Patron of Cuba

Maximizing security or welfare?

Dóra Kovács
Supervisor: Pálma Polyák
Program: III. Year in International Business (in English), Business Administration
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Abstract

In my paper for the Student Scientific Conference I investigate a post-communist country, Cuba and its patron-client relationship with the U.S. and China. The aim of my essay was to predict the most plausible outcome for Cuba’s decision makers, as the Venezuelan economic collapse highlighted the country’s vulnerability. As a result it started negotiations with the superpowers. I examine this through my hypothesis: “Cuba perceives greater threat from the US than China, so it has changed from balancing to bandwagoning and ally with the first one.” In the beginning of my essay I provide a macro-level theoretical framework, which is focusing on welfare enhancement: the balance of interest. Then, I give a classification about the types of dictatorships, which determines the state’s micro-level considerations. After, I interpret China’s and the United States’ interest structures, with special respect of the effect caused by a shift in the administration of the latter. I will analyze the Cuban elite’s gains and threats through bridging the two models. At the end I am going to reject my hypothesis, and summarize with one sentence: “Cuba chooses China as a patron to balance against the US based on the elite’s political and economic considerations.”
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I. Introduction

Cuba’s position in the international system has always been questionable, yet not explored thoroughly. After 50 years of embargo the country got isolated from the largest trading partner of the Western powers, the United States. As a consequence, a new, aggressive power, with huge potential, namely China, emerged to form and enforce diplomatic relations in Latin-America.

As the East-Asian power grew in this region, President Obama realized, how substantial problems it may cause. His aim was to restore the before Cold War diplomatic relation with Cuba during the process of rapprochement starting in December 2014. It understandably attracts great scholarly attention to grasp the driving forces behind this change. This paper aims to disentangle the possible incentive structures behind the Cuban side’s actions. The research question claims: is Cuba choosing the United States or China to be its Patron?

Even though the election and the probable policy change of President Trump creates further uncertainty about the future dynamics within the Cuba – US – China triangle, my conclusions may help to understand which directions Cuba’s integration into the global political and economic structure may take.

Is it the main goal of the state to maximize its security? I argue that nor the standard realist balance of power framework of Kenneth N. Waltz (1979), nor its augmented version, balance of threat theory utilized by Stephen M. Walt (1985) are enough to understand the key driving forces in this case. So, to complete my research I analyze the situation through a revised framework: the balance of interest, in which gain and not security is in the center. On a micro-level I am going to revise the political economic considerations as well and present Cuba’s interest based on the responsibility of the decision maker.

By applying the framework of balance of interest and the categories of the dictatorships I would like to bridge two important strands of literature, the domestic incentive of a specific political structure’s effect on an international political dynamics. It will provide an analytical framework to understand the action of dictator states. From the summarized analysis I will be able to conclude whom should Cuba choose as its patron.

According to my hypothesis, “Cuba perceives greater threat from the United States than China, so it changed from balancing to bandwagoning and ally with the first one.”
II. Theoretical Background

As a theoretical background I would like to present a macro- and micro level analysis. In the first case I am going to examine the traditional approach towards power proposed by Walt & Waltz, namely the balance of threat and the concept of balancing and bandwagoning.

Then, as there is not war situation now, I am going to analyze thoroughly a relatively new framework, invented by Schweller (1994), who includes the welfare, economic factors as well. This is the balance of interest theory, which divides the international system based on the strategies of the states from their own welfare point of view.

In case of Cuba, the current type of regime plays an important role, I argue it is important to measure the political background domestically, more specifically, who is making the decision and what kind of influence the organizations, groups have on the decision maker. The theoretical framework for the dictatorship types will be discussed in this section of my paper.

II.1 Balance, Bandwagon and the Balance of Interest Theory

II.1.1 Balancing and Bandwagoning

According to Stephen Walt (1987, pp. 110-117), the states are creating alliances not just as a result of the distribution of capabilities (as suggested by Kenneth Waltz’s original balance of power theory), but rather the imbalances of threat. As the international system is anarchic, every state wants to maximize its security, with defensive and offensive strategies. There are several features that determine the balance of threat such as the aggregate power, the geographic proximity and the aggressive intentions. That is indirectly the result of creating powerful states and maximize its security.

Walt (1987, pp. 110-117) concludes that balancing is a more common act than bandwagoning. The underlying reason is that according to this theory, allying with a strong state is only lucrative for the weak states. A moderately strong state would ally with the less-power states in order to restore status quo, and prevent hierarchy. (Toft, 2005) Balancing also has a lower risk, a state is able to avoid losses in this way. By bandwagoning –as in case of most vulnerable states – the nations tend to ally with an adversarial power, who is the strongest “source of danger” (Walt, 1985, p.4).

Walt (1987, pp. 110-117) also claims that the bandwagon effect is only caused by threat, and the goal is to self-extend, so that it only works when there is an opportunity to gain.
However, according to Waltz (1979, p.18) “in international politics success leads to failure”, which means that the successful coalition of states, who could extend their territories and power may be interpreted as they had offensive intentions, even if their aim was to maximize their power and defend themselves in this way.

However, this theory fails on a divergent system level according to Schweller (1994, pp. 72-107). As David (1993, pp. 127-159) claims the Third World countries are not only concerned with the national security, as the balance of power theory suggests, but rather these nations face domestic threats, which I have discussed earlier. The practical implementation is that the changes in the alliances is caused by the leader’s, (or elite’s) personal welfare. This is also referred as “omnibalancing”. Thus, these rulers may have the incentive to bandwagon “with the hostile power” to balance the more dangerous domestic and foreign threat.

II.1.2 Balance of Interest Theory

The balance of threat theory fails to present the outcome, if the states’ aim with the cooperation is to gain rewards not to react to the threat of punishment. In other words, they bandwagon for profit. This is called balance of interest theory originated from Schweller (1994).

II.1.3 Balance of Interest on a unit level

The states’ interest structure determines the international system. According to Schweller (1994, pp. 72-107) the nations have two distinctive types: status quo and revisionist states. A state is a “status-quo” state, when the potential gains of non-security expansions is greater than the cost of war. It is going to extend its values rather through soft power tools than hard ones. A commonly cited case of soft power use is that of the United States: they spread their culture and habits throughout the world by the aid of media, social networks etc. (Schweller, 1994, pp. 72-107)

The revisionist states’ aim is to change the status quo and extend their borders as they are dissatisfied with the current situation. They are using offensive tools, such as military force to achieve this. A few decades ago it was a more common strategy, especially as this induced the outbreak of wars or was formed during wars. For instance, Hitler adjusted his realm according to this principle, hence aimed to intervene the greatest nations at the time in the name of expansion with hard power. (Schweller, 1994, pp. 72-107)
The following table is based on these two game plans and makes a more concrete distinction between them. It is determined by the possession and the convection of the states. In this figure, those states that are willing to take higher costs in order to expand their territory and influence are illustrated as revisionist states from “0” to “n”, while those ones, that are willing to pay costs for defending themselves are indicated from “–n” to “0”.

![Balance of Interest Model, Source: Schweller, 1994, p. 100)](image)

The latter has the interest to maintain the status quo and hence, these states mainly do balancing, so that most of the states are in their part. (Schweller, 1994, pp. 72-107) The scale aids to distinguish between the radical and conservative needs of states. The former is said to be the lion or wolf while the latter acts as lamb or jackal.

**II.1.1.a. The Lion**

The *Lions* are the states, which prefer to maintain the current system the most, generally due to their advantageous position. Thus, they pay a high cost to make the system stable, but they are risk-averse in case of extension. They act as security-maximizers: as usually these states were the ones, which created the current structure, their only aim is to self-preserve and maintain the greatest influence in the system, so to deter the revisionist ones. An example is the United States, which currently exerts influence in most parts of the world either directly or indirectly. (Schweller, 1994, pp. 72-107)

**II.1.1.b. The Lamb**

According to Schweller (1994, pp. 72-107), *Lambs* would pay a low cost to defend and even less to extend their territory. These states are the weakest mainly due to their fragile internal structure. In most of the cases the governing institutions have a lack of legitimacy,
corruption may be present as well as ideological differences. Thus, the strategy is to bandwagon with strong states and be left out from the game of greats. An example for a Lamb is Poland during the German intervention.

II.1.1.c. The Jackal

These states are generally dissatisfied with the current system and usually pay a high cost to defend their possessions, but also to extend their power. They are using a rather defensive strategy, even if they usually benefit from an insatiable state’s offensive intentions, hence they bandwagon by the side of the revisionist nations. They decrease the stability of the system. An example is the World War II, where the Eastern states (e.g. Hungary) were willing to take sacrifices in order to strengthen their position. (Schweller, 1994, pp. 72-107)

II.1.1.d. The Wolf

The Wolves are the risk-takers, they covet much more than they possess. Thus, their aim is to create a new international system and they are also willing to endanger their survival. As they have little to lose they possess offensive intentions and collect as many Jackal states as possible on their bandwagon. By leading an opposing party, they will increase their power against the Lion. Germany during Hitler can be claimed as a Wolf by gathering the weak, but dissatisfied Eastern states. (Schweller, 1994, pp. 72-107)

II.2.4. Balance of Interest on a systemic level

The systemic level of states provides an interval between status quo and revisionism. The system works like a balance, depending on the power and amount of states that are on one end of the scale. Some states covet more than they possess, some act the other way around – this determines the international system. To increase their power these revisionist states usually collect some dissatisfied countries who are against the status quo preferred countries. If the number of states, who prefer status quo than the revisionist states then a system is said to be stable. (Schweller, 1994)

II.2 Categories of Dictatorships

II.2.1 Dictatorship and the role of the elite

According to Bueno de Mesquita et al. (2003) a dictator’s power can be determined by the ability to divest from its authority. If a subset of a population has a considerable power, then they will be the “selectorate”, the leader’s association, which has a significant influence on the orders the dictator makes and also, able to remove him from his position.
From the dictator’s point of view utilizing the suitable manipulating tool is a crucial point to success. The “carrot and stick” strategy is a widely used analogy to demonstrate the mechanisms at play as a leader exerts power over a population. The “carrot” type of motivation in a state contains payments such as tax cuts whilst the “stick” is referring to coercive strategies. (Williams, 2013; Schultz, 2004, p. 54)

II.2.2 Logic of Terror

The dictatorships can be split into three different categories based on their strategy to maintain their power. The first considers hard power the most effective tool, emphasizing military functions. The rule of terror uses only the “stick” as a motivation scheme, and earns influence through state aggression. Even though this type of dictatorship is the most direct one, many potential issues may arise. For instance, if the trust is damaged in the leadership organization, internal rebellions might occur. Furthermore, the probability of a successful foreign intervention is increasing as more military coups are attempted. As the population is subject to the utilization of terror, there is no clear social group, who protects the leader. (Haber in Wittman & Weingast, 2009, pp. 8-11)

II.2.3 Co-optation

Another category uses the logic of co-optation. The underlying principle is that the dictator buys the loyalty through rents. In this case the economic part of hard power is highlighted. By giving them proprietorships of state-owned enterprises, the leadership group rather bargain with the dictator than overthrow his dominance as the individuals within this preferred group are better-off by eliminating the competition on the market. Here, the “carrot” type of motivation is used, meaning significant tax cuts and other subsidies are given to these companies/partnerships ruled by the leadership elites.

In this scenario, the government and this group is are the ones, who determine the entry barriers in most of the industries. Here, the major source of crisis is when the dictator and the government do not have similar interests. As the elite has similar concentration of power, the dictator’s major role is to fulfil the self-interest of the leadership group – mainly in the form of private benefits - to make them loyal. (Haber in Wittman & Weingast, 2009, pp. 11-12)

II.2.4 Organizational Proliferation

The third distinction is the organizational proliferation. Its distinguishing feature is that compared to the previous types, the property rights are broadened to a general level, where the organizations, elite, companies with great bargaining power can take active part in the
operation. The main advantage of this kind of dictatorship that leadership change does not have a significant effect on the further operation of the enterprises, as it is not strictly tied to the ruling individual, but is process oriented. The tools are very similar: bribes and tax cuts are used to create advantageous positions, hence to create a hierarchy in the social groups. However, once a position is earned, it is going to be maintained providing a great security for leaders of the different organizations, which ensures the protectionist attitude of states regarding trade. (Haber in Wittman & Weingast, 2009, pp. 12-14)

II.2.5 Dictator as a Stationary Bandit

There is a reciprocity in the connection between the dictator and the population, who are concentrated in different organizations where they want to fulfill their self-interest. Apart from the motivation, the former needs to satisfy the basic, most apparent domestic public claims as these strengthen his position both internally and externally. In other words, he “creates public good on conspicuous consumption” (Haber in Wittman & Weingast, 2009, p. 7)

On the level of pure public goods such as national security, law and order and economic policies, the consumption is not depending on the individual – exclusion is not possible. Gratifying these needs is inevitable to promote individual security. Additional reputation can be gathered when the leader is also concentrating on the impure public needs such as telecommunication, transportation or health care. In case of the developing countries a certain decentralization of externalities can be observed, which can harm the influence of the dictator. (Borooah, n.a.)

According to Olson (2000) as the stationary bandit does not face direct threat regarding his reign, he is able to plan for the long-term. Therefore, he is going to create a type of tax structure, which secures long-run gains, but great returns regardless to his type of dictatorship. The cost side includes the previously mentioned public spending on consumption, the provided property rights and social welfare programs. The difference contributes to the dictator’s wealth. Supporting him is also a self-interest from the part of citizens as a good relation may contribute substantially to the level of provided property rights. The economic decisions should be argued through logical, rational reasoning to avoid the questionable legitimacy of the authorizing power. The problem with this solution is that decades are needed to establish and operate the system – also attaining the returns of a long-term investment. Thus, this is unsustainable and changed by the characteristics of the forthcoming dictators, who need to ensure the same trust as their ancestor had. (Haber in Wittman & Weingast, 2009, p. 7)
The provided framework respecting the dictatorship is indispensable to understand the operation of the dictatorships on a state level and contributes to the understanding of the Cuban case study. In the followings, I present different state strategies towards the international system including the notion of balance of threat and a revised framework, the balance of interest.

II.3 An Integrated Framework

The framework that I am going to use composites of domestic political economy considerations and international structural incentives. I need to use both, as while the first one shows a micro-inner level of analysis regarding to the dictatorship types and the role of elite the second elaborates the nation’s relation towards its potential partners.

The analysis of the regime is necessary for the evaluation of Cuba’s position in the global system, because if the role of elite is high then they will indirectly put pressures on the leader, which substantially influences the final decision. Thus, whether the country should bandwagon with the Lion or balance in line with the Wolf will depend on the interest group it serves. So, the international structure must include domestic, political economic considerations.

III. Applying the framework on the case of Cuba

In this section I would like to give practical implications for the above mentioned theoretical frameworks. Firstly, I am going to analyze Cuba’s dictatorship based on its structure and the indexes it produces.

Then, I will present the interests towards Cuba from the part of the United States and China, with special consideration of the first’s changed interest after the election of 2016. From the analysis of the potential gains and losses of the patronizing with respect to both countries I will provide the model, by Schweller (1994), which I have already discussed theoretically.

I will model the most optimal decision for Cuba based on this micro- and macro level analysis.

III.1 Cuba’s dictatorship

Cuba is one of four Marxist-Leninist states still existing and has been ruled by a communist party for 49 years, for the longest period among them. (Vyas & Munoz, 2016) However, the Castro-brothers realized that ideological similarities alone are no longer able to keep the nation together. The collapse of the Soviet Union still has an effect on the operation of state. As currently there is no war situation, the arms race and military development are not as accurate measures for the country’s capability as the economic welfare of one country. Thus,
in the following I am going to concentrate on the latter. First I examine the GDP/capita PPP, the HDI and global peace index, press control and freedom house index.

### III.2 GDP per capita (PPP)

Cuba’s place on the nominal GDP is among the last, but the indicator, which implicates the actual purchasing power on state level is the GDP PPP/per capita as it excludes the exchange rate vulnerability and focus on consumer purchasing power. Cuba ranked quite high in 2013, it was able to obtain the 58th level with 20,646 $international after a continuous improvement since the early 2000s. The crisis did not have as substantial negative effect as in case of the U.S. dependent countries. (The World Bank, 2013)

However, the result is disputable as according to the Central Intelligence Agency’s estimation (2014) Cuba’s rank on this list in 2014 is only 131th place with the value of $11,600. From these calculations, we could conclude that Cuba’s position cannot be exactly determined, but most probably its position regarding to the GDP/capita (PPP) is at the lower part of the world countries’ list.

### III.3 Human Development Index

The human development index is inevitable when I want to analyze the welfare of a country as besides the income per capita indicator the education and life expectancy is measured. According the (United Nations Development Programme, 2015) Cuba’s HDI has increased on an average annual rate of 0,54 from 1990 and now it has a high human development level among America, North and the Caribbeans. Most of the data is unavailable, but it is clear to see that the gender inequality is still a major issue from the perspective of the labor force distribution: while 70% of the men has a job, this rate is only 43,4% among the females. (United Nations Development Programme, 2015)

### III.4 Global Peace Index

Cuba’s position with regard to the global peace index has decreased with more than 20 places of the overall ranking. In 2012 it was the 70th place and in 2016 it reduced to the 85th position. (Institute for Economic and Peace, 2012) (Institute for Economic and Peace, 2016) This measures the overall security of a country as the index includes the number of external/internal conflicts, relations with neighboring countries, political instability, likelihood of violent demonstrations among the 20 factors. The explanatory variables for Cuba’s low position on the list is that Cuba’s government transparency is low, while the corruption is moderately high and the violent activities are frequent.
III.5 Press Control

The government and the elite’s huge control can be derived from the press freedom index. The control over the media got stronger during the past decade, but the media was not free even then. Thus, we can state that the government still can influence the public also through the soft powers. (Reporters without Borders, 2006) (Reporters without Borders, 2016)

III.6 Freedom House Score

The Freedom House Score measures the freedom of the countries based on political rights and civil liberties. On the global list Cuba has bottom position considering the fact that the nation is not free. The index measured the freedom of political rights and civil liberties on a scale of 7. The first obtained a 7 the latter a 6, which identified Cuba as one of the least free countries. (Freedom House, 2016)

III.7 Co-optation as Cuba’s Dictatorship Type

In the theoretical part I presented the three types of dictatorships: the logic of terror, logic of co-optation and the logic of organizational proliferation. According to my analysis, Cuba’s authoritarian leader, President Raul Castro follows the logic of co-optation with the help of ideological cohesion.

The main reason of why I argue the co-optation describes the economy is that there is a narrow group, which directs the state-owned enterprises, and there is a high barrier for competition. Also, President Castro invests in pure public goods and aims to form the education (an ‘impure’ public good) to a pure one. An impure public good is a type of good that is non-rivalrous and non-excludable to some extent but not perfectly, such in case of the pure public goods. (Boundless, s.a.) That means that he aims to provide a certain level of education without exclusion. By this, he “creates public good on conspicuous consumption” (Haber in Wittman & Weingast, 2009, p. 7).

It can serve two different goals: first to present protection of the right of citizens and have a legitimate power and secondly, “to allow periodic evaluation of its progress in these dimensions by outside observers”. (Betancourt, 2004, p. 21) The latter is especially important for Cuba, being one of the latest communist country in the world. It needs to emphasize on the successfulness of the regime.

In the followings, I expose Cuba’s aspiration for proving its development. Cuba’s government spending is 78% of the GDP and employs 80% of the labor force in state-owned
companies. (Fox, 2011) In 2010 18.35% of public spending was for education, mainly the improvement of the quality of teachers. (Trading Economics, 2010)

The second largest impure public good is health care, which takes 16% of the total public spending. (Garett, 2010) That results in a 95% public nature of this industry. (The World Bank, 2016a) This helped life expectancy to increase from 58 to 77 years and the second lowest child mortality rate (90% decrease since 1959). Physicians need to be on call for 24 hours, Thanks to the higher quality, health care services are also exported to poorer countries, such as Venezuela. Within the framework of the Misión Milagro (Mission Miracle) Cuba and Venezuela made a partnership in 2004 and treated more than 1 million patients in 5 years. In the beginning the treatment was based in Cuba, but now, it is primarily in Venezuela and many people are coming from outside these two states. (Garett, 2009) (Ellis, 2010)

III.8 The Venezuelan crisis and its impacts on Cuba’s decision

Venezuela has the tightest connections and is the greatest trading partner of Cuba, which creates an interdependency. Thus, the economic crisis in Venezuela has tremendous effect on this alliance. According to Borger (2016), who uses IMF statistics, the nation has the “world’s worst negative growth rate (-8%), and the worst inflation rate (482%). The unemployment rate is 17% but is expected to climb to near 30% in the coming few years.” Even if Venezuela is an oil-exporter country, there are problems with the public spending allocations and the elimination of the huge foreign debts induced mainly by the inflation. (Borger, 2016)

Cuba and Venezuela have a mutually dependent relationship, in which Cuba provides qualified labor in exchange for oil supplies. From the Venezuelan example, it’s well-seen from Cuba’s point of view that the dependency from one state can pose economic risks. Hence, as its trading partner has basically collapsed, Cuba needs other alliances, who provide them the infrastructural improvement without losing their sovereignty. This could be achieved through diversification of the economy. From past experiences this is going to be the hardest and the most decisive choice. (Piccone & Trinkunas, 2014)
IV. The Interests towards Cuba

IV.1 The United States

The United States has a specific interest towards Cuba mainly because of the Obama doctrine in which the leadership sought partnership with the Latin-American states considering geopolitical and trading factors. As the ‘Obama tango’ holds, US does not want to be “senior or junior partner to this new engagement”. (Sabatini & Marczak, 2010) That means, controversial to past events he promotes equal partnerships not intervention.

IV.1.1 Cold War Antagonism: History between Cuba and the United States

The issues started to arose during the Cold War in 1959, where Fidel Castro and revolutionist gained power opposed to the government, supported by the US. At the time the communist country was recognized, although he started to build the partnership with the Soviet Union, and did anti-American acts, such as the nationalization of the companies. (Felter, 2017)

The Bays of Pig, and the threat of nuclear power made Cuba isolated from the US both diplomatically and economically. The isolation increased, when Cuba supported the leftist militant groups in Latin-America and Africa, and Ronald Reagan’s administration labelled this act as “state sponsor of terrorism”. (Felter, 2017)

During the Cuba Democracy Act, Bush and Clinton claimed that the embargo will remain until Cuba is not transmitting to a democratically elected government. (Felter, 2017)

IV.1.2 Reform: Obama Administration

President Obama initiated the normalization and expanded by the end of his term. His aim was to dissolve the hegemonic picture about the United States in the eye of the Latin-Americans, thereby strengthening a positive foreign policy legacy.

The administration made the travel and trade restrictions much simpler, re-opened embassies in Havana and Washington, made roaming and long-distance calls in the US available, removed Cuba from the list of terrorist sponsors and made the allocation of great amount of funds possible. (Felter, 2017) (Wharton University of Pennsylvania, 2015)

Furthermore, with the normalizing of diplomatic relations and a potential lift of the embargo, new, capitalized enterprises can gain a foothold in the Cuban region, which would have a great potential for increasing US influence. In the past few years the major problem was that even the American companies had a freedom to settle down in Cuba, due to the embargo their hands were tied. Today, the Airbnb and reality shows are shot on the island. (Wharton University of Pennsylvania, 2015)
However, currently Cuba is under-developed for the multinational companies. Their internet connection is still limited across the country, they are using dual currency system, which must be improved to enhance the welfare of the country. (Wharton University of Pennsylvania, 2015)

In a democracy, the ruler earns the power from the population and serves them, so Obama needed to pay attention to the average American citizen’s interests. Cooperation with Cuba would be beneficial for them too, considering the American companies, which can reap profits, which induces the well-being of the country indirectly. Directly, the average American is concerned of the segments of tourism or health care, which is much cheaper outside of the U.S. borders. Furthermore there are a lot of Cuban people, who escaped to the US, hence their families are torn apart, which makes the process more urgent.

The Americans supported this argument, 63% of the population found the normalization a good process, while almost all Cuban residents was for the lifting of embargo. (Felter, 2017)

IV.1.3 End of Normalization: Trump Administration

The main limit of normalization has been identified during the Obama administration in 2015. Even if there was a bilateral agreements, restored diplomatic relations, trade and travel liberalization, the main difference remained to be solved. The deviations of the perception of human rights from the different ideological angles. On the level of the U.N. the Cuban delegates tried to challenge the Western hegemony, by proposing visions for alternative human rights. (Miller & Piccone, 2016)

This diplomacy level battle between the countries have become regular. The U.S., especially the Republicans label this type of claims from Cuba disrespectful for an international standards. As a result Cuba accuse the US for its domestic problems, mandatory liberalization process. (Miller & Piccone, 2016)

Thus, the Republicans were counter the increased tolerance of America towards Cuba, and with the help of the newly elected Trump administration and the majority of Republican representatives they are able to maintain the embargo. Their argument for stopping Cuba was that the US already gave everything but Cuba did not give anything in return. They say that the private properties must be protected, so that the Cubans cannot purchase the goods at a lower price – which would be necessary due to the high debt and unstable economy – as it would have
deteriorating effects on the American economy. Mario Rubio, a Republican senator brings Vietnam and China as an example, why Cuban relations should not be encouraged. He claims that the human rights are always harmed, due to the different political structure. (Siddiqui, 2015)

According to the Republicans, the embargo should only be lifted if the freedom house score (the aggregate index of political, civil, religious liberties) will increase. This points out to the roots of the problem: the US and Cuban antagonism arose from the same problem. The Cuban government never wanted liberalization as it is against its ideological and own welfare considerations. So, the embargo seems to remain the same for a while. (Felter, 2017)

On of Trump main policy was to fight with China and with protectionism, to bring the jobs back the United States. His principle towards the trade was to eliminate the NAFTA and TPP, so to make the relations worse with the neighboring countries. However, as the trade is still unstable between Cuba and the US, so if it would be closed then it is a clear gain for the other trade giant, China. As this country had already had established economic relations in the region, with the US’ closed economy would just help to strengthen these bilateral partnerships. (Capurro, 2017)

IV.2 China

The above mentioned Trump administration trade effects are decreasing the likelihood of bandwagoning with the US. As the unsuccessful normalization process shows in case of Vietnam and China, the basic factors such as the alternative human rights must be settled between the two countries in case of a bilateral agreement.

The political system is not likely to be changed in the forecoming few years, so a liberalization process in respect of trade and civil rights are not achievable. As Farley (2014) claims: „Cuba is far more exposed to American culture, media, and capital than anywhere in East Asia. If the hypothesis that free markets leads to free governance will work anywhere, it will be with Cuba”. Even if there is the geographic proximation the ideological simmilarities cannot be shifted from one day to another. Probably, that is why the normalization process is not that efficient as planned – both parties have other options to pursue. (Farley, 2014)

The Chinese expansionist policy aims Latin-America, the bilateral trade has increased by 2400% between 2010 and 2013. China targets the strategic sectors, oil and other raw materials and improves the infrastructure in the region. This is causing a huge dependency – which is dangerous for the current, stable status of the United States. (Capurro, 2017)
V. Demonstration of the Balance of Interest Theory through Cuba

The theory of bandwagoning holds that the “states tend to bandwagon for profit rather than security”. (Schweller, 1994, p. 99) This paper argues that this theory explains the Cuban dilemma the most. Cuba is not going for greater security, but to boost its lagging economy. The two rivaling superpowers seem to compete to be the patron of Cuba. To achieve this, they need to find a solution for the economic recovery of this fragile state. The consequence is an opportunistic type of bandwagoning, where the importance of the economic support is greater than systemic power considerations.

Caused by the threat of the US, which resulted in an embargo for more than 50 years, Cuba, mainly due to the ideological reasons decided for conventional balancing by aligning with the Soviet Union and Venezuela among others. The country was supported by loans and military backing. However, after the collapse of the Soviet Union, Cuba started to pile up a high level of debt, as no great power supported its economic activities. The Helms-Burton Act and the embargo prevented Cuba to export to the United States, and only limited amount of import is allowed. (Talley, 2014)

The embargo has reached the sanctions in a way: Cuba got isolated, only a narrow interest group leads the country. As it was pointed out earlier the freedom house score was low, meaning that the nation is not free regarding to politics or civil law. (Freedom score, 2016) The global peace index, has decreased with 15 positions, which is considered as a high amount. (Institute for Economic and Peace, 2012) (Institute for Economic and Peace, 2016) Less than 5% of Cubans have the access to internet, and there are 2 million Cuban exiles in the US (Dews, 2015). On the other hand the countries’ human development and GDP per capita (PPP) increased in the past few years. (The World Bank, 2013) (United Nations Development Programme, 2015)

In the following section, I use the balance of interest model to relieve Cuba’s potential actions in the international system. Thus, I provide the possible threats and gains with each type of patronage from Cuba’s point of view.

V.1 US and Cuba – Lion and the Lamb

First I present, what would happen if Cuba was allying with the US, and hence became a Lamb. If Cuba was to choose to bandwagon with the US, then it would need to abnegate its ideology and its remained independency, because of the potential huge influence of the American multinational companies.
To demonstrate this through an example - before the embargo was introduced in 1962, the US companies owned 60% of sugar (Jolly & Thompson, 2008, p.2.). In 1958, the US sustained 67% of Cuba’s total export, and 70% of all its import (Jolly & Thompson, 2008, p.2.). For the United States this number is negligible: merely 3% of export and 4% of import (Jolly & Thompson, 2008, p.2.). That presents how Cuba was dependent on the US foreign policy. Due to the embargo, this amount has decreased, but sugar, cigar and fish remained the top export items, currently befall through a 3rd party. That results in a high transaction cost. (Messina et al. 2007).

<table>
<thead>
<tr>
<th>U.S.</th>
<th>For</th>
<th>Against</th>
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<tbody>
<tr>
<td>Lion: defensive strategy, security maximizers</td>
<td>able to provide economic welfare for a fragile state</td>
<td>fundamental value/ideological differences</td>
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<tr>
<td>Unemployment decrease:</td>
<td>US MNEs in Cuba</td>
<td>Employment:</td>
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<tr>
<td>- increased demand for service sector</td>
<td>- brain drain if borders are open</td>
<td></td>
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<tr>
<td>- service sector is more employed than agricultural segment*</td>
<td>- higher emigration</td>
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<td>- domestic income increase</td>
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<tr>
<td>Global tourism:</td>
<td>Lost protection of the key strengths:</td>
<td></td>
</tr>
<tr>
<td>- increased demand for service sector</td>
<td>- health care – medical tourism</td>
<td></td>
</tr>
<tr>
<td>- service sector is more employed than agricultural segment*</td>
<td>(less possibility for average Cuban)</td>
<td></td>
</tr>
<tr>
<td>- domestic income increase</td>
<td>- higher salaries needed to keep skilled labor</td>
<td></td>
</tr>
<tr>
<td>Great market for Cuban products: (exists even today)</td>
<td>Potential economic difficulties:</td>
<td></td>
</tr>
<tr>
<td>- sugar, cigars, alcohol*</td>
<td>- different type of economic regime</td>
<td></td>
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<tr>
<td>- production surplus is solved</td>
<td>- lost competitiveness of the Cuban state-owned companies</td>
<td></td>
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<tr>
<td>- economies of scale</td>
<td>(private-owned US companies have superior access to foreign credit)*</td>
<td></td>
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<tr>
<td>Proximate power:</td>
<td>- brand new technology – may be hard to implement</td>
<td></td>
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<tr>
<td>- lower transportation cost</td>
<td>- slow economic adaption: high cost</td>
<td></td>
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<tr>
<td>Past events may continue to hinder bilateral economic ties</td>
<td></td>
<td></td>
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<tr>
<td>- Helms-Burton Act</td>
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<td>- Monroe Doctrine</td>
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Table I: US benefits and threats to Cuban elite, source: Own Figure [(Feinberg, 2012, p. 22), (Francis, 2015) (The World Bank, 2016b)]

Another great threat is the question of maintenance Cuba’s well-operating segment: health care. The Cuban leadership has a reason to fear from the “brain drain”, which means the exodus of the high-skilled nurses and doctors. If the embargo would be lifted, then Cuba more
likely to be “overwhelmed by the foreign patients”. (Garrett, 2010) The Castros’ aim was to increase the illiteracy and good health care opportunities for the mass. Thus, as it required previously mentioned a vast amount of investment and if the borders would be open, the qualified teachers and doctors may emigrate or demand a rise in their salaries with which the leader could not operate its hegemony, hence external sources may be needed. Moreover, the privately owned American transnational companies may flow into the country, which threatens the state-owned, less competitive enterprises.

As Cuba would be the *Lamb*, it would subordinate its operation to the United States, which can lead to the loss of independence. The table below presents the potential advantages and disadvantages from Castro and the elite’s point of view.

Based on the above summary, bandwagoning with the US promised Cuba with a similar number of gains and threats. As the Americans are using defensive strategy, their aim is to maintain the status quo. Cuba’s interest in this scenario is to protect and strengthen its economy, – US is able to assist them in this field. Several steps were taken to encourage the partnership improvement, such as private tourism (that means that no mass tourism is applied yet), Americans can bring up to $100 worth tobacco, alcohol from January 2015 (Dews, 2015). (Yukhananov et al. 2015)

Extending the global tourism would lead to several improvements within the country: as currently the 83% of the female- and 54% of men workforce are working in the service sector, this can be a potential area. (The World Bank, 2016e) Increasing the number of tourists would contribute to higher wages, which would then increase the overall welfare of the nation, but it is also cause a decentralization in this segment, which can reduce the power of the leadership. On the other hand, if the medical tourism would increase in Cuba due to the advancement and inexpensiveness of the sector it would have deteriorating effect on the average citizen. The increasing lobbying expense may exclude some participants.

Providing better technological resources is two-edged – huge investment is needed to ensure the basic telecommunication facilities, which are not there yet, and – by the best case scenario – Cuba will rise like South Korea, and in that case the Cuban leadership would need to face a new challenge: the “brain drain” by the American multinational companies. Furthermore, in this case the leaders’ manipulative power would be discounted as the media has an opinion leader role and a free press could openly challenge the authoritarian leader. One
issue could be the slow adaption, but Dominguez (2015) thinks this is going to be changed through a new system.

The FDI would come with an American bundle, including the switch from the planned- to the market economy. Here, such as after the collapse of the Eastern Block, privatization is a core element. This would mean the end of the competitiveness of the Cuban, state-owned companies, as they would not be able to compete on the globalized, world market.

The Trump administration aim was to promote the protectionism. Thus, it is more unlikely that if the multinational companies set foot in Cuba they would hire local people. As they are not qualified enough, the unemployment rate would not decrease. Furthermore, if the policy of the American worker protection applies, the threat of brain drain would decrease. Regarding to the trade, the embargo is not likely to be lifted until Cuba is making several liberalization process. So, the potential patronization from the US part has lower chance since the election.

To summarize As the US is in a Lion position, and if Cuba wants to bandwagon with this superpower it needs to restructure its economy and enable to privatize most of its institutions. This could lead to societal tensions due to the increase in income and wealth inequalities. It is a pressing question whether the fragile Cuban state would be able to govern the transition process, thereby safeguarding its citizens from the adverse effects of rapid change.

Considering the above, I conclude that the United States would gain more than Cuba’s elite with this partnership. As it would also be beneficial for the Cuban citizens, the real question is the stability of the leadership and whether these citizens are able to stand up against a 49 year long dictatorship and whether the United States had an intention to have a new partnership with an unliberalized country, when the majority of the decision makers promote conservative values and protectionism.

V.1.1 Costs and Benefits of an Economic Regime Change

It would be an alternative solution for Cuba to follow the transitional routes and switch to the market economy instead of the command economy, similar to the post-socialist states in the European Union after the USSR collapsed. As a consequence of the embargo $108 billion in trade has been lost with the US. (Franks, 2012) Furthermore, the Cuban citizens would be able to leave the country and use the internet.

However, for a transition in the economy several conditions need to be fulfilled such as economic stability, market infrastructure, property ownership, privatization of state owned
assets. The macroeconomic stability in this case means monetary independence, as usually during the transition, inflation occurs, which requires high government spending. That would be certainly disadvantageous from the point of view of the elite. The liberalization would only be beneficial if the production surplus can be sold, which is a problem Cuba already faces. (Sobchak, 1991)

The privatization process had its negative influences, as the unemployment rate would increase even more due to the lack of competitiveness of the state-owned firms. That would clearly harm the citizens. Low-skilled workplaces could disappear at a higher rate, so the education and retraining system would be strained to match the skills levels of labor demand and labor supply. The transition shock’s effect on the citizenry can be mitigated through social security contributions, but presumably government spending would increase even without special subsidies. One solution could be the external assistance from the United States. However, this poses the dangers of debt levels rising to unsustainable levels. (Sobchak, 1991)

It is a probable outcome that the rapid economic shock of the transition would undermine the ruling elite’s power and thus directly threaten the Cuban communist party’s and the associated groups’ rule.

All in all, from the economic point of view transition seems to have large risks to the current economy of Cuba. If I wanted to analyze the Cuban attitude towards the US from the previously mentioned articles I would say that with no regard to economic welfare factors, the nation’s delegates, elite, Castro are using soft balancing against the United States. These are measures that “do not directly challenge U.S. military preponderance but that use nonmilitary tools to delay, frustrate, and undermine aggressive, unilateral U.S. military policies.” (Pape, 2005 p. 10). An example for that would be the diplomatic tensions through the U.N., when Cuba made the negotiations longer by proposing an alternative approach towards human law.

V.2 China and Cuba: Wolf and Jackal

The other potential patron is China, which would like to extend its influence through the Beijing’s Latin-American strategy. (Li, 2016) The strategy what China uses is soft-balancing, which refers to an “effort to balance a hegemon with short formal alliance formation” (Ross & Feng, 2008, p. 50). As the global financial crisis did not devastate China as much as the other powers throughout the world, it has started to focus on *ad hoc cooperative exercises* and
collaborated with the Eastern-Asian region, and now it is willing to get its influence in Latin-America, Cuba as a starting point. (Gill, 2010, pp. 247-258)

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<th>China</th>
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<td></td>
<td>Previous years’ experience</td>
<td>Trading system:</td>
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<td></td>
<td>- infrastructural help</td>
<td>- “neo-colonial pattern of Chinese</td>
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<td></td>
<td>- long-term debts</td>
<td>trade relationship”*</td>
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<td></td>
<td>Similar ideology:</td>
<td>- small range of potential export</td>
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<td></td>
<td>- pink tide</td>
<td>products – not sugar, in which is the</td>
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<td></td>
<td></td>
<td>country has comparative advantage</td>
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<td>WOLF:</td>
<td>Better historical relations:</td>
<td>Dependency:</td>
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<td>offensive</td>
<td>- partner since 1990s</td>
<td>- compensation for the long-term</td>
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<td>strategy,</td>
<td>- bilateral trade: $1.87 billion in 2013*</td>
<td>loans, infrastructure</td>
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<td>covet more</td>
<td>- Cuba’s second largest</td>
<td>- largest and basically the only trading</td>
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<td>than they</td>
<td>trading partner*</td>
<td>partner</td>
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<td>process; less</td>
<td>- help after the US blockade – diplomatic</td>
<td>- unable to compete with the Chinese</td>
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<td>to lose</td>
<td>relation</td>
<td>corporations, which want to get into</td>
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<td>the international market</td>
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<td>Stable political + social</td>
<td>Deeper economic problems:</td>
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<td>environment – according to Raúl</td>
<td>- China has similar issues:</td>
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<td>Castro:</td>
<td>GDP/capita: 6991(The World Bank,</td>
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<td></td>
<td>- greatest population in the world</td>
<td>2016c), similar to the Cuban GDP/capita</td>
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<td>- fast development country</td>
<td>~ 6789</td>
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<td>- state subsidies from a</td>
<td>- Global tourism would not increase –</td>
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<td>“politically stable</td>
<td>labor force in the service sector are</td>
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<td>country”</td>
<td>unused</td>
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<td>Military “protection”</td>
<td>- Chinese support in agriculture (e.g.</td>
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<td></td>
<td>- guardian, hope of a</td>
<td>with machinery), but production</td>
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<td></td>
<td>pragmatic cooperation, similar to</td>
<td>surplus cannot be sold</td>
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<td>Soviet Union</td>
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<td></td>
<td>- Beijing’s plan: military</td>
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<td></td>
<td>expenditure</td>
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<td></td>
<td>Similar pattern:</td>
<td>Unemployment:</td>
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<td></td>
<td>- global financial crisis:</td>
<td>- not solved</td>
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<td></td>
<td>more public spending for developing</td>
<td>- service sector is unused</td>
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<td></td>
<td>countries</td>
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Table II: China’s benefits and threats to Cuban elite, source: Own Figure [(Dominguez, 2015), (Li, 2016) (Montes, 2015), (The World Bank, 2016c)]

Thus, I think the country is a Wolf, thanks to the risk-acceptant, offensive intentions. In addition, its aim is to challenge the current hegemony of the US and hence, it is willing to take sacrifices, e.g. huge investments in a fragile state, such as Cuba or any other Latin-American country, which are facing debts and huge inflation.
If Cuba chooses to ally with China it will be a Jackal, and going to act accordingly. These states usually “pay high costs to defend their possessions and even greater costs to extend their values” (Schweller, 1994, pp. 72-107). As Cuba is a dissatisfied, but weak power, even if its core methodology is opportunistic it needs to ride free on the offensive efforts of a Wolf, China.

In the past years being a socialist state, unlike the US, China had many trade relations with Cuba. The Castros’ revolutionary ideology would indicate Cuba to choose being a Jackal, and hence to extend its power through balancing with a socialist state, who has offensive intentions. It seems that currently China has the same aim through “hard balancing”. By patronizing Cuba it would have an opportunity to gain even more influence on Latin-American countries. In theory it seems a great decision, but the implementation and maintenance will be the questionable part of this decision.

The trade between China and Cuba has gone over $1.8 billion (Dominguez, 2015), but it is important to mention that these were rather FDI related commodities, such as trains. (Hearn, 2012, pp. 155-179) That means that this partnership did not provide market for the Cuban agricultural items, such as the sugar or cigars, because the Chinese are able to procure them even from the neighboring countries.

Today, apart from the economic lag, the greatest issue is the high number of state-owned companies, whose workers are not well payed. (The World Bank, 2016d) The issue here is the sectoral distribution of the workers. As it was previously mentioned, 54% and 83% of the employed people are working in the service sector, and China’s focus is the agricultural support, which would not clearly ensure development for Cuba. (The World Bank, 2016d) Using the Wolf’s self-extensional aggression, Cuba’s leader and elite would remain as the ruling power, and the economic structure would not change, just modernized, similar to the case of China during the second half of the 20th century.

Based on my analysis, I argue from the Cuban elite’s perspective China would be a satisfying solution as a patron, due to its established trade relations, China’s opening policy and the similarities in leadership.

This is supported by Castro’s comment: “Havana does not intend to abandon single-party rule or the state-controlled economy.” (Yukhananov et al., 2015) On a short-term, both parties would gain: Cuba’s economic restauration and China’s influence on world politics would also increase. I posit in this scenario Cuba’s elite gains more than China – even if it may
become dependent on their regime, since external financing options are making higher margins possible for the dictator, who would also have a higher chance to stay in power.

V.3 Modelling Cuba’s decision – Lamb or Jackal?

V.3.1 Macro-Level Analysis

The balance of interest theory integrates economic welfare considerations into the model, hence it provides a more accurate framework for the analysis of position in the system. As it was previously pointed out, today, due to the lack of war, not external, but internal threats dominate, and the states are seeking to extend their interest, not their borders. In the case of fragile states interests can mainly be advanced through some external support. To maximize these gains, not security, a patron is needed. In the previous chapters I provided two possible patrons for Cuba.

Based on Schweller’s (1994) idea of balance of interest, to obtain a clear picture whether a weak state act as a Lamb or a Jackal we needed to identify the domestic threats, its current impact, and the economic gains from Cuba’s leadership point of view. Currently, Cuba is considered as a weak state, hence it does not have a great influence in the field of diplomacy, so when they are expressing their negative thoughts of the actual status quo on global forums such as the U.N. they are less likely to be heard. Thus, I think their aim is to change the system as it is.

Under the current U.S. administration it would be dangerous for Cuba to transition its economy to a market-based one. As the companies are not competitive they are likely to fall down under the pressure of the American giant ones. The question of unemployment would not be solved and the liberalization process would be against the interest of the elite, which is an important layer as indirectly they are responsible for the decisions.

With China, Cuba already has established relations and currently is its biggest trading partner due to the embargo, which creates a certain dependency a country cannot give up. The similar perceptions of the leadership also ensure the strong tights. As China’s infrastructural investments would be favorable for the elite – limited roaming, and internet connection, the controlled press, their power could be persistent. Thus, I think on the macro-level Cuba’s leader would choose to be the Jackal and fight back for the embargo it had for more than 50 years.
V.3.2 Micro-Level Analysis

To categorize a state into the Lamb or Jackal attitude, I also need to make an analysis on the micro-level political situation, which I expanded in the categories of dictatorships. I claim that Cuba’s dictatorship follows a mixed version of co-optation and stationary bandit.

Co-optation is its relationship with the elite, who rather bargain with the dictator than overthrow his dominance as the individuals within this preferred group are better-off by eliminating the competition on the market. Managed by only a few people, the state-owned companies, lobbies support this idea.

Castro also needs to satisfy the basic, most apparent public needs – at least it should seem like, so that he needs to behave as a stationary bandit. An example for that is the country’s extensive costs for health and education improvement and the 70% public expenditure.

Interestingly as Castro needs to satisfy two very different type of needs the Lamb or Jackal position is not clear. From, the co-optation we could deduct that a Jackal post would be chosen, so that an aggressive intention to balance with China against the U.S. The underlying reason is that it is not the interest of the elite to become part of a competition with the multinational companies, as their managed ones are not competitive enough and they are able to provide a lower amount of salary.

However, Cuba during the Obama admission started to move from the Jackal position to the Lamb. As Castro also needed to satisfy the demand of the public as a stationary bandit the negotiations started. The rapprochement already ensured an apparent public need – the availability of roaming and the start of improving the infrastructure. This approach has, on the other hand, changed tremendously with the election of a Republican president, Trump, whose protectionist policy would deter Cuba from any development regarding to the employment and infrastructure. Thus, I think according to a micro-level analysis Cuba should be positioned as a Jackal and balance against the United States.
VI. Constraints during research and further research fields

During my research I always ran into the same problem. As Cuba is not a democracy, the government may decide, whether it will publish any result of the economy or not. Thus, the World Bank, the IMF and the other sites, which measure economic power elaborately could not even make estimations for the Cuban economy. That is why, for the indexes I was able to obtain a very recent data, but for example in case of public spending I needed to use a 6 year old resource.

The same applies for China. Even if there are speculations in several articles (which I have used) the underlying reasons for specific decisions are not clear. I tried to eliminate this problem by proposing assumptions.

A further research field could be to examine the Latin-American countries one-by-one thoroughly based on this framework. From this, we could determine whether the United States’ power is declining, or the status quo still strongly persist even after the potential protectionist policies.

VII. Conclusion

In my paper my aim was to integrate the political economy consideration to the widely-used realist theories, so to bridge these two important strands of literature. I integrated domestic incentive structures to international political dynamics, thereby I have provided a more complete, analytical framework to understand cases for the dictatorial weaker states, such as Cuba is.

First, as Cuba is one of these states I needed to examine the different type of dictatorships and identify at what level Cuba’s case correlate with each of these. Then, I examined Cuba’s position among the world economy based on several indexes like GDP per capita (PPP), HDI, global peace index and freedom house score and the effect its major economic partner, Venezuela caused.

After, I analyzed the potential underlying reason for China and the United States’ interest towards Cuba, with special consideration of the effects of Trump admission on rapprochement. Next, I descended to particulars and used Schweller’s (1994) balance of interest model to identify the welfare effects of the patron election. If Cuba would choose to bandwagon with the United States it would follow a Lamb strategy, but if it was to balance in line with China it would act as a Jackal. After I summarized in a table the economic and diplomatic gains and losses I was able to conclude from the macro- and micro- level analysis that Cuba is going
to balance against the United States and will position itself as a Jackal based on political and economic considerations, which is a contrary to what the balance of threat theory suggests.

My hypothesis stated that “Cuba perceives greater threat from the US than China, so it has changed from balancing to bandwagon and ally with the first one.” The statement is rejected, when we are including more elements other than external factors. Adjusting the previous conclusion the new statement would be: “Cuba chooses China as a patron to balance against the US based on the elite’s political and economic considerations.”
VIII. Bibliography


