



Central Havana, a skyline dominated by the dome of the National Capitol Building, modeled on the US Capitol. With detente between Havana and Washington, US business and tourism will return to Cuba, which Canada has never left. Flickr photo Gabriel Rodríguez

The New Cuban Reality: Where Does Canada Fit?

Mark Entwistle

The United States and Cuba are now on a path toward normalizing relations. Canada, with its historic ties to the island, both pre- and post-revolution, is perfectly positioned to take advantage of the changes already transforming the Cuban economy. But, as former Canadian ambassador to Cuba Mark Entwistle writes, it will take more than a million tourists a year to get this country a seat at the table.

On December 17, 2014, presidents Barack Obama and Raúl Castro made history the old-fashioned way by each taking a politically bold step in the face of their own domestic obstacles. They agreed to try to create a new and more normal relationship between their two countries, the United States and Cuba.

It was a disruptive act that has created a new Cuba equation. Despite the thorny

issues and challenges, there is evolution and movement.

That equation has different variables. There are multiple actors who are now colliding with each other. Beyond the protagonists, the United States and Cuba, these include Canada, other Latin Americans, Europeans through the EU, Spain bilaterally, the Chinese, the Russians, and others. Each party is feeling its way through unknown territory.

Cuba has its own sovereign views about its own economic development priorities. US business will want to have a look at a market that is new and even exotic for them. Canadian business is not accustomed to seeing our American neighbours in Cuba. All will have to adapt to an evolving situation.

Where does Canada fit in to the new equation?

Canada's engagement with Cuba has deep historical antecedents.

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After building the Canadian transcontinental railway, William Cornelius Van Horne turned his attention to doing the same thing with the Cuba Railway Company in the early 20th century. He went to Cuba to personally oversee work on the Cuban railroad. Canada was a major player in the financial services sector, including banking and insurance, in the de-

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CADES before the Cuban Revolution in 1959. The Royal Bank of Canada and the Bank of Nova Scotia financed the sugar industry, had dozens of retail branches across Cuba and imposing bank headquarter buildings in downtown Havana. These granite echoes of the past are still there, taking up whole city blocks, with the names of the banks etched across their facades, and, in the case of the old Bank of Nova Scotia Building, the floral emblems of the Canadian provinces inlaid in the tiled entrance hall. Several Canadian insurance companies, some long gone through M&A activity, dominated the insurance business.

Canada was the only country among the post-war Western democracies not to break diplomatic relations with Cuba after the Revolution, despite considerable pressures. And, along with Mexico, the only country in the Western hemisphere to stay in Havana. There were some years in the 1960s and 1970s when diplomats from Ottawa were quite alone in Cuba, in a foreign community comprised of representatives of the countries of the Soviet bloc, the Soviet-era trading bloc COMECON and an assortment of national liberation organizations.

Later Canadian breeding stock formed the basis of the new revolutionary cattle industry. Cuban buyers came to Canada regularly to buy cattle, bull semen and seed potatoes. The Cuban fishing fleet searched for cod in the great Atlantic fishing banks off Canada's East Coast and called into the port of Halifax. Cubans stopped briefly in Gander, Newfoundland going to and from the Soviet Union and Eastern Europe. Religious sisters from Quebec populated the Catholic orders of Cuba.

These days, over a million Canadians go to Cuba every year as tourists, and while most stay put on the beach with drink in hand, many others explore deep into Cuban culture. These thousands of points of contact forge a level of personal connection that seems at times unnatural between a people of the North and a Latin Caribbean people.

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But what does this unique and special relationship really mean now? There are two defining aspects.

The circumstances of the Canada-Cuba relationship are, indeed, genuinely unique. And 60 years of a relationship provide perspective, understanding and knowledge about the nature of being Cuban, for those who wish to seek it out; this is an asset and comparative commercial advantage.

But there is a corresponding mythology that was a long dominant assumption of Canadian foreign policy toward Cuba to the effect that this special relationship—based on the perception in Cuba that Canada had taken a courageous stand in defence of the legitimacy of the Cuban state—would engender a special influence with the Cuban government. But it is

a myth, of the kind that can take hold so deeply in the Canadian self-image. Cubans respect Canada, and the history of the relationship, but that does not give Canada a free ride. Privileged relationships, with privileged access and dialogue must be earned and then renewed systematically.

It is ironic that the South Korean equivalent of Export Development Canada just announced a 60 million Euro line of credit to the Cuban central bank to support Korean business in Cuba, and is actively negotiating a sales contract insurance facility. South Korea does not even have diplomatic relations with Cuba and is half a planet away in Asia; Canada is a three and a half hour plane ride away and EDC responds only passively to opportunity in Cuba on a case-by-case basis. Can the Koreans see a strategic investment in an evolving market that we do not see on our own doorstep?

The corollary of the myth of special treatment is the relative absence of Canada from the Cuba opportunity. There are lots of traders, there are exceptions, there is the fundamental place of Sherritt in Cuban nickel and power generation, but, in general, the opportunity to earn and renew privileged access has not been taken up. I don't think the leaders of Cuban tourism have ever truly understood how the tour operators and air carriers can be so efficient at moving large volumes of Canadian citizens to Cuba and back, and yet there is so relatively little historic Canadian investment in the development of Cuban hospitality infrastructure. With the exception of Sherritt, there is no other big ticket Canadian strategic investment project in Cuba.

A cautionary tale for Canadian business was the recent revelation in the French press that the large French telecom service provider Orange had entered into an agreement last July, secret until now, to provide extensive services to help develop the domestic Internet system in Cuba. That important relationship could have been with a Canadian company in an area

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where we have tremendous expertise and global reputation.

There are those outside Cuba who assume that we are on an inextricable path to repeat the past and that the power and volume of eventual US capital will inevitably create renewed economic dominance and push out other foreign business partnerships. This would be a misreading.

There will be a place for US business in an evolving Cuba, for certain, and American companies have strong and natural historic and geographic advantages. High brand recognition for consumer products, lower transportation costs, more convenient servicing and so on.

But the Cuba of 2015 and beyond is a much different nation than the one that existed in the late 1950s. While a developing country starved of capital resources, it is a more mature Cuba, more independent and formed by the history of the last six decades. The assumptions and expectations of the Cuban people about the value of their sovereign assets have changed.

History provides different kinds of precedents. One is related to the overwhelming presence of the United States in the economic history of Cuba spanning two hundred years. And the corollary lesson for the generations of the revolutionary period is that such dependence is not healthy for the country, a lesson that is now deeply ingrained in the Cuban psyche.

But a second precedent is related to the diversity of foreign interests that have always been at play in the history of Cuba. Cuba is an assimilator culture, and Havana has always been a cosmopolitan port city, even if al-

ways a little battered by the storms and sea. The Cubans will look for what they need from a variety of sources. And the foreign businesses which have been there over the past 20 years have learned and adopted the model of partnership, where they work jointly with a Cuban partner on everything that is done. There will be a need for some considerable adaptation from American business as they begin to re-engage because that concept of partnership symbolizes the economic future of Cuba, where national assets will be properly valued, even as they are developed.

Both Americans and Canadians will discover and rediscover things about Cuba. For the Americans, that Cuba is not an empty vessel to be filled as desired, but a bustling and already quite crowded space of people, Cubans and foreigners, looking for opportunities that can work. For Canadians, that they must compete head-on to provide the best options for Cuban economic managers looking for affordable solutions.

If Canadian banks funded the sugar industry at a time when there was so much concentration of business and land ownership in American hands, there is no reason why they and other Canadian businesses cannot be part of the future development of Cuba, in a diversified mix of partners.

But Canada needs to take a strategic decision to be at the Cuban table to play. **P**

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