or municipal governments. Nonetheless, in 2010 over 90% of jobs were in government; that is now down in the range of 60 to 75%. There's progress in many areas.

I am especially interested in agriculture, which is my field. Last summer, I visited two different small farms: a privately-owned tobacco farm, and a state-of-the-art organic cooperative.

"We stop at a cigar shop, where a man demonstrates cigar-rolling. Next to a tobacco barn there's a field of sorghum, a grain grown for pigs. It's the summer crop; the fall crop is tobacco. This agriculture isn't organic; it's just primitive. The raw red earth lies exposed in deep ragged furrows. It was probably plowed by that handsome team of white oxen standing by the parking lot with their owner, posing for tourist pictures and tips. According to our guide, while the state owns the tourist shop, the farmer owns the land, which he or his father received when land was redistributed to tenant farmers in 1959."

"China Farm is a small animal husbandry operation cum zoo, on the southwestern outskirts of Havana. It's a six-person operation: a husband and wife team plus four more. As we pull in, we pass a line of about 20 milk cows heading up a path. The sleepy bull is tied by the nose to a post at the entrance. Inside, we see a long low rabbit breeding shed; the females have numbers and American names like Wilma, Gloria and Lana. The baby bunnies are beyond cute. I notice a man sitting next to a row of cages, making notes in a big log book. This is a scientific operation, keeping careful records on each animal.

"We visit chickens. There are chickens for eggs and for eating, and "fancy" chickens from all over the world, including a pair with fur instead of feathers. Plus: a pair of flamingos, a half grown ostrich, peacocks, turkeys, "fancy" pigeons, quail, parrots, goats, sheep, pigs, a native Cuban agouti, and...a couple of rhesus monkeys! Some of the chickens run loose in an enclosed orchard. Here we walk on springy turf to pick lemons, limes, guava, mangos, pomelo, coconuts. Behind us we hear the soft thunk-thunk of a tall windmill water pump. Following us around is a small pack of rat terriers—a cat-sized breed, white with black and brown patches.

"Tour over, we sit in a shed drinking first lemonade, then coconut milk. I ask the middle-aged operator, Guillermo, how long he has been "jefe de finca" (farm boss) and what he did before. He has been here five years, and has built up the operation from nothing. China Farm is part of a group of six similar operations, which share supplies and services, and whose managers regularly meet in a round open-air conference hut across the yard. Before China Farm, Guillermo tells us, he managed a tourist operation. The farm was his dream, but it took a while to qualify to lease the land from the government. I ask him if there's something I can send to him on John McAuliff's upcoming return to Cuba August 14. Yes, a *chapeadora*. A what? A couple of crude sketches later, this turns out to be a weed-whacker."

Clearly, farms like China Farm should be the future of Cuban agriculture. Such farms already supply 50 to 70% of fresh vegetables consumed in cities like Havana. Due to the very high per-

acre productivity of organic methods, if all the existing small farms adopted advanced agroecological methods, Cuba could produce enough to feed its population, supply food to the tourist industry, and even export some food to help generate foreign currency. But as journal editor Rafael H. wearily tells us as we sit in the Jazz Bar, the Cuban government—which still owns over 80% of agricultural land—is not finding enough takers for leases, despite very generous terms. Perhaps Cubans have become spoiled living in cities, and reluctant to undertake the hard hot work of farming. My reading of Cuban blogs suggests a further explanation: controls on foreign exchange, limited bank lending, and arbitrary bureaucracy make it extremely difficult for farmers to obtain critical supplies. For example, a rice farmer complains of the poor quality of Cuban-made work boots—when they're available at all. And I did indeed purchase a serious battery-powered weed-whacker for Guillermo, which John delivered on a later trip. Eight months later, the device remains stuck in Cuban customs.

On returning to my hosts one afternoon last summer, I found them cutting up a large, freshly-delivered bundle of raw meat, probably mostly pork, packing it in plastic bags, and freezing it. (Effectively betting that power outages wouldn't last more than a few hours.) Whether this was black market or gray market meat I don't know, but it surely didn't come from a Cuban supermarket. Last summer I noted that,

"Minimarkets are everywhere, with the same limited merchandise: Ciego Montero bottled water and juices, Habana Club rum, sometimes beer (local or foreign), Cuban-made cigarettes with fearsome health warnings on the packets, cooking oil, rice, beans, packaged biscuits, frozen hot dogs, and mayonnaise. Always mayonnaise.

"On 23rd Street I find a *Supermercado* in an old Woolworth's building! I quickly itemize the merchandise. Most of the customers have come for eggs, sold in open cardboard trays of 30. Hardly convenient to carry. I see stacked industrial size cans of salted marinated vegetables, fruit salad, cabbage and peppers, pork, and Doña Delicias Catsup de Tomate. Jars and jars of mayonnaise. Bags of crackers. 50 kg sacks of rice. A few bars of soap in blue wrappers. Packs of 4 colored pencils for marking clothes. A leather bracelet. Sets of 4 plastic hair barettes. Sets of 12 rubber hair bands. Two cases of brightly colored underpants, one of women's and one of girls' (*blumer de niña*). Next a case of Dentex toothpaste, then one with a few screwdrivers, and then one with two 3 inch paintbrushes. There's a butcher shop in the corner, unrefrigerated meat spread on the counter. And a whole section of rum, with two bored shop-girls and no customers. At checkout, the usual long line. A woman asks me if I can change 10 pesos. I can't. Small change is a problem in Cuba."

As my Cuban friends immediately propose, the logical alternative to these Chaplinesque staterun stores are small to medium enterprises managed as cooperatives. I tell them how in 2005 I visited cooperatives in the thriving Emilia-Romagna province around Bologna in northern Italy—part of a summer course on the economics of cooperatives. Not by coincidence, this is Italy's former Red region. Worker-owned cooperatives predominate here, including some quite large manufacturers of machinery and tiles, as well as wineries. Here also, small family businesses belong to cooperatives, which provide bookkeeping, payroll, product development and other services. In Cuba so far, my friends tell me, non-agricultural cooperatives haven't made much progress against bureaucratic resistance. To date, there are less than 400; four fifths of these were formed by converting state operations. Rafael B., a return migrant from the U.S., tells me how he and some friends applied three years ago for permission to set up a computer-services cooperative, to no avail. So he still operates under a private license as a translator.

Bureaucratic resistance is understandable, not only because bureaucrats will lose power, but because the government depends for revenues on the difference between the cost of producing goods and the selling prices—effectively a huge sales tax. To shift government enterprises into a cooperative-market system requires designing a new tax structure—currently a work in progress.

On our first day in Havana before the cruise, the power was off all day. Fortunately, sturdy concrete steps with a good handrail lead up to our 16th floor bed and breakfast. Power outages are common; they also affect availability of water, which is pumped up to holding tanks. The water is not safe to drink, as contaminated ground water seeps into old pipes when the pressure falls. In short, as in parts of the US, Cuban infrastructure suffers from decades of neglect.

Homeownership is widespread in Cuba. In 2011, the government allowed the formal buying and selling of property, including homes and cars, replacing a prior barter system—but owners will be limited to two homes, a residence and a vacation home. Housing is often decrepit to the point of dangerous; much housing in Santiago remains unrepaired after Hurricane Sandy in 2012. Although there's visible fixing up going on all over Havana, renovators face the same problem as farmers: access to financing and good quality supplies.

Making matters worse, the government tries to restrict population movement into the cities, Havana especially, by requiring permits to move. This creates great hardships, and many subterfuges. There's a Cuban New Year's tradition: walk around the neighborhood carrying an empty suitcase—a symbol of permission to move.

Finally, as Rafael H. points out, the freeing up of the property market has greatly aggravated inequalities, both in race and wealth. In the segregated pre-revolution society, few blacks owned property. Most of the Cubans who fled were white; they and their descendants are sending ever more money back into Cuba to buy and repair houses. Homes in prime locations, such as our bed and breakfast high-rise apartment on the waterfront, belong mostly to white owners. They now earn far more renting rooms than they ever could even in high-level professional jobs. The Cuban government can and should address this growing inequality through property and income taxes—but it's all so very new and confusing.

The Cuban population of something over 11 million is rapidly declining and aging. Birth rates, the lowest in Latin America and the Caribbean, are below replacement. Young people continue to leave in droves, some 35,000 a year to the U.S. alone. A major impetus to outmigration is the Cuban Adjustment Act of 1966. This enables Cubans who reach the U.S. to claim refugee status, and entitles them after a year to permanent residency and an automatic path to citizenship—a privilege extended to citizens of no other nation. Perversely, this law also leads the U.S. to deny visas to Cubans who simply seek to visit or study in the US, lest they stay on.

Last summer I chatted with Ernesto, the engineer of a radio station – I met him at the Cuban ballet where his 12-year-old daughter had just danced solo. (Havana hosts a popular world-class ballet.) He worried that that students today graduating from high school can immediately make more money in the tourist industry than they could with advanced degrees. And indeed there is limited employment for advanced degree holders. Take Enrique, the genial taxi driver and tour guide who drove me to the airport last summer. He holds an unused doctorate in geology. Educated professionals leave the country first; the three older sons of my hosts last summer live in the US, Venezuela, and Spain respectively. Unemployment is also painfully visible in the large numbers of vendors hawking biscuits or peanuts, or the groups of mostly men who sit around under the trees in the afternoon breeze, laughing and chatting.

Government control extends to the media. The eight-page daily newspaper *Granma* and its Siamese twin *Rebellious Youth* regale us with tales of outstanding workers and daily pronouncements from Fidel and Raúl. They remind me of that soporific Soviet rag *Pravda* that I read in college to practice Russian. "The Cuban media are an insult to the educational level of the Cuban Communist Party members." Who said that? Raúl Castro.

However, cell phones are ubiquitous. Slow internet access is available in offices and wifi hotspots outside hotels. I've had no difficulty communicating by email with Cuban friends. There's a proliferation of excellent Cuban websites, like 14ymedio.com (Fourteen and a half), and Rafael H's *Temas* magazine.

The United States—and fear of the United States—are the greatest obstacles to reform in Cuba.

The embargo laws remain in place. Congress still routinely funds "regime change" programs, such as Radio and TV Martí, broadcast from Miami. Obama has merely tweaked the details of enforcement; the next president could reverse his orders at a stroke. For Congress to lift the embargo, there must be settlement of claims for confiscated property. After the 1959 revolution, Cuba quickly agreed to compensation payments with other nations. U.S. citizens and corporations refused compensation, presumably expecting the U.S. would shortly recapture the island. Meanwhile, Cuba claims \$300 billion for damage from the embargo and various acts of physical and economic sabotage.

The embargo generates a fortress mentality in Cuba. It helps explain the determination of Raúl Castro and the present government to retain tight control over the country and its economy, and to keep the pace of change slow and experimental.

Some of my Cuban friends fear that impatience with the slow pace of reforms will lead successors to the elderly Castros to accept large, controlling investments from the U.S. Advocates of agro-ecological farming and members of the strong Cuban ecological movement especially fear a return to U.S. and (ironically) Soviet-style agriculture: tens of thousands of acres operated as a unit, relying heavily on machinery and chemicals, but generating little employment. But for Cuba's private farms and organic cooperatives to flourish and expand, they will need protection from imports like super-cheap subsidized U.S. rice. Potentially, Cuba's educated population gives the nation enormous advantages in biotechnology, pharmaceuticals, computers and other sophisticated enterprises; there is already a substantial biotechnology program in Havana. In tech as in agriculture, Cubans need trade; but as barriers fall, they will face pressure to join "free trade" agreements, designed to protect the monopoly positions of multinational corporations. Fortunately, Cubans pride themselves on defying powerful outsiders.

My Cuban friends also fear being seduced by America into abandoning the values that drove the revolution: genuine equality for all, in the form of excellent free education and health care, and a guaranteed basic income. Cubans know a lot more about us than we do about them: due to the embargo, they can watch the latest pirated American movies for free on television. Many have friends or relatives who are "making it" in America; Cuba rents out its surplus doctors to nations around the world—doctors who quickly discover the value of their skills in world markets. Despite the absence of hard figures, income inequality has clearly soared as more people move into the private sector. Yet there is no extreme poverty.

Adding to fear of America-the-seducer are the object lessons of Russia and its former satellites, and now China and Vietnam. These embraced capitalism with mindless privatization, generating corrupt wealthy oligarchies. The ordinary folks find themselves bereft of the health care, education and pension benefits they had so long enjoyed. It won't happen here, say my Cuban friends. For all their frustrations, they still hold the Castro brothers in great respect.

What motivated Obama to reopen relations with Cuba? Obama is like Martina, the beautiful little cockroach of a Cuban children's story, says Rafael H. While sweeping her patio, Martina finds a penny. What can I buy with this? A new dress? No. Too expensive. New shoes? No. Too expensive. Ah, a little box of powder. Which she buys, powders herself nicely, and goes to meet her suitors. Thus Obama, denied major international achievements, settles for something small and cosmetic. But perhaps small can endure, simply by escaping notice.

March 22, 2016. José Martí International Airport, Havana. Our flight home is delayed without official explanation, but we assume it's to allow President Obama and his family to take off from an adjacent terminal. The passengers mill around, or watch a children's cartoon show playing on the sole television monitor. We browse in the gift shop, buying Havana Club rum, honey, coffee and chocolate (inedible). John can't stop grinning. The 2015 to 2016 P2P educational cruises have brought over six thousand American visitors to Cuba. Obama's reforms include opening P2P visas to allow travelers to plan their own visits to Cuba without joining an official group. "Americans can now do everything except just lie on the beach!" Suddenly the passengers cheer and press up against the plate glass windows of the terminal, cell phones aloft. In a flash, Air Force One roars into view, tilts upwards and vanishes.

i http://www.alamesacuba.com/en/la-habana/restaurant/la-taberna-del-pescador/

ii http://www.ffrd.org/

iii http://www.temas.cult.cu/

iv http://www.theatlantic.com/magazine/archive/2013/01/the-real-cuban-missile-crisis/309190/

v https://history.state.gov/historicaldocuments/frus1958-60v06/d499

vi https://www.whitehouse.gov/the-press-office/2014/12/17/statement-president-cuba-policy-changes

vii https://theconversation.com/cubas-sustainable-agriculture-at-risk-in-u-s-thaw-56773

viii http://swtimes.com/business/cuba-thaw-will-be-big-us-chicken-producers

ix http://monthlyreview.org/2012/01/01/the-paradox-of-cuban-agriculture/