

CIV

# Cubans Blame Slowdown on Helms-Burton Act

## Havana Passes Law to Diminish Impact of U.S. Legislation Targeting Foreign Investors

By Douglas Farah

Washington Post Foreign Service

**HAVANA**—The government of President Fidel Castro, stung by the effects of U.S. legislation seeking to limit foreign investment here, is striking back with a law that allows Cubans to sue the United States for damages and helps investors hide their activities.

Cuban officials now concede that the Helms-Burton Act, a 10-month old measure aimed at punishing foreign investors, has hurt the battered Cuban economy and slowed its growth. While no important companies have left, new investment has slowed.

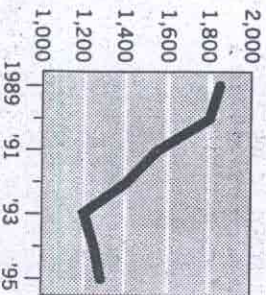
The U.S. law strengthens and broadens the 34-year-old economic embargo against Cuba, denying visas to executives of companies that do business involving properties that were confiscated from American companies here in the wake of the 1959 Marxist revolution. The law, opposed by all major U.S. allies, includes a provision allowing Americans to sue those companies. But that portion of the law has not yet taken effect, and on Jan. 3, President Clinton suspended its implementation for the second time.

In part because of the law, Cuban officials say the economy, which last year showed its first serious signs of recovery since the collapse of the Soviet Union in 1991, will grow less

### ECONOMIC WOES

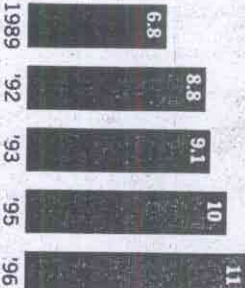
The Cuban economy shrank by one-third from 1991 to 1994 and then recovered somewhat. But the Helms-Burton Act has now slowed its growth.

Gross domestic product per person in pesos:



Official exchange rate: \$1 = 1 peso  
Open market rate: \$1 = 20 pesos

Cuba's foreign debt in billions of dollars, excluding debts to the former Soviet Union:



SOURCE: Cuban Ministry of Economics and Planning

than hoped in 1997.

"The effects of the Helms-Burton are real," said Carlos Fernandez de Cosio, a Foreign Ministry official who deals with U.S. relations. "It is not what [Sen. Jesse] Helms said, that the law would bring this government to its knees in a year, but it has made our lives more difficult. . . . As a result of the law, many people are afraid to invest here."

In retaliation, the Cuban legislature on Dec. 25 passed the Law of Reaffirmation of Cuban Dignity and Sovereignty. It allows Cubans, through special courts, to sue the United States if they have been "victims of physical harm or property damage caused by actions supported by the United States," including "murder, injury and economic damage suffered under torturers and assassins of the Batista dictatorship or criminals in the pay North American imperialism." Castro overthrew the U.S.-backed regime of Fulgencio Batista in 1959.

While there is no way to enforce any court verdicts against the United States, the law further tangles relations and makes it more difficult to resolve property claims dating back to the 1960s.

The Cuban law recognizes the rights of U.S. citizens and companies to indemnification for property losses in the revolution, but forbids compensation of any American seeking redress through Helms-Burton. In

addition, the law makes it a crime for "any form of collaboration" in implementing Helms-Burton, such as giving out any information that would help the law be implemented, or speaking in favor of the law.

The law also formalizes the Cuban government's right to help foreign companies hide investments from U.S. officials through "fiduciary companies, financial institutions or investment funds" and establishes that any money sent to Cubans by relatives living abroad is tax-exempt and can be deposited in interest-bearing, hard-currency accounts in Cuba.

While Cuba's economy showed a growth of 7.8 percent in 1996, economists and officials said that the pace would be hard to sustain this year and that many people would not perceive much improvement in their daily lives.

Because the economy shrank by more than 30 percent between 1991 and 1994, the recent growth reflects a rebound from a deep depression rather than robust economic activity. For example, although the sugar harvest increased by 33 percent in 1996—to 4.9 million tons—it is still far below the harvests of the 1980s.

Apparently convinced that relations with the United States will remain hostile for the foreseeable future, the Castro government also is stepping up its anti-American rhetoric.

At a conference this week, Foreign Minister Roberto Robaina said the Helms-Burton law was enacted by "an alliance of mad congressmen and hysterical mafiosos."

Raul Castro, brother of the president and head of the military, called the law "demented" in a recent interview with the Communist Party newspaper *Trabajadores* (Workers) and warned that the United States could still be planning military action against Cuba. The best way to fight U.S. aggression, he said, was by strengthening the economic recovery.

However, the government is only cautiously expanding the limited free-market alterations of its socialist economy begun four years ago. Among the measures authorized were the free use of the dollar, limited self-employment, the slashing of state subsidies to producers and legalization of markets not run by the state, where basic foodstuffs can be bought freely.

The government's main obstacle, according to diplomats and economists, is meeting its hard-currency obligations.

This year's sugar harvest is predicted to be about 10 percent larger than last year's. But world sugar prices are flat. That, coupled with the rise in world oil prices, has the government strapped for hard currency, according to government economists and diplomats. Cuba ran up a \$1.7 billion trade deficit in 1996, according to official statistics, and has had to rely on high-interest, short-term loans to meet financial obligations, squeezing the flow of hard currency.

"It is a cash-flow problem," said Alfredo Gonzalez, senior adviser in the ministry of economics and planning. "Our priority this year is to deal with the external debt, to ease the tension in the economy."

The difficulties come despite the fact that Cuba attracted 1 million tourists in 1996, the most since the revolution. Gross revenues from tourism for the year were \$1.3 billion, and net earnings were \$450 million. But Cuba's foreign debt still stands at close to \$11 billion.

"The government is boxed in," an economist said. "The reforms won't go backward, but people will not feel much of an improvement, because all the money the state gets will go to paying off the loans. We had growth of almost 8 percent, yet by January we have already run out of money."

And there is still a heated Communist Party debate over whether to allow one of the main changes that reformers are pushing for: the right to form small and medium-sized private businesses. Currently, people can work by themselves or with members of the immediate family, but expanding that would place an ever-larger portion of the economy beyond state control, anathema to party hard-liners.

"There are political reasons for moving slowly," Gonzalez said. "With those businesses, there would be a sector with its own interests, not tied to the state. We need to define what the role of the state will be. In principle, it will be allowed, but only after we create the proper conditions."

However, more and more of the economy already is slipping out of state control, operating in a gray area between legal activities and illicit operations. For example, more than 15 percent of tourists stay in private houses; not state-run hotels, according to a recent study, even though private homes cannot legally rent rooms.

"What we have now is a schizophrenic economy," said one economist. "We are at a stage where almost everything is permitted, but most things are not legal. Where does that leave people? With great uncertainty."