PD-ABT-166

Fourth Quarter Report to U.S. Agency for International Development
National Policy Association
October 1st – December 31st 2000
Working Group on Best Business Practices in Cuba
Grant No. LAG-G-00-00-00002-00

In the fourth quarter of 2000, NPA continued to direct the work of the International Working Group on Best Business Practices in Cuba, began planning for the Second Annual International Conference on Worker Rights and Best Business Practices in Cuba, continued to build a network of interested parties, and completed the proposal for a one year extension of the USAID grant to NPA.

Financial Cooperation with USAID

In October 2000, USAID granted a no-cost extension to NPA in order continue work on its Cuba project for a period of four months (ending January 31, 2001). During the fourth quarter, NPA not only continued substantive work on the Cuba project, but also used this time period to complete the budget and other technical and administrative aspects of a proposal to USAID for a grant extension in the amount of $199,000. USAID granted this amount to NPA in January 2001.

International Working Group Meeting

NPA's International Working Group on Cuba met on Thursday, November 16, 2000. The agenda for the meeting included discussion on relationships with foreign investors in Cuba, updates on other organizations' work on Cuba issues, planning for the project's second year and discussion on the location, date and potential agenda for the next International Conference on Best Business Practices and Worker Rights in Cuba.

The Working Group agreed that the next conference should be held on June 1, 2001, in Montreal, Canada, as a number of businesses that invest in Cuba are headquartered in Montreal. The Project Director has worked with the Queen Elizabeth Hotel in Montreal to secure meeting facilities and sleeping rooms for conference guests. The Working Group agreed that the agenda should be similar to the agenda for the June 16 conference in Mexico City, but also recommended that we integrate into the conference a panel on planning for a transition to a democratic Cuba and economic/political forecasting as it relates to investment in Cuba. Case studies will be an important part of the agenda, as those who have invested in Cuba are able to give a clearer picture of the labor situation and climate of change in Cuba.

The Working Group also expressed concern that our visa requests had been ignored for the second time by the Cuban Interests Section. While we believe an official Working Group visit to Cuba would be helpful in gaining insight into the current labor situation, the Working Group agreed that our outreach efforts to foreign investors in Cuba will be more effective if we concentrate on home country headquarters.

Expansion of Cuba Database

In addition to the more than 700 contacts in NPA's Cuba database, NPA has added 480 names of foreign investors' offices in Havana. This list was derived from the directory in the CubaNews Business Guide to Cuba 2000. When we begin to publish the Cuba Today newsletter in Spanish, we will use this information to get Cuba Today onto the island, either via Mexico or Canada.

Cuba Today

The Project Director gathered and edited materials for the third issue of *Cuba Today*, which is attached to this report. This issue of *Cuba Today* was an additional issue that was produced under the no-cost extension from USAID. As with all future issues of *Cuba Today,* NPA plans to publish in both Spanish and English. The Spanish translation of the publication will be included in the next quarterly report.

Other Publications

The Winter 2001 issue of *Looking Ahead*, NPA's quarterly journal, focused exclusively on "The Current State of Foreign Investment and Worker Rights in Cuba." The journal includes select presentations from the June 2000 Cuba Conference in Mexico City, including remarks by Benjamin Davis (ACILS), Francisco León Delgado (Institute for European-Latin American Relations), and Otto Reich (US-Cuba Business Council). This issue, which is also attached to this report, will also be translated into Spanish and published for distribution to contacts in Spanish-speaking countries. *Looking Ahead* is distributed to NPA's membership and subscribers.

New Cuba Project Intern

The Project Director hired Jillian Frumkin as the new intern for the Cuba project. Jillian is a second year Masters degree candidate at American University, and she has significant background in responsible investor practices. Jillian's main responsibilities under the Cuba program are to carry on research related to the project as well as to serve as the main contact for the *Cuba Today* newsletter. She is also responsible for building the database by adding new contacts, and she will provide assistance on the Montreal conference. Her resume is attached.

Meetings / Outside Contacts

The Project Director met with a number of individuals in the fourth quarter to build relationships with a variety of organizations.

- Jason Feer (CubaNews)
- María Werlau (Orbis Consulting)
- Ambassador Dennis Hayes (CANF)

- George Plínio Montalván (IADB and co-author of Arcos Principles)

- Andrés Rozental (former Deputy Foreign Minister of Mexico and current Special Envoy for President Vicente Fox)

In addition to the above-mentioned individual meetings, the Project Director attended the Fall 2000 meeting of the North American Committee (NAC), an organization of labor, business and academic leaders from Canada, Mexico and the United States, to discuss the program with NAC members. The NAC initiated NPA's work on responsible business practices and worker rights in Cuba.

CUBA TODAY

Best Business Practices and Labor Rights

Winter 2001 Vol. I, No. 3

The Arcos Principles—Then and Now

by George Plinio Montalván

Senior Management Analyst, Inter-American Development Bank

When Rolando Castañeda and I prepared the Arcos Principles in late 1993, modeled after the Sullivan Principles, we were under no illusions about their application. First, it was immediately clear that important organizations in the Cuban community would not support the principles on the grounds they could be a means of, or a pretext for, lifting the U.S. embargo. Second, the Sullivan Principles were largely a U.S. initiative based on (a) the significant presence of U.S. corporations in South Africa that could pose a credible threat by disinvesting and (b) on linkage of anti-apartheid actions with the U.S. civil rights movement, one of the defining issues of the last half of the 20th century in this country. We tried to make the case that a kind of apartheid exists in Cuba in terms of access by ordinary Cubans to facilities operated by joint ventures with foreign investors. However, neither of the overriding factors of the Sullivan Principles was applicable to Cuba, thus significantly reducing the feasibility of applying the Arcos Principles.

Today, at the Castro regime's forty-second anniversary, the situation regarding joint ventures and violation of labor rights remains largely unchanged. The question is, therefore, has anything changed in the international environment that could favor implementation of best business practices (BBP)? Further, if there has been a change, what could be some points for a strategy to bring about at least partial implementation?

THE INTERNATIONAL ENVIRONMENT

The Cuban Community

Over the past eight years, thinking in the Cuban community has evolved regarding the embargo. During the first half of the 1990s, it was thought that the embargo could become a decisive factor in ousting a regime significantly weakened by the collapse of the socialist bloc. This reasoning led to the enactment in a national election year (1992) of the Torricelli law. By the next national election year (1996), the idea was to punish foreign investors, seen to be the regime's saviors, through the Helms-Burton law. Many attribute the continued growth of foreign investment and tourism to President Bill Clinton's suspension of application of Title III; some undoubtedly look forward to its implementation under President George Bush, regardless of its implications vis-à-vis other countries.

The thinking of many in the Cuban community has thus evolved from trying to overthrow the Castro regime to developing actions or policies that promote transition rather than succession when Castro dies. The community's influence on Cuba policy—thought to have been irreparably weakened by Jorge Mas Canosa's death and the Elián González episode—has no doubt been revived by the community's crucial election support for President Bush.

U.S. Policy

The situation in the United States has also changed considerably regarding Cuba. During the early 1990s, it was

INSIDE . . .

Fifth Report on Cuba 3
Pax Christi Netherlands

Cuba Today's Future Look 4

2nd Annual Cuba Conference on Best Business Practices 4

Members of the Cuba Working Group 4

(Montalván continued)

thought that the disappearance of the socialist bloc, together with pressure exerted by the embargo, would inevitably force the Cuban regime to liberalize its economic policies and to reduce its human rights violations. Track II of the Torricelli law was designed to this end, and many Cuba experts expected Castro to respond to the combination of pressure and a quid pro quo approach from the United States.

However, by the beginning of 1997, many considered it certain that there would be no significant liberalization in Cuba, and they argued that any modification of U.S. policy should respond to considerations related to the national interest. The national interest meant that, upon Castro's demise, it was important to avoid prolonged bloodshed and chaos that might lead to intervention, drug trafficking, international criminal activities, and a considerable flow of refugees. To some, the policy response could be a relaxation or lifting of the embargo without reestablishing diplomatic relations, under certain conditions; those conditions would not favor succession, but would attempt to build bridges and develop a new class of potential "losers" from social disruption that would help prevent a bloody upheaval.

To this thinking add the preoccupation of withholding food and medicine from a needy population, the increased pressure from the U.S. business community against embargo policies in general, and the interest in countering the development of competitive advantage in Cuba by European and Canadian investors. The result has been a series of proposals, including recommendations by the Council on Foreign Relations for an "independent" study of labor rights in Cuba.

The EU's Approach

Throughout the 1990s, the European Union (EU), led by Spain, took the position of engaging Cuba through investment and full diplomatic relations to foster liberalization and respect for human and labor rights. Indeed, the socialist government of Felipe González was Cuba's strongest international supporter. The election of José María Aznar and the Partido Popular in early 1996 with the solid support of the business sector spelled continuity for the policies of encouraging investment and trade with Cuba.

It should be noted that Spain's most important labor unions, the UGT and CCOO, defended the Castro regime despite its violations of labor rights. This policy of engagement was maintained even after Manuel Marín, the Spanish minister for the EU, traveled to Cuba in a futile attempt to convince Castro to liberalize. (Indeed, Marín's experience led most policymakers on both sides of the Atlantic to accept the premise that Castro would never liberalize.) Nonetheless, yet another "European" attempt to encourage liberalization came in 1998 with Pope John Paul's trip to the island, where he repeatedly stressed the need to open up "space" for Cubans to have more direct control over their lives. The futility of this approach is well-documented in Pax Christi's fifth report on Cuba in September 2000. The question at present is what will be the impact of Castro's refusal to endorse a resolution condemning ETA (the Basque separatist organization) at the recent Ibero-American summit, not so much in terms of Spain's and the EU's approach to Cuba, but rather vis-à-vis the United States when negotiations on Title III of Helms-Burton take place.

CONCLUSION

From this viewpoint, the situation in the United States in 2001 is likely to combine an initial reluctance by President Bush to suspend application of Title III of Helms-Burton—leading to negotiations with the EU—with a continuation of pressures to lift the embargo. Perhaps Arcos/BBP can somehow be included in the EU/U.S. solution to Title III. However, the Cuban regime will never accept implementation by joint ventures of Arcos/BBP, for that would create a sizable and growing class of high wage individuals acting independently of the state. On the other hand, this very fact might make Arcos/BBP an acceptable condition to the Cuban community for lifting or relaxing the embargo.

Propagation of Arcos/BBP may be possible, but is implementation? An activist approach by Western governments might provide a test and perhaps lead the way. Embassies in Havana operate under the same restrictions and participate in the same labor rights violations as joint ventures—paying Cubalse, S.A., the state employment agency, in dollars for workers (state security operatives) supplied, while Cubalse pays them approximately 10 percent of their dollar wages in pesos. Private investors operating in Cuba are unlikely to try to implement Arcos/BBP if Western governments are unwilling to take the first step. •

The views expressed in this article are those of the author and in no way represent the official views of the Inter-American Development Bank.

Fifth Report on Cuba

Pax Christi Netherlands

RECOMMENDATIONS

Pax Christi believes that the U.S. embargo and Cuba's isolation do not serve to improve the lives of the Cuban people, and it welcomes the new measures in the United States. However, if the international community wants to be effective about encouraging a peaceful transition to democracy and respect for human rights, it will have to rethink its strategy for Cuba. The international community has decided to make Cuba a special case in international relations and should implement policies that in the long term will benefit the Cuban people instead of the current government. As long as the Cuban government is able to dictate terms to the international community, there is no realistic chance that the regime will give up power now or after Castro dies. The only hope for Cuba's dissident groups and civil society is for the international community to develop a common and proactive strategy. The following are recommendations to further this discussion.

International Community and Investment

As long as the international community is divided, the Cuban government will be able to exploit these differences and dictate terms to increasingly frustrated governments. Only through a common framework that demands basic internationally recognized rights, such as the fundamental International Labor Organization (ILO) conventions, can the international community have a positive long-term effect in Cuba. Canada, the European Union (EU), and the United States should set up a dialogue aimed at overcoming their differences in this area. Together they should work for the right to contract, pay, and promote workers directly without government interference. Independent labor unions and collective bargaining should be demanded as a condition for investment, as well as the possibility of private enterprise and property for Cubans. Political discrimination in employment should not be accepted. The famous business guidelines for foreign investors as expressed by Cuban dissidents in the *Principios Arcos* (1994) should be known and seriously taken into account by all foreign investors.

Keep Up the Spirit of the Common Position (Brussels 1996)

In the past decade, the international community has responded to the plight of the Cuban people and economy by granting humanitarian and financial aid and investment to Cuba. In return, the Cuban government has done nothing more than repress its people. The international community should not increase its economic assistance until the Cuban government moves to recognize independent groups, such as free labor unions, to allow freedom of expression and association and release of political prisoners. International human rights organizations should be given access to the island, and the International Red Cross should be permitted to visit the numerous prisons.

U.S. Example to the Europeans

U.S. policy is slowly becoming more open. American businesses should set an example for their European competitors by insisting that internationally recognized labor rights be observed before they invest. The National Policy Association, an association of Canadian-U.S.-Mexican entrepreneurs and labor unions, has issued a series of valuable recommendations on the subject.

EU Policy

EU policy is in disarray and has lost credibility. European governments are more worried about what other European governments are doing in Cuba than about the effectiveness of their policies. The EU should ensure an overhaul of its policy to better reflect European values and respect for human rights and democracy. EU policy should also outline how European governments will ensure that their initiatives do not in the long term create a new system, which will continue to oppress the Cuban people.

European and Canadian Investors

Foreign investment as a tool for constructive engagement is useful only if it is accompanied by safeguards for the people. Otherwise, protecting foreign investment will become the main priority of foreign governments. Respect for national laws must be weighed against respect for international standards of human rights. The EU and Canada, as the main foreign investors in Cuba, have the power to demand that certain rights be observed as a precondition for further investment. They should discuss how to safeguard the human rights of Cubans working in foreign firms and should define guidelines for foreign investors.

Include Internal Opposition

Most foreign governments have developed policies for Cuba, which do not take into account the views of Cuban civil opposition. Because they have chosen to have the Cuban government as their partner, their strategies indirectly make dissidents an obstacle. Governments should focus less on their own ideas of how Cuba should be transformed and more on what the people of Cuba are demanding. The previously mentioned *Principios Arcos* are guidelines that should be observed in the first place.

This article reprints the "Recommendations" in "The European Union and Cuba: Solidarity or Complicity?" *Fifth Report on Cuba*, by Pax Christi Netherlands (Utrecht, Sept. 2000), pp. 31-32; reprinted by permission, Pax Christi Netherlands.

6

(Pax Christi continued)

Include Miami

Europeans generally view the Cuban exile community in Miami through the prism of the transatlantic relationship. Furthermore, they accuse the exiles of wanting to go back and reclaim what was rightfully theirs in 1959. European governments should take into account that Cuban American exiles are also victims and should be included in international discussions on the future transition.

Support Civil Society

Harassment of dissidents and independent initiatives by civil society has become much more institutionalized and subtle. Dissidents are not only harassed, but their belongings are also constantly confiscated. They are often not allowed to work or participate in the social and economic life of the country. Therefore, the EU should set aside special funds to help these groups and to support independent civil society initiatives on a long-term basis. •

Cuba Today's Future Look

Beginning with the March 2001 issue, CUBA TODAY will be published in both English and Spanish, with eight pages of industry-specific information for potential and current investors in Cuba. The March issue will look at the tourism industry, with subsequent issues exploring foreign enterprises in Cuba in telecommunications, agriculture, and mining. *CUBA TODAY* provides dialogue on interactions between Cuban workers and foreign investors in the region.

2nd Annual Cuba Conference

On June 1 in Montreal, the Cuba Working Group will hold its second "Conference on Best Business Practices in Cuba," the first having been held in Mexico City in June 2000. Business and labor representatives will focus on ways to promote best business practices among corporations with existing investments in Cuba

For details, contact Kaylin Bailey, Program Director, kbailey@npa1.org.

Members of the Cuba Working Group

- AFL-CIO American Center for International Labor Solidarity (ACILS)
- American Chamber of Commerce of Cuba in the United States (AmCham Cuba)
- Consejo Mexicano de Comercio Exterior (COMCE)
- The Conference Board of Canada
- Florida International University
- Instituto Tecnológico Autónomo de México (ITAM)
- National Policy Association
- Pax Christi Netherlands
- Prince of Wales Business Leaders Forum
- United Food and Commercial Workers International Union (UFCW)
- U.S. Chamber of Commerce
- U.S. Cuba Business Council
- Confederation of Netherlands Industry and Employers (VNO-NCW)

CUBA TODAY

Winter 2001 **Vol. I, No. 3**

Published by National Policy Association.

This newsletter was made possible through support provided by the Bureau for Latin America and the Caribbean, U.S. Agency for International Development. The views expressed by the authors are their own and do not necessarily represent those of USAID, NPA, or the member organizations of the Cuba Working Group.

Cuba Program Director
Kaylin Bailey

Editor
Martha Lee Benz

Production
Mary A. Haldeman

NATIONAL POLICY ASSOCIATION
1424 16th Street, N.W., Suite 700
Washington, D.C. 20036-2229
TEL 202-884-7628 FAX 202-797-5516
npa@npa1.org www.npa1.org

NATIONAL POLICY ASSOCIATION
1424 16th Street, N.W., Suite 700
Washington, D.C. 20036-2229

ADDRESS SERVICE REQUESTED

NONPROFIT ORG.
U.S. POSTAGE PAID
Bowie, Md.
Permit No. 4434