

U.S., Spain Tangle Over Cuba

Washington Miffed at Madrid's Role in Diplomacy, Investments

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MADRID—One of America's least remembered wars, its contest with Spain for control of Cuba and other colonial possessions nearly a century ago, is undergoing a polite revival in the trade-driven 1990s, as Madrid and Washington find themselves at sharp odds over how best to encourage democratic reforms in Fidel Castro's island fortress.

As Castro seeks to rescue his communist nation's bankrupt economy with direct foreign investment, Spain is emerging as the country's leading foreign investor and as a key Western intermediary in economic and diplomatic arenas. Washington is not pleased; its diplomats tromp regularly to the Foreign Ministry sending on messages urging Spanish restraint, which is largely unheeded.

The wrangle between allies echoes recent debates over U.S. trade policy toward Vietnam and China. Spain argues that Castro should be tempted toward democracy with sweet prosperity from large-scale Western investment. The United States insists that its decades-old, often-breached trade embargo against Cuba could be honored until Castro shows signs of loosening his political grip.

"We have the same goals, of course," said Spanish Foreign Minister Javier Solana, referring to his interaction with Washington. "The goal is that Cuba is incorporated into the trend of democracy in Latin America."

However, "we think the embargo is not the best mechanism to change the situation in Cuba," Solana added. "We see some contradictions between lifting the embargo on Vietnam and maintaining the embargo on Cuba."

Spain is not alone in its perception. Few Western countries pay much attention to the U.S. embargo on Cuba. Early this month, a Cuban trade team held talks in London aimed at raising British investment on the island.

A group of Mexican investors recently bought 49 percent of Cuba's telephone system, in the first large-scale privatization of a Cuban government enterprise. Under the deal, Mexico's Grupo Domos Internacional will pay the Cuban government about \$1.5 billion for the stake in Cuban Telecommunications Enterprise. Mexican investment in Cuba is also flourishing in tourism, textiles, cement, cellular phones and oil exploration.

Despite the U.S. embargo, Canadian firms, too, have not only continued to export to Cuba but have also invested there. Half a dozen Canadian firms have signed joint-venture exploration or mining agreements with Havana, according to the Toronto Star. Canada's exports to the island totaled \$113 million (Canadian) in 1992, and Canada sends more tourists to Havana than any other nation.

But Spain, as a former colonial power that conducts diplomacy across Latin America, is the key European player on the Cuban issue, diplomats say.

The Clinton administration argues that if Spain's government seriously believes that its swelling investments in Cuba are encouraging Castro to see the democratic light, it is fooling itself. Washington argues that anything, the political and human rights situation in Cuba has deteriorated during the past year, according to Western diplomats.

Spanish officials acknowledge that Castro has rebuffed many of their recent proposals for political reform on the island. But they hold out hope that he will be forced to yield eventually through persistent dialogue and because of the broader trend toward democracy in the region. This week, Spanish Prime Minister Felipe Gonzalez joined Castro and other leaders at a Latin American summit in Colombia.

Spain's diplomatic role on the island is seen by some in Washington as driven to a substantial extent by economic self-interest.

Since Castro opened Cuba to foreign investors after the collapse of the Soviet Union, state-owned Spanish firms and private businessmen have rushed in, sinking hard currency into hotels, tourist resorts and the Cuban tobacco industry. About one-fourth of the more than 100 joint foreign ventures now running in Cuba involve Spanish firms, according to diplomats.

Late in May, Spanish and Cuban economic officials meeting in Havana signed a broad agreement to promote and legally protect Spain's investments on the island. Havana promised to guarantee Spanish investments in the future, a promise that ultimately is only as secure as Castro's grip on power.

Cuba publishes no statistics on foreign investment, but estimated total foreign investment is now \$500 million annually, a considerable sum in the context of Cuba's shrinking economy.

Typical of the investors is Spain's majority state-owned tobacco monopoly, Tabacalera SA, which has made a deal with Havana to invest directly in Cuban tobacco farming in exchange for access to preferential tobacco production and the highly marketable brand names of Cuba's best-known high-quality cigars.

Tabacalera will provide up to \$25 million each year in gasoline, pesticides, fertilizer and water pumps directly to resource-starved Cuban tobacco growers to help increase production, according to company spokeswoman Teresa Conesa Fabregues. By 1996, Tabacalera expects to sell 36 million Cuban cigars overseas each year, she said.

The tobacco deal also illustrates a hazard facing Spanish and other Western firms in Cuba: conflict with exiled Cuban families, mainly in the United States, who are pressing claims to pre-revolutionary assets on the island and who hope to regain their property if Castro's regime is finally dislodged.

Lawsuits over Cuban cigar brand names have proliferated in the West. Tabacalera believes it has solved its problem by making rights payments to key families, but with multiple cigars manufactured under the same brand names and litigation continuing in France and elsewhere, the issue is not fully clear.

Reaction by Cuban exiles to Spanish investment on the island has occasionally been violent, diplomats said. In a few instances, attackers have fired random shots at Spanish hotels in Cuba. Suspicion has fallen on radical, independent anti-Castro groups based in the United States, such as Alpha 66, which mounts sporadic and quixotic attacks on the island.

In response to Spanish concerns about such incidents, Washington has reassured Madrid that it does not sanction any such attacks and would arrest perpetrators if they could be identified, diplomats said. But the exchanges highlight the sensitivity that Cuba can still arouse between Spain and the United States, for all the studied politeness the two governments seek to maintain.