

**PRESENTATION BY JAMES C. CASON CHIEF OF MISSION, U.S. INTERESTS SECTION,
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CHALLENGES AHEAD FOR CUBA"**

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Thank you, Dr. Suchlicki, for inviting me to speak at this important conference. It's quite a challenge to describe current conditions in Cuba to a group that includes so many distinguished Cuba watchers. At the risk of telling you things you already know, I will try to summarize what I see in Cuba today.

For the friends of the Cuban people who want to accelerate and ease the inevitable transition, one of our hardest tasks will be to restore hope in a country where little remains. In Spanish, the verb "esperar" means both "to hope" and "to wait" - but most Cubans use it to tell you they are waiting, not hoping. Waiting for change, waiting for the Castros' strange and unsuccessful experiment to come to an end.

Cubans' frustration is understandable. After years scraping by on the lowest wages in the Western hemisphere, Cubans are tightening belts once again in the face of new dollar restrictions and exchange fees and punishing power and water shortages. The few positive economic measures - the minor market mechanisms adopted in the mid-1990's - are being rolled back. For many Cubans, especially young adults, leaving their country appears to provide the only hope for a better life.

And yet Cubans survive. That is what I want to talk about today - how an endlessly inventive people copes with a regime determined to remain on the wrong side of history. How Cubans defend themselves against a decrepit dictator's whims as they wait, hope and prepare for the day when their talents and energies will be released.

I have spent the past two years on one of the most beautiful islands in the world. From my office on the Malecon, I can see all the way from Vedado to Old Havana, El Moro and beyond. The view is beautiful from my office, but let me tell you, life on the ground is hard.

We could all speak at length about Cuba's economic ills, but it largely boils down to this: most Cubans earn only pesos, but they need dollars to survive. While a few dwindling staples are available at subsidized peso prices in ration stores, some food items and almost all household products and clothing are available only at high prices in dollar stores. I spoke to one young woman who complained she could not find a single store in Havana that still sold soap in pesos. If you need a bottle of aspirin, you'd better be prepared to pay for it in dollars. The same goes for other basics like cold medicine and band-aids.

When peso salaries are converted to dollars, families can barely feed themselves, and there is little room for "luxuries" like children's toys or a night out with the family. The average salary in Cuba is only 260 pesos a month (less than ten dollars). Professor Carmelo Mesa-Lago estimates that average real wages fell 44 % from 1990-2002, while income inequalities expanded exponentially.

Lack of access to dollars is at the root of the growing income inequality. Only 2 percent of the labor force works in tourism. An even smaller group works in other joint ventures. A significant minority of Cubans receives a regular supply of dollars through remittances from relatives in the United States. On November 14, Castro's new 10% tax on dollar exchanges for convertible pesos goes into effect - the convertible pesos will now be required in hard currency stores. Such measures coerce a leery population to shift holdings from dollars to other hard currencies -- or to convertible Cuban pesos which are as flimsy as the paper they're printed on.

Many Cubans without access to hard currency do not regularly get three square meals a day.

The ration card only provides about ten days sustenance, and the rationed food supply is erratic. One ration store shopkeeper took to referring to eggs as “americanos.” Why? Because the government always says the Americans are coming, but they never arrive.

In the countryside, thousands of Cubans have adjusted to eating once a day. UN reports document substantial under-nourishment and malnutrition. And there is little hope that the state will raise salaries to a living wage. In parts of Cuba there is real fear that the misery of the Special Period of the early 1990s is returning.

Cuba's basic infrastructure suffers from systemic neglect. Nowhere is this more clear than in the emerging – and related – crises in water and electricity supplies. Some residents in drought-plagued eastern Cuba go a week or longer without running water. Belatedly, the Cuban government is rushing to build new water systems. But the planned aqueduct from the Cauto River to Holguin is well past the construction deadline, due to poor engineering that led to the bursting of new pipes.

Cuba's energy shortage reached critical proportions this summer. The sulfurous crude oil used in Cuban power plants led to major breakdowns. Last May a turbine rotor of one of the main power-generation plants broke, disrupting the entire electrical grid.

At the height of the summer, when the heat was as suffocating in Cuba as it was here in Miami, Cubans went without electricity for hours and even days at a time. Without lights or fans, Cubans coped by sleeping on their roofs. Food, which is relatively expensive in Cuba, spoiled in non-functioning refrigerators. Scattered protests occurred in Havana, even among a population afraid to vent publicly its frustrations.

Another of the Revolution's major failures is housing. A UN report estimates that nearly two partial collapses occur in Old Havana every three days. One study estimates the housing deficit at 1.6 million units and the percent of housing units that do not meet habitability standards at 39 percent. Cubans worry and complain, and some die in collapsed buildings, but the government does not listen. After all, no Cuban politician's livelihood depends on solving this problem.

With little hope of finding suitable housing, Cubans continue to subdivide already cramped apartments to accommodate the growing demand. Children, parents, grandparents and other relatives live crammed together. Newlyweds carve out a few square feet to start married life, while divorced couples have no choice but to continue to live together.

The decay of Cuba's basic infrastructure is turning two of the triumphs of the Revolution, the health and education sectors, into Potemkin villages.

A Cuban has access to all the doctors he wants, provided he has either dollars or political connections. Without these, the average Cuban can spend months awaiting his turn for surgery. The regime invests heavily in producing a huge surplus of doctors, many of whom are sent abroad to win political capital among Cuba's friends, but skimps on purchasing adequate amounts of medical equipment and medicine.

The most basic medical items, like anesthesia and sterilization equipment, are no longer routinely available. When Cubans go to the hospital, they are expected to bring their own sheets, food and even bandages.

High-level officials don't have to worry about the deterioration of the health care system. They receive excellent care at special facilities reserved for their exclusive use. And foreigners, too, can obtain top-quality Cuban health care, if they pay in hard currencies. In the meantime, ordinary Cubans beg foreigners to buy them painkillers.

One sad anecdote highlights the decline of the health care system: We learned of an elderly

Cuban who was being kept alive on a respirator at a Havana hospital. To prepare for a coming hurricane, city power was turned off, and the hospital generator had only another hour and a half of diesel left. The patient's family hurriedly collected money to buy more diesel for the hospital, so that he would not die when the generator did.

What of Cuba's vaunted educational system? Yes, primary and secondary education is free, as it is in many other non-communist countries. But what of its quality? One report estimated the educational budget contracted by 38 percent from 1989 to 1997. Books, notebooks, pencils and chalk are scarce; school buildings are deteriorating, notwithstanding the occasional coat of fresh paint.

Meanwhile, children are taught to glorify Fidel, Che and five Cuban spies imprisoned in the U.S. They are encouraged to fire imaginary weapons at invading Yankees. Fed Marxist-Leninist balderdash, they are dissuaded from critical analysis.

Secondary school teachers continue to abandon the educational system to work in tourism or other sectors to earn a living wage. The government's response? The "profesores emergentes" program, in which high school graduates are given quick pedagogical training and brought in to teach younger children.

The regime's response to pervasive scarcity, decaying infrastructure and shriveled social programs is a grab bag of half-measures, skewed priorities and disinformation. More often than not, the government-proposed solution is worse than the initial problem.

Many of the stop-gap measures aimed at easing the energy deficit seemingly solve the problem by shutting down what little production there is in Cuba. Too much energy is being used in offices and schools? Shorten the workday and delay school openings. Cement factories and hotels are too energy-intensive? Shut down the main culprits for the month of October.

Yet the regime keeps spending scarce resources on its own strange priorities. There is no housing for young families, but there are buildings for Committees for the Defense of the Revolution on every block. There is little fuel for school buses and ambulances, but plenty to bus in millions of protesters to rallies. There are not enough bandages or sheets in the hospitals, but the regime keeps exporting surplus doctors for political effect.

The greatest waste of all is the massive investment in state propaganda – the political rallies, the international conferences and festivals, and the media monopoly that endlessly depict Cuban triumphs and the rest of the world's woes. The government propaganda machine wastes much-needed resources churning out WEAPONS OF MASS DISTRACTION: newspapers, magazines and radio and television programs that instruct Cubans how they should see the world. .

I venture to say that this propaganda machine could be closed down and few Cubans would care. Except for Fidel Castro, who values controlling Cubans' minds above all else.

Recent government measures are taking the economy in the wrong direction, and will only worsen living standards. In particular, the government is rolling back its mid-1990s introduction of modest market mechanisms such as self-employment opportunities. Since early 2003, under the pretext of clamping down on vice, the Cuban government forced the closure of many private room rentals and peddlers working the margins of the tourist trade.

Dozens of home-based private restaurants that opened across the country ten years ago have closed under heavy tax burdens and official harassment. The government has stopped issuing new licenses for many self-employed categories, such as magicians, video and audio technicians, and secondhand booksellers. Castro still abhors all those who are independent of "his" state.

This year, in an effort to recentralize the economy, the government announced that state enterprises could no longer exchange hard currency among themselves. The government also divested state companies of their side businesses. For example, a commercial group that sells real estate can no longer also run restaurants. Hundreds of hotel managers were dismissed this past summer, as state hotel chains were centralized under two or three mega chains.

Government personnel moves have favored orthodoxy over competence – and sought to cover up mismanagement at the very top. A year ago, Castro prodded Basic Industries Minister Marcos Portal Leon to accelerate the conversion of power plants to run on Cuba's domestically produced, heavy crude oil. Now that the use of domestic oil has led to power station breakdowns, Castro ousted Portal, a convenient scapegoat for Castro's failed plans. Portal was one of the world's longest-serving energy ministers and a manager versed in Western business practices. He was replaced by a young, little-known communist party apparatchik.

Perhaps most discouraging of all, in explaining the moves against the dollar, the regime is returning to rhetoric about a "new man" or a new society. As if Che's non-material incentives had not been proven ineffective over the last 45 years.

Castro's economic policies have been such a disaster that he is making the bad old days look quite good. In the 1950s, Cuba competed with the First World in social and economic indicators. Then, Cuba was the destination for thousands of impoverished European immigrants; now, Cuba is a country with major outflows of migrants, and one tenth of its population in the United States.

Most Cubans have long lost the hope that Fidel is capable of loosening economic controls that make daily life in Cuba so difficult. Cubans often say that the island is shaped like a crocodile, but the regime is more like a frightened turtle, withdrawn into its shell. When Castro visited Vietnam and China in early 2003, and observed first-hand the significant economic changes there, he rejected any such economic opening for his beleaguered country.

Many young Cubans who grew up in the 1990s have known nothing but the struggle to make do with less and less, with little hope on the horizon. On Saturday nights they watch the latest American movies on Cuban T.V., but that's the closest these young people will get to a real supermarket, a real magazine kiosk, a real internet café. Even the most capable among them cannot dream of legally earning a salary of more than thirty dollars a month.

How is it that Cubans have managed to hang on for so long under such hardship? It's been almost fifteen years since the loss of billions of dollars in annual Soviet aid led to the Cuban economy's collapse. How have they coped in a totalitarian state, an island where there is nowhere to hide from a repressive regime?

Cubans have coped by adopting the much-discussed "double morality" (*la doble moral*). The state exhorts them to be good revolutionaries, but good revolutionaries cannot eat on state salaries. They must make money illegally, providing goods or services outside the official economy.

Many people go to work every day, not for the paltry salary, but to use state resources to make money on the side. You may have heard Cubans say they have three basic rights: the right to free education, the right to free health care and the right to steal freely from the state. Cuba has also become the premier destination for sex tourism in this hemisphere, as young women discover they can make as much money in one hour as the state will pay them for a month's work.

The *doble moral* works equally well when people are forced to participate in the government's political activities. When pressed, most Cubans mouth support for the Maximum Leader's obstinate notions about how human nature should conform to his ideals. What's the point of taking a courageous stand against state wishes, many Cubans ask? Why risk state retaliation—a

heavy fine, your child's educational future, your job, even jail -- when it is only a question of a few more years before Fidel dies, and things get better.

Another classic Cuban coping mechanism, of course, is humor. I'm always amazed that within hours of any official misstep, the jokes begin to circulate. When Fidel interrupted emergency radio broadcasts during Hurricane Charley to discuss relations with Venezuela, the Cubans took to calling him Armando Cuesta – as in, "*Armando los venezolanos, cuesta a los cubanos.*" Or, "arming Venezuelans costs Cubans."

Of course, the ultimate coping mechanism is to get out – something Cubans do by the thousands every year. At the U.S. Interests Section in Havana, we issue more than 20,000 immigrant visas a year to Cubans starting a new life in the United States. Thousands more seek illegal migration channels.

We discovered an interesting demographic among those who choose to leave illegally. It is not the youngest Cubans who despair of making a life for themselves, but those in their late twenties or early thirties. Educated with no job prospects. Married and living at home. Supporting a family on a peso salary, but forced to buy everything from soap to cooking oil in dollars.

For those who stay behind, the survival strategy is simple: keep your head down, don't make waves, and await the biological solution. All Cubans, no matter how they feel about the regime, are playing a waiting game these days. Some with anxiety, some with gleeful anticipation.

We must not assume, however, that when Castro dies, Cuba will transform itself into a democracy the following day. Mr. Castro has planned for that day, anointing his brother as successor, centralizing much economic power in the Armed Forces and Interior Ministry, and insisting that his Revolution will survive him.

Moreover, Castro has done his best to thwart the existence of an independent civil society, with an invigorating free exchange of ideas and popular participation in governance.

Most Cubans on the island today have known nothing but communism—70 percent were born after the Revolution. Many Cubans think it's normal that there are exactly 609 candidates for 609 seats in the National Assembly, that a small group of people decide a country's policies, that government controls the most important aspects of their political, economic and social lives. Simply plunking down a genuine electoral system won't be sufficient in the future. It will take at least a generation to acquire the habits of democracy on the island. As Vaclav Havel said in his speech before the International Committee for Democracy in Cuba conference in Prague, after 30 years in jail, the newly released prisoner has trouble making his own daily decisions.

We all recognize change will require hard work, and most of that hard work will have to be done by Cubans. Some Cubans will adapt successfully to earning a living without the state as job provider. Some Cubans will enjoy the rough-and-tumble of politics. Some will be disappointed when democracy doesn't magically solve all of Cuba's ills. We and the rest of the international community can certainly help, but Cuba's future is in the hands of Cubans.

Cuba's courageous pro-democracy activists are already laying claim to a say in their country's future, and are having an international impact. In a country where one man claims to speak for his country against alleged outside interference, the peaceful opposition is reminding Castro and the world that there are 11 million people in Cuba who have the right to have rights.

The dissidents have shown that neither dictators nor outside well-wishers can speak for Cuba or its emerging civil society. The skill and passion with which the dissidents lobbied for the EU countries to keep their Embassies open to the dissidents demonstrates that the varied opposition groups' can make common cause to protect shared principles.

The lonely voices in the opposition are getting less lonely by the day. Fed up by food and power shortages, and the latest government-imposed crises, Cubans are increasingly losing patience with Castro. In the weeks since Castro's well-publicized fall, more and more regime supporters are now saying it is time for Castro to step down.

In a different context 135 years ago, then U.S. Secretary of War Rawlins worried how to resolve Cuba's bloody wars of independence. As he was about to die, he told a Cabinet colleague:

BEGIN QUOTE: I recommend poor and martyrized Cuba to you. Always go on working in favor of the Cubans. Cuba should be free and its tyrannical enemy should be overwhelmed. END QUOTE.

I would like to thank Vaclav Havel in particular for all the work he's done to focus attention worldwide on Cuba. As he said in Prague about Cuba: "I would not think only about removing the dictator, but devote most of my time to thinking about what will come next." He is right of course, and that's why we're here today.

As we think about ways to ease Cuba's transition, we will rely on our EU colleagues to give us the benefit of their experience. After all, eight formerly communist countries met the conditions – notably democratic rule, good governance, market economies -- for joining the European Union since the fall of the Iron Curtain.

Personally, I'm very optimistic about the long-term prospects of Cuba. The Cuban people have the ingenuity of the wind surfer who sailed his way across the Florida Straits and the pluck of the dissident who stays home to fight peacefully for his country's future.

Cuba's friends in this room and around the world stand ready to help, if and when we are asked by a representative, democratic government.
And that day, I'm sure, is not far away.

Thank you.