

[By-Lined Article]

"Can You Hear Me Now? Sí?": Is There a U.S.-Cuba Telecommunications Revolution on the Horizon?

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After 47 years of a stalemate in United States-Cuba relations as a result of the Castro regime and the trade embargo, the state of communications between Americans and the 12 million inhabitants of Cuba may be changing. Many have criticized President Obama's April 13 announcement that he is lifting some of the restrictions as not going far enough. However, a closer look at the Obama administration's decision to allow telecommunications service between the two countries demonstrates that this is a significant first step toward reestablishing social, economic and, eventually, political ties between the people of the United States and Cuba.

Current State of Cuba

Many Americans have an incomplete and inaccurate view of the people, natural resources and economy of the largest island in the Caribbean. Most of what they know about Cuba relates to its former head of state, Fidel Castro. To fully understand Cuba's potential for economic, social and political change under an embargo-free relationship with America, one must look at the state of Cuba in 2009.

Undoubtedly, Cubans have suffered under almost 50 years of rule by the Castro brothers, the U.S. embargo and the termination of the billions of dollars in aid that had been provided by the former Soviet Union before its collapse in 1990. Despite the plight of the Cuban people, what many Americans do not realize is that Cuba is rich in natural and human resources, with the potential to transform the country into a market economy along the lines of China and Vietnam. Vietnam's experimentation with a capitalist economy has not been lost on the Cubans. Cuba has been sending scores of government and military officials to Hanoi to learn Vietnam's lessons. With a literacy rate of 97 percent, and a reputation for persistence and hard work, Cubans will make an effective and productive workforce. The country's 3,700 miles of beautiful coastline will continue to attract vacationers and perhaps ecotourists. Its valuable deposits of cobalt, nickel, iron, chromium, copper, gold, salt, timber, silica and petroleum as well as its arable land can develop a foundation for sustained economic growth. Because of its past relationship and proximity to the continental United States, should the United States completely lift the embargo, Cuba has the potential to become America's most significant trading partner in the Caribbean.

In addition, many Americans do not realize that, in many ways, Cuba has taken its own steps forward into the 21st Century. American businesses will have to be prepared psychologically to perceive Cuba as a market that is already fairly developed and sophisticated. The Cubans are tough negotiators. However, they can – and *want to* – become loyal business partners with the United States. American businesses will have an important future role in a post-embargo Cuban economy, but they will have to work hard to secure a position in light of competition from Europe and from the rest of Latin America.

Vestiges of the Revolution

The United States and Cuba will have to address many difficult issues before they can become full trading partners. An impediment to expanded trade with Cuba involves the 5,900 claims made against the Cuban government by Americans and Cubans who had their property and assets nationalized by Castro following the revolution. These claimants must work with Congress and the Obama administration in seeking a practical framework with the Cuban government to resolve existing claims. Other key issues that must be addressed to establish greater engagement between the countries include human rights and expanded political and economic freedom for ordinary Cubans. The shift of power from Fidel Castro to Raul Castro also indicates that there will not be an overnight or "big bang" transition to a multi-party political democracy or a market economy after the Castro era. Still, if the United States was able to reconcile and establish political and economic ties with former adversary Vietnam - history shows that America often finds the way to heal relationships with former adversaries - there is little doubt that it could do the same with Cuba. With President Obama's campaign promise to move away from the embargo, now is the time for American business interests to start formulating a strategy for doing business with Cuba.

First Step - Telecommunications

The first step toward full engagement with Cuba is through communications, specifically telecommunications. This is why the Obama administration's partial lifting of the embargo with respect to telecommunications makes sense and is a significant move for many reasons.

When two countries have had such limited and sensitive ties for almost two generations, it is difficult to conceive how reengagement - the exchange of ideas, knowledge and culture and the realization of dormant economic potential - can ensue and progress without a connected, modern telecommunications infrastructure. President Obama's recent Cuba policy directive to the U.S. Departments of Commerce and the Treasury serves to reestablish and foster social and family communications between Americans and Cubans. This is also a huge benefit to American business, which can rely on new fiber optic and satellite connections with the island for future, post-embargo economic activity. Expanded telephone, cell phone, Internet and satellite connectivity with Cuba will lay the foundation for short- and long-term promotion of liberal economic and political dialogue with generations of Cubans (including the millions born after the revolution). These Cubans will welcome the Internet and 21st-century technological advances that include Facebook, MySpace, Twitter, Google and YouTube. What better way to sow the seeds of change in Cuba than to offer ordinary Cubans reliable and inexpensive cell phone and Internet access? While it is likely that, at least initially, the Cuban government may censor or filter many websites and content that it deems a threat - as the Chinese people know all too well from their experience with government censorship of the Web - it is hard to return to the "dark ages" once you go online. Once online, people find a way to stay connected, circumvent restrictions and communicate.

Many have criticized the Cuban government's recent lifting of the ban prohibiting ordinary Cubans from purchasing cell phone service because the price of the equipment and service is out of reach for a majority of Cubans. Despite the cost, at the close of 2008 - only months after the new policy went into effect - almost 500,000 new cell phone accounts were registered in Cuba. Some of the new cell phone accounts are commercial, but the majority are Alternative Fixed Telephone accounts (*Teléfonos Fijos Alternativos*), which offer cell phone access for a fixed amount of minutes.

In a recent online article in *Cibercuba News*, Lena Campos reported that "more frequently every day, one can see more Cubans in the street carrying and talking on cell phones." Notwithstanding the significant cost involved in securing mobile phone technology, Cubans are finding a way to obtain it. Should U.S. companies set up expanded, affordable telecommunications and satellite

capabilities with the island, Cubans will determine a method – indeed, they may even pressure Cuban authorities – to expand Internet and cell phone connectivity.

In great part because of the U.S. embargo, Cuba's access to the Internet is via a costly satellite connection with limited bandwidth. Therefore, public access to the Internet is limited, and when access is available, download speeds can be quite slow (taking hours in some cases to download large multimedia files). Accordingly, in 2008, Cuba announced a costly plan to lay a 1,500-kilometer (950 mile) undersea fiber optic cable between Cuba and Venezuela. However, in a recent interview with a local youth publication, an official from the Cuban Ministry of Computer Science and Communication stated that while there is a desire for "larger numbers of [Cubans] to have Internet access," the government believes that the "most responsible policy is to *privilege collective access*," that is, to limit access for the "collective" benefit of the island. In spite of the added bandwidth that the Cuba-Venezuela undersea connection will bring to the island, most Cubans will likely be denied access to this new connectivity in the short term.

This development is important because President Obama's recent change in policy may apply some pressure on the Cuban government to reach a deal resulting in expanded, fast and affordable Internet access for ordinary Cubans with a direct fiber optic connection between the United States and Cuba. Perhaps just as important is President Obama's lifting of restrictions to allow U.S. telecommunications service providers to enter into and operate under roaming service agreements with their Cuban counterparts. Right now, aside from the larger cities and municipalities, cell phone coverage is limited in Cuba. Should the U.S. government write new telecommunications rules to allow U.S. service providers to set up roaming cell points to areas not yet covered in Cuba, that will allow for expanded communications with the Cuban people and, of course, would establish the framework for modern business and personal telecommunications with isolated but strategically important sectors of the island. Entering into such roaming agreements with American telecoms also will allow ETECSA¹ and other Cuban telecom entities to provide cheaper mobile access to Cubans.

Conclusion

The Cuban government and the Cuban people have long wanted to reengage in trade with the United States. With the economic downturn now affecting foreign investment in the island from Latin America and Europe, and the massive losses and damages to property and infrastructure that Cuba has suffered from recent hurricane seasons, increased motivation exists for the Cuban government to realize the benefits of reestablishing economic ties with the United States, creating the economy of a future New Cuba. By executing a modern, affordable and efficient telecommunications foundation with the United States, Cuba can leverage the new technology and its human capital to expand its knowledge-based industries, such as information technology and biotechnology.

While Cuba initially may rebuff attempts from U.S. telecommunications companies to enter into agreements pursuant to the Obama administration's new policy, failure to establish fiber optic cable and satellite telecommunications facilities linking the two countries would likely place the Cuban government in an awkward, defensive position in the eyes of many Cubans. It would not be surprising if the new regulations authorizing U.S. companies to negotiate telecommunications deals with Cuba require U.S. companies and Cuban telecoms to include a guarantee or good-faith commitment from ETECSA to provide greater access to ordinary Cubans. With the government-controlled press in Cuba liberally publicizing President Obama's recent policy change, most Cubans fully support and welcome the opportunity for greater ties with the American people.

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Notes

1. Empresas de Telecomunicaciones de Cuba S. A.