

The social and governance dimension of EU policy towards Cuba

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General remarks

Inside and outside its borders, the EU is a highly fragmented, value-oriented actor. Good governance (democracy) and social justice (welfare State) are part of the European identity and the *acquis communautaire*. Both principles are respected in theory –foundational treaties, Charta of Fundamental Rights and Declarations – and in the practice of integration – democratic conditionality, structural and cohesion funds. The European model of social justice includes tripartite negotiations on labour conditions, a public social security system of pensions and health care, as well as a functioning fair tax system. Good governance means a democratic State based on checks and balances, participation, low levels of corruption and effectiveness. Although both are the essentials of the EU, there is no common policy for good governance or social justice.

The EU has no common strategy on governance or good governance. The only available document, published by the European Commission, is the "White Paper on European Governance" launched in July 2001 (before 11 September 2001) as an exercise of self-criticism. According to the document, the EU identifies five principles of good governance: 1) openness, 2) participation, 3) accountability, 4) effectiveness, 5) coherence¹. The White Paper also reflects the European idea of a multilevel governance system including its global, EU, national, regional and local dimensions.

Solidarity is mainly a European concept based on a strong democratic State. But apart from solidarity financing between member States, there is only a symbolic common social policy: the Social Charta of 1989 and some regulations on labour standards. Every member State has its own social security system (including pensions) and despite the European Single Market, there is no common tax policy. One reason for the lack of a social dimension in European integration are strong national differences: The group of Nordic countries defend a strong welfare State, the German State is more bureaucratic than welfare, and others (mainly the Eastern European countries) are dismantling their formerly strong social policies.

Although there is no common policy in both areas, the EU and its member States are strongly committed to social justice and good governance in and outside its borders. As a consequence, good governance and social justice are also the main moral essentials of the European foreign policy in (permanent) construction.

The EU's approach to social justice and good governance in Latin America

In both areas, Europeans have a comparative advantage with regards to the US role in Latin America: the EU is the region's largest donor of development aid and its main partner for political dialogue (there are ten different forums at government level). At the same time, as its main donor and political partner, the EU is in part responsible for the main problem that Latin America addresses today: widespread social inequity directly related to bad governance and exclusive policies. Neither social equity nor good governance have been priority issues in EU development assistance to Latin America. Action has been particularly limited in the area of good

¹ European Commission, *White Paper on European Governance*, Brussels, July 2001, p. 10.

governance, given the fact that Latin American countries account for less than 10% of funds channelled by the European Initiative on Democracy and Human Rights (EIDHR).

While good governance does not have a prominent place in EU-Latin American relations, social justice has recently been defined as a priority issue in multilateral European development cooperation. Aware of high levels of aid flows and inequity, in December 2005, the European Commission declared social cohesion as a cross-cutting issue in its relations with Latin America. The year before, social cohesion had been one of the two top issues discussed at the European-Latin American Summit in Guadalajara/México. As a result, the Commission launched a new regional programme, Eurosocial, funded with 30 million Euros for the next five years.

Although it is an important issue, there is little chance for common initiatives. In the EU and in Latin America, social policy is part of the national agendas, there is no intra-regional consensus and very little prospect for an inter-regional consensus or common project. Although social cohesion is a key issue in both regions (and particularly in Latin America), it is also a highly controversial topic in every single country and in each of the regions.

For Latin America, the 1990s have been the lost "social decade", according to Juan Gabriel Tokatlian². Latest data of the ECLAC (Economic Commission for Latin America and the Caribbean) reveal that poverty affects 40,6% of Latin Americans. Moreover, the region has one of the least equal income and land distributions of the world. The main consequence of poverty and inequity outside the region are increasing migration flows, and inside the region a new wave of populism. Financed with Venezuelan oil earnings, new "old populism" could have a domino-effect in Latin America including Venezuela, Bolivia, Peru, Mexico, Ecuador and Nicaragua.

One of the lessons learned by most Latin American countries is that the return to liberal democracy (and market economy) did not improve but deteriorate governance and social indicators. Bad governance and social inequity in Latin America also demonstrate that the impact of EU development assistance and political dialogue has been none, or has even had negative effects. The failure of European development assistance in the region has to do with the fact that the three essentials for social justice and governance *à la europea* are absent in most of Latin America: 1) a strong and organised State, 2) democratic institutions and 3) a well organised civil society.

The lack of all three components makes it particularly difficult to export the "European model" to the region and to implement its aid flows effectively. Europe's role in Latin America might even have been negative, contributing to current political problems. Thus, one could argue that, through its policy of empowerment and its own social achievements, the EU has helped Latin American populists and leftist governments into power. The major political shifts in the region are partly the result of European ideas to create democracies with social benefits and of EU's development assistance for this purpose. Let's take the example of Bolivia, the priority country of EU aid flows to Latin America. The political change in favour of President Evo Morales is, in part, the result of European engagement for decentralisation, national dialogue, support of NGOs and empowerment of the poor indigenous people.

² Juan Gabriel Tokatlián, "Latin America: the logic of interference", in: *Enjeux-internationaux* 11, Brussels, 2006.

Since the new Latin American governments are particularly engaged on the social front, they are, in part, opening a new window of opportunity for cooperation with the EU. But on the other hand, the appearance of national populist leaders in Bolivia and Venezuela create new political and economic problems in the relations with the EU. The case of the Spanish company Repsol in Bolivia has recently demonstrated the clash of interests between Europe and Latin American populist leaders.

In this regional context, Cuba is not any more the exception from the rule of representative democracy, but part of a new nationalist anti-imperialist alliance between at least three charismatic leaders. This new regional context and the Cuban-Venezuelan connection strengthened Castro's position at home and abroad and weakened the European influence in Cuba.

Good governance and social justice in European Cuba Policy

Apart from anti-imperialism, Castro's appeal for leftist or populist Latin American governments is based on anti-imperialism and on the social achievements of the Cuban Revolution and its export to other countries of the region (Venezuela, Central America and the Caribbean. In fact, Cuba is not a worst case scenario. Compared to its Latin American and some Caribbean neighbours, Cuba's balance in social justice and governance is not as bad as one could imagine.

According to the governance indicators of the World Bank³, in the period of 1998-2004, Cuba had a rather mixed outcome: a high ranking and upward trend in "political stability" and a midst position with a negative trend in "government effectiveness" and "control of corruption". The worst results were obviously achieved in "voice and accountability", followed by "regulatory quality" and "rule of law". According to Transparency International⁴, in 2005, Cuba was the sixth less corrupt country in Latin America (59th position of 158).

The country's social indicators are even better. Looking at the UNDP's Human Development Index 2005, Cuba is better off than most of its Latin American or Caribbean neighbours. Cuba reached a third rank in Latin America (52), just one point behind Mexico. Despite wide-spread poverty in terms of salary levels, income disparity in Cuba is also very low compared to other countries of the region with the worst income distribution levels of the world. Nonetheless, public social spending as a percentage of the GDP (7,5%) is not very high in Cuba, but at a lower level than in Haiti or Brazil⁵. Cuba is the only country in the Americas with a social security system exclusively financed by the State.

Social welfare is a concept shared by Europeans and Cubans. It is a moral and, in the Cuban case, also an ideological imperative. At the same time, it is a Christian or Catholic demand (which is part of Castro's personal background). Some European ideas are also present in today's Cuban system: a strong State, free health care and education and a public social security system. Social welfare is the essence of a socialist State and the major source of political legitimisation for the regime. Even when Cuba suffered its worst economic crisis in history, Castro maintained high social spending and State services. The idea of social equity in Cuba has still some appeal for Europeans. It is, at the same time, an element the EU wants to rescue in a future transition in Cuba. Different to the US, the

³ Voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, control of corruption.

⁴ Transparency International, *Country's Corruption Perceptions Index 2005*.

⁵ CEPAL, "La protección social de cara al futuro: acceso, financiamiento y solidaridad". Santiago de Chile: February 2006.

preservation of the "*conquistas sociales*" (social conquests) and a strong State are part of the European (Spanish) interests in Cuba.

But neither good governance nor social justice are singled out in European Cuba policy. The key issues are political and economic change as a pre-condition for both good governance and social justice. EU's policy towards Cuba is clearly focused on democracy and human rights. At the same time, the EU – primarily Spain – is Cuba's largest trading partner, its main donor and the second largest investor. Apart from democracy, a second objective of EU policy is to preserve its own economic interests in Cuba and to avoid the application of the Helms-Burton law (the US property claims). In case we would have a common policy towards Cuba, their objectives, shared by all different actors inside the European Union, would be 1) the active support of economic reforms and 2) a peaceful transition to a "social democracy".

But there is no coherent EU Cuba policy. Since 1988 (when the Union established diplomatic relations with the socialist bloc including Cuba), EU policy towards Cuba has been a constant shift between rapprochement and distance, at an average of every three years. According to the political situation in Cuba, the changing Spanish policy and movements in Washington, the EU has given priority either to constructive engagement or to diplomatic pressure. The result is a mixed policy of "conditioned engagement" that is not too far away from Washington's "engaged sanctions" approach.

The EU's changing position on Cuba has been influenced by three key factors: 1) US policy of reinforced sanctions led to conditioned instead of open engagement; 2) the changing political situation in Cuba between repression and liberalisation led to constant shift between rapprochement and distance; 3) political change in Spain where Cuba is (like in the United States) an intermestic issue of internal concern, and Spanish policy has an extraterritorial mirror-effect between Madrid and Brussels (the EU applies the same policy as Spain).

While the EU has been a low-level political player in the island, Europe has a key role in the Cuban economy since the 1990s filling the gap of the two super-powers. The EU is, by far, its main trade partner: in 2004, member States accounted for more than 37% of Cuba's imports and for 33% of exports. Canada is Cuba's second most important trader, while Venezuela – despite increasing political and economic links – is only third ranking. It is also interesting to see that due to food exports, the United States is already the country's fifth trade partner, even before Russia⁶. Apart from trade, Europeans also represent the principal group of visitors in Cuba⁷ and the second largest investors.

The particular status of Cuba in EU policy

Cuba has a unique status in EU policy. Along with Colombia and Venezuela, it is the country that has received most attention in Latin American and Caribbean policy in the EU. Although the country has no strategic relevance for Europe, there are seven reasons that classify Cuba as a case apart for the EU:

- 1) Cuba is the only Latin American country where the EU approved a Common Position, in 1996. The EU applies a double conditionality: the Common Position and a democratic clause. Both have prevented the signing of a cooperation agreement between the EU and Cuba.

⁶ Data from Eurostat revealed by DG trade, European Commission, 22 May 2006.

⁷ According to official data, the country received 2,3 million visitors in 2005. Tourism is Cuba's most important economic sector.

- 2) The island is not part of the EU's Latin American policy but treated in the framework of relations with ACP (Africa, Caribbean, Pacific). Within the European Commission, former Chancellor Louis Michel, Commissioner for Development, is responsible for Cuba.
- 3) Although Cuba is an ACP country, it did not sign the Cotonou Agreement and is not a beneficiary of cooperation. Joaquin Roy compares this paradox to someone belonging to a Golf Club without being able to play.⁸
- 4) The European Commission opened an office in Havana, in March 2003, but the delegation responsible for relations with Cuba is still located in the Dominican Republic.
- 5) Cuba does not comply with the democracy requisite referred to in many Declarations, but it participates in the European-Latin American and Ibero-American Summits, as well as in the conferences between the European and the Latin American Parliaments.
- 6) There is a wide gap between economic and political influence. As a result of the US embargo, the EU is Cuba's main donor and trade partner.⁹ But, the European influence on democratic opening in the island is minimum.
- 7) Unlike the traditional *bottom-up* approach to its policy of democracy promotion, the EU applies the reverse strategy of a *top-down* approach in Cuba¹⁰, favouring dialogue with the Castro regime identified as the main change agent (reformers within the government).

A Common Position with different policies

The most particular element of EU Cuba policy is the Common Position, approved nearly ten years ago. It singles out Cuba as the only Latin American country where the EU has defined a common policy of democracy promotion. At the same time, Cuba is one of the few countries where the EU has applied and interpreted in a negative way the democracy and human rights clause. The EU has approved Common Positions on Burma, Cuba, Iraq, Nigeria and Zimbabwe, each with the aim of condemning the difficult political situation in those countries. This list of countries demonstrates that the adoption of Common Positions by the EU Council has been the exception rather than the rule.

The Common Position on Cuba has two main objectives: 1) "encourage a process of transition to a pluralist democracy and respect for human rights, and 2) "contribute to a sustainable recovery and improvement of the living standards of the Cuban people". The focus is clearly put on the first: democracy and human rights. The Common Position is the result of three events in March 1996: 1) political change in Spain (from González to Aznar), 2) the end of political liberalisation in Cuba, and 3) the approval of the Helms-Burton law, including extraterritorial sanctions against foreign investors in Cuba. The Common Position is the European or Spanish response to the Helms-Burton law. Since the approval of the Common Position on Cuba in 1996, the EU has followed a conditional diplomacy, moving closer to Washington's policy of pressure. Its principal instrument is reinforced democratic conditionality.

There are a series of problems with regards to the Common Position on Cuba:

⁸ Joaquín Roy, *The European Union Perception of Cuba: From Frustration to Irritation*, Background Briefing FOCAL, Ottawa: 2003, p.5.

⁹ Since the reestablishment of cooperation, in 1993, the European Commission has destined a total of 145 million Euros to Cuba. Although it officially belongs to the ACP group of countries, Cuba can take part in the regional programmes with Latin America (ALIS, AL-Invest, ALFA, URB-AL).

¹⁰ Comp. Richard Youngs, "The European Union and Democracy in Latin America", in: *Latin American Politics and Society*, vol. 44, n° 3, Miami: Fall 2002, p111-141.

- 1) First, it is designed for the present but not for the future of Cuba. The EU has not developed any strategy for the day after Castro. In general, forward-looking is not a particular strength of the European Union whose approach tends to be more reactive than pro-active.
- 2) Second, there is a clear contradiction between member States' policies and political conditionality of the European Commission. The smooth relations that the majority of European countries have with Cuba are in sharp contrast with the difficult dialogue and the absence of contractual ties with the EU. Although there is no cooperation agreement between Cuba and the EU, over 20 bilateral agreements¹¹ have been signed.
- 3) Third, the fact that the Cuban government is the main dialogue partner for the EU while the opposition plays a secondary role, does not comply with the Common Position goal of promoting a "pluralist democracy" in Cuba.
- 4) Fourth, national interests prevail over a supranational strategy. Not even Spain under Aznar respected the Common Position imposed by the PP, but except for a short period 1996/1997, continued with "business as usual": fluent political relations, trade, investment and development assistance. While Spain is constantly shifting its policy for domestic reasons, there are different positions within the EU: the Nordic fundamentalists give priority to human rights; the engagers include France, Belgium and Portugal; Germany and the United Kingdom are closer to the US position.¹² These differences increased after the EU widening to the East, in 2004. Most of Eastern European countries, and particularly the Czech Republic, are extremely critical with Castro and are much closer to the US policy¹³.

The treatment of Cuban dissidents by European Embassies opened a new gap in EU's "common" policy towards Cuba. Although in January 2005, on the recommendation of Spain, the EU suspended the four measures approved two years ago, member States were not able to agree on whether to invite or not dissidents to their national holidays¹⁴. These inconsistencies have diluted both, the potential impact of the conditional diplomacy and the engagement of EU member States.

Effects of European policy on social justice and good governance in Cuba

EU policy could best be described as a "conditional engagement". While economic relations are fluent, development cooperation and dialogue are limited by the double democracy clause. The impact of the Common Position has been zero: in the ten years since its approval, no progress has been made: Cuba is still the only Latin American country excluded from the cooperation agreements and a regular political dialogue with the EU. On the Cuban side, no concession to liberal democracy has been made by the government. To the contrary: the EU's Common Position and political pressure have been used by Castro to accuse the EU to serve to the interests of the US. On several occasions, he considered the EU as a potential enemy of Cuba.

¹¹ See IRELA, op.cit.

¹² Italy, for example, cancelled its cooperation with Cuba, in response to a wave of detentions in March 2003, while France was the first EU country to invite representatives of the Cuban government to its national holiday, on the 14th July 2005, rejecting the participation of dissidents.

¹³ The EU's internal contradictions and member States' positions are stressed by Francisco Calderón, "Repercusiones de la Posición Común europea sobre Cuba", ponencia presentada en la Campaña contra la Posición Común, Madrid, 4 March 2005.

¹⁴ Susanne Gratius, "Helping Castro? EU and US Policies towards Cuba". FRIDE Working Paper 14, Madrid, October 2005.

Although democracy promotion has been the declared goal of the Common Position, its main *raison d'être* is not Cuba. The Common Position is the European response to the Helms-Burton law and the pre-condition for the six month waver of the President to avoid any harm on European investment in Cuba. Thus, the Common Position has more to do with transatlantic than with European-Cuban relations. Not democracy promotion, but rather investment protection is on the hidden agenda. Following this logic, political conditioning of the Common Position does in no way affect European trade and investment in Cuba. To the contrary, it declares the EU's "firm wish to be Cuba's partner in the progressive and irreversible opening of the Cuban economy".

Economic engagement and not democracy promotion is the main element of European policy towards Cuba. But both are closely related. Through trade exchange, tourism and the creation of joint-ventures, European companies have the strongest external influence on Cuba's economic, social and political development. The EU guaranteed the economic survival of the regime and allowed the modest process of economic reforms¹⁵. A side-effect of European economic engagement in Cuba are increasing income disparities. It is extremely difficult to measure the influence in political terms, but there is little doubt that engagement and not isolation is the only way to political opening within authoritarian societies. European engagement in Cuba have contributed to undermine the socialist State mentality and to give incentive to private initiative. In this sense, Europeans are already actively engaged in the ongoing transition process in Cuba which will not start, but probably consolidate after Castro's death.

Nonetheless, Europe's role on both, good governance and social justice in Cuba, is ambiguous. Although its engagement policy contributes to a certain political opening and social reform process, its negative side effects are tourist apartheid, social inequity and an increasing informal economy (in part promoted by European investors and tourists). Extra-payments by European companies and tourists contribute to augment the increasing income-gap, corruption and the black market. Furthermore, unlike in other countries, an independent business class has not emerged in Cuba that could act as a political change agent. Instead, the majority of the State consortiums are managed by military personnel who are emerging as the "economic vanguard" of the country. Thus, Europeans (Canadians and Latin Americans) contribute to establish a new economic class dominated by the military and to change the social pyramid given the fact that the highest payment is achieved in the sector with low education levels (tourism).

While its effect on democratic opening is ambivalent, European policy has rather not improved social conditions and good governance in Cuba. The support of State controlled economic opening in Cuba contributed to social divisions (income disparities, racism, a reverse social pyramid, etc.) and increasing poverty rates. But, it should be also underlined that a capitalist economy automatically led to increasing levels of social inequity. And the return to a market economy in Cuba has been a US and European demand. In this sense, there is no contradiction in EU policy of economic engagement in Cuba. Thanks to the European, Latin American and Canadian engagement, the socialist discourse of the regime clashes with the capitalist reality of the country.

Being realistic, Cuba's economic future will probably not be "capitalism with a social face" but rather "*capitalismo salvaje*" (wild capitalism). My feeling is that neither social justice nor good governance will improve in the future. Taken into account the huge black market, increasing corruption levels and the establishment of new

¹⁵ Among other measures, (up until 2004) it was permitted to possess dollars, to be self-employed, food markets were opened, tourism was promoted and foreign investment was encouraged.

"mafias" there is little ground to believe that conditions for good governance will be excellent in a post-Castro Cuba.

Neither US sanctions nor European engagement have a positive impact on the present and future evolution of governance and social justice in Cuba. They have been a zero-sum-game rather helping Castro than threatening him. Neither the EU nor the US have a road-map for Cuba's transition. While "social realism" can best characterise EU policy, US policy is a real science fiction story. We should find an intermediate position between socialist realism and science fiction to prepare in a constructive way the ground for a peaceful and gradual transition to democracy and a market economy in Cuba, with the lowest possible political and social costs. In a few weeks, the EU will revise its Common Position on Cuba. It would be a good occasion to modify it in this sense.

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