

When President Barack Obama announced his intention to re-establish diplomatic and commercial ties with Cuba in December 2014, Burson-Marsteller and Prime Policy Group created the Burson-Marsteller Cuba Specialty Team to provide clients with insight and counsel on the evolving policy and trade relationship between the two nations. This brief provides our perspective on the possible implications of Fidel Castro's death for the US – Cuba relationship.

The End of One Chapter is not Necessarily the Beginning of Another

The news of Fidel Castro's death on November 25 was met with equally intense, if opposing, sentiment. While on the streets of Miami's Little Havana critics gathered to commemorate a long-awaited day, the pages of Granma, the official publication of the Communist Party of Cuba, provided extended content aimed at demonstrating Fidel and the spirit of *La Revolución* remain as relevant and popular as ever.

Beyond the historic and, for many, emotional impact of the news, Castro's death raises a series of questions as to the island nation's future, its slow move toward economic reform and relationship with the United States.

Understanding Fidel's Role in Today's Cuba

In a political system that is highly structured and centralized, Fidel Castro no longer held any positions of authority. He transferred his role as head of government to his brother Raul in 2006 during a health crisis and never returned to that position. In the past decade, his lingering influence was twofold. First, Fidel placed longtime loyalists, called "*Fidelistas*," in key positions in the Communist Party and government. *Fidelistas*, considered hardliners, generally exert pressure against economic reform and are skeptical of the efforts by the US to re-engage with Cuba.

Second, Fidel was considered to have influence over brother Raul, considered more a more pragmatic leader and proponent of economic reform. In fact, the key question in Cuban politics since 2006 has been about Raul and his alleged pragmatism – how committed is he to economic reform and how large a counterweight was brother Fidel? With Fidel gone, we may now get some clarity on whether Raul intends on pressing forward with a broader economic reform agenda.

Potential Consequences

Reading the workings of Cuba's opaque policymaking is the subject of doctorate theses, State Department memos and conversations with *cafecito*, from Havana to Miami and beyond. Fidel's death will remove one important variable as to whether reform can and will move faster – keeping in mind that in Cuba, stability is a core objective and nothing moves fast.

While he lacked formal roles in Cuba's power structure, Fidel remained an important symbolic figure in a country and political system where symbols have inordinate relevance. He was an iconic figure, a standard bearer for the Revolution and its ideals, inside Cuba and abroad. In that sense, his death may raise expectations that greater change and reform may finally come to the island. Managing the expectations of the Cuban people is one of the Communist Party and government's most important and difficult tasks. Fidel's death may make managing those expectations even more difficult.

The dialogue and re-engagement with the US, formally announced in December 2014 and begun many months prior through secret negotiations, is unlikely to be greatly impacted by this event. Fidel was publicly skeptical of the US and its motives, and criticized President Obama shortly after his visit to Havana in May. Beyond the rhetoric, there remain significant hurdles to doing and scaling business in Cuba. The US embargo continues to

limit the sectors and expanse of business activity. On the Cuban side, bureaucracy, lack of legal recourse, and skepticism to US motives slow progress on the most difficult issues.

Importantly, the most consequential recent development for the bilateral relationship is not Fidel's death, rather Donald Trump's election. Trump campaigned on a hardline position toward Cuba, committing to reverse Obama's diplomatic and commercial directives. In the near-term, the biggest impact will result from Trump's appointments to key positions at the Departments of State and Treasury, and how campaign promises translate to policy.

What to Watch for in the Weeks Ahead

- *The fate of the Fidelistas* – Whether Raul removes any *Fidelistas* from key positions and replaces them with individuals who support economic reform will serve as a barometer of potential change.
- *Who speaks and what is said during Fidel's funeral and other ceremonies* – Given Cuba's closed political system and lack of transparency, events staged by the Communist Party and Cuban government can provide insights, real or imagined, as to the direction of policy. Cuba watchers will be interested to see which officials are given key speaking roles and what they say.
- *Trump Appointments* – As previously noted, the incoming Trump administration's choices at the State Department (Secretary of State and Assistant Secretary for Western Hemisphere Affairs) and Treasury Department (Treasury Secretary and Under Secretary for Terrorism and Financial Intelligence) will have significant impact on the future bilateral relationship.

The Bigger Picture

Cuba's economic challenges are severe and they have been made worse as Venezuela, itself in a major crisis, is increasingly unable to provide the island a lifeline of oil and financing. While unlikely, an outright economic collapse could create a migration crisis for the US, Central America and Mexico. Anticipation of changes to the Cuban Adjustment Act, which facilitates residency to Cubans who manage "dry foot" arrival to the US, is already increasing the number of Cubans seeking routes to the US, many through Central America. On the other hand, Cuba's evolving economic reforms could create significant future opportunities for US businesses that are patient and willing to build for the long-term.

Regardless of the Trump administration's nominations to key positions, and potential reversals to current policies, the US will need to continue to manage a complex and necessary relationship with Cuba – even without Fidel.

The Cuba Specialty Team provides clients with insight and counsel on the evolving US – Cuba bilateral relationship, the relevant US regulatory environment and communications strategy for companies wishing to explore opportunities in Cuba.

For more information, please contact:

Ramiro Prudencio
Burson-Marsteller
Ramiro.Prudencio@bm.com
+1 305 582 7767

Gardner Peckham
Prime Policy Group
Gardner.Peckham@prime-policy.com
+ 1 202 530 0500