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Master Thesis
Social Science Division and Education

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**Economic sanctions as a tool of
foreign policy:
The case of the U.S. embargo
against Cuba**

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Submitted in partial fulfillment of the requirements
for the degree of
Master in International Affairs

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Social Science Division and Education

Lebanese American University
December 2006

LEBANESE AMERICAN UNIVERSITY

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Thesis Title : Economic Sanctions as a Tool of Foreign Policy : The Case of the
U.S. Embargo Against Cuba

Program : MA in International Affairs
Division/Dept : Social Science Division and Education
School : **School of Arts and Sciences**

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Economic sanctions as a tool of foreign policy:

The case of the U.S. embargo against Cuba

ABSTRACT

By

LUANA SAGHIEH STUDENT

The success of the Cuban Revolution in 1959 dramatically altered the relationship between the United States and Cuba. From 1959 to date, the relationship between the two countries turned into a harsh confrontation. Economic sanctions have been an open bastion of U.S. foreign policy toward the political regime in Cuba. What is intriguing in this research is the long period it has been enforced, especially that the cold war has ended and the communist regime is no more a threat to the rest of the world. In other words, the reasons behind the economic sanctions are no more valid and opponents of economic sanctions use such an argument.

Besides the reasons behind economic sanctions, the effectiveness of sanctions and the reasons why it is still used as a foreign policy tool is another important question raised in this thesis.

The thesis elaborates on the opponents and proponents of economic sanctions, whereby both list convincing arguments supporting their stance.

Nevertheless, we finally concur that the effectiveness of economic sanctions, whether effective or not it, certainly causes immense collateral damage to innocent civilians instead of protecting them.

So, the question remains are economic sanctions really serving their objective or is just a foreign policy tool implemented until a better one is discovered?

ACKNOWLEDGEMENTS

I would like to thank my advisor Dr. Moubarak and my teachers Dr. Traboulsi, Dr. Baroudi and Dr. Rowayheb for their guidance and support. Moreover, a thought for all my friends who read my thesis, especially John Khabbaz for his comments and Nicholas Credli for upgrading my computer, finally my Mom who encouraged me all through my university years.

TABLE OF CONTENTS

Introduction

1. Literature review
2. Definition and classification of economic embargo
Distinction between economic embargo and other forms of economic sanctions:
 - A. Boycott
 - B. Blockade
 - C. Economic war
3. American foreign policy and the development of the U.S. economic embargo policy
 - 3.1 Cuban –U.S. relations before Castro
 - 3.2 The Cuban revolution
 - 3.3 Beginning of the trade embargo and the expropriation of American properties
4. Analysis of the U.S. embargo against Cuba
 - 4.1 The phases of the sanctions
 - 4.2 Multi-lateralization of the embargo
 - 4.3 The effects of the embargo on the Cuban economy
5. The legitimacy of the U.S. embargo according to international law
 - 5.1 Legal aspects of the U.S. embargo against Cuba
 - 5.2 evaluation of the embargo
6. Conclusion
 - 6.1 Is the imposition of economic embargo a privilege of powerful countries
 - 6.2 The possibility of lifting the embargo
 - 6.3 Final conclusion

Introduction:

The success of the Cuban Revolution in 1959 dramatically altered the relationship between the United States and Cuba. From 1959 to date, the relationship between the two countries turned into a harsh confrontation. Economic sanctions have been an open bastion of U.S. foreign policy toward the political regime in Cuba. A small country like Cuba, heavily reliant on sugar as a primary export, endured an economic embargo, which, during the course of four decades, has certainly been one of the utmost challenges in its history.

In this thesis, the effectiveness of the economic embargo against Cuba as a tool of foreign policy used by the U.S. will be examined. Moreover, an attempt will be made to study the legitimacy of such an embargo. Finally, the thesis will establish that the evaluation of economic sanctions is quite tricky as it depends on the aim of the imposing state, which is often hard to judge. If the Imposing state aims at only harming the targeted state's economy, then in that case, it is easier to say that economic sanctions are efficient. We all can realize how targeted states as Iraq and Cuba have economically suffered from sanctions. Sometimes economic sanctions are a means to pave the way for an invasion or military action, as was the case in Iraq. In the case of Cuba, the U.S. imposed economic sanctions to rid

that tiny island of its communist regime and recollect the lands that were expropriated by the Cuban government. To what extent can we admit the failure of four decades of sanctions, when Castro and the communist regime are still in power and the issue of the expropriated lands has not been resolved yet? The evaluation of the economic sanctions imposed against Cuba will prove the failure or the success of such a tool as an American foreign policy, especially after the breakdown of the Soviet Union and the post cold war era, which proved to be a major turning point in the U.S. sanctions against Cuba.

The paper is divided into six chapters. The first chapter will review briefly, what has so far been written about the evaluation of economic sanctions and later chapter two will define and classify economic embargo into three categories: boycott, blockade and economic war. Chapter 3 summarizes the American foreign policy and expands more on the U.S. - Cuba relations, as well as the reasons behind the trade embargo policy. After the introduction of the U.S. policy towards Cuba, chapter four will include the analysis of the U.S. embargo against Cuba along with its phases and its effect on the Cuban economy, we will elaborate more on it in details. Chapter 5 will discuss the legitimacy of the embargo and its effectiveness. Finally, chapter six, the conclusion, will deal with the following two questions: First, whether the economic

embargo is a sole privilege of the more powerful countries or not; and second, whether the economic embargo will be lifted sometime soon.

Chapter 1:

Literature Review:

before the definition and classification of economic embargo into three categories: boycott, blockade and economic war, chapter one will introduce a brief review concerning the evaluation of economic sanctions .

In a more progressively incorporated international market, it is imperative to have a clear perception on the effectiveness of unilateral economic sanctions. Most of the analyses on the effectiveness of economic sanctions imply that they have limited utility in affecting targeted countries to change. Economic sanctions imposed against targeted countries rarely work. The world shunning of South Africa perhaps helped end apartheid, which was one example of success. Nevertheless, in the Cuban case, which this paper introduces and analyzes, the United States appears to be imposing sanctions promiscuously. Much literature has been written about the economic sanctions against Cuba, nevertheless to evade redundancy I have grouped various authors who concur on the same point of view, whether with economic sanctions, or against it.

If economic sanctions are supposed to pressure civilians of the targeted state economically and that pressure is supposed to translate into pressure on the Government, then this theory is unreliable practically, since evidence will prove that economic sanctions are ineffective as a coercive tool. Between 1914 and 1990, 116 cases were states imposed economic sanctions. In 66% of these cases, the imposing states were unable to attain their declared aims and in most cases, they were just partly successful. (Hufbauer, 1990, pp. 92-93) The success ratio of economic sanctions has plunged sharply to 24 percent for every case since 1973. (Hufbauer, 1990, pp. 105-107)

Dr. Zachary Selden examines how sanctions can and cannot be considered as an effective means to further U.S. foreign welfare. During the post-Cold War period, sanctions have become a recurrent tool of foreign policy, but Selden presents an important cautionary reminder. Explaining that sanctions are frequently counterproductive, and they generate interest groups inside the targeted country who have a stake in considering sanctions and the policies that brought them to bear are sustained. Selden moreover demonstrated how in Iraq sanctions twisted only to work for to Saddam's private advantage. (Selden, 1999, P. 97)

In an American Enterprise Institute for Public Policy Research, Latin American Outlook March 1998 by Mark Falcoff Explains that if embargoes are considered morally liable, then what tools of influence are left in Western foreign policy, but to deal with dictatorial and at times genocidal governments and wish to pressure them using constructive economic motivations. The author raises the arguments posed by the U.S. business community who aspire to restart business in Cuba. He admits that U.S. policy towards Cuba seems peculiar to outsiders, even those supporting the U.S. foreign policy. The cold war has ended, and Cuba no more represents a threat to the U.S. or to Castro's neighbors. The author wonders why persist with the embargo when the original *raison d'etre* is no longer present. Moreover, the author asserts that in today's circumstances, it is not likely that the U.S. would impose an embargo on Cuba. Therefore, the author believes that the U.S. needs an excuse to end it, specifically, that the political situation in Cuba is aware of the post cold war order. This means some movement toward normal and open political life is inevitable. Awaiting some Cuban authority to provide that excuse, no U.S. government will be keen to apply the political capital required to change their present policy. (American Enterprise Institute on Cuba, Mark Falcoff's June 1996, *What's Next in U.S.-Cuban Relations*)

The same author elaborates on the U.S. embargo and reasons that it might be the only existing instrument left to the U.S. to pressure procedures in Cuba in a constructive way. To the extent that Castro cannot substitute the Soviet funding, he is enforced to entrust economic control to Cubans. This had already happened to some extent, starting with the legalization of the dollars. (American Enterprise Institute on Cuba, Mark Falcoff's June 1996, *What's Next in U.S.-Cuban Relations*)

Nevertheless, in Susan Kaufman Purcell's book, *Cuba, The Contours of Change* she clarifies that, after the collapse of the Soviet Union; the U.S. embargo has been tuned to differentiate between the Cuban people and their government. The author focuses on the post Cold War era where the Embargo has been striving on strengthening the civil society by offering resources to Cuban individuals and meanwhile hardening it for Castro's government to profit economically from the U.S. (Purcell, 2000, p. 101)

Nevertheless, the author decides that it is still early to judge whether it is a successful embargo or not. However, she believes that the embargo policy has one strong point that it is flexible since it focuses more on helping the Cuban people yet enforcing the embargo against Castro. (Purcell, 2000, p. 101)

In her book, she refers to a recent study conducted by the Council of Foreign Relations whereby it offers several options of strengthening U.S. engagement with the Cuban people. (Purcell, 2000, p. 101)

In addition to that, the report suggests new schemes that can deepen the relationship between the Cuban people and the U.S. to increase exchange of information and humanitarian assistance to private factions. Finally, the author claims that it is the only sensible way to deal with Castro, instead of a full engagement policy, or the decision to abandon the embargo in favor of another policy that has been applied by others, which later proved to be disappointing. (Purcell, 2000, p. 102)

Furthermore, in a Foreign Relations Committee special report to the senate (Keep The Arms Embargo On Cuba) by Kim Holmes, Vice President and Director of Foreign and Defense Policy Studies, The Heritage Foundation Committee Brief No. 14, June 23, 1995 exposes the view of opponents of economic sanctions which stress that 32 years of such sanctions were a failure. Castro is still in control and the only nation that still does not deal with Cuba is the U.S. Embargoes hurt Cubans unfairly, and deny Americans the opportunity for investments in Cuba, while the whole world is paving a path to Cuba's

door. (The Heritage Foundation Committee Brief No. 14, June 23, 1995)

However, in his report, Holmes states that the mentioned arguments are not persuasive. (The Heritage Foundation Committee Brief No. 14, June 23, 1995)

Contrary to the opponents of sanctions, Holmes believes that embargoes have been successful. According to him, it is only because the Soviet Union was granting Castro 5\$ billion per year that Castro was capable to defy the embargo. Therefore, Castro built an exploitive communist government. With the disintegration of the Soviet Union and the fading of the Soviet sponsorship, it was very clear to the world that Castro had created in Cuba human and economic damage. (The Heritage Foundation Committee Brief No. 14, June 23, 1995)

To calculate the effectiveness of the U.S. embargo we should refer to the mounting concern of Castro in trying to force the U.S. to stop its blockade and the lately increasing intensity of Castro's police in containing the protesters. The writer argues that, as long as the Soviet Union was present, it was unrealistic to expect that the embargo would defeat Castro's government. While, now that the Soviet Union has collapsed it is sensible to imagine the probable collapse of Castro's administration. The writer believes that it would be a strategic mistake

to end the embargo now, when its weight would be felt the most. Moreover, Cuba is not China, as some believe that an exposed commitment being fair for China, it ought to work for Cuba too. Whilst it is right that in the past twenty years of U.S. trade with communist China, the U.S. strategy has played a role in developing a vital free market, which proved to be the catalyst towards democratization in China, a similar method is not applicable for Castro's regime. The Chinese free market has long been supported by the government, as well as by Chinese expatriates at large who are so numerous that the Chinese government cannot control their dealings. Furthermore, China welcomed free trade since the mid seventies. Such level of relative openness cannot be compared to the highly suppressed economy of Cuba. (The Heritage Foundation Committee Brief No. 14, June 23, 1995)

It is important to note that property rights are not present in Cuba. The Cuban Constitution bans private property ownership, business ventures, and the hiring of employees by employers except if that employer is the Cuban state. Furthermore, unlike China, one is unlikely to find Cuban expatriates eager to invest in Cuba as long as Castro is in power. Cuban expatriates, in general, believe that Castro is not trustworthy, and that he will merely use their investments to

strengthen and extend his repressive communist regime. (The Heritage Foundation Committee Brief No. 14, June 23, 1995)

The same writer explains that Cuba's population of 11 million earns in average less than \$120 a year per person. Consequently, they are unable to afford most U.S. goods, and their technology is outdated, unlike China's, therefore it is hard for U.S. consumers to find it appealing to invest in Cuba.

Finally, Castro has stressed that he does not intend to flourish a free-market economy in Cuba. Instead, Castro's aim is a closed market system where the government remains the single holder of property and monetary activity. It should also be emphasized that the peso has strengthened since Castro evidently meddled in support of Cuba's national currency.

In conclusion, the former report bases its analysis on whether or not Cuba is able to adopt and adapt to a free market economy while comparing it to communist China. It is true that the embargo became harsher with the post cold era, but still, the question remains, are economic sanctions supposed to reach the end they were imposed for, or are they just a tool that is inflicting harm to the targeted population? While all the facts stated in the former report may be correct, nonetheless the innocent Cuban population is clearly being

harmed; while Castro, who is the reason why the sanctions are imposed, is still in power along with his communist regime.

In conclusion, the proponents of economic sanctions may have logical arguments, but they do not have enough to convince opponents of economic sanctions and it is clear that both sides of the argument are using different basis for their arguments. In general, opponents of sanctions do not deny the fact that Castro's regime is frustrated, but they emphasize more the collateral damage while proponents of economic sanctions give it less importance. Therefore, in that case we come to the question on the effectiveness of economic sanctions in authoritarian regimes. Considering the case of Cuba where the people take no part in country decision making, whereas the government in democratic countries is responsible towards its people, therefore, each voice counts and ignoring their point of view may lead to unpleasant consequences to the targeted governments.

Chapter 2:

Definition and classification of economic embargo, distinction between economic embargo and other forms of economic sanctions:

It is important to define and compare forms of economic sanctions, if one is to have a better understanding of economic sanctions:

Economic sanctions are restrictions on commercial relations between citizens and companies of at least two countries. The embargo is by definition between the "senders", i.e. the party that is imposing the sanctions, and the "target", i.e. the nation on which the sanctions are imposed. (Anderson, 1984 p. 389)

Because of globalization, economies started to depend on one another; therefore, rewarding countries economically or imposing economic sanctions on them became an effective tool of foreign policy. Economic embargo is a form of economic sanction; it is the prohibition of selling goods to a foreign country. (Anderson, 1984 p. 389)

Such a ban is used to impose pressure or to exercise influence upon the target state. Trade embargo, whether a fractional or a complete ban, is classified as a political measure, it is adopted by the imposing state in international trade to force the targeted state to reach a determined aim. The state imposes economic embargo by applying legal responsibilities upon its citizens. It also may completely forbid trades with everyone present within the boundaries of the targeted state, or at least control it in certain ways. Economic embargo is unlike other measures of economic policy, since its imposition is predicated upon political reasons. (Osieja, 2005, p. 59)

The difference between economic embargo and boycott is that the latter is the economic severance of a strong-minded group in a state against another party in another state. While, economic embargo is a state initiative, as for boycott, it is a private and non-state action. (Osieja, 2005, p. 60)

Economic embargo is limited to economic policies of a state, while blockade comprises a military approach. While both seek to weaken the targeted state economically, however the blockade is not restricted only to the imposing state, but is also expanded to a third element. (Allwords.com)

Blockade is the closing of ports and surrounding it with troops, ships or air power, to prevent trade of goods from being imported or exported from the country, so that the imposing country meets its objectives. (Allwords.com)

While the economic embargo exclusively limits the trade of the imposing country against the targeted state, the blockade affects trade of the targeted state with other states when conducted through the seaports, unless the blockade is a peaceful one, where ships are allowed access to the seaports of the targeted state. (Osieja, 2005, p. 61)

Finally, the difference between economic war and economic embargo is that the former, as part of its characteristics, aims at defeating the enemy economically, while economic embargo is applied in peaceful times and it constitutes an economic measure to reach a political aim. (Osieja, 2005, p. 61)

Economic war is implemented in several contexts, nevertheless the expansive meaning of economic war endeavors mostly at harming the targeted state economically. Therefore, it is not the way the economic war is conducted that is important, rather the aim of that concept. (Osieja, 2005, p. 62)

Economic war may start during peaceful times, but certain economic restrictions are implied. Economic war also may begin with hostilities, supplemented with military approach however, in some cases; latent economic wars may be used at the last round of the war, because of a far-reaching peace condition upon the economy of the enemy. (Osieja, 2005, p. 62)

Chapter 3:

American foreign policy and the development of the U.S. economic embargo policy:

U.S. foreign policy may be divided into isolationism and interventionism. During the isolationism period, the U.S.' interference in the international world was minimal. As for the interventionist period, it was manifested by the U.S. directly intervening in the international arena to pursue its aims and interests through the instruments of foreign policy. Clearly, those two terms are continuums. U.S. foreign policy is never exclusively isolationist, it cannot totally isolate itself from the world, nor can it hit at anything, anytime. (Anderson, 1984, p. 372)

U.S. foreign policy is like a pendulum, which swings back and forth; sometimes there are certain issues that push it into both directions. If we know the direction of the pendulum, we are maybe able to guess the course of foreign policy during that period but not the foreign policy that is in store for the future. (Anderson, 1984, p. 372)

After many events that occupied the U.S., from boundary disputes with Great Britain, post civil war reconstruction and political scandals in Washington, the feeling of indifference towards foreign policy was very deep, to the extent that prominent newspapers called for the obliteration of the diplomatic corps. (Anderson, 1984, p. 374)

In 1895-1896, there was a renewed willingness to get involved internationally again. Because of the Venezuela-British Guiana boundary conflict, the U.S. felt that there was a breach of the Monroe Act. Therefore, the U.S. successfully pressured Great Britain to back down. Therefore, with the British retreat, there was a status boost to the U.S.; hence, such a victory permitted the U.S. to become one of the major players in world affairs. (Anderson, 1984, p. 374)

Interventionism continued with the U.S. as it intervened in the Cuban revolution and fought the Spanish-America war of 1898. America became increasingly present in world affairs. At the same time, the reduced British naval authority paved the way for U.S. ships to guard the western hemisphere. Such intervention ended with WW1 when the Congress refused to pass the League of Nations bill, which was initiated by Woodrow Wilson. (Anderson, 1984, p. 375)

The U.S., however, in 1918-1940 faced severe economic and political isolationism while the Kellogg-Briand Pact of 1928, which had outlawed war and become the symbol of the U.S. people, lead them to the illusion that external threats may be dealt with by treaties.

Furthermore, the isolationist mood became stronger with the great depression and isolationism was codified in the Neutrality Act of 1935.

It was later reinforced in 1936 and then again in 1937.

Here, the Congress believed that the Acts would surely protect the U.S. from the external threats but the neutrality cocoon proved to be just an illusion, with the outbreak of WW2; as a result, the U.S. had to alter its foreign policy. (Anderson, 1984, p. 375)

The U.S. interventionist course augmented with the Pearl Harbor attack in December 1941. With Roosevelt, the US became more involved than ever in world affairs.

However, after WW2 the U.S. could not withdraw to isolationism because of two reasons: first, planes demonstrated to be a powerful long distance fighting instrument, second the discovery of the atomic bomb. The two factors played major roles for continued US intervention in world affairs. Later the USSR became a threat to the U.S. with its spread of communism and Iron Curtain. (Anderson, 1984, p. 378)

That drew the U.S. to initiate the Truman Doctrine to help countries economically, who were threatened by communism. The plan was to spend money to prevent communism, better than spend money later to fight it. The U.S. helped overthrow Guatemala's communist government and in Iran, the CIA overthrew the Mussadeq government and re-installed the shah after Mussadeq had nationalized in 1952 the Anglo-Iranian Oil Company. In 1958, the Eisenhower Doctrine was applied to the Middle East, particularly in Lebanon. (Anderson, 1984, p. 378)

The Cuban missile crisis was the only event that almost provoked a nuclear response in 1962. However, Kennedy realized the negative outcome of such an act and instead referred back to naval quarantine and the USSR withdrew its missiles from Cuba with the understanding that the U.S. would withdraw its missiles from Turkey. In 1967-1968, after the effort to combat communism in Vietnam and after the grave losses the US military suffered in Vietnam, the pendulum clearly swung back to isolationism. (Anderson, 1984, p. 378)

After the disappointment of the public from the American Administration because of the War in Vietnam, President Nixon began disengaging the US from conflict and the policy of détente was introduced, since the anti-communist policy was no more a sensible basis for U.S. foreign policy. (Anderson, 1984, p. 378)

In 1972, Nixon visited communist China to normalize relations and establish regular diplomatic ties. He also attended the Moscow Summit and signed the SALT I and ABM treaties. (Anderson, 1984, p. 378)

Interests in oil spills and renewed interests in domestic matters, led to renewed isolationism, when once more the Congress limited the U.S. involvement in world affairs by limiting the powers of the president as the commander in chief and as chief of the foreign policy making.

Isolationism went on with Carter and in 1979; SALT II was signed to reinforce arms control. (Anderson, 1984, p. 378)

With president Reagan's arrival to the White House and Alexander Haig as his first Secretary of State, a retired army general who showed signs of moving the U.S. foreign policy far from the détente policy and more towards the spirit of the Cold War. (Anderson, 1984, p. 378)

Reagan increased military spending and delayed arms control treaties. He supported El Salvador and cut off aid to Nicaragua.

As for the Middle East, Reagan also applied a more interventionist policy. He sold arms to Saudi Arabia and aimed at strengthening and solidifying the opposition against the major threat, the USSR. (Anderson, 1984, p. 378)

Nevertheless, Reagan was unable to convince the Middle East that the USSR was the real threat in the area; the Arab-Israeli conflict captured

the scene, instead. US involvement was not producing the results that Reagan was aiming for. (Anderson, 1984, p. 379)

Major Powers as the U.S. run the risk of presuming the act of the global police. They enjoy the benefit of choosing from various options to retaliate to an event threatening their security.

The furthest option may be military action, or on the opposite end, inaction. However, such extreme options worsened after the Cold War since inaction implied isolationism, which alone is a burden. If the U.S. chooses to retreat from the world affairs, even though now there is no country that directly threatens the U.S., it is possible that in the future, a probable enemy will arise. Therefore, an option that falls between the two extremes gains more support and significance in the global arena.

As for military action, it needs justification, which is quite difficult, especially after the Cold War. In addition to that, there are many criteria to reconsider in regards to the justification of military action. Not all conflicts are apt for military intervention; nevertheless, there have been notably successful implementations of military force recently. (Selden, 1990, p10)

For instance, in the first Gulf War, in Panama and in Granada, the U.S. was able to achieve its goals swiftly, with few casualties. However, such success should not imply that military intervention might always resolve situations that easily. (Selden, 1990, p10)

It is argued by most of the international community of all political spectrums that the U.S. ought to reduce its military interventions, and should concentrate and dedicate its efforts more on domestic matters. After the Cold War, the nature of the threats to American security altered. Isolationism became a risky alternative since insignificant threats may turn into considerable threats. Moreover, history proved that inaction by major powers leads to greater challenges. The author gives the example of how the British permitted the fleets' condition to deteriorate after its combat with France, only to encounter later a larger threat from Napoleon. Another example was Hitler, where British inaction allowed Hitler to evolve from a minor problem into one of the fiercest challenges Britain had to face. (Selden, 1990, p10)

Therefore, we may conclude that inaction, historically, has been a dangerous option. Hence, if inaction and military ways of intervention each have grave disadvantages, the intermediary choice becomes the more vital of all.

Economic sanctions are one selection that became more favored since most countries are dependent on particular imported goods to their economy. Due to this international interdependence, major powers may take advantage of it, and exploit it to indicate discontent with actions of a certain country. They may exert pressure on the targeted country by restraining the stream of imports, thus the targeted country will endure deprivation and will be forced to alter its ways. Since military strength is more apparent than economic strength, economic sanctions were increasingly seen as the prime way of applying international power. Consequently, economic sanctions became more prominent with the world community. The U.S. used economic sanctions against many countries such as Yugoslavia, Iraq and Libya; specifically, the U.S. used sanctions 25 times during the 80's. (Selden, 1990, p12)

Obviously, economic sanctions as a tool of foreign policy became more popular and practically a default choice of U.S. foreign policy that is imposed to justify everything from human right violations to nuclear production. Therefore, it is very important to understand that economic sanctions, although sometimes effective, can be worse than ineffective. Some of the targeted countries' economy and internal policies were so altered that it made these countries' offensive behavior even harder to undo.

- **3.1 Cuban – us relations before Castro:**

Some factors shaped Cuba after 1880 but before that, it is essential to examine briefly some aspects along with the demographic, political, and financial factors that seem vital to the development of Cuba. After Christopher Columbus discovered the area, Cuba was used successively as a staging area by Spain and other countries.

Cuba was historically exploited for its raw materials and farming resources and it brought in slaves from Africa to sustain its agriculture and mining. Nevertheless, in some ways, Cuba was an exception as it was the only colony to remain under Spanish rule until the 19th century and took a long time to abolish slavery. Cuba was unable to found close ties with the Catholic Church and because of the European invasion that abolished the native population in the 16th century; Cuba was unable to develop ties with the Indian culture, which was a common aspect in Latin American countries. (Skidmore, 1992, p.254)

Politically, Cuba was not a very important colony for Spain since it did not provide Spain with the minerals that they needed.

Economically, Cuba began producing sugar in the beginning of the 19th century and provided up to 1/3 of the world sugar supply. Starting in the 1860's, Cuba became an agricultural society depending on a single

crop import and export, supported by substantial black labor. However, the production of sugar drove U.S. investors to purchase terrains and mills in Cuba. Hence, such economic events had direct and long-term outcomes on Cuba. The sugar trade paved the way for the 1895 Cuban revolution and the Spanish-U.S. war. Later, the sugar trade prevented the development of the peasant class due to the elimination of small farms, a detail that later would become significant to Castro's revolution. (Leckie, 1992, p. 544)

The U.S. progressively gained economic and political dominance over the Island, after the decrease in presence and influence of the Spanish. Moreover, the U.S. progressively controlled major Cuban imports and exports and eventually, it even took charge of Cuba's major political affairs. (Wikipedia.com)

By 1877, the US was responsible for 82% of Cuba's total exports. It was also clear that the Americans were increasingly buying land on the Island, to an extent that some areas on the Island had more of an American nature than a Spanish one. Between 1878 and 1898, American investors exploited the dwindling Cuban economy to buy estates that they were unable to buy before, while others bought properties for very low prices. (Wikipedia.com)

Such action aimed to integrate the Cuban economy into the North American system, but in addition, it effectively weakened Cuban cultural relations with Spain. (Wikipedia.com)

In 1891, the U.S. lifted taxes on Cuban sugar and increased sugar imports from the island. In addition, after the signing of trade agreements with Spain, Cuba had afterwards become very dependent on the US market. However, later, the U.S. reinstalled the taxes on Cuban sugar and such an economic measure negatively affected the Cuban economy and in turn led to social and political turmoil, which contributed a great deal in shaping 20th century Cuba as well as in the termination of the Spanish supremacy. (Wikipedia.com)

The Cuban war of independence was a bloody war with bloodshed prevalent on both sides. Cuban rebels increased against Spanish rule and tried to get support from the US, but President Grant declined their request and the resistance was curbed. Later Secretary of state James Blaine declared that it is essential that Cuba becomes American and not fall under European domination. In 1897 and after a successful rebellion in Cuba's war of independence, President McKinley requested to buy Cuba for \$300 million but that request was turned down as well and this time it led to the US-Spanish war, which ended on December 10 in 1898. (Wikipedia.com)

Finally, Secretary of War Root and Wood noticed the need for the Platt Amendment, offered by Connecticut Senator Oliver Platt to the Army Appropriation Act of 1901. The amendment stated that Cuba has to preserve a low public debt, abstain from endorsing any agreement that would be of harm to its obligation to the U.S., and honor the privilege of intervention to defend life, liberty and possessions. Finally, the amendment called for the authorization of military government action if necessary, and it called for the giving away of long-term naval leases. (Langley, 1980, p. 21)

The Cubans, disconcerted with the Amendment, sent a delegation to appeal it but it was too late, as President McKinley had already codified the bill. The Platt Amendment and other economic equivalences had prepared the root of U.S. dominance in Cuba and created around 60 years of animosity between the two nations. (Benjamin, 1977, p.21)

The Cuban still tried to amend the Platt Amendment, but to no avail. Wood declined to make any changes and threatened that U.S. military would stay in Cuba until the Amendment was ratified. (Langley, 1980, p.19)

In 1902, Tomas Estrada took office as Cuba's first president. Estrada was pro-American; he believed that there was no future for an independent Cuba. (Langley, 1980, p.111)

Concerning WW1 there is very little literature on U.S.–Cuba relations, however during WW1, the sugar trade increased between Cuba and its allies. That era was dubbed *The Dance of the Millions* but soon after the sugar, prices plunged to less than 4 cents a pound.

Finally, when Batista ruled as a dictator when he returned to office in a coup, unlike his previous term when he ruled as a constitutional president. He shortly after was overthrown by the 1959 revolution. (Skidmore, 1992, p.263)

- 3.2 The Cuban revolution:

Fidel Castro was a young and passionate activist with strong nationalistic sentiments. Castro was born in 1927, a son of a Spanish immigrant. Castro enrolled in the University of Havana where he became politically active in adhering to an orthodox party. On July 26, 1953, Fidel Castro and his group of revolutionaries attacked the Cuban military garrison of Moncada in Santiago. This particular date was chosen because it coincided with the Santiago carnival date. (Trento, 1998, p.20)

After Castro's graduation, he visited Latin America to learn the politics and strategies of different revolutionary groups. His first exposure to a revolution was in Colombia in 1948, when Jorge Gaitan was assassinated and the event led to rioting and the resignation of the

government. Castro was influenced by that event which made him realize the strength of popular mobilization. (Skidmore, 1992, p.263)

Afterwards, Castro invested 5 years traveling and furthering his studies of revolutions. Besides raising funds, he went on drafting and training revolutionary soldiers. After the failure of the Moncada revolution and after many of the combatants were either killed or caught, Fidel Castro and his brother Raul were arrested, tried and condemned to 15 years in prison. During his hearing, Castro gave a passionate speech, "history will pardon me", a speech that later turned into the doctrine of his rebellion. Nevertheless, Castro was able to flee to Mexico after Batista had granted amnesty to several political prisoners to improve his image. However, history showed that this move from Batista was a tactical miscalculation, which later cost him his presidency. (Skidmore, 1992, p.264)

While in Mexico, Castro worked on organizing the revolution. He was able to gain some support from former Cuban president Carlos Socarras and Mexican leftist, President Lazaro Cardenas.

In 1956, the revolutionary forces of Argentinean Che Guevara who also did extensive traveling in Latin American, before and after his medical studies, joined forces with Castro. Che had experienced the

coup d'état in Guatemala sponsored by the CIA, and which had created in him a feeling of hostility against the U.S. (Trento, 1998, p.24)

On 26 July Castro, Raul and Che returned to Cuba as leaders of the 86-member revolution. However, the revolt failed and Castro with his followers fled to the mountains and there they constructed the infrastructure of guerrilla warfare against Batista. Castro received international recognition and help through a series of articles by the New York Times written by the journalist Herbert Matthews. The editorial came forward when President Batista claimed that Castro had died and the revolution crushed. Such publicity helped Castro gain international sympathy while Batista's international support decreased. Meanwhile, Castro went on recruiting more soldiers and depended on the support and protection of the local villagers to succeed in his guerilla warfare. (Trento, 1998, p.26)

In 1958, the revolution's hopes were renewed when America imposed a ban on weapons against Batista's forces. Nevertheless, Castro failed to achieve success with guerilla warfare. Nevertheless, his popularity increased with Batista's brutal retaliation. As official efforts to regain a firm position, Batista called for presidential elections, but the voters withheld from voting. As a result, Batista lost interest in his cause,

especially that he had no more enough U.S. support, therefore he exiled himself in the Dominican Republic and on Jan 1, 1959, Guevara and Camilo Fuegos directed the revolution inside Havana and Castro followed them 6 days later. The international community and the U.S. were concerned by what kind of government Castro would install. Castro followed the Triumvirate system; he assigned Manuel Urrutia as president, Jose Cárdenas as prime minister and himself as the commander of chief of the military. Soon after, in February, Cárdenas resigned, due to his lack of real authority, so Castro officially declared himself prime minister and commander in chief. Castro subsequently augmented the military from 50,000 to 600,000. He also dealt with Batista's supporters; within a period of 6 months, he had ordered 500 executions. It was clear for the international community that Castro had established total control over Cuba. (Morley, 1987 p.367)

- 3.3 The beginning of the trade embargo and the expropriation of American properties:

When Castro first came to power, his first initiative was land reform, which had a direct impact on Cuban-U.S. relations. He established the Instituto Nacional Para la Reforma Agraria (INRA) that later became the principal instrument of political economy in the industrial sector,

bank, public affairs and transport. (U.S. policy toward Cuba <http://www.closeup.org/cuba.htm#timeline>)

The INRA aimed at dissolving the Latifundia and redistributing land to landless peasants, instead it was more arbitrary than lawful. Castro's regime removed all legal mechanisms that could offer any kind of compensation. The Cuban government offered compensation starting with a 20-year bond with 4.5% interest for the tax declared cost, which was considered insufficient, and was later discarded. By the end of 1959, The American concerns increased when obvious links of close ties between Cuba and the Soviet Union appeared. Soon after, in October 1960, U.S.-Cuba relations deteriorated, turning into an economic warfare that prohibited all exports to Cuba. As Castro's government increasingly allied itself with the Soviet Union, President Eisenhower banned American oil industries in Cuba from refining Soviet oil. Moreover, the U.S. issued an embargo on Cuban sugar and withdrew all military and financial support to Cuba. In response to the American action, the Soviet Union compensated Cuba by buying its sugar. Meanwhile, further Cuban expropriations followed while the United States forced a full embargo on exports to Cuba, excluding

foodstuff and medicines. (U.S. policy toward Cuba
<http://www.closeup.org/cuba.htm#timeline>)

U.S. sanctions against Cuba began in 1917, but sanctions reached their peak in 1960 when Castro came to power. We shall introduce the basic sanctions against Cuba as outlined by the 2001 International

Trade Commission. To begin with, the passage of Trading with the Enemy Act, in 1917, offered the U.S. government a source of monetary restrictions against Cuba. It stressed on U.S. involvement in WWI, permitting the president to sanction or take the proper measures concerning deals with unfriendly states during war. However, in 1933, the Act was extended to authorize the president to cite this Act in case of national emergency. Nevertheless, later in 1977, there was another amendment which revoked the national emergency that granted the president annual justification for any sanction to be imposed. Starting in 1977, all U.S. presidents mentioned yearly justifications extending the emergency state, one of which being the embargo against Cuba. (Askari, 2003, pp. 127-128)

Chapter 4:

Analysis of the U.S. embargo against Cuba:

- 4.1 The phases of the sanctions:

In 1960, after Castro had begun expropriating U.S. property in Cuba, President Eisenhower sanctioned Cuba under the 1949 Export Control Act where oil refinement companies owned by the U.S., such as Texaco, were banned from refinement in Cuba; nevertheless, food and medicine were exempted. In 1961, the Passage of the Foreign Act authorized President Kennedy to enforce a full embargo on Cuba. In 1962, the Act was supplemented by subsection 602-e, which banned American aid to communist states and emphasized sanctions against countries that expropriated American properties. The Foreign Act was passed when the CIA-backed Bay of Pigs invasion failed, led by about 1200 exiled Cubans, mostly from bourgeois families that were grouped and trained by the CIA to oust Castro's regime. However, the invasion turned out to be a disaster as Castro's army killed many of the invaders and captured the rest, and some were executed for having committed harsh crimes under Batista's regime, while the remainders of the detainees were later released in December 1962 in exchange for food and medicine. (Askari, 2003, p.128)

After the Foreign Act, Castro declared himself a Marxist – Leninist. Soon after, President Kennedy declared that the Soviet Union had installed nuclear bombs on the coast of Cuba. The Cuban nuclear crisis came close to a nuclear confrontation between the Soviet Union and the United States. Castro's declaration and the Cuban missile crisis developed closer political and economic ties between the Soviet Union and Cuba. (Askari, 2003, p.128)

In 1962, The Passage of the Tariff Classification Act postponed Cuba from getting cheap duty rates and Most - Favored - Nation duty tariffs. This Act applies when the U.S. concludes that a foreign government or organization that is in control of the world communist movement controls a country. It was a symbolic statement for Cuba, at least, especially that Cuban imports stopped from reaching the U.S. and the Cuban missile crisis enforced the negative sentiment against the communist movement. (Askari, 2003, p.130)

In 1963, the Imposition of Cuban Assets Control Regulations was published by the office of the U.S. Treasury Department of Assets of Foreign Control, which was responsible for issuing, analyzing and implementing economic sanctions. (Askari, 2003, p.130)

Because of regulations, the U.S. government froze all public and private Cuban assets in the U.S. and banned unlicensed monetary and commercial transactions with Cuba and Cuban individuals. (Askari, 2003, p.130)

Moreover, the ban did not exclude overseas firms, which was the first extraterritorial policy of U.S. sanctions. Furthermore, the U.S. government banned U.S. imports and exports to Cuba with the exception of publications, telecommunication operations, and up to \$100 of Cuban goods held by authorized voyagers. No transfers of transactions may take place without the U.S. Treasury department's approval. (Askari, 2003, p.130)

In 1973 after the period of détente between the Soviet Union and the U.S., an effort was put in place to regulate affairs between America and Cuba, where they negotiated an anti-hijacking agreement under which both countries would share common information in efforts to control hijacking in both countries. In 1975, an amendment to the Cuban assets control regulation restricted U.S. companies' subsidiaries working in third world countries to initiate business with Cuba. Nevertheless, the Department of Treasury annulled the Regulation Act and substituted it with a certain commercial license. (Askari, 2003, p.131)

In 1977, under President Carter, some Americans were permitted to consume up to \$100 dollars of Cuban merchandise, which was considered a Lapse of Travel Restriction, and the two countries signed an agreement concerning fishing and maritime rights, as well as Interest Sections, which were established in place of embassies. (Askari, 2003, p.131)

While both embassies are actually located on the location of each country's previous embassy, they are accredited to the Swiss Embassy. In 1982, after Cuba had sent armed forces to Africa, President Reagan reinstalled limitations on Americans from flying to Cuba and halted further normalizations processes with the Cuban Government. In 1992, the Torricelli Act, The Passage of The Cuban Democracy Act, elaborated more the existing U.S. sanctions against Cuba and besides codifying the sanctions, they added new one. The Act states the following: (Askari, 2003, p.131)

It bans U.S. firms from pursuing dealings with Cuba, thereby restoring the 1963 Regulation, which was revoked in 1975. The Act limited trade movements between both countries. Any ship loading or uploading cargo in Cuba is banned from entering American ports starting 180 days of departure from Cuba. (Askari, 2003, p.131)

Moreover, American ports are not open for ships whether shipping merchandise or travelers to or from Cuba, and material may not be commuted in ships where the Cuban government or national have any interest in. Moreover, so that medical supplies may not be resold or used by the Cuban government, the medical supplies are subjected to inspection to ensure that they are used for the proper purpose. For any state granting aid to Cuba, the Act authorizes the president to forbid it from any form of aid, be it military or economic, as well as to grant it any reductions of taxes or debt pardoning owed to the U.S. In addition to that, the president is required to keep strict control on payments to Cuba by individuals in the U.S. The Act permits the Treasury Department to tax civil charges and property forfeits on individuals breaching U.S. sanctions against Cuba. Finally, it permits some telecommunication and postal operations to be done between the U.S. and Cuba. There was a relatively mild response to the Torricelli Act, as some analysts believed that the application of the sanctions would anger the EU or other political allies of the U.S. concerning U.S. subsidiaries, but they did not mind sacrificing U.S. subsidiaries in return for their national firms. This in fact enjoyed less competition from Cuban businesses under the Preeg 1999 Act. (Askari, 2003, p.131)

The Helms-Burton Act, Passage of the Cuban liberty and democratic solidarity Act that came with the Cuban military air attack on a plane carrying Cuban exiles over international water states the following and is categorized into 4 titles:

"Title I, requires U.S. representatives of international financial institutions to oppose Cuban membership within their respective organizations and restricts U.S. payments to institutions that assist Cuba over U.S. objections. (Askari, 2003, p.132)

. Title II, makes removal of sanctions dependent ("contingent") on the settlement of all outstanding claims on U.S. property expropriated in Cuba (property rights provisions are extended to Cuban exiles who have become U.S. citizens). The president must determine that a "Transition Government" is in place in Cuba prior to removing sanctions Fidel Castro and his brother Raul are explicitly excluded, by name, from any legitimate "Transition Government." (Askari, 2003, p.132)

. Title III permits U.S. nationals to sue Cuban government entities and third-party foreign investors over profits earned from the use of confiscated properties previously owned by U.S. nationals. (Askari, 2003, p.132)

. Title IV denies individuals who "traffic in" U.S.-claimed properties in Cuba, both visas to enter the United States and entry into the United States." (Askari, 2003, p.132)

For many U.S. allies the Helms – Burton Act turned out to be a controversy because of its extraterritorial nature. The U.S. sanction applied on Cuba also included the businesses of other countries dealing with Cuba. Therefore, both Mexico and Canada passed a law in response to the Act. Whereas, the EU demanded a dispute settlement with the U.S. via the WTO, however, after a year, the board lost its authority over the issue, and the EU stopped its pursuit of the issue before the WTO. Instead, the matter was resolved in May 1998, when the EU approved to form laws concerning projects dealing with illegal expropriation, while the Clinton government agreed to give up limitations under titles three and four. Moreover, Canada supplemented its Foreign Extraterritorial Measures Act, requiring both Canadian and American subsidiaries to overlook all directions not to trade with Cuba. This amendment not only gave strength to Canadian firms dealing with Cuba, but also consequently declared the Helms-Burton Act illegal on Canadian soil. Likewise, Mexico in October 1996 induced a law, which aimed at neutralizing the Helms-Burton Act. (Askari, 2003, pp. 132 -133)

By law, any individual in Mexico complying with another country's laws, aimed at dropping Mexican trade or foreign investment in a third country is penalized \$280,254. As for Cuba, it passed law 80, which is the law of confirmation of Cuban pride and autonomy. This required the Government of Cuba to protect any foreign investment. The Passage of the Omnibus Appropriation Act in 1998 states that all trademarks disowned by their proprietors due to the Cuban property confiscation can neither register in the U.S, nor renew rights. Moreover, the U.S. courts are not to impose or identify with these brands. As a result, the EU filed a complaint with the WTO opposing this Act as it interferes with the American commitments under the agreement concerning Trade Related Aspects of Intellectual Property Rights. In 1988, the Department of Commerce and other federal agencies executed Humanitarian Policies to facilitate the supply of medical licenses, humanitarian aid and equipments for nongovernmental sales or assistance. (Askari, 2003, pp. 132 -133)

In 2000, President Bill Clinton signed the "Trade Sanctions Reform and Export Enhancement Act", which relaxed the sanctions that were unilaterally imposed by the U.S. on several countries, one of them being Cuba. (Askari, 2003, pp. 132 -133)

The Act permitted the conditional sale of food and medicine, however, private or direct financing was not allowed, and nevertheless the Act was nullified due to the Cuban currency shortage and awful debt score. (Askari, 2003, pp. 132 -133)

In 2001, the (Cuba Policy Foundation) published a poll indicating that the majority of U.S. citizens support doing business with Cuba and lifting the travel ban. On November 28, the United Nations for the tenth consecutive time, voted to condemn the forty years old trade embargo against Cuba by a vote of 167 to 3 and three nations abstained from voting, the U.S., Israel and the Marshall Islands. On July 23, 2002, the U.S. House of Representatives voted 262 to 167 to lift the travel ban and to permit the sale of American material to the Island. However, 73 Republicans voted against the embargo and on August 7, the House Majority Leader Dick Armey stated that the U.S. should open its trade with Cuba. On September 30, 2003 the U.S. Treasury's Office for Foreign Assets Control passed a law that prohibits publication of scientific articles from governments subjected to sanctions by the U.S., such as Cuba; however, the measure was annulled on April 5, 2004. (historyofcuba.com, National Security Archives)

On October 10, 2004, President George W. Bush set up the Committee for assistance to a Free Cuba, and reinforced the travel ban to Cuba.

On October 24, 2004, forty years after the introduction of the travel ban in 1963 by President John F. Kennedy, the U.S. Senate voted 59 to 36 in favor of lifting the travel ban, which turned out to be a chief rebuff of President Bush's policy towards Cuba. Moreover, On November 4, the UN General Assembly, for the 12th consecutive year, overwhelmingly voted against the U.S. economic embargo of Cuba, but Only 3 nations voted in favor of the embargo; the U.S., Israel and the Marshall Islands. On February 26, 2004, President Bush signed the Presidential Proclamation 7757, which prohibits ships arriving from Cuban ports to dock in U.S. ports. The United Nations General Assembly voted on October 28, for the 13th consecutive year, overwhelmingly against the U.S. embargo against Cuba. The vote resulted in 179 to 4 (the U.S., Israel, the Marshall Islands and Palau voted in favor of the embargo.) with one abstention. (historyofcuba.com, National Security Archives)

On June 21, 2005, the House of Representatives approved the amendment, which yields a regulation passed by the Department of Treasury and requires Cuba to pay the U.S. for the imported food before it left dock. However, before it becomes a law, the senate and the House need to approve it. On June 20, a memo written by Robert Kennedy who was Attorney General at the time was released by the National Security Archives. It stated that the travel ban was inconsistent and against traditional U.S. freedom acts. Another memo was released which dates back to December 13, 1963 where Undersecretary of State George Ball ends all the possibilities of lifting the travel ban to Cuba. (historyofcuba.com, National Security Archives)

- 4.2 Multi-lateralization of the Embargo:

Multi-lateral sanctions are coercive for two reasons: first, they are coercive because they apply pressure on the targeted state to alter its internal or external policies. Second, they are coercive because the state as in the American case has a large interest in implementing sanctions as it tries to persuade other countries to join, whereby applying force or promising rewards. (Martin, 1993, p.4)

On July 3, the Congress passed the Sugar Act, which permitted the president to revoke all imports from Cuba, and three days later, President Eisenhower cancelled all sugar quotas and stated that other measures should be considered against Cuba. In 1960, the economic embargo was strengthened and President Kennedy ordered the freeze of Cuban assets held in the U.S., as well as determined that international action is necessary against Cuba. (Simons, 1999, p.124)

In this case, the U.S. did not limit the economic embargo against Cuba only to itself, on February 1962, the State Department official, Walt Rostow convinced other NATO countries to participate in the U.S. embargo against Cuba. The allied countries took action against Cuba by isolating it economically: They forbade the charter of ships from commerce between the Soviet Union and Cuba. They hampered the shipment of Cuban goods through third countries, halted monetary credit to Cuba, and forbade the export of economic and military goods to Cuba. (Osieja, 2005, p.72)

The first countries in Europe to support the U.S. economic embargo were Germany and Turkey. In September, Turkey declared that no private ship owner is to trade with Cuba. The German government required that all ships that want to trade with a communist country should obtain a specific license. (Osieja, 2005, pp.73-74)

Moreover, President Kennedy tightened the economic embargo against Cuba even further, by implementing a plan to hamper trade between the Soviet Union and Cuba. The plan stated the following: no ships that transport military and non-military goods to Cuba and other communist countries are allowed to enter U.S. ports. Additionally, ship owners that trade with Cuba are prohibited from transporting U.S. cargo, and ships with American flags or owned by U.S. citizens are banned from carrying cargo to and from Cuba. (Osieja, 2005, pp.73-74)

In October 1960, the U.S. Government moved to implement the Kennedy proposal of internationalizing the economic embargo. The U.S. pressured many states to reduce their trade with Cuba. Moreover, the American Government discussed with the Canadian Government how to avoid American goods from reaching Cuba through Canada. Likewise, in 1961 President Eisenhower pushed Cuba to become more reliant on the socialist-block by setting the sugar quota to zero, which was reconfirmed by President Kennedy on March 31 and three weeks later, he proposed to the National Security Council the action of enforcing a full U.S. trade embargo against Cuba. (Simons, 1999, p.125)

On February 3, 1962, Kennedy signed declaration no. 3447 that imposed a full embargo on trade with Cuba, starting February 7, nevertheless exempting certain foods and medicine. Finally, after the U.S. had gained the pledge of other NATO countries to join the economic embargo against Cuba, on January 10, 1964, Secretary of State, Dean Rusk pressured other states to participate in the anti-Cuban crusade, stating that those who dealt with Cuba decreased the effort of eliminating the Cuban threat. On March 13, he also clarified to the Senate Foreign Relations Committee that the rationale behind the economic embargo was to prove to the Cuban people that Castro's regime was not in their interest and that the communist regime had no place in the western block, finally obstructing Castro from exporting terrorism and overloading the Soviet Union. (Simons, 1999, p.126)

The embargo pushed Cuba to depend more on the socialist block, nevertheless, Castro remained confident and positive, stating that the isolation of Cuba is slowly fading. On July 29 the OAS the (Organization of American States), voted 16 to 3, with two refraining from vote to terminate the U.S. initiated collective embargo against Cuba. As a result, the OAS countries were able to normalize relations and deal with Cuba according to its convenience. (Simons, 1999, p.127)

- 4.3 The Effects of the Embargo on the Cuban Economy:

The trade between the U.S. and Cuba mostly depended on agriculture, namely sugar and tobacco, in return Cuba imported American timber, grains and manufactured products. The U.S. dominated most of Cuba's trade providing about two thirds of Cuba's imports and receiving two thirds of Cuba's exports Cuban tourists favored visiting destinations in the U.S. Yet, prior to the economic embargo, Cuba represented only a fraction of U.S. trade, with less than five percent of American imports and exports. Nevertheless, this trade relationship was altered when the economic sanctions were forced on by the U.S against Cuba, and it had a leading impact on Cuba's economy. (Askari, 2003, pp. 134-135)

In the beginning, the Cuban economy absorbed relatively well the costs imposed by the U.S economic embargo, but in the early 90's the average Cuban began to feel the aggressiveness of the economic sanctions. Historically, U.S. sanctions had a minimal impact on Cuba's economy as it quickly adjusted itself with the Soviet bloc. The soviet's economic aid reached its climax in the 80's with \$6 billion in annual aid, permitting the Cuban economy to develop. (USITC investigation no. 332-413, p. 4-6)

However, after 1990, the Soviet Union's economic support decreased substantially, which lead the Cuban economy to suffer enormously, forcing it to initiate economic reforms, to bring new foreign investors, and to introduce selective economic liberalization to encourage domestic production. The Cuban government claimed that the overall cost of the U.S. economic sanctions on its economy in 1998 was \$67 billion, including reduced trade, increased shipping costs, foreign debt issues, reduced tourism and emigration of professional workers. (USITC investigation no. 332-413, p. 4-6)

Let us study the past and current impact of sanctions on the service sectors, including air transport, maritime, banking, telecommunication, travel and tourism. The past impact on air transportation was immense. In the 1950's the Cuban airports served as the nucleus between South America and the U.S. In the absence of sanctions, supposedly 100,000 to 350,000 U.S. residents would have been expected to fly to Cuba for tourism. The increase of traffic between the U.S. and Cuba was helping Cuba's prominent airline, Cubana de Aviacion and the Cuban carrier Aero Caribbean, where in 1998 it transported about 28 % of most international visitors to Cuba. (USITC investigation no. 332-413, p. 4-6)

Lately, Cuba with the assistance of the Canadian foreign investment restored Jose Marti International, Cuba's largest airport and expanded its second largest airport, Juan Gualberto of Varadero, along with many other smaller airports. (USITC investigation no. 332-413, p. 4-6) These airports would witness regular flights by U.S. airlines and later, perhaps it would begin full-scale flights to Cuba after removing the sanctions. (USITC investigation no. 332-413, p. 4-6)

The maritime service industry, historically, was significantly affected by the Democracy Act of 1992, which banned ships with U.S. flags to transport goods to or from Cuba or even ships transporting goods in which a Cuban citizen had any interest. The Democracy Act amplified shipping costs to Cuba by 23% and prevented many foreign ships from harboring in Cuban ports. In the absence of sanctions, Cuba's trade fleet would have greatly benefited from its relationship with the U.S.

Nevertheless, in the absence of sanctions Cuba would fall under the General Trade in Services, which allows Cuba to ban foreign corporations from transporting goods under the Cuban flag. However, currently, fleets that are registered in foreign countries ship goods to Cuba, as well as Germany, the Netherlands, Thailand, the UK, Singapore and Norway. In the case of absence of U.S. sanctions, U.S. shipping agencies would have faced competition with ships registered in these countries. (USITC investigation no. 332-413, p. 4-9)

The impact of sanctions on Cuba's banking and insurance sectors has been insignificant, since before the imposition of these economic sanctions, Cuba did not have a great deal of financial transactions with the U.S. as it relates to the banking and insurance sectors. Nevertheless, in the absence of sanctions Cuba would have competed with European and Canadian banks and insurance companies. (USITC investigation no. 332-413, p. 4-12)

The telecommunication industry suffered extensively from U.S. sanctions, since Cuba had no access to American goods, it largely depended on soviet assistance, however in the early 1990's with the soviet collapse Cuba's telecommunication systems became shabby and faced many problems. Nevertheless, the Cuban telecommunication company entered into a joint venture with a Mexican company, which soon was targeted by the "Cuban Liberty and Democratic Solidarity Act". As for wireless telecommunication services, they are provided by Cubacel of which 37.5% was later bought by a Canadian company in 1998. In the absence of sanctions, the telecommunication services in Cuba, perhaps would have improved at a faster pace. (USITC investigation no. 332-413, p. 4-17)

Moreover, the volume of calls to Cuba from the U.S. would have probably increased to 160 million minutes and Cuban calls to the U.S. would have increased to 3.4 million minutes, thus increased calling volumes would increase revenues to Cuba ranging between \$15 million to \$30 million a year. (USITC investigation no. 332-413, p. 4-17)

From the 1960's until the late 1980's, Cuba mostly relied on the soviet bloc for economic assistance and did not prioritize the tourism sector. Tourism became a priority after the loss of the soviet economic assistance. Tourism in Cuba generates about 65,000 jobs through direct employment and around 250,000 jobs indirectly. In addition to that, the Cuban government has granted joint ventures to Canadian, European and Caribbean partners. Nevertheless, according to U.S. industry source estimates, about 1 million American tourists would have annually visited Cuba in the absence of sanctions. (USITC investigation no. 332-413, p. 4-22)

Agricultural sector:

Historically, the meat and dairy sectors did not suffer from U.S. sanctions because Cuba found alternative suppliers, but at higher prices. In this sector, Cuba, even in the absence of sanctions, would still not be able to compete internationally. Concerning wheat and rice, historically Cuba imported wheat from the Soviet bloc, therefore the cost of wheat was very low, and however with the withdrawal of soviet support, Cuba was pushed to look for supply from the EU, Argentina and Canada. As a result, wheat prices rose. In the case of absence of economic sanctions, Cuba would not have more likely imported unmilled wheat from the U.S. but the Cuban milling industry would have had to increase its milling ability to be able to handle the large volume of milling. (USITC investigation no. 332-413, p. 5-8)

As for rice, the impact was significant since, prior to the sanctions; Cuba imported annually about 200,000 metric tons of rice from the U.S. making it the largest supplier of rice to Cuba. With the imposition of sanctions, Cuba turned to China, Vietnam and Thailand for rice supply, however, with higher costs. Nevertheless, in the absence of sanctions, the U.S. would have provided Cuba with 60% of its total rice imports, which would also have tended to increase in the end. (USITC investigation no. 332-413, p. 4-11)

Traditionally, the sugar industry was highly affected by the imposition of sanctions since Cuba's sugar export reached 33% of the world's markets, and constituted more than 80% of the country's total exports, as well as represented to the Americans their largest supply of sugar. In short, Cubans depended on the American market for more than half of their yearly exports. In regards to sugar, the interdependence of Cuba and the U.S. originated from Cuba offering a cost effective raw sugar and in return the U.S. providing a guaranteed market for its exports. Subsequent to the imposition of the economic sanctions, and to preserve its sugar quota, Cuba had to reallocate to another sugar manufacturing market. Cuba moved towards centrally planned economies, such as those of China, the Soviet Union and the eastern European states. By 1970, the Soviet Union was responsible for 45% of Cuba's sugar exports where Cuba's economy depended on the Soviet Union from 1960 until 1990, during this period Cuba gained more than \$65 billion via Soviet Union through sugar trade. Moreover, Cuba pursued trade relations with Japan and Canada, which paved the way for Cuba to acquire goods that were not accessible from the soviet bloc. (USITC investigation no. 332-413, p. 5 - 39)

Concerning the overall impact of the sanctions, Cuba did not feel the difference until the collapse of the Soviet Union, reaching in 1999 a record low of 3.2 metric tons. Besides the fall of the sugar quota, Cuba suffered from lack of equipments, lack of proper maintenance and most importantly, lack of capital investments. Finally, the effect of lifting the sanctions on the sugar industry depends on what sort of trade relations to both countries would resort. The effects also depend on whether the U.S. would grant Cuba access to its sugar market and if granted, in what quantity. Furthermore, in the case where the proper capitals were invested in the sugar domain, this industry could turn into a highly competitive industry on the international market. (USITC investigation no. 332-413, p. 5 - 39)

The historical impact of sanctions on Cuban cigars was not very dramatic; the U.S. imported around 22% of Cuban production. Yet, after the imposition of economic sanction on Cuba, the cigar industry reached its crest in 1968 reaching 724 million cigars, 6 years after the imposition of the sanctions. Therefore, proving that America was not a vital market for Cuban cigars, instead Cuba turned to European markets to substitute for its loss. (USITC investigation no. 332-413, p. 5 - 44, 5 - 45)

Finally, the termination of sanctions on Cuba would increase the investments in Cuban cigars, both for the finest hand rolled and machine made cigars, which would better compete in the larger U.S. market. Yet, before increasing its cigar production, Cuba should deal with some serious manufacturing limitations, particularly low crops of cigar tobacco. (USITC investigation no. 332-413, p. 5 - 44, 5 - 45)

What's more, the U.S. economic sanctions also had an impact on intermediate and manufactured goods. Fertilizers in Cuba did not suffer significantly from U.S. sanctions, since the Soviet Union became Cuba's low cost provider. Cuba imported in 1989 about 80% of its total fertilizer nutrient consumption, valued at \$154 million; however, it decreased after the loss of the Soviet Union economic assistance to \$24 million in the early 90's. Nevertheless, in the absence of sanctions, Cuba would have probably imported certain fertilizers from the U.S. at a lower cost relative to other providing countries. (USITC investigation no. 332-413, p. 6- 59)

In the late 1950's, the U.S. was a major supplier of pharmaceutical products to Cuba. Consequently, sanctions deeply harmed Cuba's pharmaceutical sales, production and employment, especially that 80% of what was needed was provided by international firms, which were U.S. based. The impact on Cuba was to alter the source of Cuban pharmaceutical imports from the U.S. to the Soviet bloc, Asia and Europe. (USITC investigation no. 332-413, p. 6 - 8)

In response to the sanctions, Cuba prioritized the development of the national health system, and offered substantial medical education, domestic biotechnology and pharmaceutical industries free health services and hospitalization. In the absence of sanctions, Cuba perhaps would have increased its supply of U.S. products. However, little effect would have reached Cuban pharmaceutical industries, since not the same products are manufactured by the same U.S. multinationals. Finally, Cuba possibly would have benefited from a development of joint U.S. - Cuban biotechnology companies.

(USITC investigation no. 332-413, p. 6 - 8)

Concerning machinery and transportation equipments, the historical impact was noteworthy, especially in the 60's when the U.S. government deprived Cuba from accessing U.S. spare parts. Eventually, Cuba substituted machinery and transportation equipments, primarily from the Soviet bloc, and afterward from Japan and Europe. As for power generation machinery, sanctions historically had a minimum effect on Cuba, because the island relied on the Soviet bloc for subsidized oil along with technical and financial aid. Nevertheless, Cuba's power generation abilities today depend on outdated and incompetent facilities that are in need of upgrading.

Prior to the U.S. sanctions, Cuba relied on the U.S. for electronic goods. After the imposition of sanctions, just like in other sectors, Cuba replaced its principle supply from the U.S. to the Soviet bloc and European countries as well as Asia and Latin America. Sanctions deterred Cuba from having access to the latest technology and from buying equipments that are compatible with U.S. equipments found before the imposition of sanctions. Consequently, such issues caused Cuba a major problem in the telecommunication area, which kept Cuba limited with manufacturing capabilities that would have caused no threat to U.S. companies in the absence of the economic sanctions. (USITC investigation no. 332-413, p. 6 - 29)

Chapter 5:

- The legitimacy of the U.S. embargo according to international law:

Chapter 4 dealt with the impact of sanctions on Cuba's various sectors, chapter 5 focuses more on the legitimacy of the U.S. sanctions against Cuba according to international law.

During the 1999 General Assembly debate on the economic sanctions against Cuba, Mexico described the Helms-Burton Act as being intolerable under international law and opposite to the Charter's principles. Lao's People Democratic Republic's representative considered the embargo to be outdated and illogical. Unilateral economic sanctions, as such, are legal, since every country is allowed to choose to do business with any other country of their choosing. However, in Cuba's case, the U.S. imposed economic sanctions violate the laws of human rights twofold. First, because the United States is a major regional economic power that is the key supplier of new medicines and technologies, Cuba is subjected to deprivations that infringe on Cuban's human rights. Although the U.S. solely decides how it should trade, it still has to pass the threshold of human rights; a unilateral trade policy that causes severe, systematic violations of human rights is in violation of international law. (The Bossuyt Report, Economic and Social Council, E/CN.4/Sub.2/2000/33 *June 21, 2000*)

Second, the United States aimed, through diverse Acts, to extra territorialize its Cuban policies. Through derivative sanctions, it tried to coerce other countries into sanctioning Cuba too. This is a clear violation of trade laws and a flagrant effort to transform its unilateral embargo into a multilateral one, which has further inflicted harm on the Cuban people and violated their human rights. The Charter of the United Nations sets a limit to sanctions regionally imposed either by a number of States or by a lone Government. Article 52 of the Charter authorizes sanctions when they are regional as long as their activities are “consistent with the Purposes and Principles of the United Nations”. Sanction regimes are required to meet all the necessities inherent to the Charter, as well as conform to the principles of justice and international law. (The Bossuyt Report, Economic and Social Council, E/CN.4/Sub.2/2000/33 *June 21, 2000*)

- **5.1 Legal aspects of the U.S. embargo against Cuba**

The question remains whether the reasons behind economic sanctions are valid. The U.N.'s position is that Sanctions are necessary only when a threat of, or an actual breach of, international peace and security occurs. Economic sanctions should not be based on politics and personal agendas. Sanctions should not be the source of an economic profit to a State or group of States to the detriment of the targeted State. Under international law, economic sanctions should not meddle with a country's sovereign rights. (The Bossuyt Report, Economic and Social Council, E/CN.4/Sub.2/2000/33 *June 21, 2000*)

In the Cuban case, we realize that the U.S. imposed its economic sanctions against Cuba to eliminate the communist threat, which clearly violates what is mentioned above.

Are the sanctions properly directed?

Sanctions should not target civilians who are not a threat to peace or international security. Economic sanctions are considered annulled when they result in the termination of Geneva Convention rights. There can be no giving up of these rights. Sanctions should not target, nor generate collateral damage to either States or peoples. (The Bossuyt Report, Economic and Social Council, E/CN.4/Sub.2/2000/33 *June 21, 2000*)

Do economic sanctions target the appropriate goods or items? According to the Geneva Convention, and further aspects of humanitarian law, the free flow of humanitarian goods may not be obstructed by Sanctions. Sanctions cannot aim at goods required to guarantee the basic survival of the civilian inhabitants e.g. drinking water, food, and basic medicines. Even if there is an armed conflict, Sanctions should not target essential medical or educational supplies. Even if a sanction is legal, the target should nevertheless maintain a rational connection to the menace of international security and tangible violation of peace. Do sanctions have a reasonable time limit? Legal sanctions may develop into illegal sanction when applied for too long without meaningful outcomes. Prolonged Sanctions in the end may become ineffective. Sanctions are effective only if they prove to be reasonable and able to accomplish a set of goals in relation to the danger or genuine violation of international harmony and safety. Sanctions that do not specifically address the wrongs are largely unsuccessful. (The Bossuyt Report, Economic and Social Council, E/CN.4/Sub.2/2000/33 *June 21, 2000*)

- 5.2 Evaluation of the embargo

To conclude whether economic sanctions are effective or not, it is imperative to look back to the reasons why the sanctions were imposed in the first place. If the reasons behind the sanctions are still existent, then obviously the sanctions on the targeted countries were ineffective. In the case of Cuba, the U.S. imposed unilateral sanctions to rid Cuba from Castro's regime and gain indemnities for their illegally expropriated lands in Cuba. The prevailing objective of US policy towards Cuba for nearly four decades has been to weaken the Castro regime, and that goal was still not reached as of early 1999. The US forced major expenses on the Cuban economy with its trade and financial embargo. Yet, because the USSR was keen to assume a great chunk of those costs, particularly in the 1970s and 1980s, the embargo may have provided a counterproductive effect on Castro.

The achievement was more in the earlier pre 1990 period toward the secondary objective of restraining the export of revolution by Cuba. Nevertheless, sanctions against Cuba did not have much to do with the crashing of the Sandinista revolution in Nicaragua or the resolution to pull out Cuban troops from Africa. Those accomplishments had to do more with U.S. military and economic maintenance for counterrevolutionary services, the fading of revolutionary zeal within

Cuba as casualties in Africa increased, and the fall of the Soviet Union, which weakened popular support for socialist revolutionary activities throughout the world.

With the breakdown of the USSR in 1990/91, enormous funding to Cuba was lost, and the collective effects of the embargo and economic negligence have been harsh. Furthermore, with the end of the Cold War, market economy reforms, democratization and the come back of nationalized assets turned to be relatively more important objectives, but it is difficult to separate these goals from that of removing Castro. For instance, the Helms-Burton Act asserts that the strategy of the U.S. is to support the self-determination of the Cuban citizens and to support the Cubans to empower themselves with a government which mirrors that self-determination. Nevertheless, a succeeding condition in the Act clearly forbids any position for Fidel Castro or his brother Raul in any future administration before the sanctions can be removed.

There were little economic reforms and little relaxing of political limitations in this latter period. The Castro administration has allowed some small-scale private businesses to function lawfully, and in January 1998, it allowed Pope John Paul II to visit and to perform a public mass in Cuba. Such restricted reforms at least in part have been provoked by a need to draw offsetting commerce and investment from

European countries and elsewhere, except that political opposition in Cuba is still subdued and Castro continues to be firmly in control.

Finally, Cuba is still subjected to the U.S. embargo, which was imposed over four decades ago. This prolonged embargo provokes an intriguing question that chapter six will deal with, namely the question of whether or not the imposition of economic embargo is a sole

Chapter 6

Conclusion: Is the imposition of economic embargo a privilege of powerful countries?

The definition of privilege is the “right or immunity granted as a peculiar benefit, advantage, or favor; *especially*: such a right or immunity attached specifically to a position or an office” (Merriam Webster). In this paper, we will consider the definition of powerful as the license of acquiring economic sanctions as a tool of foreign policy. Economic sanctions have become significant tools for powerful countries that are able to pressure less powerful countries to alter a certain political view or behavior that threatens the security of the imposing country or of the international community. History proved repeatedly that economic sanctions served powerful countries that are in a position to pressure third parties to abide by its sanctions to a certain extent. As the example of the Torricelli and Helms Burton Acts show, the unilateral embargo against Cuba, and even the multilateral sanctions and United Nations’ imposed sanctions are usually a result of certain pressures exerted by powerful or industrial countries. Other recent examples are the sanctions that were imposed against Saddam Hussein’s Iraq and the present pressures to inflict sanctions on Iran.

History is not able to prove otherwise and offer any example where countries with no power are able to impose sanctions. Of course, this fact does not deny powerless countries the privilege to request sanctions; nevertheless, the imposition remains a privilege of the powerful countries, even if it is via the Security Council, since the permanent members are present powerful countries.

Finally, the case of Cuba is a clear example of a powerful country (the U.S.) imposing an embargo against a weaker one (Cuba). In case one day the embargo were to be lifted, it would be hard to imagine Cuba launching an embargo against the U.S. so that it receives certain compensation. After such a long period of embargo, it is normal to expect someday the possibility of lifting the embargo on Cuba.

- 6.1 The possibility of lifting the embargo

Powerful countries enjoy the privilege of using economic sanctions as a foreign policy tool, but what about lifting the four-decade embargo against Cuba. Some believe that the lifting of the American embargo against Cuba is highly unlikely, unless there is a regime change in Cuba. However, current poll of Americans, counting surveys from independent pollsters, shows a majority of Americans are for the lifting of the embargo against Cuba.
(<http://www.cubafoundation.org/where.html>)

According to a 2000 (Florida International University Poll), a majority of Cuban-Americans (52-48%) residing in Miami-Dade County believe the U.S. should permit U.S. firms to at least carry out some business with Cuba. In 2001, a neutral and independent polling firm, (The Cuban Policy Foundation Poll) conducted a survey in which it was revealed that Americans want to lift the embargo by a margin of 52-to-32 %. In addition, by a 63-to-33 % margin, Americans considered that lifting the embargo would be the most successful means to convey democracy to Cuba. Moreover, by a 63-to-24 percent margin, Americans desire the U.S. and Cuba to found a formal dialogue. The pressure to modify significantly the U.S. strategy is growing. A vast majority (67-to-24 %) would like to remove the U.S. ban on travel to Cuba; to permit U.S. firms the sale of food products to Cuba (71-to-22 %); and to authorize American companies the sale of medicine to Cuba (76-to-17 %). (<http://www.cubafoundation.org/where.html>)

Pressure has been accumulating in Congress for a new approach towards Cuba. In the recent five years, the House and the Senate have voted to end the travel ban to Cuba, and even to lift the embargo altogether. Yet every time efforts in Congress to loosen up the embargo have been let down by the administration and the Republican leadership. Backing for the embargo surely does not come from the

general American public, but from a group of Cuban-American militants residing in southern Florida.

However, in a speech on the anniversary of Cuba's 100th independence, President Bush said that as long as Dictator Fidel Castro is in control and does not bring about freedom, the rule of law and respect for human rights, U.S. economic sanctions against Cuba would stay. President Bush also explained that lifting the embargo now, would only be in Castro's favor and boost the standing of his regime to the detriment of the Cuban people. He added that regular relations along with diplomatic ties, trade and a healthy program for assistance, would be an option only if Cuba has an entirely fresh and democratic government with full human rights protection for all Cubans.

By his speech, Bush squashed all hopes uttered by opponents of economic sanctions. It is very hard for the U.S. today to come up with a decision to end the economic embargo against Cuba. The termination of the embargo without any regime change would only prove that sanctions are a complete failure and the American governments all along 45 years would be embarrassed.

- 6.2 Final Conclusion

As a conclusion, we realize that in the Latin America of 1970, 17 out of 26 countries were governed by Authoritarians political systems; yet nowadays, Cuba remains the sole dictatorship. Even though the shift to democracy seems far from complete in any of the Latin American countries and may take a long time to be so, it remains that the transformation will lead to better stability and economic wealth.

Economic sanctions have failed to invite democratic governments all over the world, and Cuba has been no exception. Certainly, the U.S. applied a full and unilateral economic embargo against Cuba, leaving it the only country against which the U.S. used the embargo as its key method to push through a democratic government.

The failure of the U.S. embargo and sanctions should have been expected, as no matter to what extent accepted they have been infamous for their unintentional outcomes, hurting those they are supposed to assist. In Cuba, Fidel Castro seems the least to be affected by the U.S. actions, Castro remains enjoying his privileged status.

Lately, while Washington agreed on a transition plan for dealing with the death of Castro, it is doubtful that suddenly the U.S. will find great weight in Castro's absence. Presently, Cuba is following the current of

Latin America's leftward twist; with or without Castro in power, little will modify this trend. Moreover, geopolitical trends point out that Cuba can depend on external support; domestically, the government of Cuba has been arranging for the end of Castro's era too. Raul, Castro's brother is the constitutional successor to Castro and is supported fully by the security services and military. Since the fall of the Soviet Union, Raul has shifted from his tough socialist stance, instead to embrace a more sensible approach. Raul appears to have learned the importance of the Chinese model of permitting economic development without any political reforms.

In conclusion, if Raul Castro permanently takes power, it appears that things are in place to guarantee the solidity of the Cuban government. Raul Castro's would not face direct political threat, no serious danger from the U.S., and can rely on the support of Venezuela and other states opposing U.S. policies. Raul's succession will be a swift one, and it is expected that Raul Castro will use this agreement to implement partial economic reforms, but still will refrain from liberalizing Cuba's politics. Therefore as stated earlier, it is very unlikely that Bush's Administration would lift the embargo at any point, as long the communist regime is in power.

Furthermore, If we investigate the sanctions applied by the U.S., we realize how the innocent Cubans are struggling to survive not only financially, but also morally. Especially that, to the rest of the world, Cuba seems stuck in time, while the rest of the world is developing, in Cuba there is no kind of evolution, varying from car models to simple electronic devices.

Furthermore, if sanctions were unable to remove Haiti's military regime, which is an impoverished and helpless country, it is hard to imagine that they will succeed in Cuba. Moreover, it is important to note that even if one day Cuba converts into a democratic political system, it is not sure that Cuba would swiftly become pro- U.S. Therefore, the idea behind economic sanctions as a catalyst to convert authoritarian regimes into more democratic ones, do not necessarily invite targeted countries to lean more towards U.S. policies. For instance, in Venezuela President Hugo Chavez entirely refuses the American foreign policy towards Iraq and other states. Although Chavez was elected by the people, his policies do not conform to the U.S. policies.

Finally, sanctions against Cuba could be divided into two eras: the era before the end of USSR where Cuba substituted for its needs and the

era after the end of the Soviet Union. At the beginning, Cuba resisted the embargo mainly because it was aided by the Soviet Block. Therefore, we conclude that economic sanctions are indeed a tool to deter, but sometimes they turn into a tool to blackmail economically the targeted country. It is unjust to apply economic sanctions against any nation that is not democratic or where the people have no say in the government, since sanctions will only harm innocent people who are already under enough pressure from their own government.

I believe privileged countries ought to replace economic sanctions with another foreign policy tool, which would better lead to their objective.

Foreign policy in general is hard to understand when it comes to the international arena, since many theories and conspiracy theories come up. Nevertheless, it would be more efficient to focus more on a constructive means of foreign policy so that in the future the outcome would be positive and without any vengeance.

It is a shame that in the 21st century there are still people suffering from stubborn rulers who are claiming to fight for a cause on behalf of their people, especially that it is mainly the mass that turn out to sacrifice, while tyrants hold on to their privileges. Economic sanctions

as a tool of foreign policy, no matter what advantage they offer, on the long run they are not exempted from collateral damage, which usually demand great effort and time to remedy.

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