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Derwinski Captive Nations lunch last week  
get his speech.

Leaders Digest on Timosara piece

Decolonization of the Soviet Union

THE WHITE HOUSE

Office of the Press Secretary  
(Anaheim, California)

For Immediate Release

July 19, 1990

CAPTIVE NATIONS WEEK, 1990

- - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

The end of communist domination in Eastern Europe and progress toward democratization and greater openness in the Soviet Union are signs of a new era. Ideals we Americans have long cherished and defended -- ideals of individual liberty and self-government -- are triumphing in nations that once bore the heavy yoke of totalitarianism. Human rights that were once brutally suppressed are gaining increasing respect, and political pluralism is replacing the tired dogmas of one-party rule -- dogmas that have been thoroughly discredited time and again.

With vigilance and unflinching moral resolve, we have made great strides in our efforts to promote freedom and human rights around the world. Tragically, however, there remain countries where repressive ruling regimes continue to cling to ideologies that are inimical to the ideals of national sovereignty and individual liberty. In violation of international human rights agreements and fundamental standards of morality, these regimes continue to deny innocent men and women their inalienable rights, including freedom of speech, freedom of movement and assembly, freedom of the press, and the right to practice their religious beliefs without fear of persecution.

Each July, as we celebrate our Nation's Independence and give thanks for the blessings of liberty and self-government, we also recall our obligation to speak out for captive peoples around the world. During Captive Nations Week, we reaffirm our support for peaceful efforts to secure their right to liberty and self-determination.

As more and more government leaders around the world now acknowledge, the God-given rights of individuals must be recognized in law and respected in practice. Protecting the rights and freedom to which all men are heirs is not only the duty of any legitimate government, but also the key to real and lasting peace among nations. That is one reason why, during this Captive Nations Week, we do well to recall the timeless words written by Thomas Jefferson shortly before his death in 1826 on the 50th anniversary of our Nation's Independence:

All eyes are opened, or opening, to the rights of man. The general spread of the light of science has already laid open to every view the palpable truth, that the mass of mankind has not been born with saddles on their backs, nor a favored few booted and spurred, ready to ride them legitimately, by the grace of God. These are grounds of hope for others. For ourselves, let the annual return of this day forever refresh our recollections of these rights, and an undiminished devotion to them . . . .

more

(OVER)

The Congress, by Joint Resolution approved July 17, 1959 (73 Stat. 212), has authorized and requested the President to issue a proclamation designating the third week in July of each year as "Captive Nations Week."

NOW, THEREFORE, I, GEORGE BUSH, President of the United States of America, do hereby proclaim the week beginning July 15, 1990, as Captive Nations Week. I call upon the people of the United States to observe this week with appropriate ceremonies and activities, and I urge them to reaffirm their devotion to the aspirations of all peoples for liberty, justice, and self-determination.

IN WITNESS WHEREOF, I have hereunto set my hand this eighteenth day of July, in the year of our Lord nineteen hundred and ninety, and of the Independence of the United States of America the two hundred and fifteenth.

GEORGE BUSH

# # #

## Assistance to Eastern Europe

The United States is committed to assist the countries of Eastern Europe making progress toward four objectives:

- progress toward political pluralism, based on free and fair elections and an end to the monopoly of the communist party.
- progress toward economic reform, based on the emergence of a market-oriented economy with a substantial private sector.
- enhanced respect for internationally recognized human rights, including the right to emigrate, and to speak and travel freely.
- a willingness to build a friendly relationship with the United States.

Based on these objectives, U.S. government assistance to Eastern Europe is currently proceeding on three fronts:

- First, the SEED Act assistance authorized for Poland and Hungary in November 1989.

Congress authorized \$938 million over three years to assist Poland and Hungary. Over \$600 million is being implemented in FY 1990 including:

- \$200 million for Poland's stabilization fund;
- the Enterprise Funds for Poland and Hungary;
- food totaling over \$130 million to Poland;
- medical supplies worth over \$2 million;
- the regional environmental center in Budapest;
- the EPA clean air and water programs in Poland;
- help for labor market reforms in both countries;
- the \$1 million Farmer-to-Farmer program in Poland;
- over \$4 million to assist private Polish farmers.

Second, election-related assistance for all of Eastern Europe as authorized in Title II of the Panama Act.

Congress authorized the use of up to \$10 million to assist Eastern European countries holding elections. The National Endowment for Democracy, using its core organizations and others, has been awarded over \$8.8 million thus far. One million dollars is being provided to NED and USIA for the Fund for Independent Broadcasting and Free Press.

And third, U.S. government agencies' efforts based on existing budgetary authorization.

Recognizing the historic significance and opportunity to assist the region, agencies have utilized existing resources for programs, including:

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- EXIM Bank short- and medium-term financing in Poland and all programs for Hungary;
- OPIC insurance and finance, expected to total over \$250 million in FY 1990;
- Commerce trade missions and programs for Poland and Hungary;
- USIA major exchange initiatives for Poland and Hungary.

To normalize and expand economic relations the Administration:

- Conferred GSP status to Poland and Hungary;
- Concluded a bilateral investment treaties with Poland and is discussing such agreements with Czechoslovakia and Hungary;
- Waived the Jackson-Vanik amendment for Czechoslovakia, signed a trade agreement, supported IMF membership and moved to inaugurate EXIM and OPIC programs;
- And is currently reviewing trade relations with Bulgaria and Romania consistent with the outcome of elections in Romania and the upcoming elections in Bulgaria.

U.S. interests in Eastern Europe are shared by our friends and allies. Beginning with the Economic Summit in Paris last July, we have supported a broad international effort through the G-24 countries.

The G-24 has gained commitments of \$13 billion in assistance, project financing, trade credits and guarantees for Poland and Hungary alone. With U.S. leadership, the Paris Club has agreed to reschedule \$9.4 billion of Poland's official debt. The G-24 has recently expanded its efforts to include the other countries of Eastern Europe to the degree they continue to engage in political and economic reform.

In response to the dramatic events in Eastern Europe beyond Poland and Hungary, the Administration introduced legislation on March 7, "Eastern European Democracy and Free Market Act of 1990." The President's Initiative:

- Requests \$300 million for FY 1991, including funding to honor the SEED Act programs for Poland and Hungary and for participation in the EBRD.
- Makes all the countries of Eastern Europe eligible for assistance.
- Provides for four major areas of assistance: support for democratic institutions, training and technical assistance, environmental assistance, and transitional economic support.
- Contains no earmarks so as to permit the Administration to coordinate assistance based on developments in the region, the cooperative international effort, and requests from host governments.

### Addendum to FY 90 SEED Activities

- o In addition to the monies accounted for on the attached status report prepared by AID, there are several other large categories of assistance you should be aware of:
  - \$200 million in Food Assistance to Poland and Romania
  - \$182 million in EXIM pending and outstanding preliminary commitments to Eastern Europe
  - \$200 million is ready to be transferred when needed for the Trade Credit Insurance Program
  - \$40 million for the Overseas Private Insurance Program (\$150 million if you include the value of OPIC political risk insurance and commercial guarantees.)
  - \$2 million for the Trade and Development Program
  - \$2 million for Peace Corps activities

olderU.S. ASSISTANCE TO EASTERN EUROPEShort Term

- \$200 million of food aid to Poland and Romania in FY 90
- DOD humanitarian assistance program has provided 97,000 pounds of surplus medical supplies to Hungary and Romania this year. Similar deliveries are expected shortly in Poland and Bulgaria.

Medium Term

- Peace Corps volunteers will arrive in June in Poland and Hungary to begin English language training programs; A group of 40 volunteers is being recruited now to begin enterprise development training in Poland in the fall.
- SUNY/Albany received \$500,000 for parliamentary training in Hungary. That program is expected to begin next week in Budapest.
- The National Endowment for Democracy has received \$8.2 million to support election activities, newly established democratic institutions, non-governmental organizations, and the establishment of independent free media in Poland, Hungary, Czechoslovakia, Romania, Bulgaria, and Yugoslavia (\$4.8 of these monies was specifically authorized to support election-related activities in Czechoslovakia, Romania, Bulgaria, and Yugoslavia.)
- \$1 million has been granted to Volunteers for Overseas Cooperation and Assistance (VOCA) for farmer-to-farmer training Poland. The first volunteers completed their training; the second round is underway.
- Ten young Polish managers arrived in the U.S. in January to spend six months in business fellowship programs at U.S. universities. (sponsored by USIA)
- Department of Commerce has sponsored telecommunications and electric power generation trade missions to Poland.
- The \$3.3 million appropriated for the Regional Environmental Center and the Krakow Air and Water Quality activities has been transferred to EPA. The Center expects to open this summer and the equipment for the air and water projects should arrive in Krakow by December.
- OPIC investment mission to Poland, November 1989.
- Conferral of GSP treatment for Hungary in November 1989 and for Poland in January 1990.

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- USIA has reached an agreement to translate up to 12 books into Hungarian and 10-12 books into Polish. Titles to be translated include: "The Capitalish Revolution," "The Liberal Tradition of America," and "The Federalist Papers."
- A US political science professor is in Budapest -- under a grant from USIA -- teaching at Karl Marx University.
- Department of Commerce sponsored a U.S.-Poland Legal Seminar in Warsaw May 8-9; U.S.-Hungary Legal Seminar in Budapest May 11-12.
- USIA has provided close to \$450,000 for core collection of books, subscriptions to American journals, English teaching materials, and student advising materials to Poland, Hungary, and Czechoslovakia through FY 89 year-end funds.
- USIA and the Polish Foreign Ministry have signed an agreement to establish an office for educational exchanges.
- The American Chamber of Commerce established an office in Budapest in November 1989.
- USIA sponsored trips by Hungarian officials and opposition party leaders to the U.S.

#### Long Term

- The U.S. kicked off the \$1 billion Polish Stabilization fund with a contribution of \$200 million in January.
- <sup>5/24</sup> The Boards for the Polish-American and Hungarian-American Enterprise Funds have been named. The funds ~~are being~~ <sup>were</sup> transferred this afternoon. We expect them to be in a position to make loans in the near future. (Poland: \$45 million; Hungary: \$5 million)
- OPIC issued \$150 million political risk insurance for General Electric-Tungsram joint venture.
- OPIC is establishing an Eastern European Growth Fund to raise capital to finance productive business enterprises in Eastern Europe, thereby generating vital new economic activity, private-sector growth, and employment opportunities.

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- The President announced May 12 that EXIM Bank will provide medium-term as well as short-term loan, guarantee and insurance support for sales of U.S. goods and services to Poland. EXIM is already open in Hungary, Yugoslavia, and Czechoslovakia.
- Trade Development Program has had an ongoing program in Yugoslavia since 1985. In July 1989 it initiated a program in Hungary with a grant for a study of a project to down-size an inefficient metallurgical complex at Miskolc (MISKOLCH). TDP has also channelled \$2 million of SEED monies to Poland and Hungary to do a study of the telecommunications sectors.
- We have reached agreement in principle on participation in the European Bank for Reconstruction and Development. 60% of its resources will be devoted to private sector projects; 40% to public sector projects. Soviet borrowing will be limited its paid-in capital subscription for the first three years. *Signed*  
8/29
- (Soviet subscription for the five-year pay-in period will be roughly \$702 million, of which 30% (or \$210 million) will be paid-in. The upper limit on Soviet borrowing for the first three years, therefore, will be \$210 million.)
- Presidents Bush and Mazowiecki signed the Polish-American Business & Economic Agreement on March 21. (Will be ~~was~~ submitted shortly to the Congress.)
- USTR Carla Hills and Czechoslovak Finance Minister Barcak signed the U.S.-Czechoslovak Commercial Agreement granting MFN on April 12. (Not yet submitted to Congress.)

## ENVIRONMENTAL ASSISTANCE TO EASTERN EUROPE

1. KRAKOW AIR AND WATER PROJECTS: Providing air pollution monitoring equipment to improve regional monitoring capability in the Krakow area and assisting with technical upgrades of the city's drinking water supply. (EPA and AID)

STATUS: Air monitoring equipment to arrive early 1991. Water project will be underway by late 1990 or early 1991.

2. REGIONAL ENVIRONMENTAL CENTER - BUDAPEST. Provide technical assistance throughout Eastern Europe on environmental institution building, clearinghouse functions, environmental education, and other needed environment advice and information. Seeking active participation by other governments, multilateral organization, universities and foundations, and business organizations. (EC has agreed to match our funding.) (EPA and AID, with assistance from DOE)

STATUS: We anticipate opening sometime this summer.

(\$100,000 transferred to EPA for design work on these two projects. The rest of the money (\$3,046,000) to be transferred May 4, after the Congressional Notification expires.)

3. ENVIRONMENTAL TECHNOLOGY TRANSFER AND POLLUTION PREVENTION. High level advisory committee, chaired by William Ruckelshaus, to advise us on transfer of environmental technology. (This is called the International Environmental Technology Transfer Advisory Board, IETTAB) The Board will have specific recommendations by fall 1990 on how EPA and other government agencies can facilitate the transfer of American environmental technology to Eastern Europe.

4. ADVICE ON ENVIRONMENTAL STRATEGIES. Bilateral meetings on environmental policy issues.

5. CLEAN FOSSIL FUELS. (~~\$50~~<sup>10</sup> million authorized; \$10 million appropriated.) Retrofit an existing coal burning power plant in the Krakow area and provide it with equipment to reduce air pollution. DOE and Polish Government have signed a Memorandum of Understanding and are developing the technical specifications to procure the equipment.

STATUS: AID has transferred \$60,000 to DOE for design.

6. BOILER MANUFACTURING CAPABILITY INITIATIVE. DOE and Polish officials have held preliminary discussions regarding the \$20 million boiler manufacturing capability initiative authorized in SEED I. (\$20 mil authorized but nothing appropriated)

7. ENERGY CONSERVATION SEMINARS. DOE planning a series of energy conservation seminars to be held in three major cities in Poland this summer. Key officials and plant managers will be invited to these seminars which will focus on some of the U.S. energy conservation programs and technologies. If these seminars are successful, they may be repeated in other East European countries. (Stems from US/Polish S & T Agreement.)

**DEPARTMENT OF STATE  
OFFICE OF THE DEPUTY SECRETARY**

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TO: Mary Kate Grant

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MESSAGE: \_\_\_\_\_  
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FROM: Ambassador Robert L. Barry

TEL: 647-0695 FAX: 647-5372 2636

# Captive Nations — 2/25

Eisenhower to RWR commemorate Cap Nats.

ceremony to honor courage  
& those left not forgotten

Prior ones rededication — sadness

But Rev of 89 stunning & thrilling  
very people we addressed took  
action — controlling own destinies

Poland & Hung notes we pledged  
our support — Austro-Hung  
border down — Wall etc

NATO allies 4 long decades.

~~Am~~ Drab emptiness of lost dreams.

Now celebrate this Rev of 89

Bold & brilliant light of freedom  
now lights their world

'Dedicate this day to them'

Ireland, Hungary & Greek nations

present @ (their) ceremony

Celebrate those who are here

support those not yet esp

Latvia

Lith

Estonia

reviews on making  
support to their  
long quest for self-determination

Must remember today the

desperate people we will never forget

examples —

Here: several generations of those made today

Let us pray today that (you) of liberty shines etc

of that next day is the last!

# THE HERITAGE LECTURES

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**The Rule of Law  
in the  
Soviet Union:  
A Necessary  
Framework for  
Democratic  
Reform**

*By Dick Thornburgh*



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# **The Rule of Law in the Soviet Union: A Necessary Framework for Democratic Reform**

**By Dick Thornburgh**

**Whether or not the present 28th Communist Party Congress in Moscow is, as some predict and more hope, a true precursor to the “withering away of the Party,” the extraordinary debate which is taking place in that forum parallels in important ways President Gorbachev’s stated desire to create a “law-based state” — a Soviet Union founded on the rule of law.**

**Heritage Analyst Leon Aron has identified the creation of “a government vested with authority and having enough legitimacy to administer the very bitter pill of radical economic reform... as the central and most urgent issue of Soviet politics today.”**

**It is my view, in the context of recent exchanges between the Department of Justice and our Soviet counterparts, that the rule of law provides the only basis upon which such a government can eventuate from the upheaval under way in the Soviet Union and in Eastern Europe.**

**Our October 1989 trip to the Soviet Union — the very first by a sitting United States Attorney General — occurred at the very beginning of the Supreme Soviet’s effort at institutional reform and enabled us to open an historic, and continuing, dialogue on the rule of law and human rights.**

**It was a remarkable experience. At the invitation of Soviet Minister of Justice, Venyamin F. Yakovlev, we met for a week with Soviet leaders in the fields of law enforcement and the administration of justice — ministers, jurists, law students, even the Chief of the K.G.B., Vladimir Kryuchkov. Our agenda was a full one, devoted to topics central to what makes our democracy work: our Bill of Rights, our federal system, the principle of separation of powers, with its checks and balances, our two-party political process — all from that curriculum of liberties we teach (but don’t always learn) in our basic high school civics courses.**

**Placing in Context.** And I have to credit our Soviet hosts, even at that early juncture, with a bold exercise in pursuing political discussions which were open and free-ranging, covering everything from our mutual interest in stopping international terrorism to their obligation — as we see it, and they increasingly recognize it — to allow freer emigration of Soviet Jews. But our talks still took place within an historical legal context that must be understood if their present difficulties are to be fully recognized, or ever surmounted.

**To summarize abruptly a great deal of history, Soviet justice derives from three legal traditions: customary law among the peasantry, the imperial law of the Czars, and, much later, the Romanist law of civil codes. Customary and imperial law have had by far the overwhelming impact, creating a government of men above the law, from the Mongols to the bo-**

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Dick Thornburgh is Attorney General of the United States.

He spoke at The Heritage Foundation on July 10, 1990.

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yars to the Czars and beyond. Various formal codifications of imperial law did appear. But the operative legal power was still vested in what we commonly know as the *ukase*. "A proclamation of a Russian Czar," as Webster's says, "having the force of law."

**Subordination of Law.** This violently changed — yet did not really change — when the Bolsheviks came to power. Initially Lenin abolished imperial law, along with private property, and set up the people's courts. Judges were instructed to follow the decrees of the revolution — or their "socialist conscience." Later, Lenin and his successors moved to keep authoritarian sway over the courts by what became known as "telephone justice." Party officials frequently rang up judges, who then ruled in particular cases according to what the Party told them to do. The *ukase* had been reduced, by 20th century technology, to a phone call. The legalistic way was prepared for Stalin's Moscow show trials during the Great Terror and, thereafter, the habitual subordination of the law to Party interests.

Against this unpromising background, so-called new thinkers in the Soviet Union have now embarked upon what appears to be a truly idealistic and laudable attempt to establish the rule of law — or in Gorbachev's words, a "law-based state." Could it actually happen? So often you hear it optimistically said: remember that Mikhail Gorbachev was trained as a lawyer. Yes, but so was Lenin.

The chances are certainly there — as we saw during that week, and continue to see as we visit with Soviet officials and lawyers, both here and in the Soviet Union. Indeed, we are preparing for a return visit by Minister Yakovlev next month to extend our dialogue on democracy. But chances of success in this endeavor must always be measured against the long fatigues of history — the institutional neglect and political disrespect for what we know as the rule of law.

What is really missing is what might be called a "legal culture." Time and again, for example, we found an almost naive belief that all that was needed was to pass the correct statutes, to get the right laws on the books to create a "rule of law." We did our best to try to disabuse them of this legalistic and somewhat simplistic notion. Laws on the books, we explained, must be conscientiously obeyed and impartially enforced within a structure, and through a process, recognized and acknowledged by all — citizen and bureaucrat alike.

The rule of law works in a democracy, we pointed out, because of the supremacy of the judiciary, because men adhere to a government of laws, and act to see that the laws are enforced, in such ways that no man is above — or below — the law.

**Practical Questions.** Happily, the very things the Russians found most curious about our democracy let us discuss those practices in our law that really make our democratic process work. Our Ambassador to the U.S.S.R., Jack Matlock, reports this phenomenon is common — as Soviet citizens seek him out to gain insight into the functioning of the most basic of American institutions. Soviets quiz him on remarkably practical questions. If the Russians are writing a law on the press, they might query, for example, "How do Americans treat libel law? What can your press say? What can it not say?"

One of the first, most insistent questions I was asked by nearly everyone was, inevitably, a constitutional one: How does your federal system work? How did you weld together the separate states as the United States? How do you keep things from falling apart through incessant struggles between the national government and 50 different state governments?

Obviously, they are worrying about the unrest among their own republics. You only need look at the independence movements in Lithuania and the other Baltic states — as well as similar secessionist rumblings in the Republic of Russia under Boris Yeltsin and, most recently, in Uzbekistan — to understand their anxiety. They are also looking to us for ways, if you will, to deal with their own diversity.

**Emphasizing Due Process.** We gave them a very pragmatic answer to these inquiries. We did our best to explain, “Look, this is the way we do it, but the central thing about our system is its accommodation to change. Most of the mechanisms and components of our government are designed to accommodate change. And mastering that process is going to require far more than just the passage of new laws by the Supreme Soviet.” It is going to take a commitment to the lawful, democratic process, and we tried to emphasize legal process — due process of law — even over substantive rights, as the true safeguard of the people’s liberties.

Again, they asked us often, and in much confusion, about the separation of powers. The idea of *deliberately* building in a tension between separate branches of government — our concept of checks and balances — was extremely puzzling to them and, to some, utterly incomprehensible. Accustomed to their own monolithic system, they would have to struggle hard to understand, for example, Justice Brandeis’s observation that we adopted the separation of powers in 1787 “not to avoid friction, but by means of the inevitable friction incident to the distribution of government powers among the [branches], to save the people from autocracy.”



We called attention to their own guarantees of civil rights under the Soviet constitution. There they are, all fully documented, like our own Bill of Rights. Only there is also the carefully worded escape clause: “Civil rights shall be protected by law —” Just as our rule of law would hold, but with this kicker. “— Except as they are exercised in contradiction to their purpose in socialist society in the period of communist construction.”

That, of course, admits the ubiquitous specter of Party tyranny. Attempts are being made to toss this offensive language off the train by the new thinkers. But it’s not litter down the tracks of history yet. And still to come is the *real* test as to whether the Soviet courts themselves can and will act to protect the people’s rights. In short, will respect for legal process eliminate the prior abuses of “telephone justice”?

True reform must reach down into the legal culture itself, and create an inherent respect not only for individual rights, but for legal procedure and due process. In a statement before the Communist Party Congress last Monday, K.G.B. Chief Kryuchkov affirmed this elemental truth:

We cannot speak in favor of the universal development of democracy and at the same time refrain from speaking in favor of law and order, and the supremacy of the law. A society which allows the law to be mocked is a diseased society....

Fine words indeed, but one problem is that much of the motivation for legal reform is coming from a different direction altogether.

The Soviets face one great, dire urgency — besides national unrest — and that is their economy. To survive, they must enter the free world marketplace. To do that, they realize they must position themselves to recognize — and take advantage of — the rules of free commerce. The rule of law is the fundamental prerequisite for turning away from a command economy — to a market economy.

**Respect for Contracts, Property.** One of the Soviets' principal reasons for their great interest in the rule of law is just that — they have an immediate and pressing need to jump-start their participation in the world economy, to attract foreign know-how and investment. To do that, they realize they must display the predictability and stability that can only emerge from a body of commercial law — which, in turn, respects the sanctity of contracts and, yes, recognizes property rights as well. Fear of abrogation of contract rights or expropriation of investments can stunt otherwise attractive commercial and industrial initiatives.

This is one reason why property rights have been so hotly debated in the Soviet Union. A young reformer, whom my wife and I met last year, Ilya Saslavski, is involved in a property battle which typifies the disputes taking place on a local level across the Soviet Union. Saslavski, an elected member of the Congress of Peoples' Deputies, who is visiting here this week, has announced the take-over — for ordinary families — of an apartment building built for the Party elite. Though the controversy will be settled in court, such a confrontation would never have been attempted were Saslavski not assured of a favorable hearing from a pro-reform judge. The action taken by Saslavski is but one manifestation of the myriad crises arising as local leaders vie for power in the communist system which has an endemic antagonism to property rights reform.

On the very day we visited the Supreme Soviet — a semi-democratically elected legislature, and a developing seat of power — debate on the subject of property rights went on seemingly endlessly, and with very good cause. The Soviet Constitution says that property belongs to the state alone. But might such state property be legally leased to cooperative, joint ventures? And how does a Soviet citizen without ownership “act like an owner,” as Gorbachev has instructed, or even enjoy “something close to ownership” as espoused by Boris Yeltsin? As we watched, the late Dr. Andrei Sakharov, among others, rose to voice his objections to the government's bill. Finally, two bills, partially in conflict, were sent off to a commission for a further massaging, which continues to this day.



Adept legal accommodation can also be seen in the liberalization of their emigration policies. We are convinced they are now doing their legal utmost to facilitate the issuance of emigration visas — as a new exodus follows hard upon a rise in anti-semitism in Russia — but, here again, their interest is not wholly altruistic. They would like to meet the strictures of our Jackson-Vanik legislation in order to secure the most-favored nation status that would much enhance their prestige in world markets.

Still, we must be convinced — as in so much else undertaken in the name of Soviet legal reform — that not just the letter, but the spirit, of the law has taken root in the Soviet Union. That is the essence of the agreement reached between Presidents Bush and Gorbachev during the recent summit, that any trade agreement remains contingent upon legislative action by the Supreme Soviet in support of free emigration. We are, in short, watching to see that

opportunities to emigrate are institutionalized in law and practice, and are not just episodic, in the present uncertain flux of Soviet democratization.

All that being said, at the same time, I do not want to downplay their efforts to achieve the rule of law, or underestimate the modern-day difficulties of democratization. Two hundred years ago, we could call upon our English, common law heritage, and an American over-abundance of legal talent, to create our written Constitution, even in crisis. Also, we were then only four million, relatively homogeneous Americans, mostly concentrated on the Atlantic Coast — not 290 million multi-cultured Soviet citizens, spread across eleven time zones. Moreover, our Constitutional Convention deliberated in secret — not under glasnost. Imagine, if you will, George Washington on worldwide television, in the midst of a currency crisis, trying to suppress Shay's Rebellion, letting Vermont and New Hampshire pursue Yankeeism in their own way, negotiating with Quaker Solidarity, while trying to cut an arms deal with the British and French to put a cap on heavy frigates. George Washington, you will recall, said not one single word while presiding at Philadelphia.

The Soviets suffer all the drawbacks of history, including their own, most recent, flawed history. But *do* they now recognize these flaws, particularly in law, and *do* they sincerely want to counter them by establishing, for example, an independent judiciary — an institution they have never known, from Czarist times forward? The ultimate answers to those questions are unknown, but there are a few signs of an incipient legality. They have doubled judicial salaries, formerly below the average wage. And — good news to the Soviet law students I addressed at Moscow State University — they are allowing lawyers to charge *real* fees — instead of a scale of meagre fixed fees (plus money under the table) — and are taking steps to allow them actually to represent their clients.

**Judicial Review.** They have also been struggling to establish a rudimentary mechanism for judicial review — not unlike our Supreme Court, but far less august and lawfully empowered. A constitutional oversight committee is to review the constitutionality of Soviet law — in a sharp break with the past. But there are strict limitations upon their powers. The committee is advisory only, and it can rule on Soviet federal law, but not on the laws of the separate republics. In one curious anomaly, if any Soviet law is found to violate human rights — presumably as defined by the United Nations Charter — the committee is empowered to declare said law unconstitutional. There is much confusion over how the constitutional oversight committee will actually operate — let alone, legally prevail. What is needed — as Professor John Hazard of Columbia Law School says — is another John Marshall to arrive on the scene and guide their deliberations.

So there appears to be a will to a rule of law, if still much wandering in pursuit of untried, democratic ways. Going for such high stakes means that it is far too early to determine their chances of success. But I do remind you of two highly successful, post-war experiments in democratic reformations: Germany and Japan. Again, there are large differences in national circumstances — whole histories, wartime sufferings, other relevant factors. But we have seen the political adaptability of West German democracy overcome many obstacles from the totalitarian German past, and witnessed — sometimes to our chagrin — the Japanese experiment's continuing, modern triumph over centuries of emperor-worship. And both experiments were undertaken in similar adversity: by an undone people — even a conquered people — in economic extremis, at a moment of deep disillusionment with their own society.

Could something far different, yet alike, happen again? For the sake of world harmony, we can hope so, while also providing whatever encouragement is possible.

One final, positive observation. In 1979, when I visited the Soviet Union as a state governor, I found each official session invariably opened with an almost obligatory denunciation of the United States and our system of government. Ten years later, nearly every meeting with our counterparts began with a litany of woes — their recitation of the shortcomings of their system — and an almost wistful yearning for more knowledge about how our democracy works.

So I come away from my most recent visit to the Soviet Union — and our subsequent contacts with their legal delegations — well aware that Soviet justice does not yet embody what we know as the rule of law, but convinced that patience and example, and even some advocacy, might help certain determined Soviet officials to establish their own rule of law.

Like everybody else's democratic experiment, it will have to be attempted and achieved within their own society. If ever we needed dramatic reinforcement of that truth, it has come from the recent elections in Eastern Europe. On the one hand, East Germany has all but reunited with West Germany after its first free parliamentary election in four decades. On the other hand, Romania seems to have reverted to a government-sponsored vigilantism in the streets following the electorate's return to office of former communists.

**Rule of Law.** We cannot count upon constitutionalism simply to arise as virtue triumphant from the totalitarian ruins of Europe. Even where constitutionalism seems likely to prevail, the rule of law will be formalized differently by the Czechs, or the Poles, or the Hungarians — and most certainly, by the Russians. Nobody else but their own judges, lawyers, ministers, and citizens can evolve the judicial fairness and institute the legal restraint that underpin any rule of law. And it is only inherent respect for the law — such as we have seen people steadfastly demanding in the open squares and open parliaments and newly open societies — that will bring to a tolerable end the last vestiges of tyranny in these formerly closed communist monoliths.

In sum, only the rule of law can provide a sturdy bridge over the yawning political chasm between upheaval and democracy.

And we will know it when, and if, it appears. By the human rights the rule of law protects, by the governmental powers it limits, by the judicial independence it preserves. We will know it, constitutionally, when we see it. After more than two hundred years of experience and experiment on our own — who better to judge its emergence elsewhere?



March 29, 1990

## HOW AMERICA CAN HELP BALTIC INDEPENDENCE

The Baltic peoples' struggle for independence is entering its decisive phase. For now, the spotlight is on Lithuania, where Mikhail Gorbachev's show of force is an attempt to frighten into submission that country's democratically elected government. In the wings, ready to move to stage center, are the independence movements of Estonia and Latvia.

The crisis in Lithuania is forcing Washington to make some hard decisions about the Baltic states. For a half-century, of course, the United States has supported the restoration of their independence. This support was largely rhetorical and cost little; it had virtually no effect. Now, the U.S. can make good on its decades of promises and declarations. This the U.S. must do — in a firm and direct, but measured way.

At this critical moment in the history of the Baltic republics, George Bush should extend official recognition to the new democratic government in Lithuania and tell Gorbachev that Moscow will pay a heavy price if it uses force against Lithuania and the other two Baltic states.

**Illegally Annexed.** The case for America supporting Baltic independence is overwhelming: America never has accepted Moscow's rule over the Baltic states. Estonia, Latvia, and Lithuania were independent and sovereign states after their independence was recognized by the Soviet Union in 1920 and by the international community. But as the result of a secret treaty between Adolf Hitler and Joseph Stalin in August 1939 — the infamous "Hitler-Stalin Pact" — the Baltic states were occupied and annexed by Moscow in 1940. This annexation was not recognized by the U.S., and the Hitler-Stalin Pact at last was declared illegal by the Soviet Parliament on December 28, 1989.

American policies to help the Baltic republics must not be an *ad hoc* response to the dramatic, exhilarating, and frightening events there. Instead, the policies must rest on a foundation of sound principles applying beyond Es-

tonia, Latvia, and Lithuania to all the Soviet nationalities and their desires for independence and self-determination. These are:

**Principle #1:** The U.S. supports Baltic independence.

**Principle #2:** The U.S. very strongly favors the peaceful achievement of independence.

**Principle #3:** The U.S. will impose an appropriate penalty on Moscow if it prevents, by intimidation or force, peaceful independence of the Baltic republics.

**Principle #4:** The U.S. will understand sympathetically if the Baltic states must use force to counter Moscow's intimidation and force, but the U.S. will not be able to provide help for such Baltic use of force other than American verbal expressions of solidarity and sympathy.

**Principle #5:** The U.S. will reward Moscow appropriately for allowing the Baltic republics to become independent peacefully and similarly will reward Moscow for allowing other Soviet nationalities to achieve independence or self-determination peacefully.

**Principle #6:** The U.S. seeks no unilateral gain in the matter of Baltic independence nor does it seek to exploit the matter to harm the Soviet Union.

Translating these principles into policy, the Bush Administration should:

◆ ◆ **Warn Moscow not to use force against the Baltic states, making clear that a crackdown will seriously impair U.S.-Soviet relations.** Gorbachev hopes to revive the Soviet economy with help from the West. Moscow must realize that using force against the Baltics will torpedo such help.

◆ ◆ **Grant official recognition to the new democratic Baltic governments once they establish their sovereignty and request U.S. recognition.** The U.S. should appoint ambassadors to each republic and upgrade the existing Baltic diplomatic missions in the U.S. from legations to full-fledged embassies.

◆ ◆ **Ask Congress to exchange parliamentary groups with each Baltic republic.** These exchanges could be part of a series of linkages between Congress and the Baltics' new parliaments, which would demonstrate American support for the new democracies, help end their psychological isolation from the West, and assist their reestablishment of effective legislative powers. Congress should also invite Lithuania's President Vyautas Landsbergis to address a joint session.

◆ ◆ **Include these countries in U.S. foreign aid packages to Eastern Europe.** The Baltic states are part of Eastern Europe, and the U.S. should treat them as such. Even small amounts of U.S. assistance would help them enormously.

◆ ◆ **Make Soviet military occupation of the Baltic states a conventional arms control issue.** The U.S. and its NATO allies must make clear to Moscow that an agreement on conventional force reductions will not confer any right on the Soviet Union to station its forces in the Baltic states and also

declare that any future negotiations will address the issue of the Soviet military occupation of these countries.

◆ ◆ Encourage international organizations, such as the United Nations, the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT), and such European organizations as the Council of Europe, to admit the Baltic states as full members. The Baltic states are recognized as sovereign countries by much of the international community and deserve to be members of the United Nations just as they were of the League of Nations. The IMF and its sister organization the World Bank provide credits to member governments. The GATT is a broad-based grouping of countries dedicated to removing trade barriers. Membership in each will assist the Baltic states in quickly joining the international economy.

◆ ◆ Insist that this fall's session of the Conference on Security and Cooperation in Europe (CSCE) discuss Baltic independence. The forthcoming CSCE meeting is being held at Soviet request to review the broad range of political and security issues in Europe. It is the best forum at which to discuss the issue of Baltic independence as it will be attended by every European country except Albania, as well as the U.S. and Canada. The Baltic states should participate in this meeting on an equal basis with the other European states.

◆ ◆ Press America's Western allies to take similar actions to support the Baltic states.

The Baltic independence movements offer the U.S. the opportunity to assist the orderly dissolution of the Soviet colonial empire. With their emphasis on a peaceful and negotiated path to independence, the Baltic states offer Moscow a chance to address its imperial crisis before it explodes. Their success could be a model for resolving peacefully other phases of what could be the enormously dangerous problem of Soviet decolonization. U.S. support for this process would strengthen those Soviet leaders who understand that Moscow's use of force to suppress the nationalist movements almost surely would lead to disaster and prolonged conflict. Conversely, U.S. and Western inaction regarding the Baltic republics' strivings for independence would make it easier for those in the Kremlin who would use force to suppress all of the nationalities.

## THE ORIGINS OF INDEPENDENCE

Estonia, Latvia, and Lithuania have long and illustrious histories. Although Lithuania was a major power in Eastern Europe in the 16th and 17th centuries, ruling over territories stretching from present-day Poland to Ukraine,<sup>1</sup> each Baltic state has suffered repeated conquests. They became part of the

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1 Although common American usage places "the" before Ukraine, Ukrainians assert that this derives from Moscow's claim that Ukraine is a region of Russia, not a nation unto itself.

Russian Empire when Peter the Great took them from Sweden in the Great Northern War in 1718. They and the other peoples conquered by Moscow remained a part of that Empire until the disintegration of central authority in the Russian Revolutions of 1917.

**Independence Recognized.** During the Russian Civil War, which broke out in early 1918, several of the subject peoples of the Empire — the Baltic states, Finland, Georgia, Poland, Ukraine, and other areas in Muslim Central Asia — seized their opportunity to escape and declared their independence from Russia. By 1921, however, Ukraine and Central Asia and most other states had been reconquered by the Red Army. Poland and the Baltic republics were not. Moscow eventually renounced all claims to Estonia, Latvia, and Lithuania and recognized their full independence in treaties signed on February 2, August 11, and July 12, 1920, respectively. The U.S. recognized all three on July 28, 1922.

After independence, these countries managed an uneasy coexistence with their giant neighbor. On August 23, 1939, however, Nazi Germany and the Soviet Union signed the Hitler-Stalin Pact, which divided Eastern Europe between them. The Pact's secret protocols allotted Estonia and Latvia to Moscow; Lithuania went to Germany. The Pact was modified in 1940 to give Lithuania to the Soviet Union in exchange for some of Moscow's share of recently conquered Poland. The Soviet Union moved quickly to take control of the Baltic states. Treaties allowing Soviet forces to be stationed on their soil were forced on Estonia, Latvia, and Lithuania on September 28, October 5, and October 10, 1939, respectively. These were soon followed by outright Soviet military occupation and an overthrow of the independent governments. Rigged elections were held producing communist-dominated parliaments, which on July 21, 1940, voted to request annexation to the Soviet Union. The Stalinist terror then descended with full force in the summer of 1940, and tens of thousands of people were imprisoned, executed, or sent to the Gulag in Siberia.

Washington responded by extending to the Baltic states its policy of refusing to recognize the forcible seizure of territory by the fascist powers. This was the origin of the "non-recognition policy" by which the U.S. continues to treat the Baltic states as independent and does not officially recognize their incorporation into the Soviet Union.

**Brave Resistance.** Although the countries conquered by the Nazis and Japanese were liberated at the end of World War II, the Soviet Union, as one of the victorious powers, kept the territories it had seized. These included Moldavia, western Ukraine, eastern Poland, parts of southern and eastern Finland and, of course, the Baltic states. Armed partisans in western Ukraine, the Baltics, and some other territories, bravely resisted Soviet occupation for nearly two years, but largely were crushed by 1947.

As relations between the West and the Soviet Union deteriorated, the U.S. non-recognition policy toward the Baltic states was adopted by other countries. The NATO nations, for instance, refused to recognize the legitimacy of the Soviet takeover of the Baltic states. Even Britain went along

with the U.S., despite London's traditional policy of recognizing the authority of whichever government exercises control over a particular territory, which in the case of the Baltic states should have been the Soviet Union. The only Western countries to recognize the Soviet annexation of the Baltic states are Finland and Sweden.

**Complicated Policy.** The U.S. non-recognition policy is complicated. On the one hand, Washington refuses to recognize as legal the annexation of these countries into the Soviet Union and continues to grant official status to their pre-war diplomatic legations in the U.S. On the other, Washington officially recognizes neither any exile government nor the current governments of these republics.

Each Baltic diplomatic mission in the U.S., known as legations, draws its support primarily from the exile communities in the U.S. and abroad. Stasys Lozoraitis, chargé of the Lithuania legation, and Anatol Dinbergs, chargé of the Latvian legation, have their missions in Washington; Ernst Jaakson, chargé of the Estonian legation, is in New York City.

## THE BALTIC STATES TODAY

Estonia, Latvia and Lithuania are small in territory and population. Estonia's population is approximately 1.6 million, of which only around one million are ethnic Estonians, with approximately 40 percent of the population now consisting of Russian-speaking immigrants who have arrived since 1940.<sup>2</sup> Almost half of Latvia's population of 2.6 million is composed of these immigrants. Only 20 percent of Lithuania's 3.7 million people are non-Lithuanian, but this minority is growing rapidly, doubling in the 1980s. Their combined territories would fit comfortably within Oregon.

The Baltic republics are the most economically advanced region in the Soviet Union; by Western standards they are backward. Their main industries are metallurgy, shipbuilding, and food processing, and are extensively integrated into the Soviet command economy.

The integration of the Baltic states into the Soviet economy has impoverished these countries. The Heritage Foundation was told by several Estonian economists in Tallinn that, whereas Estonia and Finland had comparable standards of living in 1940, Finland's now is several times higher than that of Estonia; by some measures Finland is fifteen times higher.

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2. "Russian-speaking" need not denote persons ethnically Russian. Many of the immigrants belong to other Soviet ethnic groups, such as Ukrainians and Armenians. Their use of Russian as a common language is due to the Soviet policy of promoting Russian among ethnically mixed populations. Few immigrants learn the local languages in the Baltic republics.

	<b>Estonia</b>	<b>Latvia</b>	<b>Lithuania</b>
<b>Official Name*</b>	Estonian Soviet Socialist Republic	Latvian Soviet Socialist Republic	Republic of Lithuania
<b>Capital</b>	Tallinn	Riga	Vilnius
<b>Area (sq. miles)</b>	17,413	24,590	25,174
<b>Population</b>	1.6 million	2.7 million	3.7 million
<b>Ethnic Composition</b>	60% Estonian 40% Russian and other**	54% Latvian 33% Russian 13% other	79% Lithuanian 7% Polish 5% other
<b>Religion</b>	Estonians and Latvians are traditionally Lutheran. Lithuanians and Poles are Roman Catholic; Russians, Ukrainians, and Belorussians are Orthodox.		
<b>Major Industries</b>	Paper, shipbuilding, shale oil and gas	Shipbuilding, metallurgy, and timber	Shipbuilding, textiles, and chemicals

\* On March 11, 1990, Lithuania changed its name to the Republic of Lithuania from the Lithuanian Soviet Socialist Republic. Estonia and Latvia are expected to follow in the near future.

\*\* Ukrainian, Belorussian, Armenian, Jewish, among others.

## THE RISE OF THE BALTIC INDEPENDENCE MOVEMENTS

Despite severe persecution by Moscow, the Baltic peoples have preserved strong national identities. Increasing concern over the enormous ecological harm caused by Soviet industrial pollution and growing interest in their independent cultures sparked a rapid growth of Baltic nationalism in the 1980s. Sparking it too were the mounting numbers of Russian-speaking immigrants, sent to the Baltics by Moscow to secure its political control. Between 1940 and last year, approximately 400,000 such immigrants made their way to Estonia. The prospect of becoming minorities in their own countries created a sense of urgency among the native Baltic peoples, feeding the fires of nationalism.

Gorbachev's reforms also spurred Baltic action. He relaxed censorship and permitted non-communist organizations to operate more freely. Because they are culturally the closest to the West of the Soviet Union's nationalities, and thus more directly influenced by Western ideas, the response to these new freedoms was deepest and most immediate in the Baltic states. Much of Estonia, for example, receives Finnish television.

**Umbrella Groups.** With the relaxation of repression, a number of cultural and environmental organizations were formed in the Baltics. Typically they grouped themselves under Popular Front umbrellas. The most well known is

the Popular Front in Lithuania, called *Sajudis*, the Lithuanian word for "movement." The Popular Fronts were controlled at first by the Republic's Communist Parties, but gradually established their independence and became increasingly committed to political autonomy for the Baltic states. Non-communist and more overtly nationalist organizations such as the Lithuanian Freedom League and the Estonian National Independence Party played important roles in pushing the debate in these countries rapidly in that direction. These organizations openly advocated complete independence from Moscow.

### **1989: Prelude to Independence**

As the nationalist organizations gained momentum throughout last year, the drive toward independence accelerated. Despite intimidation by the communist authorities, *Sajudis* candidates won 36 of the 39 seats for which it competed in the March 26, 1989, elections to the U.S.S.R. Congress of People's Deputies. The Lithuanian Communist Party won only four seats.

The increasing strength of *Sajudis* and other organizations like the Lithuanian Freedom League forced the communist government in Lithuania to make radical reforms. The Lithuanian constitution was amended on May 18 to state that Soviet law is valid in that republic only if ratified by the Lithuanian parliament. On that date, the parliament also passed a "Declaration of Lithuanian State Sovereignty" proclaiming that Lithuania had been annexed forcibly by the Soviet Union and had never surrendered its sovereignty.<sup>3</sup>

A commission established by the Lithuanian Supreme Soviet or parliament on August 22 to examine the Hitler-Stalin Pact and its secret protocols ruled that these had been "invalid from the moment of their signing" and, more important, that Lithuania's incorporation into the Soviet Union therefore was illegal. A law was enacted in November that restricts Lithuanian citizenship to those who were citizens prior to the Soviet annexation, and to their descendants. Others can apply for citizenship after a ten-year residency. This was intended to discourage further immigration into Lithuania.

**Gorbachev Rebuffed.** Desperate to shore up its rapidly declining popularity, the Lithuanian Communist Party withdrew from the Communist Party of the Soviet Union (CPSU) on December 20. Gorbachev and other senior Soviet leaders rushed to Lithuania to persuade the Lithuanian communists to reverse their decision. They were rebuffed and encountered in the capital of Vilnius a demonstration of 300,000 Lithuanians demanding independence.

Events in Estonia and Latvia followed similar courses. Although established only in October 1988, the Popular Front of Latvia captured three-fourths of the seats in the following March's elections for the Soviet Congress

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3 "Lithuania Declares Its Sovereignty," *Report on the USSR*, Volume 1, No. 22, June 2, 1989.

of People's Deputies. Since only 50 percent of the population is ethnically Latvian, this overwhelming victory demonstrated that the independence forces embraced even great segments of the large Russian-speaking population. The Popular Front's official program was amended on October 8, 1989, declaring independence for Latvia to be its official goal.<sup>4</sup>

**Two Estonian Parliaments.** The political situation in Estonia is more complex than in Latvia or Lithuania. Two popularly elected Estonian parliaments now exist, each claiming to represent the republic. The elections this March 18 for the Estonian Supreme Soviet produced a Popular Front-dominated government committed to independence. But a wholly separate parliament, the Congress of Estonia, had been created in non-official elections this February 24; it was organized by a movement known as the Estonian Citizens' Committees.

The Citizens' Committees were established by a number of parties, the most important of which is the Estonian National Independence Party led by Tunne Kelam. Through enormous effort, the Citizens' Committees organized the February 24 elections for the Congress of Estonia, in which approximately 600,000 out of a population of one million ethnic Estonians participated. The voting was restricted to those Estonians in the republic and abroad who could prove Estonian citizenship at the time of the Soviet takeover in 1940, or who are descended from those who were citizens at that time. Those who have come to Estonia since then are considered to have settled illegally as a result of the Soviet occupation. They have been told that they will be able to apply for Estonian citizenship at a future date.

**Occupation Government.** The Citizens' Committees maintain that the Republic of Estonia destroyed by the Soviet takeover in 1940 continues to have a legal existence and that the Congress of Estonia now represents it. In addition, they contend that the present political system in Estonia, including the Supreme Soviet, is a creation of the Soviet occupation and is therefore illegitimate. Given the cooperation between the independence forces in both legislatures, it is possible that the new Estonian Supreme Soviet will dissolve itself and recognize the authority of the Congress of Estonia, creating a challenge to Soviet authority by dismantling all institutions of Soviet rule in the republic.

The Estonian Supreme Soviet has already taken a step in this direction, passing a resolution last November 12, declaring Estonia's forcible annexation by the Soviet Union null and void.<sup>5</sup>

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4 "Estonia," *Report on the USSR* Volume 1, No. 52, December 29, 1989.

5 *Ibid.* In so doing, it also called into question its own legitimacy as a creation of that same takeover.

## THE KREMLIN'S REACTION

The Kremlin opposes the Baltic independence movements and threatens reprisals if defiance continues. The Soviet Communist Party's Central Committee has warned that continued assertions of Baltic nationalism "could be disastrous" and could "call into question the viability of the Baltic peoples."

The Kremlin also threatens that independence could bring economic disaster. During his January trip to Lithuania, Gorbachev said repeatedly that Lithuania could not survive without access to Soviet raw materials and markets. Indeed all of Lithuania's oil and natural gas come from the Soviet Union, and its industries are tightly integrated into the Soviet economy.<sup>6</sup>

Coupled with Moscow's stick has been a small carrot, promising compromise short of independence. Thus the Soviet parliament on November 28 granted the Baltic states economic autonomy, transferring some economic decision-making from Moscow to the republics. Under this arrangement, Moscow is to retain control of defense and "heavy" industries (cement, steel, transportation) while the republics would take control of agriculture, consumer, and construction industries. So far, however, Moscow has exploited the legislation's ambiguities to prevent the transfer of real economic power to the Baltic states. The Heritage Foundation was told by Ojars Blumbergs, chief economic advisor to the Popular Front in Latvia, that his country has had to "fight for control over every enterprise" promised to it under the economic autonomy laws passed by Moscow.

**Moscow's Roadblocks.** The Soviet government, meanwhile, routinely declares the legislation of the Baltic governments unconstitutional. Example: on August 16, 1989, the Soviet Congress of People's Deputies struck down the election law passed by the Estonian Supreme Soviet and ordered it to amend Estonia's constitution. Example: despite Article 72 of the Soviet constitution, which gives each republic an unrestricted right to secede from the U.S.S.R., the Soviet Congress of People's Deputies is considering a law to make secession very difficult, if not impossible. The Soviet government also claims that it should be compensated for purported investments in the Baltic economies if the republics secede; Lithuania's bill would be \$33 billion.

A greater danger to Baltic independence was created by Gorbachev's assumption of vastly enhanced presidential powers this March 13. He now can suspend the elected parliaments of the republics and declare a state of emergency and rule by decree. Thus, to the extent that the Soviet constitution is valid in the Baltic states, Gorbachev now has the legal authority to remove the governments of the Baltic republics and impose rule directly from Moscow. He used this authority last week when he ordered more Soviet troops

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<sup>6</sup> Ann Sheehy, "Gorbachev's Arguments Cut Little Ice with Lithuanians," *Report on the USSR*, Volume 2, No. 6, February 9, 1990.

into Lithuania, and he may use it yet to impose his direct rule over that country.

## BALTIC INDEPENDENCE AND THE SOVIET IMPERIAL CRISIS

The Baltic independence movements are part of a broader crisis in the Soviet Union. Of all the problems facing Moscow, including the economic, none is more serious than the increasing demands for self-determination by its many subject nationalities. The independence movements in the Baltics are only the furthest advanced of these nationalist forces and have counterparts in Georgia, Moldavia, Ukraine, and among most of the Soviet Union's ethnic groups.

The Ukrainian nationalist organization *Rukh* did exceptionally well in the March 4 elections for the Ukrainian parliament, capturing an unexpected 30 percent of the seats. The Supreme Soviet of Georgia declared on March 9 that the forcible Soviet annexation of that country in 1921 was illegal. The Muslim republics, especially Azerbaijan, are increasingly defiant of Moscow. Moscow understands that the Baltic states' moves toward regaining their independence are only the first in a series of challenges to Soviet rule by the non-Russian nationalities.

**Important Precedent.** An explosive situation is developing as Moscow attempts to retain control. The temptation to use military force to restore Soviet authority, as in January's crackdown in Soviet Azerbaijan, likely will grow as the nationalities increasingly defy Moscow. Ultimately, this problem can best be solved by granting greater freedom to the nationalities. At a February 5 to 7 meeting of the Soviet Communist Party's Central Committee, Gorbachev discussed a possible Treaty of Union in which economic and political power would be decentralized; only sketchy reports of this have been made public.<sup>7</sup> One idea would extend to all of the Soviet Union's fifteen republics the same economic autonomy that has been granted to the Baltic states. If the Soviet leadership is serious about addressing the nationalities' demands for greater self-determination through a new Treaty of Union, a peaceful and negotiated path to Baltic independence could provide Moscow with an important precedent for avoiding the looming violent showdown with its subject nationalities.

Although a Soviet military intervention temporarily might crush Baltic independence, such force surely could not be dispatched against all the U.S.S.R.'s nationalities. Explained Sergei Odarich, a leader of the Ukrainian nationalist organization *Rukh*, on March 21: "Against little Lithuania he could still find a pretext to send in troops. But against the [50 million] Ukrainian people, this is impossible."<sup>8</sup>

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7 "Moscow Offers Republics Freedom Under New Treaty," *The Financial Times* March 21, 1990.

8 "Nationalist Party in Ukraine Vows to Push Independence," *The Washington Times*, March 22, 1990.

## PROMOTING BALTIC INDEPENDENCE

While the U.S. cannot affect the process of Baltic independence directly, it can devise policies aimed at ensuring that it occurs peacefully. These policies must rest on a foundation of solid principles that include:

**Principle #1:** The U.S. supports Baltic independence.

**Principle #2:** The U.S. very strongly favors the peaceful achievement of independence.

**Principle #3:** The U.S. will impose an appropriate penalty on Moscow if it prevents, by intimidation or force, peaceful independence of the Baltic states.

**Principle #4:** The U.S. will understand sympathetically if Baltic states must use force to counter Moscow's intimidation and force, but the U.S. will not be able to provide help for such Baltic use of force other than American verbal expressions of solidarity and sympathy.

**Principle #5:** The U.S. will reward Moscow appropriately for allowing the Baltic republics to become independent peacefully and similarly will reward Moscow for allowing other Soviet nationalities to attain independence or self-determination peacefully.

**Principle #6:** The U.S. seeks no unilateral gain in the matter of Baltic independence nor does it seek to exploit the matter to harm the Soviet Union.

U.S. support for Baltic independence would strengthen the hand of those in the Kremlin who oppose using force against the nationalities. They could argue that the use of force would guarantee a loss of Western support for *perestroika* and do nothing to solve the underlying problems that are causing the problems in the first place. U.S. support for Baltic independence also would signal to Moscow and the nationalist movements that Washington supports a peaceful and cooperative approach to self-determination, assuming Moscow refrains from using force.

For the U.S. to do nothing while Baltic peoples seek independence would only make matters worse. Gorbachev surely is watching Western actions and statements closely. He surely does not want a rupture in good relations with the West because the economic revival of his country depends on Western cooperation. Counseling Gorbachev that this cooperation will be jeopardized if he represses Baltic independence movements with force should encourage his restraint. To translate the Six Principles into policy, Bush should:

◆ ◆ **Warn Moscow against the use of force against the Baltic states.**

Washington must make clear to Moscow that a Soviet crackdown in the Baltics will result in an abrupt downturn in its relations with the U.S. and the West as a whole. This warning should be communicated both publicly and privately by Bush and the Congress. The Administration has been toughening its public signals to Moscow, most notably Secretary of Defense Richard Cheney's March 25 statement that a Soviet military intervention would have "a significant negative impact" on U.S.-Soviet relations.

The U.S. should warn Moscow that the use of force against the Baltic states would result in a number of costs to the Soviet Union, especially relating to Moscow's attempts to increase economic cooperation with the West. Such a warning could give the Baltic states additional leverage against Moscow and encourage the Kremlin to settle this problem peacefully.

Among the costs that Bush should say that he will impose are:

1) Postponement of the promises made at the Malta Summit. These included expanding U.S.-Soviet technical cooperation, lifting U.S. restrictions on export credits and guarantees, negotiating a bilateral investment treaty and supporting Soviet observer status at the General Agreement on Tariffs and Trade (GATT) talks.

2) A call upon the United Nations to condemn the Soviet action in the Baltics just as the U.N. condemned the Soviet invasion of Afghanistan.

3) Suspension of U.S.-Soviet scientific exchanges.

4) Opposition to Soviet membership in the International Monetary Fund, World Bank and other international organizations.

◆ ◆ **Formally recognize the Baltic states as independent.** For half a century, the U.S. has maintained that Estonia, Latvia, and Lithuania were forcibly and illegally incorporated into the Soviet Union and has demanded that the Soviet Union restore their independence. It rightly refused to deal with the unelected communist governments of these countries that followed the Soviet annexation. Now that these countries are becoming free and democratic, the U.S. should not ignore their requests for recognition. The U.S. should impose three conditions for recognition: The governments in the Baltic states must be democratically elected; the governments formally must declare or reassert their independence; the governments must request U.S. recognition.

Lithuania meets all three conditions. The democratic forces under the *Sajudis* banner won over two-thirds of the seats in the February 24 elections for the Lithuanian parliament. A government headed by President Vytautas Landsbergis, the leader of *Sajudis*, was established and independence was declared on March 11 by a parliamentary vote of 141 to 0. Requests for Western recognition followed immediately. Estonia and Latvia seem to be following these steps rapidly. In the two republics' March 18 parliamentary elections, the Popular Fronts in both republics won a majority of the seats. Each has established governments expected to declare formal independence shortly.

The Bush Administration has added a fourth condition for U.S. recognition: that these governments be in full and effective control of their territory. This is not unreasonable as long as it is not used as an excuse to avoid recognition. The words "effective control," however, are ambiguous and should be clearly defined.

◆ ◆ **Include these countries in the U.S. assistance package for Eastern Europe.** The SEED (Support for East European Democracy) Act of 1990, to help Poland and Hungary, will be expanded this year to all of Eastern Europe. This measure has been dubbed SEED II. Independent Estonia, Latvia, and Lithuania will be part of Eastern Europe and should be entitled to participate in SEED II's programs as are Eastern Europe's other countries. Among other things, this would make them eligible for loans to private entrepreneurs, give their governments access to credit, and provide them the technical assistance to clean their environment, improve their farm economy, and launch small businesses.

The Baltic states especially need assistance establishing centers for business education and managerial expertise. Their future depends on their creating a free market economy quickly; yet they have little experience with capitalism and insufficient resources to hire experts from abroad. America can help them establish business schools and take other measures to speed free market reforms. No U.S. assistance, however, should be funneled through Soviet organizations without the consent of the Baltic governments. These governments, for example, may authorize the U.S. to deal with Soviet banking, customs, and other organizations.

◆ ◆ **Ask Congress to exchange parliamentary groups with each Baltic republic.** Congress has a very important role to play in providing symbolic and material support to Lithuania especially if Bush is unable to grant recognition to Lithuania in the near future. By exchanging official delegates with the new Baltic parliaments, Congress could demonstrate highly visible American support for the new democratic governments. Such a connection would help to end the psychological isolation these countries feel and could also be used to provide the new parliaments with assistance on establishing their legislative authority. Congress should also invite President Landsbergis to address a joint session.

◆ ◆ **Make Soviet military occupation of the Baltic states a conventional arms control issue.** At the Vienna talks on an East-West treaty on Conventional Forces in Europe (CFE), the U.S. and its NATO allies should declare that nothing in the agreement implies recognition of any Soviet right to station its forces in the Baltic States, and declare their intention to make this occupation subject to any follow-on negotiations on reducing conventional forces. Soviet forces in the Baltic region total nearly 200,000.<sup>9</sup> Given the official congratulations by Czechoslovakia and Poland to Lithuania's declaration of independence, it is possible that several of Moscow's current Warsaw Pact allies would make a declaration on the Baltics like that of NATO. U.S. diplomats quietly should ask East European governments if they are willing to join the West in issuing such a statement.

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9 *The Military Balance, 1989-90* London: International Institute for Strategic Studies, pp. 38-39.

◆ ◆ **Press international organizations to admit the Baltic states as members.** The U.S. should press the United Nations, the General Agreement on Tariffs and Trade (GATT) organization, the International Monetary Fund (IMF), and other international organizations to admit the Baltic republics as full and independent members. The U.S. should encourage the West Europeans to admit the Baltic states into European and regional organizations like the Council of Europe, established in 1948 as an organization of European parliamentary democracies. The Council already has invited the new democracies of Hungary and Czechoslovakia to join.

◆ ◆ **Press for Baltic independence to be on the forthcoming CSCE conference agenda.** Due to convene this fall, though the date and place are not settled, the Conference on Security and Cooperation in Europe (CSCE) is a gathering of nearly all the countries of Europe plus the U.S. and Canada. Convened at Moscow's insistence, it will discuss current developments in Europe, like German reunification, expanded economic cooperation, and military security. Added to the agenda should be Baltic independence. The Americans, Europeans, and Soviets could discuss the removal of Soviet troops from Baltic territories, the restructuring of the Baltic states' economic ties, and the impact of independence on regional security. Since CSCE includes every European state except Albania, which has refused to participate, the U.S. should insist upon Baltic participation.

◆ ◆ **Encourage America's Western allies to take the same measures.** The effects of U.S. support for Baltic independence would be magnified greatly were it part of a united Western effort. This requires Washington's leadership in supporting the Baltics and coordinating a joint Western response. The U.S. also should encourage its allies to link improved economic ties with Moscow to a peaceful transition to independence in the Baltic states. Washington, however, should not make its own actions conditional on a united Western front.

## CONCLUSION

For half a century, America has pressed the Soviet Union to restore independence to the Baltic republics. And for half a century, these rhetorical demands were easy to make because there was little danger that there would be any need to act on them.

Now, largely through their own courageous efforts, the peoples of Estonia, Latvia, and Lithuania have taken the first decisive steps toward restoration of their independence. They have held democratic elections under often adverse conditions and delivered a solid mandate to their new governments to move toward independence. These governments reflexively and understandably have turned to the West as new members of the international democratic community and requested recognition and assistance. So far, the response has been meek.

**Preventing Force.** Moscow is demonstrating its intention to suppress the Baltic states, certainly by heavy-handed intimidation and possibly by force. It is before force is used that America must move to prevent it.

Gorbachev, almost beyond doubt, prefers to avoid force. Given his desires to improve his image in the West and to secure the benefits of friendlier relations, he surely favors economic and political coercion to bring the Baltic states to heel. The new Baltic governments are prepared for an extended period of negotiation with Moscow and believe that they can survive the difficult times ahead. They are confident that the Soviet leadership ultimately will recognize that there is no alternative to negotiation.

It is in the West's interest that Gorbachev and the Soviet leadership reach this conclusion as quickly as possible. The West can help to even the odds between the Baltics and the Soviet Union by coming down clearly on the side of those struggling to achieve the goals that Western democracies warmly invoke. If the West keeps the Baltics at arm's length, Moscow is likely to conclude that the West will tolerate a crackdown for the sake of maintaining good relations with the Soviet Union.

**U.S. Leadership.** The U. S. role on Baltic independence is critical. No other Western country is likely to offer open support. The U.S. thus should grant formal recognition to the new democratic governments, include the Baltics in U.S. foreign assistance programs for Eastern Europe, warn Gorbachev that his use of force will torpedo his good economic and political relations with the U.S., support the admission by the Baltic states to international organizations, raise the issue of Baltic independence at this year's upcoming CSCE meeting, and coordinate a common Western approach on this issue.

The U.S. must formulate a policy that will encourage Moscow and the Soviet nationalities to address the problems of self-determination in a peaceful and negotiated manner. To do this, Washington should construct a package of incentives and penalties for the Soviet Union which clearly lays out the actions the United States is prepared to take to ensure that a cooperative approach produces benefits and a resort to force results in substantial costs.

**Pushing A Peaceful Path.** With their emphasis on a non-violent and negotiated approach to independence, the Baltic republics could serve as an important precedent for addressing the problem of the Soviet nationalities. By supporting their peaceful struggle for independence, the United States can help to push the process of Soviet decolonization along a peaceful and orderly path. What is at stake is the future of the Baltic republics, the hopes of the other Soviet peoples striving for freedom, and the possibility that the Soviet Union can shed its repressive past and emerge as a responsible and trustworthy member of the community of nations.

Douglas Seay  
Policy Analyst

## CHRONOLOGY

- February 2, August 11,  
July 12, 1920**      **The Soviet Union recognizes independence of Estonia, Latvia, and Lithuania, respectively, and renounces all claims on their territory.**
- July 28, 1922**      **U.S. grants diplomatic recognition to the Baltic republics.**
- August 23, 1939**      **Hitler-Stalin Pact signed, dividing the Baltic states and Eastern Europe between Nazi Germany and the Soviet Union.**
- Sept. 28, Oct. 5 ,  
Oct. 10, 1939**      **Moscow forces Estonia, Latvia, and Lithuania to sign treaties permitting Moscow to station its troops on their territory, respectively.**
- June-July 1940**      **Moscow replaces independent Baltic governments with communist-controlled "People's Governments." Mass deportations of Baltic citizens to Siberia and Soviet Gulag begin.**
- July 21, 1940**      **People's Governments in each republic ask for incorporation into the Soviet Union and nationalize all land and industrial enterprises.**
- June 22, 1941**      **Nazi Germany attacks its Soviet ally and occupies the Baltic states.**
- 1944-1947**      **Baltic forces fight to prevent reincorporation into the Soviet Union, but are defeated by Soviet military.**
- Nov. 18, 1988;  
July 28, May 18, 1989**      **Estonia, Latvia, and Lithuania declare sovereignty .**

- March 26, 1989**      **Democratic forces win majority** of Baltic seats in elections for the Soviet Union's Congress of People's Deputies.
- August 22, 1989**      **Lithuanian Supreme Soviet declares** Hitler-Stalin Pact and Lithuania's incorporation into the Soviet Union illegal and invalid.
- August 23, 1989**      **Two million people participate** in the "Baltic Way," a human chain stretching from Tallinn through Riga to Vilnius in a demonstration of Baltic solidarity and a popular commitment to independence.
- November 12, 1989**      **Estonian Supreme Soviet declares** 1940 Soviet annexation to be null and void.
- December 20, 1989**      **Lithuanian Communist Party votes** to separate from the Communist Party of the Soviet Union.
- December 28, 1989**      **Soviet Congress of People's Deputies rules** Hitler-Stalin Pact illegal and invalid but refuses to strike down the treaties incorporating the Baltic states into the Soviet Union.
- February 24, 1990**      **Estonian Citizens' Committees hold elections** for Congress of Estonia which represents the Republic of Estonia destroyed by the 1940 Soviet takeover.
- February 24, 1990**      **Sajudis candidates sweep elections** for Lithuanian Supreme Soviet, winning two-thirds of the seats.
- March 11, 1990**      **Lithuanian Supreme Soviet forms a government,** declares independence, and asks for negotiations with Moscow.
- March 18, 1990**      **Independence forces win elections** for Estonian and Latvian Supreme Soviets.
- March 25, 1990**      **Estonian Communist Party votes** to separate from the Communist Party of the Soviet Union, after a six-month transition.

Bob Hatchings . NSC 5732

NATO Summit

Captive Nations sidebar - looking forward

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# Executive Memorandum

The Heritage Foundation

214 Massachusetts Avenue N.E. Washington, D.C. 20002 (202)546-4400

**RUSH!**

7/13/90

Number 274

## THE SOVIET COMMUNIST PARTY CONGRESS REFUSES TO JOIN THE NEW REVOLUTION

The 28th Extraordinary Congress of the Communist Party of the Soviet Union, which ended in Moscow this week, dispels the last hope that the Party can be reformed. The Party could have joined the reform movement. It did not. Soviet President Mikhail Gorbachev could have resigned as the General Secretary of the Communist Party and led the Soviet Union down the path of accelerated free market and democratic reforms. He did not. By staying on as Party chief he chose to remain at the helm of a ship that surely is sinking. By refusing to surrender the Party's power and immense wealth, the Congress has guaranteed further civil unrest and, possibly, has moved the country a few steps closer to civil war.

In sharp contrast to Gorbachev's clinging to his red Party membership card, Boris Yeltsin, the Chairman of the Supreme Soviet of the Russian Republic, resigned publicly from the Party. This was followed almost immediately by resignations from the Party by the mayors of Moscow and Leningrad. The result of these dramatic actions is that a national opposition to the Soviet Communist Party is coalescing around Yeltsin. Ever more clearly, the lines are being drawn and the sides are being taken in what could be a gargantuan (and perhaps bloody) battle for control of the Soviet Union.

The Congress allowed the Party Stalinists to blow off steam by declaring their hatred of capitalism and democracy; beyond this it accomplished very little. Refusing to weaken its grip over the economy and national security, the Party rejected demands to remove Party organizations from workplaces, the armed forces, the police, and the KGB. The Soviet communist hardliners even ruled out a token concession of cosmetic change: they balked at changing the name of the Party from "communist" to "socialist" or "democratic socialist," as did all communist parties of Eastern Europe last year.

**Rejected by the People.** The Party's resistance to free markets and democracy flies in the face of Soviet public opinion. According to a poll conducted last month by the Siberian newspaper *Sibirskaya Gazeta* and quoted in the newspaper *Moscow News* on June 24, the Party's "Draft Platform" for the Congress is overwhelmingly rejected by students and workers. Workers are the most disillusioned, with 79 percent saying they do not support the Platform "at all." Another poll, cited by the popular newspaper *Literaturnaya Gazeta* on June 27, reveals that the Party's authority is rated "almost non-existent" and "non-existent at all" by 57 percent of young workers and students. Most telling of all, according to a *Moscow News* poll released on July 5, only 19 percent of the respondents say they would vote for the Communist Party in multi-party elections.

For a political party supported by less than one-fifth of the population, to insist on ruling is a sure recipe for violent civil unrest, particularly if demonstrations are allowed and a political opposition is permitted to organize further. Perhaps the most telling sign of coming civil strife is the rapid politicization of the labor movement. A year ago the Soviet miners struck for soap, shoes,

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

meat and milk (most of which is yet to be delivered to them). This year, their 24-hour warning walk-out of July 11 is far more radical. They demand, for example, that the government resign and the Party give up control of shops and factories, the army, and the KGB. The slogans held aloft by the striking miners in Kuzbass in southwestern Siberia this week attest to their alienation from communism. Placards and banners read: "Leninism is an ideology of darkness"; "72 years of lies"; and "The armed forces and the people are one — without the Party!"

Notwithstanding the Congress's resistance to deeper reforms, Mikhail Gorbachev put in a masterful tactical performance at the Congress. He weathered the attacks by such hardliners as Egor Ligachev, got himself elected to the top post again, prevented an open split between the social-democratic and Stalinist wings of the Party and, to his credit, offered a passionate, if belated, defense of the reforms. "There is no way of bringing yesterday back," he said, and that "no dictatorship, if someone has this crazy idea, can resolve anything."

**Judging Gorbachev.** The many speeches of Stalinist hardliners at the Congress made Gorbachev look progressive, even radical. But the pressing question today is not how Gorbachev compares to party hardliners like Ligachev, but how fast he moves to satisfy the popular demands for a legitimate democratic government and a working economy. While not denying Gorbachev's role as an instigator of political reform in the Soviet Union, the time has come to judge Gorbachev not by how well he conducts intra-party maneuvering, but by how well he responds to the hopes of the society at large.

A democratic alternative to Gorbachev, in fact, already exists and is growing stronger every day. A democratic reform caucus called the "Inter-regional Group" was formed last year within the Soviet Congress of People's Deputies to press for more radical reforms. Free market and democratic reformers gained control of the Moscow and Leningrad city councils in democratic elections last spring. And on May 29, Boris Yeltsin was elected Chairman of the Russian Republic's Supreme Soviet.

A leading Soviet democratic activist, Yuri Afanasiev, put it best in *Literaturnaya Gazeta* on July 4: "The today's world sees that Marxism-Leninism is dead, that the ideas of communism can no longer provide an alternative to Western democracy....A real perestroika will not start until the Party becomes aware of all its sins against the people and relinquishes power." Gorbachev's true test as a political reformer and leader of the revolution occurring in the Soviet Union today will be his ability to break his life-long association with the Communist Party, step over its political dead body, and finally allow the country to have what it desperately needs and wants: an institutionalized multi-party democracy and the end of the state's economic monopoly. He has very little time left. The revolution he started is leaving him behind.

Leon Aron, Ph.D.

Salvatori Senior Policy Analyst in Soviet Studies

# The Heritage Foundation **Backgrounder**

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**UPDATE**

Number

4/9/90

133

## **A U.S.-MEXICO FREE TRADE AREA: PROMOTING BILATERAL PROSPERITY**

(Updating *Backgrounder* No. 694, "U.S.-Mexico Economic Ties," March 6, 1989.)

Throughout this century, Mexico has been a very poor country compared to the United States. Since its default on its foreign debts in 1982, Mexico has suffered through a period of increased economic instability and decline. Now the governments of the U.S. and Mexico are discussing a plan that could revitalize Mexico's economy and at the same time make the U.S. more competitive. This plan is to establish a Free Trade Area (FTA), similar to that created between the U.S. and Canada in 1988 and between the U.S. and Israel in 1985. An FTA requires both countries to drop all tariffs and many non-tariff barriers to bilateral trade. Such an arrangement with Mexico would build on that country's significant progress in recent years toward trade liberalization and would offer the best hope for Mexico to join the ranks of the world's prosperous countries. The Bush Administration should give this project top priority by beginning a study on its benefits to U.S. businesses and briefing Congress regularly on FTA progress.

A U.S.-Mexico FTA makes enormous economic sense. The U.S. is Mexico's principal trading partner, last year absorbing \$25 billion, or around 60 percent, of Mexico's exports and providing \$27.2 billion, or 65 percent, of Mexico's imports. Mexico, America's third largest trading partner, behind Canada and Japan, receives 6 percent of U.S. exports and sells America 6 percent of its imports. Bilateral trade between the two countries should be even greater. But Mexico's severe restrictions on imports and foreign direct investments, added to government overregulation of the economy and ownership of many enterprises, have created tremendous economic waste, with resources allocated to inefficient industries. This has kept productivity, job opportunities and, therefore, real purchasing power and living standards low. This system, of course, has been a major contributor to Mexico's debt problem.

**Mexican Progress.** In recent years the government of Mexico has tried to reverse these policies. In 1986 Mexico joined the General Agreement on Tariffs and Trade (GATT), the international arrangement designed to open markets. As a result of membership, Mexico has cut import tariffs and eliminated most import licenses. A special framework agreement signed with the U.S. in 1987 allows the two countries to deal more quickly with bilateral trade disputes.

The U.S. and Mexico began their preliminary talks this January on establishing an FTA. But negotiating an FTA is a long, cumbersome, contentious process. Washington and Ottawa worked on the U.S.-Canada FTA for two years, Canada already having spent several years in research. Since Mexico is poorer than the U.S., it has more to gain from an FTA. Greater Mexican imports of certain American food products would benefit Mexican consumers directly. The competition from U.S. firms would create incentives for the Mexican government to privatize inefficient state-owned enterprises and for Mexican businessmen to channel capital and labor into more productive industries. If an FTA substantially liberalized U.S. direct investment opportunities in Mexico, Mexico

would obtain much needed capital for its businesses. Finally, greater access to the U.S. market for Mexican business would provide greater business opportunities for Mexicans and a greater selection of affordable goods for American consumers.

**Special Breaks.** A preview of the FTA benefits is found in the special U.S.-Mexico arrangement popularly known as the *maquiladora* system. Under this program, which gained momentum in the last decade, U.S. firms can establish wholly owned factories in Mexico, typically near the U.S.-Mexican border. Permitting Americans to own factories outright is an exception to the usual Mexican limit of 49 percent foreign ownership. The owners can import, duty free, capital equipment, components and raw materials for their operations. The final products must be exported. The U.S. for its part, gives special tariff breaks to imports manufactured from American-made components. This *maquiladora* system employs an estimated 350,000 Mexicans. Some 100,000 Americans work at jobs in the U.S. to supply these facilities. Many U.S. companies have transferred parts of the manufacturing process to Mexico, making U.S. companies more competitive.

Some opponents of an FTA argue that while such an arrangement might work well for countries at similar stages of economic development, for example, between the U.S. and Canada, an FTA between a poor country and the U.S. would not work. Yet arguments from critics on both sides of the Rio Grande betray fundamental misunderstanding of the issue. Some Mexicans fear that their country, with a Gross National Product only 3 percent the size of America's, will not be able to compete with the rich and technologically sophisticated U.S. Some Americans fear just the opposite, that American enterprises will be unable to compete with low Mexican wages. Both fears are unfounded. History shows that each economy would be helped by freer access to the other.

An FTA also would address another concern of many Americans: illegal immigration. It is understandable that Mexicans who are denied economic opportunities in their own country seek their fortunes in the North. As an FTA provides greater employment opportunities for Mexicans in their own country, it removes some of the incentive for Mexicans to go North illegally and would be a magnet to attract back home many Mexicans now working in America illegally.

**Economic Powerhouse.** A Mexican FTA would be another step in creating the North American FTA, stretching first from Canada to Mexico and then eventually including the democratic countries of the Caribbean and Central America. This would create the world's economic powerhouse, dwarfing Japan and towering over even a united European market.

The Mexican economy continues slowly to overcome the economic difficulties of the last decade. And a U.S.-Mexican FTA will take some years to negotiate and implement. Because of its protectionist past, many Mexicans do not understand fully the benefits to their country of an FTA and are suspicious of such an arrangement. The Bush Administration therefore has proceeded quietly and cautiously in its discussions with Mexican officials; it should continue in this manner. The White House also, however, should begin preparing the ground for future formal negotiations. It should instruct the Department of Commerce or the U.S. Trade Representative's Office to begin a study of the benefits to American firms of an FTA. In addition, it should begin regular discussions and briefings with key Members of Congress on progress in trade talks with Mexico, so that Congress will be well informed when the issue comes before it.

In an FTA there are not winners and losers. Both countries win. Therefore the leaders of both countries should be congratulated for entertaining this bold and mutually beneficial initiative and encouraged to continue to secure open markets for both countries.

Edward L. Hudgins, Ph. D.  
Director, Center for International Economic Growth

From :

David Mason

May 14, 1990

## PREPARING FOR A POST-CASTRO CUBA

### INTRODUCTION

Fidel Castro surely is nearing his last days as the self-described “maximum leader” of Cuba. As dictator of the sole remaining communist dictatorship in the Western Hemisphere, he faces unprecedented domestic and international pressures that could topple him before George Bush finishes his first term as President. Internationally isolated, Castro is quarreling with his financial benefactor, Soviet leader Mikhail Gorbachev, and he is under fire from the United Nations for human rights abuses. He also is presiding over a collapsing economy and is plagued with rising internal unrest.

The question, therefore, is not whether Castro will fall but when he will. As such, the United States must begin preparing now for Castro’s departure. First, Washington should tighten U.S. restrictions on trade with Cuba to expedite Castro’s demise and encourage America’s Western allies to further isolate him. Second, and more important, the U.S. should craft a strategy to help revive a free and prosperous Cuba once he is gone.

**Bankrupt Police State.** Castro’s popular image as a romantic revolutionary leader has been replaced by growing international recognition of Cuba as an economically and morally bankrupt police state. Cuba’s long-standing trade partners in Eastern Europe are rejecting barter deals with Havana in favor of cash trade with the West. Castro’s political survival depends on the \$6 billion in annual military assistance and economic subsidies from the cash-starved Soviet leadership, which has abandoned former German dictator Erich Honecker and other communist allies in Europe. This aid to Cuba increasingly is becoming a casualty of Moscow’s internal economic crisis and of rising resentment among Soviet legislators toward foreign aid.

The case for continuing Washington’s policy of economic pressure against Castro is overwhelming. U.S. economic and political isolation of Cuba is gain-

ing momentum as many Eastern European and such Third World nations as Morocco and Panama are rejecting Castro's pleas for diplomatic and financial support. Castro continues to assault U.S. interests abroad and deny human rights and economic progress at home. At a time when the Soviet officials openly question Moscow's economic aid to a repressive Cuban regime, Washington should not replace Moscow as Castro's economic lifeline.

U.S. policies to help facilitate Cuba's transition to democracy should rest on the foundation of consistently applied principles and objectives. First, Washington should follow a seven-point program to hasten Castro's political demise. The U.S. should:

**1) Increase U.S. economic pressure against Castro.** U.S. restrictions on tourism and trade with Cuba limit Castro's support for revolutionary movements by undermining Cuba's economic vitality and hasten Cuba's transition to democratic capitalism. Washington should increase economic pressure on Havana by closing loopholes in the U.S. trade embargo against Cuba.

**2) Establish clear incentives for Moscow to cut aid to Cuba.** Washington should deny Soviet access to U.S. technology, securities markets, and trade credit programs unless Moscow cuts its military and economic aid to Havana in a verifiable way.

**3) Seek Western cooperation in isolating Cuba economically.** Washington should encourage Canada, Britain, Japan, and other industrial consumers of Cuban sugar, seafood, and other goods to find alternative suppliers in Central America and the Caribbean like Barbados, the Dominican Republic, and Jamaica.

**4) Encourage Western nations to press for political reform in Cuba.** Bush should ask the Western allies to focus international attention on human rights abuses in Cuba and to call for a referendum in Cuba on the legitimacy of Castro's rule.

**5) Challenge Castro's political influence in Latin America.** Bush repeatedly should call on Latin leaders to denounce human rights abuses in Cuba and to reject Havana's bid to join the Organization of American States.

**6) Set specific conditions for normalization of U.S.-Cuba relations.** These conditions should include: the establishment of democratic institutions in Cuba, removal of restrictions on emigration, reduction of the Cuban armed forces, and a halt to Castro's export of revolution.

**7) Offer a clear economic and political alternative to Castro's "Socialist Paradise."** The Bush Administration should use Radio Marti and TV Marti — stations operated by the U.S. Information Agency which broadcast news and entertainment programs to Cuba — to inform the Cuban people about the potential benefits of U.S. economic aid and cooperation with a democratic, market-oriented Cuba.

## **Planning for a Free Cuba**

Once U.S. conditions for normalization are met by a post-Castro government, Washington should move quickly to help revitalize Cuba. To promote democracy and economic development in a post-Castro Cuba, Bush should:

- 1) Help private commercial and Cuban-American groups prepare programs to promote market-oriented development in Cuba.** Bush should order U.S. Commerce Department and U.S. Agency for International Development studies of Cuba's needs and establish a Cuban Development Council to organize U.S. financial and business support for economic development initiatives in a free Cuba.
- 2) Develop an emergency relief program for a free Cuba.** Washington should prepare a U.S. emergency aid plan that will give Cuba the hard currency to purchase such critical imports as food, farm machinery, and oil, assist private voluntary relief programs, and cover the transition costs to a free market in a post-Castro Cuba.
- 3) Press for Cuban debt relief.** Washington should encourage Western government creditors to cancel or write down their portion of Cuba's \$6.8 billion debt.
- 4) Lift U.S. economic sanctions against Cuba.**
- 5) Begin negotiating a U.S.-Cuba free trade agreement to stimulate economic growth in both countries.**

## **CUBA**

**Area:** 44,200 square miles, about the size of Pennsylvania.

**Population:** 10.4 million.

**Capital:** Havana, population 2,013,000.

**Military:** Regular Armed Forces, 162,000; Reserves 165,000; Territorial Militia Troops, 1.2 million; State Security, 85,000.

**Ethnic Groups:** 51% Mulatto, 37% white, 11% black, 1% Chinese.

**Work Force:** Agriculture, 25%. Industry and commerce, 47%. Services and government, 28%.

**Economy:** Agriculture. Main crops: sugar, tobacco, cereals, citrus fruits. Major industries: food processing, sugar milling, petroleum refining, electric power, chemicals, cement.

**Exports (1987):** \$5.4 billion, mainly: sugar, petroleum, nickel, shellfish, tobacco. Exports by major area: U.S.S.R., \$3.9 billion; Eastern Europe, \$818 million; non-Communist countries, \$606 million. Major non-Soviet bloc trade partners: China (PRC), Spain, Japan, France, Canada.

**Imports (1987):** \$7.6 billion, mainly: petroleum, machinery, manufactured goods, foodstuffs, chemicals. Imports by major area: U.S.S.R., \$5.5 billion, Eastern Europe, \$1.1 billion; non-Communist countries, \$938 million. Major non-Soviet bloc trade partners: Spain, Argentina, Japan, China (PRC), West Germany.

Sources: U.S. Central Intelligence Agency, "The Cuban Economy: A Statistical Review," ALA 89-10009 (April 1989); International Monetary Fund, Direction of Trade Statistics Yearbook, Washington, D.C. (1989); Jaime Suchliki, The Cuban Military Under Castro (Miami, Florida, University of Miami Press, 1989); U.S. Central Intelligence Agency, World Factbook (1989).

6) Help train Cubans in business and market economics by creating and subsidizing academic exchange and business internship programs.

7) Establish criteria to measure Cuba's progress toward a free market economy. Examples: cutting taxes, deregulating the private sector, and establishing foreign investment and private property rights.

## THE ECONOMIC DECLINE OF CASTRO'S CUBA

Faced with a withering communist bloc and increasing political isolation from the international community, Fidel Castro vowed on March 16, 1990, that his rigid brand of communism "is our policy [and] there can be no other way."<sup>1</sup>

Cuba's economy is paying a heavy price for Castro's rigidity. No country in Latin America can match the extensive and rapid economic decline suffered by Cuba during Castro's reign. Before Castro took power in 1959, Cuba ranked third in per capita income among Latin American nations, behind only Argentina and Venezuela. Today after 30 years of socialism and more than \$45 billion in Soviet economic aid, Cuba's per capita income of less than \$1,500 ranks in the bottom half of nations in Latin America.<sup>2</sup>

### **Cuba: Bangladesh of the Caribbean**

Havana is now suffering its worst economic nightmare since the 1959 revolution that brought Castro to power. Castro's campaign, begun in 1986, to stop Gorbachev-like reforms and to "rectify errors and negative [capitalist] tendencies" has accelerated Cuba's economic decline. Cuba's export earnings have dropped 17 percent since 1986. Cuba had a \$1.2 billion budget deficit in 1988, nearly twice that of the year before, and roughly twice the U.S. deficit as a share of GNP. Cuba's per capita income has declined 4 percent since 1986, and economic production, excluding sugar, fell by 2.4 percent last year. Cuba's hard currency reserves, or cash on hand, dipped to a mere \$78 million

1 "Castro Says Cuba Will Stay the Course," *Washington Post*, March 17, 1990, p.21.

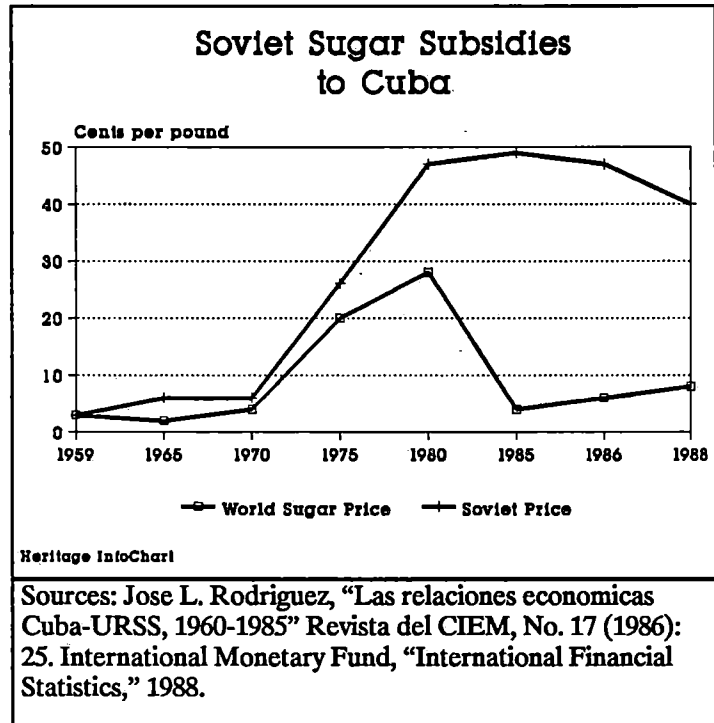
2 Robert A. Packenham, "Capitalist vs. Socialist Dependency: the Case of Cuba," *Journal of Interamerican Studies and World Affairs*, Spring 1986, p. 76. See also, Wharton Econometric Forecasting Associates, "Cuban Economy Project, Volume I: Construction of Cuban Economic Activity and Trade Indexes," Philadelphia, November 1983, p. 1.

last year — roughly one-sixth of the cash reserves in famine-prone Bangladesh, and only one-eighth of Cuba's cash reserves in 1947.<sup>3</sup>

**Inefficient Production.** Cuba has little industrial base, while agricultural production is limited to sugar, tobacco, and citrus crops. In fact, Cuba's economy is more reliant on sugar production than at any time in this century. Sugar production accounted for 80 percent of Cuba's exports between 1920 and 1959. By 1986, sugar represented 82 percent of total Cuban exports. Sugar exports are Cuba's only significant source of hard currency earnings and represent its only means for servicing its \$6.8 billion debt to Western lenders such as Japan and Sweden.

Castro's sugar plantations remain inefficient and unproductive. Cuba's sugar harvest in 1960, Castro's first full year in power, was 5.95 million metric tons. By 1987 it had reached 7.2 million tons, an average annual growth rate of less than 1 percent. By contrast, Brazil's annual sugar harvest grew from 2.8 million metric tons in 1958 to more than 8.5 million metric tons in 1987.<sup>4</sup>

What is worse, Cuba must produce roughly 12 million metric tons of sugar — nearly twice the total 1989 harvest — to cover outstanding sugar contracts with international sugar brokers, East bloc countries, mainland China, and Japan.



<sup>3</sup> U.S. Central Intelligence Agency, "The Cuban Economy: A Statistical Review," ALA 89-10009 (April 1989); Comite Estatal de Estadisticas, "Anuario estadistico de Cuba" (Havana: 1982, 1986); National Bank of Cuba, Informe Economico Trimestral (Havana: March 1989); U.S. Department of Commerce, "U.S. Relations with Cuba: A Statistical Survey," HF 3075. U49 (August 1975). *The Economist: Foreign Report*, "Castro's coming crisis," December 21, 1989; Dr. Jose Luis Rodriguez, "Sluggish Production," *Cuba Business* (London), December 1989.

<sup>4</sup> U.S. Central Intelligence Agency, *The Cuban Economy: A Statistical Review*, ALA 89-10009 (April 1989), pp. 7-9; U.S. Department of Commerce, "U.S. Relations with Cuba: A Statistical Survey," HF 3075. U49 (August 1975).

Cuba's tourist industry is also in deep trouble. Three decades ago, Cuba welcomed nearly 400,000 foreign visitors annually; only half this number visited Cuba in 1988. Cuba earned a meager \$120 million from tourist trade last year. By contrast, Jamaica's tourist trade earned \$553 million last year. Only one big-city tourist hotel has been built in Cuba since Castro came to power.<sup>5</sup>

**Debt Capital.** Cuba has the highest per capita debt of any nation in Latin America. Cuba's \$6.8 billion debt to Western lenders is 150 times greater than her 1959 debt total of \$45.5 million. The Soviet government journal *Izvestia* reported on March 1 that Cuba's debt to the U.S.S.R. had reached \$24 billion. Cuba's total foreign debt is \$30.8 billion and its per capita foreign debt of nearly \$3,000 is nearly three times that of Mexico. Havana's refusal to honor its debt obligations to Western government lenders since July 1986 has severely restricted loans to Cuba. The National Bank of Cuba in 1988 reported "an overall absence of credits, particularly medium-term credits."<sup>6</sup>

Cuba's economy cannot function without continued Soviet and East European economic and technical assistance. Aid from the Council for Mutual Economic Assistance (COMECON), the Soviet-led trading bloc of ten communist countries, includes subsidized purchases of Cuban sugar, nickel and tobacco products, and exports to Cuba of oil and manufactured goods, and economic development grants. Moscow alone has provided over \$45 billion in economic assistance and \$14 billion in military aid to Cuba since 1960. This is roughly one-third of Cuba's gross national product over that period. Moscow gave an estimated \$6 billion in economic and military assistance to Cuba last year. Nearly ten thousand Soviet and East European bureaucrats in Havana help manage the Cuban economy in accordance with the Soviet Union's five-year economic plan. Cuba-U.S.S.R. trade represents 75 percent, and Eastern Europe-Cuba accounts for 12 percent, of Cuba's total trade turnover.<sup>7</sup>

### **Castro vs. Perestroika**

Castro has bitterly attacked Gorbachev's political and economic reforms. Not only has Castro condemned *perestroika* as "contrary to the principles of Marxism-Leninism," since last August he has banned the distribution of *Mos-*

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5 U.S. Department of Commerce, "U.S. Relations with Cuba," pp. 32-33; Europa World Factbook, 1989 "Cuba: Statistical Survey" (N.Y.: Europa Publications Ltd., 1989) p. 806; "Cuba's Economic Woes," *Christian Science Monitor*, April 4, 1989, p.1.

6 *Economist: Foreign Report*, *op. cit.* p. 2; U.S. Congress, Joint Economic Committee Report, "East-West Trade: The Prospects to 1985," 97th Congress, 2nd Session, 1982, pp. 107-110.

7 U.S. CIA, *The Cuban Economy*, pp.23-28; Carmelo Mesa-Lago, "The Economy of Cuba: a Two Decade Appraisal" (Albuquerque, New Mexico: University of New Mexico Press, 1981) p. 86.; and U.S. Defense Intelligence Agency data.

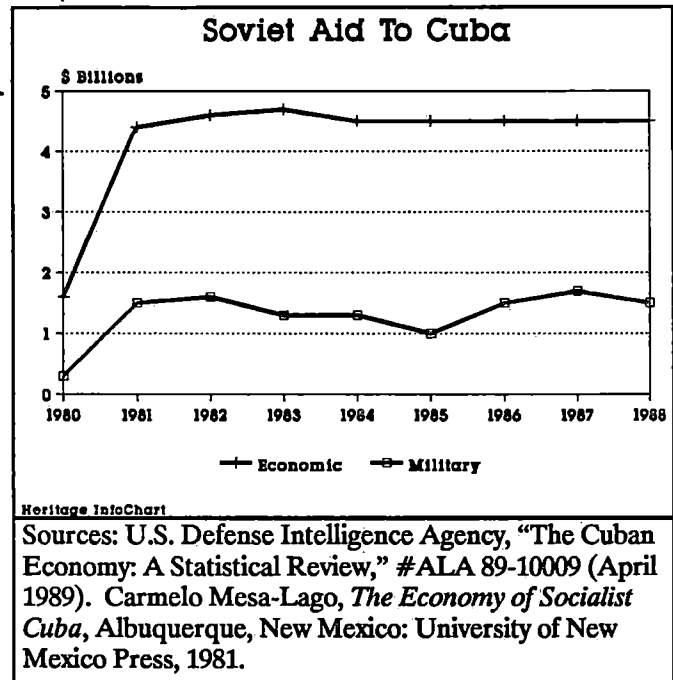
cow News, the self-proclaimed flagship of reform in the U.S.S.R., claiming that it is more subversive than information from Western news sources.<sup>8</sup>

Castro is playing a risky game. Political pressure is mounting inside the Soviet Union to cut the costly subsidy programs to Castro. Examples: Andrei Kortunov, a member of the U.S.S.R. Institute of the U.S.A. and Canada, last December 10 issued a scathing critique of Soviet military and economic aid to Cuba, calling it a waste of money. Three days later,

Sergei Lavrov, Deputy Chief of the Foreign Ministry's International Affairs Department, announced that Moscow's foreign aid program was under review. Then on March 7, *Moscow News* published a strident condemnation of Castro's Brezhnev-style communism, and on April 8, *Pravda* cited Castro's hostility to *glasnost* and *perestroika* as justification for a Soviet revision in aid priorities toward Cuba.

**Kremlin Cutback.** Castro already is feeling the effect of Moscow's waning interest in Cuba. The Soviet Union and Cuba are currently negotiating an economic assistance plan which is likely to reduce substantially Moscow's current \$4.5 billion annual economic aid program for Cuba. A Soviet delegation headed by Leonid Abalkin, Vice President of the Soviet Council of Ministers, arrived in Havana on April 17. He informed Castro that a new economic cooperation accord will not be for five years as before, but probably for two years. Abalkin also said that Soviet sugar subsidies (roughly four times the market price for sugar since 1986) must be reduced to levels closer to the current world price of \$280 per ton. If this happens, Havana's earnings from its only significant cash crop will plummet and Cuba will be forced to cut purchases of critical imports such as food, machinery, and spare parts. Internal pressures against Castro's rule will grow.

Moscow's desperate cash shortage and economic restructuring programs also have reduced Moscow's interest in subsidized trade with Havana. As a result, last November the U.S.S.R. signed its first long-term sugar import con-



<sup>8</sup> "Cuba Bans Two Liberal Soviet Publications," *Washington Post*, August 5, 1989, p.11; and FBIS-Soviet Union, 89-237, December 15, 1989, p. 39.

tract with a non-Cuban supplier, the Queensland Sugar Board of Australia, and contracts for purchases of sugar from Brazil and Thailand are also being negotiated. The Soviet Union meanwhile failed to deliver promised wheat and grain shipments to Cuba in the first two months of this year. Now that independent Soviet enterprises have the right to trade directly on foreign markets, they are more likely to seek cash trade and reject barter arrangements preferred by cash-poor Havana.<sup>9</sup>

Soviet oil shipments to Cuba also are declining in volume and increasing in cost. Cuba's hard currency earnings from the resale of oil imported from the U.S.S.R. dropped from \$621 million (or roughly 40 percent of Cuba's total hard currency earnings) in 1985 to zero in 1989. According to data published last year by the Central Bank of Cuba, Moscow cut its shipment of subsidized oil to Cuba by \$200 million in 1989. Given that Soviet oil production fell by 350,000 barrels per day last year and is expected this year to drop another 500,000 per day, Cuba is likely to experience even more painful reductions in subsidized Soviet oil shipments to Havana.

#### ***Eastern Europe vs. Cuba***

Economic liberalization in Eastern Europe will damage the Cuban economy. New reform-minded governments in Eastern Europe need hard currency to purchase consumer goods, pay interest on foreign debts, and finance their transition toward free market economies. They therefore need cash payments for their exports, not the barter trade deals with cash-starved Cuba. The new Soviet and East European emphasis on cash trade will undercut Cuba's export market and cause shortages of food and industrial goods in Havana.

Moscow had required East bloc nations to help prop up the Cuban economy by purchasing Cuban sugar at prices roughly three times the market rate of 8 cents per pound in 1988. Emerging democracies in Eastern Europe could save roughly \$400 million this year by purchasing sugar from cheaper, more reliable producers in Barbados, the Dominican Republic, and Jamaica.

Reform-minded East European enterprises are already changing the way they do business with Cuba. Hungary's leading bus manufacturer, Ikarus, boosted prices for bus spare parts by 20 percent in September 1989, making them unaffordable for Havana. As a result, parts shortages have disabled most of Havana's mass transit system. Further, Poland and East Germany failed to honor agreements with Moscow this year to transport Cuban citrus goods to the Soviet Union. These emerging democracies are pressing Moscow to pay in scarce hard currency for the use of their freight vessels. Moreover, while COMECON countries in Eastern Europe allow their currencies to fall to their market value to make their exports more competitive,

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<sup>9</sup> John Attfield, "Will It Harm Cuba?" *Cuba Business* (London) December 1989, p. 5-7.

Cuba refuses to do so. Cuba's over-valued peso thus makes Cuban exports more expensive and less attractive to East European and Western consumers.

Recent political trends in Eastern Europe are certain to accelerate Cuba's economic decline. President Vaclav Havel of Czechoslovakia pledged to U.S. congressional leaders in February to remove the Cuban diplomatic mission from the Czech embassy in Washington and phase out aid to Cuba as soon as Czech elections are completed in July. Said Polish Solidarity leader Lech Walesa last November concerning the impact on Cuba of changes in the East bloc: "[the Cuban exiles in Miami] should start packing their bags for Havana."<sup>10</sup>

## CASTRO'S INTERNATIONAL AND DOMESTIC ISOLATION

Isolated increasingly from the Soviet bloc, Castro has attempted to mend political fences with the international community. He said in February that he welcomes any efforts by Latin American nations to readmit Cuba to the Organization of American States. He invited Pope John Paul II last January to visit Havana in December 1991.

Despite these efforts, Castro is dismissed by Latin leaders as a fading Stalinist relic. During a news interview last October, for instance Costa Rican President Oscar Arias called Castro "a Caribbean Kim Il-Sung [the communist dictator of North Korea]." Arias even suggested that Gorbachev cut off oil shipment and subsidies to Castro.<sup>11</sup>

Castro's international allies on the left are vanishing rapidly as well. The establishment of democracy in Nicaragua forced the departure in April of Cuban military and intelligence personnel from that country. This effectively has eliminated Castro's access to the airfields, harbors, and guerrilla supply routes on the Central American mainland. The ouster of former Panamanian strongman General Manuel Noriega will mean that Cuban fishing fleets operating from Panamanian ports no longer will be able to smuggle arms to Marxist terrorists in El Salvador. The Cuban dictator also relied on commercial front companies in Panama to obtain illegally U.S. advanced technology and other goods worth \$100 million each year. With Noriega gone, this, too, will stop.

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10 Comments by Lech Walesa during a visit to Poland in November 1989 by a delegation from the Cuban American National Foundation. See also, Alfred Padula, "Is Cuba Next?" *Times of the Americas*, November 28, 1989, p.1.

11 "President Arias Comments on Castro's Isolation," Hamburg DPA, December 29, 1989; in FBIS-LAT-90-001, January 2, 1990 p. 3.

**Calling for a Plebiscite.** The glare of international publicity on Castro's brutal dictatorship has further isolated Cuba. More than 100 Latin American and European intellectuals, including Poland's Lech Walesa and Peruvian novelist Mario Vargas Llosa, issued a petition last January 1 calling on Castro to hold a plebiscite on the legitimacy of his rule. Then, the United Nations Human Rights Commission (UNHRC) voted this March 6 to condemn the Castro regime for harassing and imprisoning human rights advocates in Cuba and to continue U.N. investigations of Cuba's human rights abuses. Joining in this vote of condemnation were Hungary and Bulgaria, while Poland and Czechoslovakia, non-voting UNHRC members, co-sponsored the resolution.<sup>12</sup>

### ***Internal Dissent***

Castro sits on a powder keg of popular resentment. Romania's spontaneous public rejection and overthrow of dictator Nicolae Ceausescu last year may be a preview of what could happen in Cuba. According to the U.S. Coast Guard, the number of Cuban "boat people" sailing to Miami on rafts and small boats rose from 27 in 1986 to 391 in 1989. Roughly fifteen organized dissident groups have formed in Cuba since September 1988. Among the most influential are the Cuban Committee for Human Rights and the Cuban Commission for Human Rights and National Reconciliation. Castro has responded to unrest in Cuba by increasing repression while appealing to popular nationalism and devotion to romantic revolutionary ideals. The Cuban Communist Party launched a campaign on February 17 to "revitalize" the 80,000 Committees for the Defense of the Revolution, or neighborhood spy organizations. It also vowed to "perfect the political and institutional system of the nation." Castro has imprisoned over thirty leaders of human rights groups since September 1988.

**Long Knives in Havana.** Bureaucratic elites in the Cuban Armed Forces and Interior Ministries, or secret police, are the key to Castro's political survival. The Cuban Armed Forces, headed by Fidel's hard-line brother Raul Castro, controls nearly 500,000 regular and reserve troops and 1.2 million civilians in so-called Territorial Troop militias, or political-military organizations, which work to foster loyalty to the Communist Party and its policies. The secret police apparatus has roughly 85,000 employees.

Castro fears that reformist factions within the army or secret police could become rivals to his apparent successor, Raul Castro. Fidel staged widely publicized trials in July 1989 which led to the execution of four high-level

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<sup>12</sup> More than 100 U.S. Congressmen have urged Bush to award the Presidential Medal of Freedom to Armando Valladares U.S. Ambassador to the UNHRC and a former political prisoner in Castro's prisons, for his efforts to foster international condemnation of Castro's human rights abuses.

military officials, including Cuba's most highly decorated Army hero, Major General Arnaldo Ochoa Sanchez. The charges: drug trafficking, corruption, and "betraying the revolution." Ochoa, however, surely was not eliminated because of alleged drug trafficking. According to U.S. Customs and Drug Enforcement Agency officials, drug shipments continue at a steady pace through Cuba, despite Castro's alleged drug crackdown. Rather, as Raul Castro demonstrated in his frequent criticisms of Ochoa, the Castro brothers viewed the popular general as a threat to Raul's succession.<sup>13</sup>

## THE EFFECTS OF U.S. SANCTIONS AGAINST CASTRO'S CUBA

According to Castro, the July 1963 U.S. trade embargo, which prohibits virtually all financial and trade transactions with Cuba, has caused "mountains of difficulties and obstacles" for Cuba's economy.<sup>14</sup>

U.S. sanctions have deprived Castro of an estimated \$750 million worth of annual imports from the U.S. The denial of U.S. agricultural technology and equipment forces Cuba to rely on less advanced, low-quality supplies from COMECON nations. By trading with countries almost exclusively outside the Western Hemisphere, Cuba must cover the costs of transporting sugar and other goods to the U.S.S.R. and Eastern Europe rather than to the U.S. These freight costs already have prompted East bloc countries to reduce trade with Cuba.

**Draconian "Peace."** Cuba's limited access to U.S. markets and flagging trade ties with East bloc countries have accelerated Cuba's economic decline and caused Castro to cut public spending. He warned Cubans in a March 6 speech that the government may soon impose an austerity plan, termed a "special time of peace," that will eliminate social spending programs, impose draconian limits on bread, clothing, corn, meat, and milk, and move unemployed Havana laborers to work in the countryside.

By limiting Cuba's hard currency export earnings and economic development, U.S. sanctions have curtailed Castro's ability to finance mischief abroad. Moscow has spent more than \$60 billion since 1963 to sustain its beleaguered military outpost in the Caribbean. Yet, Cuba has never been

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13 Fidel also attempted to bolster Raul's position as Defense Minister by selecting Army General Abelardo Colme Ibarra (a "Raulista" who served as a commander in Raul's Second Front unit in 1958-59) to replace Interior Ministry chief Jorge Abrantes Fernandez.

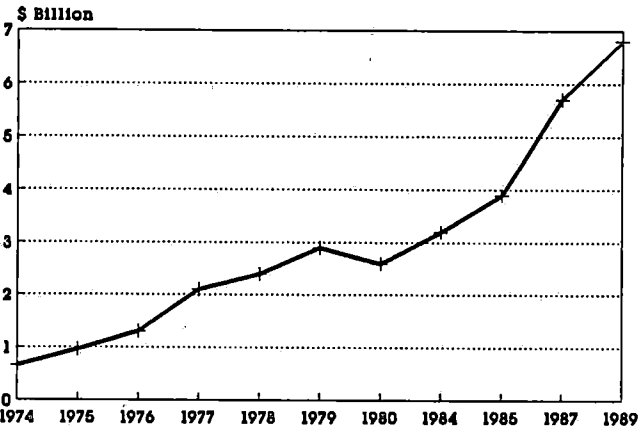
14 Cited in, Jorge L. Mas Canosa, "Towards a New U.S.-Cuba Policy," Cuban American National Foundation, monograph series No. 24, p.21. The success of U.S. sanctions in limiting Castro's freedom of action contrasts sharply with brief U.S. efforts to promote economic and political cooperation with Cuba. Washington imposed a partial trade embargo against Cuba in October 1960 *after* Castro: stopped cash payments to U.S. oil suppliers in November 1959, began importing oil from Soviet suppliers, and nationalized U.S. oil companies in August 1960. Castro responded to increased U.S. trade with Cuba in 1975 by placing Cuban combat troops in Angola. President Carter's easing of U.S. trade restrictions was followed by Cuban military involvement in Ethiopia and the 1980 Mariel boatlift.

more poorly equipped to finance terrorism and export revolution. Without increased aid from cash-starved Moscow, Castro cannot maintain his commitments supporting Marxist allies in Angola and El Salvador.

To ease his economic isolation, and thus enable him to export revolution, Castro has recruited new trade partners. Beijing signed a commercial agreement with Havana last December. It will increase bilateral trade to nearly \$500 million this year. Castro also is pursuing deals that will expand trade with Albania and North Korea. Several Western nations — most notably Argentina, Canada, France, Britain,

Japan, Spain, and West Germany — have boosted trade with Havana. Cuban exports to the Western industrial nations increased by 20 percent to \$581 million in 1988 and increased by more than \$200 million in the first quarter of 1989. Japan is Cuba's largest democratic trade partner. Cuba-Japan trade totalled more than \$250 million last year. Japan swaps machinery, rubber manufactures, transport equipment, steel, and other goods for Cuban sugar and seafood. Japan also is Cuba's leading creditor. Cuba owes roughly \$1 billion to Japanese government and commercial creditors.<sup>15</sup>

### Cuba's Hard Currency Debt



Heritage InfoChart

Sources: "Foreign Report," *The Economist* (London), December 21, 1989; *The Europa World Yearbook*, 1989, Vol. I, (New York: Europa Publications Ltd) p. 805.

## ACCELERATING CASTRO'S DEPARTURE

Havana's economic crisis and growing political isolation offer Washington the rare opportunity to oust this hemisphere's last Soviet client. To achieve this, George Bush should launch a seven-point program that would:

### 1) Increase U.S. economic pressure on Havana.

Economic failure has been the chief catalyst of democratic reform throughout the Soviet bloc. Cuba is particularly vulnerable to U.S. economic pressure because the Soviet Union and East European countries have already signaled a cutback in subsidized trade with Havana. Washington could increase the pressure by closing a loophole created on August 21, 1975, which

<sup>15</sup> Roger Robinson, "Forging an Economic Security Policy toward Cuba," address to the Seventh Annual Congress of the Cuban American Foundation, June 12, 1989, p. 3.

undermines the 1963 U.S. trade embargo against Cuba. It allows foreign subsidiaries of U.S. businesses to obtain licenses for trade with Havana. The U.S. Treasury has granted more than 1,236 licenses since 1982 allowing U.S. companies to trade with Cuba (only 43 applications were denied). Last year, Cuba received goods worth more than \$300 million, more than one-quarter of Western exports to Cuba, from U.S. companies based in Argentina, Britain, Switzerland, and other Western nations. U.S. trade embargoes against North Korea, Vietnam, and Cambodia make no such exceptions for U.S. foreign subsidiaries. Bush should vigorously support legislation that would reimpose the 1963 U.S. embargo and thus prohibit U.S. firms and their subsidiaries abroad from trading with Cuba.

## **2) Establish incentives for Moscow to cut aid to Cuba.**

Economic concessions to the Soviet Union should be linked to significant and fully verifiable reductions in Moscow's military and economic aid to Cuba. Unless this aid is cut, the U.S. should:

- ◆ Oppose granting credits to the U.S.S.R. through the U.S. Export-Import Bank, which provides credit guarantees, direct loans, and loan insurance to countries purchasing goods from the U.S.;
- ◆ Oppose Soviet membership in the Overseas Private Investment Corporation, a U.S. agency that provides credit guarantees to U.S. businesses investing abroad;
- ◆ Prevent Moscow from raising money by issuing bonds in U.S. securities markets;
- ◆ Require, as one condition of U.S. membership in the newly-formed European Bank for Reconstruction and Development (EBRD), that the Soviets cut substantially their aid to Cuba.

## **3) Foster Western cooperation in isolating Cuba economically.**

As Cuba enters a more competitive trade relationship with former communist regimes in Eastern Europe, Havana's economic and political security will depend increasingly on Western trade. Nations outside the Soviet bloc, most notably Canada, Japan, and West Germany, have bolstered Castro's cash-starved regime by increasing their annual imports from Cuba by \$500 million since 1986.

Washington should encourage Canada, Colombia, Japan, Mexico, Peru, and other Western consumers of Cuban sugar and seafood to shift their imports of these goods from Cuba to Barbados, the Dominican Republic, Costa Rica, and other democracies in Central America and the Caribbean. This could be done by having these countries join the U.S. in an economic security agreement limiting trade with Castro. The International Energy Agency Agreement, signed by the U.S. and Western European countries in May 1983 to limit Western European reliance on Soviet natural gas, could serve as a model for this agreement. Just as U.S. negotiators persuaded Western allies to diversify their sources of natural gas and limit purchases from the U.S.S.R.

to roughly one-fourth of their total natural gas consumption, the Bush Administration should press Canada, Britain, Japan, and other countries to halt trade credit and other short-term loans to Castro's Cuba and to limit their purchase of Cuban sugar.

Washington should also demonstrate that Western allies will pay a price if they undermine U.S. efforts to isolate Castro by trading with Havana. The U.S. Trade Representative has allocated quotas for 1990-1991 that set the amount of sugar that nations can export to the U.S. Several recipients of U.S. sugar quotas, such as Canada, Mexico, and Peru, also buy sugar from Cuba that may be resold to the U.S. U.S. trade officials should inform these nations that their quotas will be reduced by the amount of their annual sugar imports from Havana.

**4) Encourage Western nations to press for political reform in Cuba.**

Bush should encourage Western governments to make improvements in economic and diplomatic ties to Cuba dependent on Cuba holding an internationally supervised plebiscite, modeled after the 1989 referendum on General Augusto Pinochet's rule in Chile. Bush, too, should continue to focus international attention on Cuba's human rights abuses. Washington should refuse to participate in next year's Human Rights conference in Moscow unless the agenda includes discussion not only of Castro's harassment of human rights monitoring groups and individuals in Cuba, but also of the need for a national plebiscite on the political legitimacy of his regime.

**5) Challenge Castro's political influence in Latin America.**

Bush should strongly urge member nations of the Organization of American States to reaffirm a resolution, signed at Punta del Este, Uruguay, on January 31, 1962, which bars Cuba from the OAS for exporting revolution and adopting a Marxist-Leninist government which is "incompatible with the inter-American system." Before entering the OAS Castro should be required to close terrorist training camps in Cuba; dismantle Americas Department intelligence operations, which directs intelligence operations against the U.S. and Central American democracies; and halt military aid to the FMLN terrorists in El Salvador.

**6) Establish conditions for normalization of U.S.-Cuba relations.**

As communist Cuba's economic decline proceeds, Havana will try to extract economic benefits from the West. This should be resisted. At the post-Malta Summit press conference last December 3, Bush ruled out any discussion of normalized relations with Havana "until we see a free Cuba, self-determination and [Cuban] people deciding what they want." U.S. economic assistance and diplomatic cooperation should be withheld unless the Cuban government:

- ◆ Establishes a multi-party democracy, freedom of assembly, and a politically independent judicial system;

- ◆ Reduces military forces in Cuba to parity with neighboring Caribbean nations;
- ◆ Frees political prisoners and grants amnesty to individuals charged with political crimes against the state;
- ◆ Disbands "Committees in Defense of the Revolution" which spy on and terrorize the Cuban population;
- ◆ Removes all restrictions on Cuban emigration;
- ◆ Withdraws military forces from Angola and Ethiopia and stops arming FMLN terrorists in El Salvador;
- ◆ Ceases its role in assisting drug shipments to the U.S.;
- ◆ Allows information from abroad, not just Western cash and technology, to flow freely into Cuba.

**7) Offer a clear economic and political alternative to Castro's "Socialist Paradise."**

Armed with a balanced view of Western institutions and the potential benefits of renewed economic ties to the U.S., the Cuban people represent the most potent threat to Castro's survival. TV Marti and Radio Marti are essential for informing Cubans of the benefits of democracy and market-oriented reforms and for outlining the U.S. alternative to Cuba's dependency on the Soviet Union. Funding for Radio Marti and TV Marti, therefore, should be continued.<sup>16</sup>

The Bush Administration should use Radio Marti and TV Marti to inform the Cuban people of the U.S. plans for Havana once Castro is gone. This message should stress not only that Castro's revolution is reversible, but that Washington is eager to restore traditional ties of economic and diplomatic cooperation with a free Cuba. Promises of U.S. aid to a post-Castro Cuba should include assurances of Havana's access to such vital raw materials as oil and such emergency assistance as food and medical supplies. The Cuban people should be told that Washington will respect a free Cuba's right to forge its own foreign policy and alliances. And Washington should promise protection from Soviet reprisals or subversion, much as U.S. military and economic aid to El Salvador bolsters President Alfredo Cristiani's democratic government.

## **REBUILDING POST-CASTRO CUBA**

To ensure that the U.S. is ready for Castro's departure, planning should begin now. Washington's assistance plan for the reconstruction of a free Cuba

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<sup>16</sup> Although the Castro regime has jammed TV Marti since it began a 90-day trial broadcast on March 27, the TV program carried clearly in the city of Holguine, east of Havana, and other areas outside the capital.

should promote private investment and economic opportunity; it should not be a U.S. government bailout. Once Castro is gone, Washington should pursue a seven-point policy to promote a free market economy, demilitarization, and democracy. It should:

**1) Help private commercial and Cuban-American groups prepare programs for market-oriented development in a post-Castro Cuba.**

Bush should order the U.S. Agency for International Development and the Department of Commerce to begin studies of Cuba's agricultural, financial, and other development needs, and of opportunities for American businesses to develop trade relations.

Bush should help the Miami-based Cuban-American community, with its population of roughly one million, to apply their substantial financial resources, commercial expertise and political influence in Washington to promote the rapid reconstruction of Cuba. Cuban exile leaders, U.S. economists and members of the Free Cuba Commission formed by Florida Governor Bob Martinez are already developing plans to exploit opportunities for economic development in a free Cuba.<sup>17</sup> To assist them, Bush should form a Cuban Development Council, comprised of Cuban-American and other U.S. investment bankers and business leaders who would advise a post-Castro government on how to make the transition toward a free market. This panel would allow Cuban Americans and Cuban officials to get better acquainted with the American financial and investment community and thereby facilitate U.S. foreign investment and joint ventures in Cuba.

**2) Create an emergency relief program for Cuba.**

Once Castro falls, rapid delivery of emergency aid to Havana will be necessary to avoid political and economic instability. Cuba's cash reserves, now below \$100 million, cannot buy the chemicals, farm machinery and fertilizers, industrial machinery, spare parts, oil, and other goods necessary to keep Cuba's economy running. U.S. emergency aid to Cuba also should help cover the transition costs to a free market. Such costs include replacement of the inflated currency (pesos) issued by the Castro government with a new, stable currency backed by hard currency reserves and unemployment compensation for displaced government bureaucrats.

U.S.-supplied funds intended for the purchase of foreign oil should be earmarked for Latin American oil producers such as Venezuela and Mexico, not Soviet suppliers. This would reduce Cuba's dependence on Moscow and help the new government forge political and economic ties in the Western Hemi-

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<sup>17</sup> Florida Governor Bob Martinez appointed a Free Cuba Commission last February to study the potential effects of Castro's ouster on state trade, tourism, and immigration. A program developed by Arthur Laffer, Victor Canto and Milton Freidman which was commissioned by Jorge Mas Canosa, chairman of the Cuban American National Foundation, reportedly includes recommendations to establish a flat tax rate of 10 percent and eliminate the Cuban Central Bank.

sphere. Food, clothing and medical supplies are also high priorities. Pentagon and U.S. National Guard personnel could transport non-perishable foods and supplies donated by private individuals and groups.

Bush also should create a Cuban Relief Council (CRC). This would be an umbrella group consisting of private voluntary organizations (PVOs) registered with the U.S. Agency for International Development to plan, coordinate, and run emergency relief and technical assistance projects for Cuba. Members could include such private relief organizations as American Schools and Hospitals Abroad, Catholic Relief Services, and the International Executive Service Corps. The Cuban Relief Council could solicit non-U.S. government funding for PVOs and coordinate efforts within the Miami-based Cuban exile community to provide emergency food, clothing, and medical and technical assistance to post-Castro Cuba. A model for this is the European Relief Council, directed by Herbert Hoover in 1920. A Cuban Relief Council employing 5,000 relief workers would cost AID roughly \$70 million.

A large portion of emergency U.S. aid should be devoted to revitalizing Cuba's agricultural sector. Only 60 percent of Cuba's sugar output is mechanically harvested, and nearly 30 percent of the land available for harvest remains idle. An emergency fund will be needed to purchase new farm machinery, fertilizers, herbicides, and sugar refining equipment. To assist in this effort, roughly \$33 million in Cuban government funds frozen in U.S. banks since 1963 by the U.S. government should be released as soon as a new post-Castro government is established.

### **3) Press for Cuban debt relief.**

Cuba's per capita foreign debt of almost \$3,000 is three times that of Mexico's. Washington should urge Soviet and Western government creditors to negotiate an arrangement with the new Cuban regime that would cancel or write down the Cuban foreign debt and would promote debt-equity swaps by commercial lenders. Debt-equity swaps allow foreign investors to take over or buy a country's debt at a discount rate, after which the investor exchanges the debt for equity in state-run enterprises. U.S. businesses could encourage development of a private sector in Cuba by trading their share of the roughly \$1.8 billion worth of U.S.-owned assets confiscated by the Castro government for an equity stake in a newly created Cuban Development Fund. This Fund would buy state-owned electricity, food processing, and other industrial enterprises at a discount and sell them to workers in these enterprises or other domestic investors accepting pesos, which are over-abundant, as partial payment for the enterprises.

### **4) Lift U.S. economic sanctions against Cuba when conditions for normalization have been met.**

Once the Cuban government establishes a multi-party democracy, begins free market reforms, and stops exporting revolution, Washington should lift the 1963 U.S. trade embargo. It also should designate Cuba as a beneficiary of the U.S. Caribbean Basin Initiative. This would suspend or liberalize

American import restrictions on goods imported from that region. Finally, Washington should remove restrictions, imposed in 1982, on American business in and tourist travel to Cuba.

Washington best can help Cubans help themselves by opening the U.S. market to Cuban goods. Once Cuba is free, the Bush Administration strongly should urge the Congress to reduce U.S. tariffs and non-tariff restrictions on imported textiles, clothing, leather goods, and shoes. U.S. sugar quotas for Cuba should be increased to give Havana greater access to the U.S. market. Cuba's sugar quota should be restored to pre-Castro levels. The 1960 U.S. sugar quota allowance for Cuban exports (3.2 million metric tons) accounted for roughly 35 percent of the U.S. sugar market.

**5) Establish a framework for U.S.-Cuba free trade negotiations.**

Washington should build on progress toward a U.S.-Mexico Free Trade Area agreement by beginning negotiations with the new Cuban government to eliminate barriers to trade and investment in agriculture, telecommunications, textiles, and the tourist industry. Negotiations should also focus on protecting foreign investment, intellectual property, and technology rights in both countries. The U.S.-Mexico trade negotiations begun in November 1987 could serve as a model for trade talks with Havana and help lay the foundation for a North American Common Market. Removal of all tariff and many non-tariff barriers between the U.S. and Cuba would create new jobs, increase consumer purchasing power, and channel resources to productive enterprises in both countries. U.S. trade ties are crucial to economic development in Cuba. Before the 1959 revolution, the U.S. provided 70 percent of Cuban imports and bought 67 percent of the island country's exports. U.S. exports to a post-Castro Cuba would likely exceed \$500 million in the first year.<sup>18</sup>

**6) Help train Cubans in business and market economics.**

The U.S. should assist American universities, management training businesses, and Miami-based Cuban American enterprises to bring Cuban entrepreneurs, students and faculty to the U.S. for instruction in business and management in the U.S. and send American business school faculty members to teach both entry-level and advanced courses in business management and free market economics in Cuba.

Washington should create and help subsidize a U.S.-Cuba entrepreneur training program to recruit promising individuals from Cuba to work in Cuban-American and other U.S. businesses as trainees and interns. Graduates of this one-year training program could be hired as managers of Havana-based subsidiaries of Cuban-American businesses or as partners in U.S.-Cuban joint ventures. This program would introduce Cubans to the enor-

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<sup>18</sup> *Opportunities for U.S.-Cuban Trade*, Johns Hopkins School of Advanced International Studies, Baltimore, June 1988, p. 14.

mous pool of business talent in the Cuban-American community while fostering mutually beneficial trade ties between U.S. and Cuban businesses.

Bush should propose that Congress fund a U.S.-Cuban advisory committee to give technical advice to newly-formed commercial enterprises in Cuba. It would be made up of representatives from the new Cuban government and Cuban American businessmen and bankers; it could be managed by the U.S. Agency for International Development. This team would investigate how to promote local banking and capital markets through deregulation and economic reforms in Cuba. Credit will be crucial for creating small businesses involved in fishing, food processing, and textile manufacturing in Cuba.

**7) Establish free market criteria for long-term U.S. aid to Cuba.**

U.S. assistance to a free Cuba could provide a framework for more efficient and productive U.S. aid programs throughout Latin America. Washington should measure the success of U.S. aid to Cuba by setting specific market-oriented objectives. Such criteria include cutting taxes, deregulating Cuba's private sector, lifting restrictions on foreign investment, guaranteeing security of private property and contract, and selling state-owned enterprises. U.S. AID officials should press for Cuban land reform that would put individual farmers and businessmen, not state agencies, in control of agricultural production and distribution. Washington should urge Havana to adopt an Agricultural Land Act which would issue land titles to private owners and permit victims of Castro's land confiscation programs to purchase state-owned farmland at a discount. This Act should also eliminate price controls and promote privatization of state monopolies that produce, transport, or market agricultural goods.

## **CONCLUSION**

For nearly three decades, American economic and political sanctions have limited Castro's freedom of action and forced the Soviet Union to pay a substantial price for using Cuba to promote its imperial ambitions. These policies are paying off. Castro's economy is in a tailspin. Castro is internationally isolated from friend and foe alike. And he is beginning to face political opposition at home.

Washington has nothing to gain by normalizing trade and diplomatic relations with Castro's Cuba and thus easing the pressure on Castro to introduce democratic, free market reforms. U.S. normalization of relations with Cuba would signal Washington's acceptance of Cuba's military adventures and encourage Latin American leaders to seek accommodation with the Castro regime. Castro is not developing a more moderate political system but rather a more ruthless police state that will continue to support international terrorists and narcotics traffickers.

Instead of making concessions to Castro, this hemisphere's last communist dictator, Washington should tighten U.S. restrictions on trade with Cuba and

encourage its Western allies to isolate the Castro regime economically and diplomatically. As Cuba enters a more competitive trade relationship with emerging democracies in the Soviet bloc, Castro's political survival will require increased trade and economic assistance from the U.S. and other Western nations. Washington should not resume full diplomatic and economic relations with Havana until the Cuban people break free from Castro's revolutionary commitment to foreign aggression and single-party rule. Bush can accelerate Castro's demise by using Radio Marti and TV Marti to define clearly the U.S. assistance plan for Castro's successors.

**Promoting Economic Opportunity.** Once Fidel Castro and brother Raul Castro are removed from power, Washington should offer an economic aid program to reduce Cuba's dependence on trade with Moscow and to promote private investment and economic opportunity. Bush should assist efforts by Miami-based Cuban-Americans with commercial expertise and financial resources to rebuild a free Cuba.

Castro's political fall not only may remove the most potent threat to security in the Western Hemisphere, but also may enable a new, free Cuba to become the anchor for a stable and prosperous Latin America. If Bush takes action now, his first term could include the first anniversary of a democratic post-Castro Cuba.

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