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Trading With the "Enemy": Canadian-Cuban Relations in the 1990s

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"Viva el embargo!" or "Turn the Page on Cuba"? These two titles from recent articles in the Canadian press reflect Canada's somewhat ambiguous position vis-à-vis the U.S. embargo of Cuba. Economically, Canada should benefit from the embargo; Cuba is an increasingly open market in which Canadian companies do not have to compete with Americans. Politically, Canada's Cuba policy has provided, at least until recently, a relatively painless way for Canada to assert its independence from the United States in the realm of foreign policy.

Canada and the United States have coordinated policies on Bosnia, Haiti, Myanmar (formerly Burma), and China. Cuba is the one country where Canada insists on following a different path toward the same policy goal. Yet, since 1990, the United States has been placing ever greater pressure on Canada to join Washington's policy of isolation, first through the Cuban Democracy Act and more recently through the Helms-Burton legislation.

There is a great deal at stake for Canada. The United States buys 80 percent of Canada's exports, and the C\$600 million or so per year in Canadian-Cuban trade is nothing compared to the approximately C\$1 billion per day in Canadian-U.S. trade. At the same time, trade with Cuba is extremely important to certain industries and regions in Canada, namely the mining industry and the maritime provinces. Canada's Cuba policy enjoys wide domestic support, especially since the United States challenged it through the Helms-Burton legislation and thereby made it a more visible issue. In a 1996 national poll, some 71 percent of Canadians supported the government's position on Helms Burton.

The Canadian government must walk a thin line to avoid either jeopardizing its important relationship with the United States or appearing weak domestically in the face of U.S. pressure. Why do Canadians insist on dealing with Cuba when so much is at stake? To answer this question, we must first consider the nature of Canadian-Cuban economic relations, then explore the dynamics of the Canadian-Cuban-U.S. policy struggle.

ECONOMIC RELATIONS

In 1991, Cuba lost its most generous trading partner, the Soviet Union, which had provided oil at highly subsidized prices and purchased Cuban sugar at prices above the world market rate. This devastating event, and the consequent need to attract hard

currency through tourism and foreign trade, forced the government to loosen its grip somewhat on the country's economy. Between 1990 and 1995, Cuba legalized the circulation of U.S. dollars, permitted self-employment in over 130 professions, and converted the majority of state farms to cooperatives or collectives. It also allowed produce and artisan markets to reopen, cut subsidies, permitted foreigners to purchase real estate, and encouraged joint ventures with outside investors.

In September 1995, Cuba's National Assembly of People's Power approved what appeared to be a progressive new investment law. The initiative clarified laws to guarantee the free repatriation of profits, spelled out how businesses were to be run and business disputes settled, made it possible for foreign investors to own 100 percent of their enterprises, allowed the government to create duty-free zones, and emphasized guarantees to foreign investors against expropriation and third-party claims. There was a concurrent increase in Canadian-Cuban activity. Whereas in 1990 there were only two joint Canadian-Cuban ventures, there are now some thirty in place and several more under negotiation. Canada ranks among Cuba's largest investors, and Cuba has become Canada's second-largest trading partner (after Puerto Rico) in Central America and the Caribbean.

After three years of growth (reaching 7.8 percent in 1996), independent economists in Cuba estimate that the island's gross domestic product will increase by only 2 or 3 percent in 1997. Overall foreign investment in Cuba has also slowed since 1996. This is due in part to the impact of Helms-Burton and in part to an apparent decision by the Cuban government to hold back on further economic reform (see "Cuba's Employment Conundrum--Pushing the Limits of Debate: January to July 1995" by Gillian Gunn Clissold, Cuba Briefing Paper Series no. 14, May 1997).

Nevertheless, Canadians are still investing in Cuba in large numbers. A Canadian diplomat residing in Havana observed that Helms-Burton had an initial chilling effect on large-scale Canadian investors and banks. At the same time, however, the publicity surrounding the legislation has attracted many small and medium-sized companies with no stakes in the United States, companies previously unaware of the complementary nature of the Cuban and Canadian markets. As for the Cuban government's apparent slowing of reform, Canada has chosen to continue its approach of dialogue and flexibility, in contrast to Europe, whose December 1996 "Common Position" links future cooperation to proof of progress toward democracy. This has made Canada what one foreign journalist calls "flavor of the month" as a joint venture and trading partner for the Cuban government.

TOURISM

Since 1990, Cuba has focused on tourism as one of the most significant ways of gaining hard currency. The number of tourists visiting Cuba increased by 195 percent between 1990 and 1995, and foreign exchange generated by tourism amounted to an estimated US\$1.38 billion in 1996. Canadians in particular have flocked to Cuba, making up

approximately one-fourth of all tourists each year since 1992. In 1996, Cuba became Canada's number one Caribbean destination, receiving approximately 183,500 Canadian visitors. For Canadians, Cuba's biggest drawing points are "sun and sand" and "value for money." Because the Canadian dollar has been so weak in the past few years, this last aspect cannot be stressed enough. Cuba is cheap for Canadians; packages including round-trip airfare from Toronto, seven nights' lodging, two meals a day, and airport transfers can cost as little as six hundred U.S. dollars per person. Although Spain, Germany, and Mexico were all operating hotels by 1992, only in November 1993 did the first Canadian company, Delta Hotels, sign an agreement with one of Cuba's state-run tourism agencies to manage three properties in Santiago and Holguín. Under the agreement, Delta is responsible for management, marketing, and product distribution costs. It receives a base management fee and an incentive fee tied to profits. Cuba provides the hotels and Delta provides the expertise, but is not obliged to risk any of its own money. Delta president and chief operating officer Simon Cooper expresses the cautious mind-set of most Canadian hotel operators with regard to Cuba: "As you can imagine, we're hardly likely to go down there and invest not knowing the market, not knowing the circumstances, not knowing the economic environment. So the arrangement is relatively simple. Our investment is limited to our skill, expertise, and marketing ability."

Like Delta, other Canadian firms steered clear until recently of purchasing or constructing hotels and limited their role in Cuban tourism to providing technology, management, and marketing. Ironically, the first big Canadian investor to catch on to tourism development is a Vancouver mining company. News broke in July 1996 that Wilton Properties Ltd is heading a US\$400 million ten-year development initiative that includes eleven hotels in and around Havana as well as tennis courts, golf courses, a marina, and a shopping center. The project includes 4,200 rooms to be owned and managed by Wilton in cooperation with Gran Caribe, one of Cuba's state-run tourism entities. This overshadows by far the largest prior Canadian investment in tourism—a Canadian tour operator's management (not ownership) of eight hundred rooms. Canadian companies are more aggressive in another area of the tourism sector, namely supplying tourism-relevant (and especially hotel-relevant) goods and services such as food, phone systems, paper products, and building materials. Examples of this type of trade include the following:

Labatt Blue and Labatt Ice beer, both produced in Nova Scotia, are exported to Cuba. Pizza Nova of Toronto has opened Cuba's first Canadian-style pizzeria. A Quebec construction company helped build the Varadero airport and also rebuilt parts of Havana's José Martí international airport. (Another Canadian company installed the aeronautical landing equipment and a third company supplied the kitchen equipment.)

Canadian companies are aware that providing supplies and services for the tourism industry involves the risk of being displaced by U.S. competitors once the embargo is lifted. There may still be some truth to a 1993 remark from Canada's previous commercial counselor to Cuba: "What we supply could be much more easily provided for in southern Florida."

IMPORTS AND EXPORTS

Nevertheless, the export activities that would be threatened by U.S. competition (e.g., high-quality food, bottled water, and beverages) have been overshadowed since 1993 by a number of traditional Canadian exports that are far more competitive, including cereals, wood and paper, nonferrous metals, fertilizers, feedstocks (potash), and fabricated products. Such Internationally competitive exports should increase significantly in a postembargo Cuban economic recovery.

When the United States reenters Cuba, Canadian exports of machinery and equipment will face a major challenge, but there are several types of capital equipment exports that should do well as the Cuban economy recovers. The most promising future exports include machinery and equipment for mineral exploration, extraction, and processing; cars; specialized trucks and buses; medium-sized aircraft; railway rolling stock; telecommunications equipment; and electrical generation and distribution equipment. The exports most likely to suffer as a result of U.S.-Cuban rapprochement are pharmaceutical inputs, plastics, rubber, some iron and steel products, and light consumer goods such as fabric, clothing, footwear, furniture, and sports equipment. (See Archibald R. M. Ritter, *Consequences for Canada of Prospective Cuba-United States Relations: From the "Helms-Burton" Bill to Rapprochement* [Ottawa: Carleton University Development Studies Working Paper 15, 1996], pp. 38-43.)

As the table on overall Canadian-Cuban trade indicates, trade relations have remained solid over the last half-decade, even though Cuba's economy experienced a decline of at least 60 percent between 1990 and 1995 (by which year Havana had only one-fourth of its 1989 product-import purchasing power).

The box on merchandise trade between Canada and Cuba reveals the mutually beneficial nature of the Canadian and Cuban markets. Among other things, Canada imports from Cuba nickel, sugar, seafood, and cigars, while Canada exports to Cuba necessary items such as machinery, vegetables (mostly potatoes and peas), cereals, and meat. Due to increasing awareness of this market complementarity, as well as renewed Canadian governmental support for trade with Cuba and the previously mentioned modest relaxation of Cuba's economic controls, two-way trade has shot up dramatically in the past three years, going from C\$319 million in 1994 to C\$691 million in 1996. Although Canadian imports from Cuba have declined in the first six months of 1997 (C\$197.3 million as compared to C\$227.5 million in the first six months of 1996), Canadian exports to Cuba are up from C\$137.9 million to C\$185.9 million.

INVESTMENT

Statistics Canada has estimated Canada's total direct foreign investment in Cuba at C\$6 million for 1993, C\$162 million for 1994, and C\$105 million for 1995 (book value). It must be noted that all such figures are subject to debate given the Cuban government's

tendency to exaggerate and the desire of Canadian investors to keep a low profile. The figure for 1996 has not been released yet, but Canadian diplomats report unofficially that Canadians made the largest number of capitalized investments in Cuba among foreign investors.

The most lucrative and mutually beneficial investments for Canadians and Cubans are joint ventures in the mining of nickel and other metals. Cuba has large reserves of copper, lead, zinc, silver, and gold. It also holds an estimated 27 percent of the world's nickel and cobalt. Canadians are world leaders in moving from general geological knowledge to the specifics of ore body discovery, delineation, and mine development. After the collapse of the Soviet Union, Cuba began to open up and detailed geological surveys and aeromagnetic maps began to circulate in the minerals community. Canadian mining interests quickly took stock of the opportunities, and Canadians now dominate the Cuban mining sector. Eleven out of twelve joint exploration or mining ventures in Cuba involve Canadian companies. Most of the contracts are based on a fifty-fifty venture whereby, once the project reaches the exploitation stage, the two parties invest equal amounts and the Canadian operator is allowed to repatriate its full share of dividends and profits.

Something of a division of labor is evolving between small and large Canadian companies involved in minerals exploration and mining on the island. The "junior" mining firms aim to do scouting work and mine feasibility studies that will enable them to sell their mining sites at a profit. The large mining companies that purchase them will then make the major investment in the development of the mines. The scouting work involves locating ore bodies and estimating their size through extensive exploration, drilling, and sampling. In total, large and junior Canadian mineral enterprises have signed contracts to explore blocks that account for almost 25 percent of Cuba's territory. The most recent investment was made by the mining company KWG Resources in July 1997. The company agreed to invest US\$300 million to complete construction of a nickel mine in Cuba, "the biggest [investment] by a Western company there," according to a company spokesman. One important investor is Sherritt International, a major Canadian mining company that owns 50 percent of a vertically integrated joint venture that mines, processes, refines, and sells commodity nickel and cobalt worldwide. The mining and processing are done in Cuba and the refining is done in Alberta. Both plants are jointly owned and jointly administered. From the metals Sherritt makes slugs that are turned into coins and artificial hip joints in Canada. With the help of Sherritt, Cuba nearly doubled its nickel output between 1994 and 1996. The Moa plant alone produced 26,034 tonnes of nickel and cobalt in 1996, an increase of 26 percent over 1995 and more than 100 percent over the 1994 base of 12,549 tonnes. Despite low nickel and cobalt commodity prices, Sherritt earned a net profit of C\$40.1 million in Moa and Fort Saskatchewan in 1996. According to Sherritt, growing profits are a result of improved management practices and a successful refurbishment program in both locations.

In the summer of 1994, Canada Northwest Energy Ltd (a subsidiary of Sherritt) struck oil offshore. The Cuban government was thrilled--it has been desperate for oil since Soviet supplies were cut off and rationing became necessary. A contract was negotiated whereby Sherritt, through a subsidiary, holds a 100 percent working interest in four production

sharing contracts with the government. The four contracts encompass most of the existing oil fields in Cuba. In return for a percentage of the incremental oil production, Sherritt agreed to provide services and technical assistance to improve the production of selected wells and to drill new wells. Most recently, in January 1997, another joint venture was created to build a gas-powered electricity generating plant.

Sherritt International's share of the oil averages 3,920 barrels per day, and the Cuban government buys all the oil that is currently produced at the world market price. Sherritt originally had hoped that production from its three offshore oil fields might outstrip Cuba's needs, making it possible to export Cuban oil, but today that seems a mere pipe dream. According to an official at the Canadian embassy in Havana, Cuba was only able to produce 10 percent of the oil needed for domestic consumption in 1996. Moreover, domestically produced oil is of relatively poor quality because of its high sulfur content. Sherritt International's latest annual report reflects a more suitably moderate goal: "the Corporation [will continue to optimize] its enhanced oil recovery program in Cuba, [to pursue] further delineation of discoveries in its non-Cuban exploration properties and [to reap] the benefit of cash flows from its mature properties in Italy and Spain."

All in all, the Cuban ventures in oil, gas, nickel, and cobalt helped contribute to Sherritt International's net profit of C\$13 million in the second quarter of 1997. Because of the opportunities present, the high profits obtained thus far, and the solid relationship Sherritt has developed with the Cuban government, the corporation decided to consider investing in other areas of the Cuban economy such as communications, finance, transportation, property development, and sugar. Sherritt raised C\$675 million (C\$375 million more than they were expecting) for such investments through convertible debentures sold in November 1996. As of June 1997, however, none of the money had yet been invested. According to a Western diplomat in Havana, "Sherritt thought they could diversify beyond nickel, but suddenly found themselves unable to break through." The Cuban government may be nervous about letting even a tried and true partner such as Sherritt enter other areas of the economy, but it could also be that Sherritt is taking its time, a measured approach for long-term capital investments," as stated by one of Sherritt's senior vice presidents.

Another important and innovative area of Canadian investment in Cuba has been biotechnology. York Medical, a Toronto-based pharmaceutical company, received the first Canadian International Development Agency "Industry" loan (see box on CIDA's Industrial cooperation Program) for investment in Cuba in September 1994. Cuba granted York Medical licenses to test and market human and veterinary pharmaceuticals produced by the island's state-run biotechnology industry (one of the most scientifically advanced in the developing world). The deal includes clinical trials in Canadian biotechnology centers, the transfer of technology, and training and participation of Cubans in the development, marketing, and selling of the products. York Medical has five joint ventures with Cuban institutes that plan to develop about fifteen Cuban products. The first group described as "low-risk, easy-to-market" items, include a sugar-cane extract used as an antibacterial and antifungal cream; Undertan, an extract from red mangroves

used to disinfect cow udders; Diramic, an antibiotics testing system; Heberkinasa, which dissolves blood clots; and an epidermal growth factor to diagnose and treat tumors. A Toronto Star article dated July 14, 1996 pointed out that this "growing chemistry" between Canada and Cuba is a happy match. For Cuba, Canada serves as a "scientific reality check" as well as a global contact--European doctors will more readily trust a Canadian medicine than a Cuban one. The Canadian-Cuban deal will function as a partnership. This contrasts with the deal previously proposed by a U.S. firm that illegally offered to pay millions in cash to the Cubans to take the patents and manufacturing out of the country--"leaving Cuba with a royalty but no control or potential for growth." The journalist boasted that Cuba likes to deal with Canada because "we think like Americans without acting like them."

On the other side, Canadian investors can take advantage of the fact that Cubans have solid scientific training and a literacy rate that is higher than Canada's. Also key is the Cuban "can-do attitude." As the Toronto Star article pointed out, "these are people who keep 40-year-old Buicks running with Russian parts, coat hangers and tape." The potential for future product development is impressive. According to a recent estimate cited in the article, Cubans manufacture 1,140 different diagnostic products as well as thirty nonprescription drugs and 132 generic products. The biotechnology ventures promise to be lucrative; in the words of York Medical's President Diane Kalina, "we feel like we discovered a mine."

WHY INVEST IN CUBA?

With this profile of Canadian trade and investment in mind, we may now reconsider why Canadian businesses insist on trading with Cuba when so much is at stake in terms of relations with the United States. What are the benefits of this trade and investment? In the spring of 1995, the U.S. Columbia Journal of World Business came out with an evaluation of "Business Risks and Rewards of Cuba" that helps to answer this question. Some of the most salient "rewards" for trade with Cuba include the following: a virtually untapped domestic market of 11 million people--a market with little product competition and the opportunity to obtain product name recognition; the possibility of negotiating extremely favorable investment arrangements; early market entry that provides a low-cost business, comparatively low-cost labor, low operating expenses, and, once the embargo ends, an opportunity to operate in a growing domestic and export market or to sell the Cuban enterprise to a U.S. business for a good profit; a well-educated workforce that is highly motivated to work for foreign companies; and entry and operation in a uniquely located emerging market without U.S. competition (the negative aspect of this situation is that the same embargo protecting Canadian enterprises in Cuba from U.S. competition also excludes them from selling on the U.S. market).

There are two other benefits specific to Canada. The first is that the Cuban government is especially receptive to Canadian companies because Canada and Mexico were the only two countries in the Americas that never severed economic and political relations with Cuba. The second is the previously indicated complementary nature of the Cuban and

Canadian markets. Canada's expertise in mining is useful for both countries when applied to Cuba's mineral wealth, and while Canada supplies much-needed technology and colder-climate vegetables, Cuba supplies desirable warm-climate products such as sugar, coffee, tobacco, and citrus concentrate that could not be produced in Canada. Moreover, because Cuba is the largest island in the Caribbean, doing business there can offer Canadians a strategic position with respect to other complementary Caribbean and Latin American economies.

As noted above, the quality of Cuban labor can be considered a positive factor--one for which many Canadian investors have expressed admiration. A leading executive associated with Delta Hotels described the Cubans as pleasant and friendly workers. Another tourism executive described "a qualified workforce at Third World wages" as the greatest advantage Cuba has to offer. The Honourable Douglas Lewis, current chairman of the Cuba-Canada Business Committee, described Cubans as "well educated and eager to learn" in a recent interview.

The Cuban workforce is, indeed, well educated. According to the latest census results cited in the 1995 Columbia Journal of World Business article, only 1.9 percent of the population between ten and forty-nine years of age did not know how to read or write. The same source indicates that one-third of all persons between the ages of twenty-five and thirty-five had completed one or more education levels of high school, college, vocation-technical school, pedagogical school, or university. In regional terms, although Cubans represent only 2 percent of the total Latin American population, they have 12 percent of its engineers.

It is sometimes assumed that a workforce accustomed to socialism would not work as hard as "capitalists," but previously mentioned statements seem to contradict this. The Columbia Journal of World Business suggests a plausible explanation: "While it may be true that many Cubans do not work at a job, it is no less true that the conditions of austerity require them to spend most of their working hours 'making a living,' that is, engaging in a myriad of activities within the informal economy"—a pursuit that requires "resourcefulness, inventiveness, ingenuity, creativity, motivation, and perseverance."

These qualities have become even more essential since the U.S. dollar was legalized in 1995. Cubans are desperate for access to dollars, and one of the best ways to obtain them is through a job in tourism or employment at a foreign company. A laborer in construction now working for a Canadian firm described his quest for a job in this way: first, he tried to get into tourism, but that was not possible because he had no personal connections. Next, he approached a Cuban foreman at the joint-venture company where he now works. There, he reports being advised to offer a "gift" to the foreman. He did so and was subsequently hired.

According to this worker, Canadian bosses demand higher productivity, but they are reasonable and easy to deal with ("they push but they don't order around"). They also pay significantly more than Cuban companies and most offer a monthly bonus-- package

containing soap, shampoo, and other such items. The worker at first described the contents as "porquerías [trash]," but then he admitted that his sisters were happy to receive them, and any extras could be traded on the black market for goods or cash. Because foreign jobs are few and far between, Cuban workers are highly motivated to work hard as employees. This is especially true in the case of nickel mining, where workers' productivity markedly increased after Sherritt introduced such improvements in working conditions as the provision of helmets, steel-toed boots, three meals a day, and a fund to fix up worker housing that provides access to shingles, tools, bricks, and paint brought from Canada.

DETERRENTS TO TRADE AND INVESTMENT

As we have seen in the previous section, the Cuban workforce itself has much to offer the prospective investor. However, the labor market could easily be considered a deterrent to foreign investment. Foreigners operating in Cuba must grapple with a government-mandated employment system that is indirect and costly. Companies must hire all their employees through an employment agency. Although they have the right to fire a worker and request a replacement, employers are not permitted to select the candidate of their choice in the first place. They are also required to pay the employment agency rather than paying the worker directly, and they are asked to pay a monthly base salary plus an additional 25 percent for pension, workers' compensation, and holiday pay.

The government pays the worker in pesos rather than dollars, and it also reserves the right to "rationalize" or "equalize" salaries. As a result, York Medical, for example, has no control over how much a scientist they are ostensibly paying four hundred Canadian dollars per month plus one hundred Canadian dollars in benefits actually receives. The concepts of incentives or stimulation pay are foreign to the socialist system, so it is extremely difficult for Canadian companies to offer a high base salary or productivity bonuses. In fact, Canadian diplomats working at the embassy were not willing to discuss "bonuses" because they are out of necessity under the table. Only the employment agencies in Havana's free-trade zones are currently able to offer incentives, and only one company, Sherritt International, has written into its contracts the permission to offer bonuses in dollars.

Although many foreign investors officially subscribe to the goal of promoting "best business practices" in Cuba, this is hard to do. "Best business practices" include respect for internationally recognized labor rights: workers' rights to organize, employers' rights to hire and pay employees directly, nondiscriminatory employment, safe workplaces, and environmental protection. Only in the realm of working conditions has there been some indication of success. According to a Sherritt executive vice president, improvements in Moa are having a ripple effect on mining conditions across the island. Apparently, workers are asking the government why a company that belongs to the "cruel" capitalist system is providing steel-toed boots and meals for them while the "benevolent" state enterprises do not, and their tactic is getting some results. As for the other "best business practices," foreign companies have little space for maneuver. The Cuban system does not

allow workers to organize outside of the state-run unions and the employment agency hiring system makes it difficult for employers to guarantee nondiscriminatory employment.

Apart from the Cuban labor system, other factors deterring Canadians from trade with Cuba include the following:

Adequate or appropriate infrastructure for distribution and communications is lacking.

Supplies and spare parts are difficult to obtain and expensive if bought locally.

Transportation is unreliable, making it difficult to move workers and products around.

Office space is scarce; therefore acquiring it is a slow and expensive process.

There are less than two telephones for every ten Cubans, connections are weak, and international calls and faxes are expensive.

Shortages of fuel lead to frequent electricity blackouts.

Hard currency is scarce for both government entities and private citizens.

The bureaucracy, complex Cuban legislation, and the practice of referring decisions to superiors make negotiations slow and costly. (Canada's Department of Foreign Affairs and International Trade advises that only "grown-ups" or export-ready companies can afford all the "frequent and long-lasting personal visits" essential to success in Cuba.)

Negotiations are difficult because changes are often made during the translation stage. For example, a joint-agreement document drafted in English may come back with ten to twenty changes per page when translated to Spanish. Almost all of these are simply cosmetic changes, but the "nuisance" changes serve to obscure the small number of material changes where the original intent has been significantly altered.

As in many other developing countries, customs procedures can be time-consuming and expensive.

There is always the risk of "owning" or "sharing" contested land--5,911 U.S. expropriation claims (US\$1.8 billion, or US\$5.6 billion with interest) have been filed since 1961.

Many of these difficulties can be surmounted. As we saw in the tourism and investment sections, Canadian operators are importing their own supplies for the hotels they manage. Rental cars, buses for employees, and cellular phones can help get around the transportation and communications problems, and generators can be purchased to minimize the effect of power blackouts. However, it is up to the Cuban government to

improve the overall economy (and access to hard currency) and to change the attitude of the bureaucracy.

The current atmosphere in Havana is quite negative in this respect. If the reform process is conceptualized as an accordion, the Cuban government is now in the squeeze stage. In June 1997, for example, a new housing law was passed that pressures foreigners seeking rental accommodations to go through the state system. If they rent privately, their landlords will be taxed at a rate several times greater than the rent they currently charge. Given that there are now more than seven hundred requests for accommodations on the state waiting list, foreign businesspeople will have to stay in hotels or pay the high rents newly taxed landlords will be forced to charge. A foreign journalist residing in Havana remarked that "businessmen are frustrated. They feel that the government took one step forward and is now taking three steps back."

In an effort to ease potential investors' insecurities and garner high-profile international support, Cuba is signing foreign investment protection agreements with as many countries as possible. Such agreements have already been signed with twenty-five countries (six in 1997 alone), including Italy, Spain, Russia, and Germany. Canada is currently in the process of negotiating an agreement with Cuba, but, according to Canadian officials, the two countries have a different perception of what the agreement should achieve. Cuba wants a somewhat superficial accord, one just solid enough to foster a sense of stability for investment and to function as a public show of support that rebuffs the U.S. policy of isolation. Canada wants a pragmatic agreement that will codify the investment process, define a mechanism for dispute settlement, and guarantee national treatment for Canadian companies.

The Canadian embassy staff in Havana has been working hard on this agreement, and it should be noted that their efforts are largely responsible for the increased volume of trade and investment between the two countries. Ambassador Mark Entwistle met with businesspeople to advocate trade with Cuba on many occasions during his visits back to Canada. The trade counselors working under him doubled as business consultants for companies interested in trading or investing in Cuba. It remains to be seen what the next stage of Canadian-Cuban economic relations will look like. This will depend largely on what type of role--proactive or passive--Canada's new ambassador to Cuba, Keith Christie, will play.

THE POLITICAL DIMENSION

The complementary nature of the Canadian and Cuban economies partially explains why Canada engages Cuba, but a full answer must encompass politics as well. The aspect of independence from the United States in the realm of foreign policy mentioned in the introduction cannot be emphasized enough. Canadian politicians are often accused of being "pushed around" by the Americans, and an independent Cuba policy has allowed them to play, over and over again, the nationalist sovereignty card.

Canadian politicians defend their independent stance by arguing that the policy on Cuba is consistent with Canada's foreign policy as a whole. First of all, historically, Canada has recognized the established government of any country, regardless of ideology, as long as it has popular support. This policy is based on the belief that influence and example can only be imparted through trade and engagement. Second, Canadian officials are pushing for a "team approach" to promote free trade and integration throughout the hemisphere, arguing that isolation could promote rash moves and a hemispheric crisis.

The United States has maintained a trade and investment embargo against Cuba for more than thirty years. Proponents of the embargo believe that Washington must withhold legitimacy and resources from the Castro regime in order to promote a peaceful change to democracy. Canada, on the other hand, believes that Cuba must be treated as a proud, sovereign country where pressure to improve human rights and achieve political pluralism can be achieved only through dialogue and exchange.

Until recently, Canada has been able to pursue quietly a distinct approach to Cuba, maintaining and increasing economic relations and forging political ties with the Castro regime. However, the 1990s have seen several attempts on the part of the United States to force Canada to adopt its approach. The Cuban Democracy Act and its successor, Helms-Burton, are designed to discourage Canada from engaging Cuba, but they have actually served to make Canada even more determined to follow its own, independent policy. The following sections of this paper will first review the historical context of this dispute and then explore the recent escalation of the Canadian-U.S. policy struggle over Cuba.

HISTORICAL CONTEXT

John Diefenbaker was Canadian prime minister when the 1959 revolution in Cuba occurred, and his decision to maintain diplomatic ties with the island became the basis for subsequent bilateral relations. Canadian scholars have suggested three factors to explain why Diefenbaker chose not to follow U.S. foreign policy. First, he believed that Canada stood to gain economically; Canadian subsidiaries of U.S.-based companies could provide to Cuba spare parts and machinery blocked by the embargo. Second, as already mentioned, Canada's approach has always been to recognize the government of the day as long as it enjoys popular support. The third factor relates to the prime minister himself. There was profound mutual antipathy between Diefenbaker, a politician of modest social origins, and the sophisticated, wealthy President John F. Kennedy. Diefenbaker considered Kennedy "pathologically ignorant" about Canada and "crossed him at every opportunity." (See John Kirk, Peter McKenna, and Julia Sagebien, *Back in Business: Canada-Cuba Relations After 50 Years* [Ottawa: Canadian Foundation for the Americas (The FOCAL Papers), 1995]. A more comprehensive study on Canadian-Cuban relations is John Kirk and Peter McKenna, *Canada-Cuba Relations: The Other Good Neighbor Policy* [Gainesville, Florida: University Press of Florida, 1997].)

Since Diefenbaker, the first two factors have remained constant. However, prime ministers and the political context have varied. In contrast to Diefenbaker, Lester B.

Pearson was a close friend of Kennedy, so during the Pearson years (1963-1968), Canadian-Cuban relations were "coldly correct." Canada did not offend Havana but did nothing to develop ties. Under Prime Minister Pierre Trudeau (1968-1979 and 1980-1984), the Canada-Cuba relationship became closer. Trudeau's administration initiated foreign and defense policy reviews that resulted in a new policy statement entitled Foreign Policy for Canadians. The new formulation called for a "Third Option" that would diversify relations away from the United States.

Cuba was a part of that strategy. In the 1970s, Canada became Cuba's major capitalist trading partner, displacing Japan and France. Canadian exports to Cuba rose from C\$44.9 million in 1968 to C\$452.3 million in 1981; Cuban exports to Canada rose from C\$5.1 million to C\$196.5 million over the same period. The two countries began to develop Cuba as a tourist market for Canadians, and Canada allowed Cubans to fish in Canadian waters. Much of the Cuban bureaucratic infrastructure in Canada was established under Trudeau, including Cuban consulates in Montreal and Toronto. Of no small importance, Trudeau was the first NATO leader to visit Cuba in 1976. Nevertheless, when cold war tensions began to rise near the end of the 1970s, even Trudeau had to recognize that Cuba was not "behaving"; in 1978, all government-to-government support was cut, with the exception of humanitarian aid, because of Cuba's involvement in Angola. Subsequent Prime Minister Brian Mulroney of the Progressive Conservative Party returned to Pearson's "coldly correct" approach. Exports and imports decreased, and the Canadian government avoided confronting the United States over the latter's policy of isolation until the passage in 1992 of the U.S. Cuban Democracy Act.

THE CUBAN DEMOCRACY ACT

The Cuban Democracy Act of 1992 states: "The President should encourage the governments of countries that conduct trade with Cuba to restrict their trade and credit relations with Cuba." The Act prohibits any foreign vessel that trades with Cuba from landing at a U.S. port within 180 days after departure from the island. It also closes an important loophole in the Trading with the Enemy Act by prohibiting foreign subsidiaries of U.S. firms from being licensed for trade with Cuba.

After the Cuban Democracy Act became law, Canada responded by prohibiting Canadian subsidiaries of U.S. companies from complying. As then-Minister of Justice Kim Campbell stated, the Foreign Extraterritorial Measures Act (FEMA) was "intended to protect the primacy of Canadian trade law and policy. If left unchallenged, the measures passed by Congress. . . . would be an unacceptable intrusion of U.S. law into Canada." As of August 1993, about twenty cases of FEMA violations by U.S. subsidiaries were under investigation by Canada's Department of Justice. The double legislation put U.S. subsidiaries in a legal cross fire; most chose to respect the Cuban Democracy Act. As a result, the U.S.-owned companies lost business to their Canadian-owned counterparts.

The most effective element of the Cuban Democracy Act has been the 180-day exclusion of Cuba-trading vessels from U.S. ports. This makes transportation more complicated and expensive for foreign companies wishing to import or export goods.

The Act has also affected tourism and telecommunications companies. Formerly, Canada was often used by U.S. citizens as a go-between for travel to and communications with Cuba. In June 1993, however, Canadian travel agencies suddenly found themselves unable to book flights to and from Cuba. Out of fear that they might be found liable under the new Act, the Colorado-based company that provided computerized flight information for Canadian clients had cut off the needed services. The move not only prevented Canadian travel agents from reserving flights between Canada and Cuba, but also made it impossible to book places on regular flights linking cities in other countries such as Spain or Mexico with Cuba.

Official comments made at the time offer a glimpse of the Canadian attitude. Minister of Justice Campbell declared: "the U.S. should not be regulating what we do in Canada. . . . If we want to send our people there, that's our business," a sentiment that was reiterated by Lloyd Axworthy, then a deputy in Ottawa, who stated: "I'm incensed. This is a question of Canadian sovereignty, integrity, and control over our own institutions."

Prior to 1994, at least a dozen telecommunications firms operating in Canada relayed phone calls from the United States to Cuba. Because of a declining level of service between the United States and Cuba, these companies prospered despite charging up to twenty-six U.S. dollars for a three-minute call. In July 1993, following complaints from AT&T that loss of business to the Canada-based resellers had forced it to phase out 220 jobs at its Pittsburgh international operating center, the Canadian-based services were targeted by the Clinton administration. The administration blocked the toll-free numbers used by the Canadian companies, and reminded U.S. subsidiary companies that individuals violating the Trading with the Enemy Act risked a fine of five hundred thousand U.S. dollars plus a ten-year jail sentence.

As noted above, Washington's efforts to prevent trade with Cuba actually helped wholly owned Canadian companies beat their U.S.-owned competitors. This was certainly true in the case of telecommunications. During the Cuban refugee crisis in 1994, a host of small Canadian firms made money by relaying phone calls, sending packages, and transferring money to Cuba from Cubans in the United States. According to an August 25, 1994 Chicago Tribune article, twelve Canadian communications companies' circuits were "jammed by over 6,000 calls a day from anxious relatives since the latest exodus of boat people began." It was only after the Clinton administration allowed more U.S. telecommunications companies to transfer calls from the United States to Cuba that demand for Canadian resellers came to an end.

Lloyd Axworthy's and Kim Campbell's remarks reveal the Canadian government's anger over the extraterritorial nature of the Cuban Democracy Act. In November 1992, shortly after the Act was passed, Canada joined with other members of the United Nations General Assembly to retaliate symbolically against the United States by passing a resolution calling for an end to Washington's embargo against Cuba. Without mentioning

the United States by name, the resolution expressed concern over "the promulgation and application by member states of laws and regulations whose extraterritorial effects affect the sovereignty of other states." It asked all countries to "refrain from promulgating and applying [such laws] in conformity with their obligations under the Charter of the United Nations and international law" and urged states that have such laws to repeal them. The General Assembly voted fifty-nine to three in favor of the resolution. Although Canada voted against the U.S. embargo in 1992, it abstained in a 1993 UN vote, claiming that the resolution was directed too precisely at Washington. This diplomatic shift is a reflection of Canada's precarious position vis-à-vis the United States and also the important role played by the prime minister. At the time, Progressive Conservative leader Brian Mulroney was concerned about jeopardizing U.S. congressional approval of the North American Free Trade Agreement (NAFTA).

With the exception of the port landing rule and the U.S. retaliation against telephone relay services, the Cuban Democracy Act has until quite recently served mostly as a symbolic threat. An assessment of the "Impact of the United States on Foreign Investments in Cuba" conducted by the Columbia Journal of World Business in the spring of 1995 concluded that "there is very little empirical evidence that the United States has retaliated against a foreign business with respect to their U.S. business activities as a result of their business relations with Cuba. In fact, many foreign businesses actively operate in Cuba and actively operate in the U.S. market, in particular, South Florida." The same journal indicated that perhaps the most severe impact of the embargo has been on the United States: "It is estimated that the U.S. trade embargo of Cuba has cost U.S. businesses and consumers between \$15 billion and \$30 billion during the course of the sanctions policy."

FOREIGN POLICY FOR CANADIANS, REVISITED

In Canada's late 1993 electoral campaign, the Liberals severely criticized Mulroney for "bending over backward" to pass NAFTA and promised to follow a more independent foreign policy. The Canadian government's approach to Cuba has been far more assertive since the 1993 Liberal victory. Leadership can partially explain the change in policy: Prime Minister Jean Chrétien and the man he appointed minister of foreign affairs, André Ouellet, were both Trudeau lieutenants. The revised Cuba policy should also be considered in the context of the changes occurring throughout the hemisphere.

Jean Chrétien's 1995 "trade team Canada" tour of several countries in Latin America and the Caribbean was the first trip to South America by a Canadian prime minister since 1981, and he openly stated that his goal was to diversify trade. In a rather bold comment quoted in the Argentine newspaper *La Nación*, Chrétien revealed his cynicism about U.S. policy: "We have got to stay united, because the United States will try to divide us to the extent that is possible." He allegedly went on to say that the United States has always wanted to sign two-way deals that would put it at the hub of trade in the hemisphere; therefore, "the smaller ones like Canada, Mexico, and Chile. . . must get together." The trip came after the December 1994 Miami Summit of the Americas, in which Canada agreed to work toward the establishment of a Free Trade Area of the Americas by the

year 2005. Since then, Canada has been promoting NAFTA accession as the preferred route for free trade agreements in the Americas while at the same time strengthening its political and economic presence in Latin America and developing trade relations with Mexico, Chile, and Cuba, among others.

In March 1994, Minister of Foreign Affairs Ouellet spoke at a news conference to express Canada's more proactive approach to U.S.-Cuban relations:

We cannot stay idle in the face of basic needs of the population of Cuba. . . . This is an area where we hope the Americans could turn the page as they have done in regards to Vietnam. Canada will encourage the new Clinton administration to have a fresh look at Cuba. Every effort should be made to try to help the evolution to have Cuba reintegrate with its partners in the hemisphere. [Emphasis added by author]

Ouellet was the first Canadian official in the 1990s to speak so candidly on the need for a U.S. policy change.

Four months after Ouellet's declaration, Canadian Secretary of State Christine Stewart visited Havana, where she endorsed her country's investments in Cuba and announced the reestablishment of Canadian development assistance to Cuba. An initial C\$360,000 was offered in emergency food aid to children or breast-feeding women through the World Food Program and C\$720,000 was promised within the year. Ottawa announced a further C\$2 million in development assistance to Cuba in the summer of 1997. Canadian International Development Agency credits have also been established to help Canadian companies do feasibility studies for joint ventures or economic associations with Cuban companies or entities.

Four months after aid was reestablished, Stewart urged the Organization of American States to consider ending the suspension of Cuba's participation in the OAS. "The isolation of Cuba is unhealthy," she argued, "and it's within all of our interests to support change in Cuba that is positive and healthy." She expressed Ottawa's view that industrial countries need to become more involved in alleviating Cuba's economic and social problems before they lead to an explosion. At the United Nations, Canada has returned to supporting Cuba's motion against the U.S. economic embargo along with a growing number of other nations (137 against 3 in 1996). Nevertheless, beneath their moral declarations the Liberals are pursuing a trade-driven foreign policy. As evidenced in the sections of this paper on economic relations, Canada wants to establish as many commercial ties with Cuba as possible before the window of opportunity offered by the embargo closes.

THE HELMS-BURTON ACT

In response to the continuing stream of high-profile Canadian, Mexican, and European investments in Cuba, and the concerns of important domestic constituencies, Senator Jesse Helms (R-North Carolina) and Representative Dan Burton (R-Indiana) initially

proposed their "Cuban Liberty and Democratic Solidarity (Libertad) Act" (widely known as "Helms-Burton") in February 1995. The legislation was enacted in March 1996, immediately after the Cuban military shot down two unarmed civilian planes piloted by Cuban exiles. (The text of Helms-Burton is available on the Internet at <http://www.usia.gov/topical/econ/libertad/libertad.htm>.)

Among other things, Helms-Burton aims "to strengthen international sanctions against the Castro government," "to protect United States nationals against confiscatory takings and the wrongful trafficking in property confiscated by the Castro regime," and "to provide a policy framework for United States support to the Cuban people in response to the formation of a transition government or a democratically elected government in Cuba." Titles I and II codify the embargo, making it impossible for the president to lift it unless the House of Representatives and the Senate agree. Title III states that "any person that . . . traffics in property which was confiscated by the Cuban Government on or after January 1, 1959, shall be liable to any United States national who owns the claim to such property for money damages." So far, this Title has not been implemented because President Clinton has used his discretionary power to postpone it for six-month periods; nevertheless, the postponement can be lifted at any time.

Title IV of the Act instructs the secretary of state to deny a visa to any alien who (1) has confiscated property owned by a U.S. national, (2) traffics in such property, (3) "is a corporate officer, principal, or shareholder with a controlling interest of an entity which has been involved" in confiscating or trafficking in such property, or (4) "is a spouse, minor child, or agent of a person excludable under" the preceding three categories. The Act's definition of a "trafficker" subject to visa denial is strikingly all-encompassing (see subsection (13) of Section 4 of the Act).

This portion of the Act has been enforced, but selectively. Only the executives of high profile companies operating on allegedly confiscated property have been banned from the United States. The author believes that it is no coincidence that the two targeted companies, Sherritt International and Grupo Domos, were Canadian and Mexican. (Grupo Domos has now pulled out of Cuba, so only Sherritt's top executives are currently banned from the United States under Title IV.) It seems that Washington is singling out Canadians and Mexicans because (1) they are not "cooperating" as well as the Europeans and (2) their close proximity to and economic ties with the United States make the two countries most susceptible to pressure.

Jorge Dominguez, a Latin American expert at Harvard University, called the legislation "the Canada-Bashing Act of 1995," and commented that, technically, "a Canadian travel agent booking space for a tourist in a Cuban hotel built on expropriated land might be barred from entering the United States." No bans of such a far-reaching nature have been implemented since President Clinton signed Helms-Burton in March 1996; however, it can be argued that the law was intended to operate upon a principle of 99 percent fear and 1 percent punishment, and its all-encompassing definition of trafficking certainly fosters such fear. (The author can testify to the reluctance of Canadian businesspeople to speak of their activities in Cuba even off the record with a fellow Canadian.)

CANADA'S RESPONSE TO HELMS-BURTON

As with the Cuban Democracy Act, the Canadian government responded to Helms Burton with accusations of extraterritoriality and passed countermeasures prohibiting Canadian companies from following the U.S. legislation. The Foreign Extraterritorial Measures Act was amended by Bill C-54, passed on 1 January 1997. The Bill includes a blocking provision declaring that no Helms-Burton judgment will be enforced or recognized in Canada. It also creates a clawback provision that allows Canadians to recover in Canadian courts any amounts awarded under these rulings, as well as their court costs in Canada and the United States. Finally, it increases significantly the penalties for complying with "objectionable foreign laws."

Like Helms-Burton, FEMA seems to operate more on a symbolic "fear" level than anything else. For example, when the U.S. firm Wal-Mart Stores told its Canadian subsidiary to take all Cuban pajamas off its shelves, and Wal-Mart Canada did so, a Foreign Affairs spokesman stated: "I [had] a chat with a colleague over at Justice this morning and certainly they'll be taking a look at this issue. . . . On the face of it, it does give the appearance that there might be something to look at here." In response to this pseudo-threat, a Wal-Mart store manager came up with the argument: "[Some customers] were upset because they felt. . . . it was in some way hypocritical that we would be profiting from selling a Cuban product in Canada that we are not allowed to sell in the United States." It is questionable whether Canadian Wal-Mart consumers would be so concerned for their U.S. counterparts, but, in any case, Wal-Mart ended up returning the pajamas to its shelves.

The Wal-Mart incident underlined two things: (1) It would be difficult for the Department of Justice to prove that a Canadian company acted in compliance with the embargo or Helms-Burton as opposed to some other plausible reason. (2) Both Helms Burton and FEMA provide backing for statements, threats, and counterthreats but seldom lead to implementation or prosecution. (To date, no prosecutions have been launched under FEMA's blocking borders related to the Cuban Democracy Act and Helms-Burton.)

EXERCISE THE NAFTA OPTION?

Canadian experts quite rightly argue that the FEMA amendment may boost the morale of company owners, but it will not get the United States to drop Helms-Burton. Barry Appleton, a Canadian lawyer specializing in NAFTA, says: "In some ways the Canadian government hasn't gone far enough. Let's see them bring the NAFTA case. They said they have it ready. There is no question that this is a violation of the NAFTA. It's not even debatable." Indeed, where is the NAFTA case?

On 2 May 1997, Canada's Globe and Mail published a story titled "EU Chastises Canada: Says Ottawa Should Have Challenged the U.S. Helms-Burton Law Under NAFTA."

According to the article, written shortly after the United States agreed to negotiate with the European Union (EU) on Helms-Burton in order to avoid facing a World Trade Organization (WTO) panel, EU Trade Commissioner Sir Leon Brittan declared: "The EU was told that it wasn't a question of whether but when, so I find it a little curious that we have gone ahead and challenged the U.S. and taken a very high profile action and got some progress. . . . and Canada has held back on NAFTA."

A Canadian official at the Department of Foreign Affairs and International Trade told this author with pride that the WTO challenge used by the EU was drafted by Canadians, and added that Canada was a third party in the challenge. The official also remarked that Canada has gone through all the necessary steps to issue a challenge under NAFTA (two rounds of consultations, NAFTA Commission meeting, etc.), but the challenge has not been initiated. As Brittan declared: "we put our head on the chopping block and Canada has declined to do so. . . . It's quite clear that Canada [is] scared."

Only an insider could explain what kind of deals were made in the back rooms to make Canada restrict itself to third-party status in the WTO challenge and hold back on NAFTA. The obvious reasons can be seen by the outsider: Canada is economically dependent on the United States and it is safer for Canadian politicians to stand by and watch the powerful, independent Europeans act before making a move themselves. Aside from the symbolic FEMA, Canada's reaction to Helms-Burton in trade forums has been characterized by high-profile "empty" threats and behind-the-scenes action; however, that has much to do with the thin line mentioned earlier--the line between Canadian nationalism and economic reliance on the United States.

HELMS-BURTON'S AMBIGUOUS IMPACT

In June 1995, four Canadian-Cuban companies formed by what was then Sherritt Inc. were blacklisted as "Cuban agents" by the U.S. Department of the Treasury. Sherritt was cited repeatedly during that year's hearing on the Helms-Burton bill, and many commentators agreed that the move was an effort on the part of the Clinton administration to assuage critics of Clinton's diplomatic approach to Cuba and to limit support for the Helms-Burton bill. The blacklisting did not cause the desired effect. In fact, the day after it occurred, Sherritt's share prices rose. Also, Sherritt ingeniously responded to the blacklisting by splitting into two independent publicly traded companies, one (Viridian Inc.) to hold Sherritt's Canadian assets and the other (Sherritt International) to handle investments in Cuba. After Helms-Burton was signed, Sherritt Chairman Ian Delaney, one of Cuba's highest-profile "friends," was the first to be officially banned from the United States. He seems to share the attitude of Cuban Exploration President Allan Kent, who said, "I don't know if I can go to Vegas or not, but so be it." (Kent closed a deal to probe 6,960 square kilometers of island oil leases in Cuba on the same day that President Clinton signed Helms-Burton.)

Nevertheless, the "fear of Helms" has affected one major Canadian company. In response to a June 1995 query by a group of mining analysts as to whether INCO would be

exploring ventures in Cuba, President Scott Hand stated: "INCO sells quite a lot of nickel in the U.S. and the U.S. position with Cuba is quite clear. We do not want to affect [the relationship with U.S. clients.]"

REDEFINING CANADA'S CUBA POLICY

One positive side effect of the U.S. extraterritorial initiatives has been to force Canada to define its Cuba policy more explicitly. A June 1997 statement by the Department of Foreign Affairs and International Trade described Canada's objectives in Cuba as follows: Support for a positive, peaceful evolution to a society with full respect for human rights, genuinely representative government institutions, and an open economy; the promotion of concrete Canadian interests, especially to build on commercial activities; and encouragement of Cuba's full, constructive participation in international affairs.

The same policy statement explains that Canada "shares with the U.S. the goal of peaceful reform in Cuba, but disagrees with the U.S. on how to achieve this goal." The disagreement between Canada and the United States has become increasingly bitter since the passage of Helms-Burton. Speeches made by the president (July 1997) and the U.S. Department of State (Peter Burns and Stuart Eizenstat, between January and July 1997) consistently leave Canada out when outlining what U.S. "allies" have done to promote human rights in Cuba. Meanwhile, Canada plods along, promoting human rights in any way it considers possible.

In January 1997, Lloyd Axworthy, named in January 1996 to replace Ouellet as minister of foreign affairs, went to Cuba to negotiate a joint declaration covering a wide range of political, economic, and social issues. This visit was a part of Canada's effort to increase the frequency and level of official contacts with Cuba. The Canadian secretary of state for Latin America and Africa visited Cuba in 1994, followed by the Canadian minister of fisheries and oceans in 1995. The Cuban minister of foreign affairs visited Ottawa in the same year, as did the president of the National Bank of Cuba and the minister of foreign investment and economic cooperation. The logic behind these visits is that high-level official contact will help reinforce mutual respect and encourage frank and open dialogue.

Axworthy sought to place human rights on the list of priorities in response to Cuba's retreat from the timid political reforms that had been expected to accompany the 1993 economic reforms. (Recent speeches made by Fidel and Raúl Castro, as well as the agenda for the Fifth Party Congress, attest to this pullback.) As is obvious from its text, however, the January 1997 Joint Declaration was a negotiated document (see box). About half of the items reflect Canadian interests and the other half Cuban. The agreement signed by Axworthy and his Cuban counterpart, Roberto Robaina, was a significantly watered-down version of the original. It ended up being a sort of "wish list" for both countries, and did not address human rights or governability as much as Canadian officials had hoped.

Nevertheless, the Canadian government, with the help of the Canadian International Development Agency (CIDA), is doing what it can with the fourteen-point agreement. A Dialogue Fund of C\$1.2 million is to be spent over the next three years to push through portions of the first five elements of the agreement. An additional C\$14.5 million will be put toward programs in food assistance, training, and macroeconomic development. Canada's current activities in Cuba include the following:

Legal-Judiciary: The Cubans have proposed three areas of activity currently under consideration by the Canadian government: (1) development of a computer-based information exchange between countries; (2) exchanges between Cubans and Canadians to talk about legal-judicial issues; (3) assistance of legal publications in Cuba. CIDA hopes to apply a legal-judicial "diagnostic" created by the dean of law at Canada's McGill University to evaluate the weaknesses and strengths of the Cuban system.

Parliamentary: The Canadian Head of Parliament and his staff have visited Cuba twice, and the chief Cuban counterpart went to Canada in 1996. The Canadian Speaker and his staff are working on a cooperation agreement with Cuba's National Assembly on parliamentary structures and institutions. The hope is that more power will be granted to the National Assembly, where genuine debate does take place. In October 1997, Cubans from the Assembly participated in one-week seminars on how the Canadian parliamentary system works, including expositions on the library, the committees, and question periods.

Civil Rights: Canada will help Cuba reestablish within the National Assembly of People's Power a Citizens' Complaints Commission (there used to be one but it has become almost obsolete). CIDA has hired a former president of the International Ombudsman Institute to conduct a needs analysis with the staff at the current Public Complaints Commission in Havana. After the diagnostic is completed, CIDA hopes to assist in training, equipping, and promotion of awareness that the Complaints Commission is a place to claim citizens' rights.

Individual and Collective Rights: A first round of post-agreement human rights consultation took place between senior Canadian and Cuban diplomats in Havana in February 1997; further consultations are scheduled to take place during the first quarter of 1998. In these consultations, Canadian officials emphasized political and individual rights, but they also underscored that Cuba should try to integrate itself more into international forums such as the UN, ratifying conventions on economic and social rights, as well as international counterterrorism agreements. Lower-level seminars have also been held in Havana and Ottawa on children's rights (May 1997) and women's rights (June 1997). Although these seminars take place only on topics of "mutual concern," they allow Cubans to consort with Canadians from the nongovernmental sectors and give them the chance to coordinate on new issues such as unpaid labor and pensioning for home workers. On a more day-to-day level, the Canadian embassy in Havana is in constant contact with a number of human rights activists and, according to a foreign journalist

residing in Havana, the embassy is more active than most European embassies in the realm of human rights promotion, though these activities are low profile out of necessity.

Food: CIDA is ensuring that C\$5 million worth of material assistance will be administered through a counterpart mechanism to support Cuban nongovernmental organizations (NGOs). When a food product is sent to Cuba, the Cuban government will place a countervalue in a bank account specifically for NGOs. It was a slow process for CIDA to ensure this procedure for a forthcoming donation of canola oil because the Cuban government is reluctant to support NGOs, but it succeeded in the end. CIDA is hoping to support a conference being organized by Canadian NGOs in Havana in order to help foster a more positive image of such organizations.

Economic Assistance: Canada is offering training on how to administer taxation and central banking. Canadians are also training working economists, offering economics courses at the University of Havana, and sponsoring Cuban students to come to Canada to study economics.

Many of these activities could be considered low cost and most aim at long-term impact; however, they do underscore that Canada is trying to promote civil rights, governability, and the free market in any way it sees possible. Canada has been undertaking similar activities since the early 1990s, and that is why Canadians take offense when Americans accuse them of opportunism at the same time that they praise Europe and Latin America for their cooperation.

CONCLUSION

Big statements; small, persistent actions. This is what defines Canada's two-track Cuba policy. Statements coming from the Canadian embassy in Washington indicate that Canada will seek to improve human rights and governance in Cuba through dialogue and trade. Off-the-record conversations with Canadian officials in Ottawa and Havana tell a different story. Canadians do not have any illusions of grandeur. The way they see it, the best they can do is to help "lay down track" in the realms of taxation, legal-judicial administration, governance, and human rights for Cubans to walk down in the future. They hope that dialogue will have a demonstration effect on the future leaders of Cuba. They also hope that exposure to different models and streams of information will help Cubans make sound decisions for themselves. But they know that they cannot release political prisoners from another country's jail, they know that they cannot tell Cubans what to do, and they know that Cubans will only take from them what they wish. As long as U.S. policy continues to foster a siege mentality, the Cuban government will continue to use the embargo as an excuse to curb civil and political freedom.

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Merchandise Trade Between Canada and Cuba (in millions of Canadian dollars)

Exports to Cuba

Product 1994 1995 1996

Machinery 15.26 37.51 54.04

Vegetables 25.29 15.23 36.83

Cereals 0.00 34.42 28.60

Meat 5.11 12.30 21.82

Iron/Steel Products 5.25 9.54 15.64

Elect. Machinery; Sound/TV 7.26 11.32 15.31

Vehicles (not railway) 9.89 15.75 15.02

Fertilizers 5.27 21.35 13.91

Salt; Sulfur; Earth; Stone 1.06 11.56 12.88

Imports From Cuba

Product 1994 1995 1996

Nickel & Articles Thereof 112.33 237.87 316.75

Sugars 48.70 57.54 59.15

Fish and Seafood 23.02 14.37 12.30

Precious Stones, Metals 3.71 1.53 3.81

Tobacco 1.63 2.63 3.39

Woven Apparel 1.75 1.78 1.79

Source: Global Trade Information Services, Inc. (GTI), World Trade Atlas - Canada, June 1997.

Overall Trade Between Cuba and Canada (in millions of Canadian dollars)

Year Exports Imports Total

To Cuba From Cuba

1992 136.7 256.1 392.8

1993 146.2 171.5 317.7

1994 124.8 194.4 319.2

1995 277.7 320.9 598.6

1996 289.4 401.2 690.6

Source: Statistics Canada.

CIDA's Industrial Cooperation Program (INC)

The Investment section of the Canadian International Development Agency's Industrial Cooperation Program (INC) helps eligible Canadian firms, especially firms in the manufacturing and service sectors, to conduct in-depth studies of the potential for concluding long-term cooperation agreements, such as joint ventures and licensing agreements, with firms in developing countries. Its purpose is to help Canadian firms to assess (through a viability study) the appropriateness of concluding sustainable partnership agreements in developing countries. If the firm decides to go ahead, it receives assistance enabling it to transfer the appropriate technical and management skills to the local partner (through a project support mechanism).

INC Investment Section

Mechanism

Viability Study

Project Support

Sector

Manufacturing

Goods and services

Manufacturing

Goods and services

Objective

Signature of a joint

Venture or licensing

Agreement

Implementation of joint venture or licensing agreement

Content

Market analysis

Environmental

(biophysical and social impact) assessment

Gender analysis and plan to integrate women fully in the project

Training plan

Business plan

Approval by authorities

Implementation of a training program

Implementation of an environmental
(biophysical and social impact assessment) management plan
Implementation of the plan to integrate women fully in the project
Technology transfer

Source: Canadian International Development Agency information package about INC.

Joint Declaration of the Ministers of Foreign Affairs of Canada and Cuba

The Minister of Foreign Affairs of Canada, the Honourable Lloyd Axworthy, visited the Republic of Cuba on January 21 and 22, 1997, responding to an invitation made to him by the Minister of Foreign Affairs of Cuba, His Excellency Roberto Robaina Gonzalez. . . .

Both Ministers reaffirmed the high value of the long-standing and uninterrupted bilateral relationship between Canada and Cuba since its establishment in 1945. . . .

. . . . Canada and Cuba have agreed to advance towards new initiatives within the framework of their bilateral relationship.

These initiatives encompass a wide range of political, economic and social issues.

In this context, they had the opportunity to assess a number of areas in which both governments have agreed to work jointly. Among these areas, the following examples can be cited:

1. Cooperation in the area of the administration of justice and the judicial-legal system, including exchanges of judges and judicial training.
2. Support exchanges between the House of Commons and the National Assembly, focusing on the operations of both institutions.
3. Exchange of experiences between both countries relating to the Cuban intention to strengthen within the National Assembly of People's Power a Citizens' Complaints Commission.

4. Broadening and deepening cooperation on the issue of human rights, which will include the preparation of seminars on diverse matters of mutual interest, academic exchanges between officials, professionals and experts, as well as sharing experiences and positions on the work of the specialized organizations of the United Nations.

5. Supporting the activities of Canadian and Cuban non-governmental organizations within the framework of bilateral cooperation between both countries and in accordance with the laws and regulations of each country.

6. Continuation of macroeconomic cooperation, with an initial focus in the areas of taxation and central banking, while studying joint areas in which Canada might continue to support the Cuban policy of economic reform.

7. The negotiation of a Foreign Investment Protection and Promotion Agreement.

8. Further collaboration on narcotics interdiction, including the negotiation of a bilateral accord.

9. The establishment of bilateral conversations on the issue of international terrorism and its prevention.

10. The negotiation of a Memorandum of Understanding between Health Canada and the Ministry of Public Health of Cuba.

11. The negotiation of an audio-visual co-production agreement.

12. The renewal of a bilateral Sports cooperation accord.

13. The exploration of possibilities for joint research and development and cooperation projects in developing countries in the areas of health and environment.

14. The provision of food aid in response to the damage caused by Hurricane Lili.

Ministers Axworthy and Robaina welcomed these initiatives as a further example of the constructive collaboration which exists between both their respective governments and

looked forward to continuing to work in the future on bilateral cooperation on a broad range of economic and social issues.

Havana, January 22, 1997