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FEATURED Q&A

What Can Cubans Expect of Their New President?



Miguel Díaz-Canel took over on April 19 for Raúl Castro (L-R), marking the first time in decades that one of the Castro brothers has not been the country's president. // Photo: Agencia Cubana de Noticias.

Q Cuban President Raúl Castro on April 19 handed over power to Vice President Miguel Díaz-Canel, marking the first time in decades that one of the Castro brothers has not been the country's leader. How much change can be expected from Díaz-Canel, and how long will he rule? How much of a role will Raúl Castro and other "old guard" officials continue to have? What must Cuba do in order to turn around its ailing economy, and will new leadership be willing to take such actions? What is the future of relations between Cuba and other countries in the Western Hemisphere, including the United States, in the post-Castro era?

A Vicki Huddleston, retired U.S. ambassador and former chief of the U.S. Interests Section in Havana: "Cuba's new president, Miguel Díaz-Canel, is not Fidel Castro; but he may be a Raúl Castro clone. He is neither charismatic nor outspoken like Fidel, but rather a cautious, efficient and pragmatic party man whom Raúl personally selected as his replacement for two terms, ending in 2028. Díaz-Canel has succeeded where many others who aspired to the top job have failed, but he faces a herculean task. Cuba's old guard wants to proceed cautiously. Already, they have stalled the reforms that Raúl initiated. But to gain credibility with the Cuban people, Díaz-Canel will have to resume opening the private sector, unify the currency and slim down and spruce up Cuba's tired bureaucracy. But he may not be able to do so as Cuba's longtime enemy grows more hostile. Since the Trump administration rolled back the Obama-Castro opening, a cloud of despair has hung over the island. The shuttering of the U.S. embassy consular section has

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TODAY'S NEWS

POLITICAL

Hundreds of Migrants Arrive at U.S. Border

Hundreds of Central Americans from the caravan that began traveling north from southern Mexico reached the country's border with the United States, which many said they hoped to cross this weekend.

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BUSINESS

ConocoPhillips Wins \$2.04 Bn Ruling Against PDVSA

A tribunal of the International Chamber of Commerce in Paris ruled in the case over Venezuela's expropriation of ConocoPhillips' assets in 2007.

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ECONOMIC

Ecuador Reaches Trade Deal With European Bloc

Ecuador has reached a deal with the four member countries of the European Free Trade Association, Ecuadorian Minister of Foreign Trade Pablo Campana announced.

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Campana // File Photo: Ecuadorian Government.

POLITICAL NEWS

Hundreds of Central Americans Arrive at Mexico-U.S. Border

Hundreds of Central Americans who are part of a caravan that traveled north through Mexico arrived Wednesday at the country's border with the United States, with many saying they would attempt to cross the border this weekend and seek asylum in the United States, Reuters reported. The caravan, which originally contained about 1,000 migrants, set out in late March from Mexico's southern border. U.S. President Donald Trump has threatened to scrap the North American Free Trade Agreement, which is currently being renegotiated, if Mexico does not do more to crack down on the flow of Central American migrants heading north. The caravan also led Trump earlier this month to order thousands of National Guard troops to the border. Migrants began arriving on Tuesday in the Mexican border city of Mexicali, which is opposite Calexico, Calif., Agence France-Presse reported. The migrants paused to rest before heading west to Tijuana, according to correspondents of the wire service who were traveling with them. Approximately 600 migrants are still traveling in various groups, via trains and buses, organizer Irineo Mújica of migrant group People Without Borders told AFP. About 200 of the migrants are planning to attempt a crossing into the United States as they flee from gang violence and political persecution in their home countries, said Mújica. Some have already been granted asylum in the United States, and the rest plan to seek asylum in Mexico, he added. The caravan is an annual event that has been held since 2010 around the time of Easter. The main goal of it is to raise awareness of the dangers that migrants face, not actually to cross into the United States, organizers say. In a tweet Monday, Trump vowed to repel the migrants. "I have instructed the Secretary of Homeland Security not to let these large Caravans of people into our Country," he said. "It is a disgrace. We are the only Country in the World so naive! WALL." In a statement

late Wednesday, U.S. Homeland Security Secretary Kirstjen Nielsen said the agency was "doing everything within our authorities to secure our borders and enforce the law," The Wall Street Journal reported. "If you enter our country illegally, you have broken the law and will be referred for prosecution. If you make a false immigration claim, you have broken the law and will be referred for prosecution." The number of people arrested crossing into the United States illegally from Mexico has steadily risen since last summer. However, arrest figures at the border remain at multi-decade lows, not seen since the early 1970s.

BUSINESS NEWS

ConocoPhillips Wins \$2.04 Billion Ruling Against PDVSA

Houston-based oil major ConocoPhillips on Wednesday won \$2.04 billion in a lawsuit against Venezuelan state oil company PDVSA over expropriation of its oil assets, the Financial Times reported. The ruling was made by an arbitration tribunal of the International Chamber of Commerce in Paris. The dispute followed then-President Hugo Chávez's nationalizations of oil assets in 2007, during which time the Venezuelan government took possession of two Conoco projects in the Orinoco region. The company had previously sought \$17 billion in compensation. "The ruling upholds the contractual protections to which ConocoPhillips is entitled under the applicable agreements and acknowledges PDVSA's independent contractual liability," Janet Langford Carrig, general counsel and senior vice president at Conoco, said after the arbitration ruling. It is unclear how ConocoPhillips intends to collect the award, which is more than double the \$908 million the ICC found in favor of ExxonMobil in a similar suit. The two companies refused to hand over their assets to Chávez in 2007, unlike other firms that entered into joint ventures with PDVSA. Conoco may attempt to seize PDVSA assets abroad, though

NEWS BRIEFS

Mexican Rapper Confesses to Dissolving Students' Bodies in Acid

A Mexican rapper with hundreds of thousands of followers on YouTube has confessed to dissolving the bodies of three missing film students in acid, Agence France-Presse reported Wednesday. Christian Omar Palma Gutiérrez, known to fans as QBA, is one of two people detained over the deaths of three young men who were kidnapped and tortured in Jalisco last month. Gutiérrez said he received about \$150 a week to work for the Jalisco New Generation drug cartel. The three victims were reportedly mistaken as members of a competing gang.

Ecuador Reaches Trade Deal With Bloc of Four European Countries

Ecuador's minister of foreign trade, Pablo Campaña, announced on Wednesday that the country had reached a free trade deal with the four member countries of the European Free Trade Association, or EFTA, the Associated Press reported. The deal will allow for tariff-free trade between Ecuador and Switzerland, Norway, Iceland and Liechtenstein. The EFTA has said it was principally interested in having access to Ecuadorean bananas, shrimp, roses and tuna, among other products.

Coca-Cola Femsa Unit Buys Guatemalan Bottler for \$125 Million

The world's largest bottler of Coca-Cola, Mexico-based Coca-Cola Femsa, announced on Wednesday that one of its subsidiaries will purchase a Guatemalan Coke bottler for \$124.6 million, Reuters reported. According to a filing at the Mexican stock exchange, Coca-Cola Femsa will pay in cash to complete the purchase. Comercializadora y Distribuidora Los Volcanes, the Guatemalan firm, has 1,066 employees.

approximately 20 other companies that lost their assets to Venezuelan expropriation have so far been unsuccessful in such efforts, The New York Times reported. The Venezuelan oil firm is apparently bankrupt, producing 200,000 fewer barrels per day currently than it did than last year.

Brazilian Prosecutors Allege Microsoft Violating Data Laws

Brazilian prosecutors on Wednesday asked a court to force Microsoft to change its default installation process for its Windows 10 operating system, which they alleged violated laws by collecting users' data without their consent, Reuters reported. "The procedure violates innumerable constitutional principles, such as the privacy protection," said the federal prosecutors office in São Paulo. The filing asks that Microsoft be fined 10 million reais (\$2.87 million), as well as 100,000 reais for each day it does not comply with their demands, which include alerts for consumers when they install the software, so that they better understand "the consequences of authorizing the transfer of data." It is not clear when a judge may issue a ruling, however. Brazilian authorities in recent years have sided with pro-consumer groups in debates over privacy and technology, enacting an Internet "Bill of Rights" in 2015 that followed a similar approach taken in Europe over data privacy. Next month, the European Union's General Data Protection Regulation, or GDPR, goes into effect. The legislation has been called the biggest change in data privacy regulation in two decades. The new rules treat personal data protection as "a fundamental right" and allow individuals to find out whether, where and for what purpose their personal data is being processed, NBC News reported this week. The Some technology companies have said it could be impossible to comply with such regulations, calling them onerous and saying they will stifle innovation. [Editor's note: See related [Q&A](#) in the Jan. 25, 2016 issue of the Latin America Advisor.]

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prevented Cubans from visiting family and returning with cell phones, computers and televisions, which connect them with each other and the outside world. Making matters even worse, a State Department travel warning resulted in a substantial decrease in American visitors, who were fueling the private economy by purchasing rooms, eating in small restaurants and buying souvenirs. Unfortunately, it appears that with an increasingly hostile Trump administration, Díaz-Canel will have little choice but to circle the wagons rather than undertaking much needed reforms."

A Daniel Erikson, managing director at Blue Star Strategies: "In the many decades of efforts to predict Cuba after Fidel Castro, few people outside the island envisioned a scenario where Fidel's younger brother Raúl would rule the country for 12 years, succeed in partially normalizing relations with the United States and peacefully pass power to a hand-picked successor only recently lifted from obscurity. This history of analytic fallibility is useful in current attempts to evaluate the likely prospects for Miguel Díaz-Canel, the 58-year old heir to the Castro's 59-year rule. How will Díaz-Canel rule? No one really knows—and he is certainly not telling. Clearly, he is an astute enough political actor to avoid the obvious yet somehow inevitable mistakes of many other previous officials who were poised for power in Cuba, only to see their hopes dashed by acts of indiscretion, hubris, rebellion or corruption. To date, he has largely been viewed as a competent manager and an even-tempered personality. Of course, Díaz-Canel faces many challenges, including the struggling economy, crumbling infrastructure, disenfranchised youth and an intemperate neighbor to the north. Welcome to Cuba, one might say—these are the challenges that have been facing Cuba for at least half a century, and they are not likely to be resolved soon. Díaz-Canel's best bet would be to oversee a gradual process

of political and economic opening that gives people some hope for the future. However, even that approach may seem too risky to appeal to Cuba's ultimate 'inside man.' "

A Paul Webster Hare, senior lecturer at the Frederick S. Pardee School of Global Studies at Boston University and former

British ambassador to Cuba: "Díaz-Canel's tenure has just started. The first stage was the eulogy to Fidel and Raúl, which we saw on April 19. The second will be when he articulates policies to strengthen the Cuban economy without conceding political control. The third will be when Díaz-Canel gauges the reaction and decides how to proceed. The old guard will recognize that the Revolution needs to signal change. Díaz-Canel cannot simply project continuity for his entire 10-year term. He needs a new vision to win over an apathetic youth. A non-Castro is best placed to reject shock therapy but quietly dismantle some key features of the Revolution. To turn the economy around, Díaz-Canel must recognize that socialism does not equate to poverty. Free education and health care are important to Cubans. However, Canada, Scandinavia and Uruguay prove they do not prevent material prosperity. The only way to grow the Cuban economy is to expand the private sector and boost foreign investment. Both imply loosening controls and accepting inequality. Meanwhile, Cuba will change whatever Díaz-Canel does. First the Cuban-American interaction is driving business and information exchange. Second, Cubans know how others live through increasing digital access. Third, the ending of 'Wet Foot, Dry Foot' means that Cubans can't avoid the Revolution by leaving. Fourth, China and Russia are not Venezuela and the Soviet Union. They will press Cuba to recognize economic realities. The European Union and Canada are already engaging in the diplomatic opportunities that the new era presents. Sadly, the United States is willfully ignoring them."

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A **Ted Piccone, Senior Fellow, Latin America Initiative, Brookings Institution:** “The smooth transfer of power tells us a lot about the institutionalization and continuity of Communist Party rule that has been a hallmark of the Raúl Castro era. The overlap between the two generations in the highest positions of power is designed to ensure a stable consolidation of one-party control of all aspects of Cuba’s political and economic system. This continuity does not necessarily mean that the stalled reform process that Raúl launched will remain stuck. Díaz-Canel is inheriting several serious economic challenges—declining oil subsidies from Venezuela, failing agricultural production, a distortionary dual currency system, weak foreign direct investment, rising poverty, continued brain drain and demographic decline. The question is whether the new president will follow Raúl’s style of controlled gradualism, or move more quickly to shake up the stifling bureaucracy and introduce more market-oriented features in its centralized socialist model. The Cuban people are getting tired of unfulfilled promises and could blame the new team if living standards don’t improve soon. A key indicator to watch is its treatment of Cuba’s emerging private sector which, after much growth, has been stymied by high taxes, intrusive inspections and strict limits on license categories and permits. Cuba will continue to play an outsized role in the region’s politics, even as its allied Bolivarian coalition, under the leadership of a collapsing Venezuela, continues to crumble. A pragmatic Cuban leadership would dial down the sharp anti-imperialist language that its foreign minister, Bruno Rodríguez, used at the Summit of the Americas and recognize that the current cycle of elections in Latin America will probably not bring a new crop of best friends to power. However, the Trump administration’s punitive and counterproductive actions toward Havana facilitate Cuba’s longstanding appeal for help from partners in and outside the region.

The question is whether it will capitalize on this victimhood by attracting much higher levels of investment and assistance, particularly from Europe, or revert to an unhealthy dependency on authoritarian friends in Moscow and Beijing.”

A **Mathew Aho, special advisor on Cuba for the corporate practice group of Akerman LLP in New York:** “While the recent political transition in Cuba was clearly engineered to project continuity both on the island and abroad, future scholars will likely view the ascension of Cuban President Miguel Díaz-Canel as an important turning point in Cuba’s history. To survive even his first full five-year term, Díaz-Canel will have to navigate a maze of complex challenges. First, he will need to consolidate power by appointing allies to key positions throughout Cuba’s vast government bureaucracy without alienating rank-and-file bureaucrats or irritating key members of the historic generation. Second, he will have to rapidly demonstrate general competence in both domestic and foreign affairs to earn the legitimacy in the eyes of a skeptical general population that the Castros took for granted. Third, he must find ways to grow the economy through a combination of foreign investment, restructuring state enterprises and the expansion of Cuba’s growing private sector—all while keeping the lights on and avoiding pitfalls like rampant, wholesale corruption and runaway inflation. Raúl’s presence will endure through his role as head of the Communist Party and his family’s ties to major state enterprises, the military and internal security apparatuses, but his intent is clearly to retire and pave the way for a new generation of leadership. In international affairs, look for a generally low-key, non-provocative approach in the short term that outwardly projects confidence and continuity, while the new regime looks inward to address the many domestic challenges it needs to overcome.”

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