OPPORTUNITIES FOR U.S.-CUBAN TRADE

A STUDY BY

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PREFACE AND METHODOLOGY

This report concerning the U.S. trade embargo against Cuba, was carried out from January through June of 1988 by the Cuban Studies Program of the School of Advanced International Studies at Johns Hopkins University. It was conducted by Kirby Jones who has made more than sixty trips to Cuba since 1979. He is the former President of Alamar Associates, a consulting firm which assisted U.S. corporations in establishing commercial contacts with Cuba. Donna Rich served as research assistant for the project. She is a Ph.D. candidate at Johns Hopkins, and has made several trips to Cuba to do research on U.S.-Cuban relations.

This is not intended to be a study of the Cuban economy, nor does it purport to cover all aspects of Cuba's foreign trade. Rather, the study focuses on the efficacy of the U.S. embargo, on the cost to the United States of maintaining it, and on the gains that might result from its lifting.

A variety of sources were used in the preparation of this report. Documents and statistics provided by the U.S. government, the Cuban government, and the U.S. private sector were reviewed. The Freedom of Information Act was used to obtain valuable documentation related to current U.S subsidiary trade with Cuba. Officials in the Departments of Treasury, Commerce and the State Department were also consulted.

The authors traveled to Cuba three times to interview representatives of more than fifteen different Cuban trading enterprises, and Cuban government officials in the ministries of Foreign Trade and Foreign Relations. Conversations were also held with foreign diplomats in Havana. The Cuban National Bank provided us with the most recent statistics, and our calculations were discussed with Cuban Trade officials.

SUMMARY

This six-month study on the U.S. trade embargo of Cuba and its effects on U.S. companies concludes that U.S. firms could engage in up to $750 million worth of annual trade with Cuba if the sanctions were lifted.

While researchers over the years have concentrated their analysis on the impact of the embargo on the Cuban economy, this study has, for the first time, examined the impact of the embargo on the U.S. business community.

Even if one measures only eight sectors of the economy, it is seen that a quarter century of the embargo against Cuba has cost U.S. businesses more than 11.5 billion pesos (approximately $15 billion U.S. equivalent) worth of trade by denying them direct access to the Cuban market. If all products were included, then a conservative estimate of U.S. losses resulting from the embargo would be $30 billion.

While opponents of trade with Cuba have argued that full trade potential is negligible, a close examination of certain products indicates otherwise. U.S. exporters stand to gain conservatively between $300 and $400 million a year in just three sectors alone: grains, chemicals, and medicines.

In addition, a significant amount of U.S. export trade would be generated from products such as machinery, spare parts, communications equipment, paper and wood products, agricultural and construction machinery, textiles, and hotel equipment.

The study also examines savings to U.S. importers and consumers if the embargo were lifted and the U.S. could import Cuban products. The U.S. could buy Cuban nickel, and frozen concentrate at considerable savings. U.S. imports of citrus and seafood would increase domestic supply and thereby lower costs to consumers. Sugar could be supplied to underutilized U.S. refineries. U.S. tourists could vacation in Cuba, and U.S. consumers could enjoy Cuban tobacco and rum.

The Cuban trade apparatus has evolved during the hiatus in U.S.-Cuban relations, and many new areas for potential trade exist. Quantifying this potential is difficult, however, since there is no precedent. The new flexibility of Cuba's Joint Venture Laws, for example, would allow U.S. companies to enter into joint ventures in areas like chemicals and tourism. Computers, electronics, and export zones are also new potential sectors for U.S. businesses in Cuba.

While the United States government continues to block U.S. businesses from trading with Cuba, virtually all other Western nations, and certainly the U.S.'s main competitors are busy developing commercial relations with Cuba. Japan, Spain, Canada, West Germany, the United Kingdom, France and Argentina all trade normally with Cuba.

The study has also explored the U.S. business community's attitude toward trade with Cuba. While there are some who continue to see Cuba as a political issue, the majority of U.S. businessmen view trade with Cuba as they would trade with any other communist country.

were lifted, hundreds of U.S. businessmen traveled to Cuba to investigate the commercial potential for themselves.

After twenty-five years, the Cubans have adapted to the embargo. While the embargo is still inconvenient, its deliterious impact dissipated long ago. The embargo doesn't threaten Castro's security or improve U.S. leverage against the government. In fact, the study concludes that lifting the embargo might achieve what its imposition has failed to do. By trading with Cuba, the U.S. could offer Cuba an alternative to its reliance on the Soviet Union. Finally, lifting the embargo could be the first step toward resolving outstanding bilateral issues such as settlement of U.S. property claims.

BACKGROUND ON THE EMBARGO

The U.S. economic embargo against Cuba began on July 6, 1960, when President Dwight D. Eisenhower cancelled the 700,000 tons of sugar remaining in Cuba's 1960 quota. The embargo is often considered to be the best example of the most carefully maintained of all economic sanctions. President Eisenhower said at the time that "...this action amounts to economic sanctions against Cuba. Now we must look to other moves -- economic, diplomatic, and strategic."

The Kennedy administration reinforced the Eisenhower sanctions and by 1964 the U.S. had placed a near total embargo against Cuba. The embargo has:

-- prohibited virtually all direct commerce between the U.S. and Cuba, including medicines and foodstuffs;

-- blocked all assets in the U.S. belonging to Cuba or Cuban nationals, frozen bank accounts, and prohibited almost all transactions involving the affected property;

-- prohibited the importation of products fabricated completely or in part from Cuban materials, even if manufactured in other countries;

-- rescinded Cuba's "Most Favored Nation" status;

-- denied U.S. vessels the right to carry American, or non-American goods to Cuba or enter a Cuban port;

-- banned aid to any country which furnished assistance to Cuba;

-- blacklisted all ships involved in trading with Cuba no matter their country of registry and prohibited them from entering U.S. ports.

With minor exceptions, that embargo still exists today, a quarter of a century later.

(For a comprehensive chronology of the U.S. embargo against Cuba, please see Appendix C)

CUBAN TRADING PATTERNS: A BRIEF LOOK BACK

PRE-1959 TRADE

Twenty-five years have passed with no direct commercial contacts between the United States and Cuba. Before the embargo, the United States was Cuba's primary trading partner. Seventy percent of Cuban imports originated in the United States, and the U.S. purchased 67% of Cuba's exports, out of Cuba's total trade of 1.5 billion pesos. (Pesos were equivalent to dollars in 1958.)

-- In 1958 Cuba imported 100% of its wheat from the U.S., a value of close to 10 million pesos. Today it imports 40 million pesos of wheat from USSR, Bulgaria, Canada, the European Economic Community and Argentina.

-- In 1958 Cuba imported 88% or 7.8 million pesos, of its <u>wheat flour</u> from the U.S. Today it imports $30 million pesos worth of wheat flour from the USSR and Canada.

-- In 1958 Cuba imported 100%, or 3 million pesos, of its <u>animal feed</u> from the U.S., today it imports 68 million pesos worth from Peru, Holland, W. Germany and the USSR.

-- In 1958 Cuba imported 100% of its <u>corn</u> from the U.S., a total of 3.7 million pesos per year. Today, it imports 5.5 million pesos, primarily from Argentina and the USSR. France and Canada also participate nominally in this market.

-- In 1958 Cuba imported 96% or 193,000 pesos of its <u>dry milk</u> from the US. Today its imports 28.5 million pesos in dry milk, about 60% of the total from the Soviet Union and 40% of it from France.

<u>1960 to 1974</u>

Initially, the U.S. embargo posed difficulties for Cuba. The Cuban economy was transformed from reliance on one system to reliance on another. Spare parts to U.S.-made Cuban industrial equipment had to be found, and high transportation costs resulted in inflated prices. The massive cost of the re-orientation to the Soviet-based economy diminished productivity. The embargo dried up scarce foreign exchange reserves and hindered Cuban hard currency earnings both by prohibiting trade with the U.S. and by preventing trade with the West.

Additionally, this period witnessed the exodus from the island of much of Cuba's professional and managerial class. The inexperienced personnel who staffed the new government were forced to cope with internal political and economic upheaval, as well as international hostility. Plans were developed, then discarded. Economic experimentation took place almost on an emergency basis. Mistakes were made as Cuba was forced to transform its entire commercial base and develop new trade relations.

Between 1962 and 1974, Cuba had no substantial economic relations with the West. In 1970, for example, total Cuban trade with the West amounted to a mere $678 million. In 1974, however, there was a change that indicates a good deal about Cuba's commercial interests.

<u>1974 to PRESENT</u>

In 1974, sugar prices rose dramatically. Since sugar dominates Cuba's economy, this price rise boosted Cuba's hard currency earnings considerably. With surplus foreign exchange for the first time, Cuba turned to the West. According to the U.S. Department of Commerce, Cuban trade with the West rose from $678 million in 1970 to $2.2 billion in 1974 and $3 billion in 1975. The message to western countries was clear: when possible, Cuba chooses to trade with the West.

The brief rise in sugar prices has a bittersweet lesson for the Cubans. When the prices were high, Cuba overextended itself and entered into commercial agreements that it could not maintain when the price of sugar fell. Cuba has suffered balance of payments difficulties since.

Despite the continued low prices for sugar on the world market, Cuba has continued to maintain a respectable level of trade with the West. Cuban statistics indicate that between 1981 and 1986, it averaged 1.3 billion pesos or about $1.7 billion dollars annually. (*See appendix A*).

These numbers are important because U.S. businesses will compete primarily with Cuba's Western trading partners for the Cuban market. Because Cuba is bound by politico-economic agreements to socialist countries that are not likely to change in the near future, U.S. businesses will find it more difficult to compete with Cuba's socialist partners.

U.S. TRADE THROUGH SUBSIDIARIES

Direct trade between Cuba and the United States has been impossible for the last 25 years due to the embargo. However, in 1975, the U.S. amended the embargo to allow U.S. companies to trade with Cuba through their subsidiaries located in third countries. This was the result of pressure from allies who complained about the extra-territorial restrictive U.S. trade regulations toward Cuba.

The new regulations were still restrictive. Among other things, the goods sold to Cuba must be produced in the third country and can only contain a very limited amount of U.S. origin materials. U.S. directors of subsidiaries were precluded from dealing with Cuba since they were subject to U.S. jurisidiction. Furthermore, U.S. parent companies must apply for licenses from the Departments of Commerce or Treasury, or both, before any trade is conducted. (*See appendix B for a copy of a license obtained by the authors through the Freedom of Information Act and appendix C for more details on the subsidiary restrictions*).

Despite these obstacles, U.S. subsidiary trade with Cuba has now reached a steady and predictable level. Between 1982 and 1987, 1279 applications were filed with the U.S. Government by parent companies seeking authorization for their subsidiaries to trade with Cuba. Of these, 1236 licenses were granted. Treasury Department officials explained to the authors that the high number of licenses granted was due to the fact that companies are self-selecting; They only apply for licenses if they fit the specified requirements. In other words, there are undoubtedly many companies interested in trading with Cuba who don't apply for licenses because their products fail to comply with the embargo requirements.

The United States, therefore has become a victim of its own trade embargo against Cuba: in the end, Cuba gets the products it needs and sells its own goods for hard currency, the corporate subsidiary shows a profit, and the foreign worker or farmer clearly benefits. The main losers are corporate America and its workers.

Though U.S. companies cannot compete with every European product sold to Cuba, there are specific areas where the U.S. is a natural market for Cuba. Agriculture, medical products, and steel products are prime examples of how the U.S., and not our European competitors, could be gaining from trade with Cuba.

If the embargo laws remain unchanged, U.S. subsidiaries will continue to expand their commercial relations with Cuba at a price to local business. One U.S. subsidiary grain exporter told the authors, "We are active with the Cubans, we all know the licensing procedures, it is all very smooth and automatic by now."

The table that follows is a partial list of products that U.S. subsidiaries in third countries are currently trading with Cuba. They provide an indication of the type of goods Cuba needs which might best be provided by U.S. companies on a direct basis.

Goods U.S. Subsidiaries Have Sold to Cuba

- agricultural pesticides
- air cleaners
- asphalt manufacturing equipment
- automatic transmissions
- bottle inspectors
- brake fluid
- carbon black
- card punch machine and sorter
- cardboard box manufacturing equipment
- carpentry tools
- cement
- ceramic glazes
- chemical coatings and finishes for leather
- compressors
- copper concentrates
- corn
- diesel engines
- detergent alkylate feedstock
- dry roofing felt
- electrical connectors
- electrical fuses
- electrical plugs
- electrical switches
- enamel glazes
- enameling furnace components
- engineering services to build for manufacturing:
  - plastic products
  - synthetic leather
  - ammonia
- eyeglass lenses
- fertilizer
- Fluorescent lamps
- flowmeters
- food-processing equipment
- funeral cars
- fuse links
- gear drive mechanisms
- glass manufacturing machinery and parts
- glass products
- hacksaw blades
- hydraulic pumps
- ice machines
- kerosene lanterns
- light bulbs
- lubricating oils
- metal warehouses
- micro switches
- motors
- nuts and bolts
- oats
- office furniture
- office supplies
- oil additives
- orthopedic supplies
- passenger cars and spare parts
- pharmaceutical products
- photographic supplies
- photocopy paper
- plastic products—cutlery, toys
- plumbing equipment
- plywood
- polyethylene bags
- polypropylene rope
- polystyrene room dividers
- power plant equipment—pumps, motors, steam-generating power boilers
- Pressing machines
- PVC pipes and fittings
- rice
- rivets
- riveting tools
- rock-drilling bits and rods
- roller chain and parts
- rubber base adhesive
- sausage casings
- sewer system equipment
- sewing machines (industrial) and spare parts
- spark plugs
- sterilizers
- synthetic adhesive
- telephone pay stations
- telephone subsets
- telephone exchange equipment
- teleprinters and spare parts
- temperature recording equipment
- thermostats
- tires
- traffic light relays
- transformers
- truck chassis
- typewriters
- underwater equipment—masks, fins and snorkels
- valves—gate, gas, three-way, globe, tire
- water system equipment
- weight scales
- wheat flour
- X-ray film
- X-ray equipment

COST OF THE U.S. EMBARGO TO U.S. FIRMS

When most Cuba observers analyze the trade embargo, they tend to study how much the embargo has cost Cuba. However, the question that is most relevant to U.S. businessmen is: What has the embargo cost the American business community?

It is very difficult to calculate the exact cost of the embargo to U.S. firms. Though there are no existing statistics, we have discussed this issue with Cuban trade officials and U.S. businessmen in an attempt to make the most accurate estimate possible.

We selected eight products that are currently being traded with Cuba which would interest U.S. companies and Cuban traders if the embargo is lifted. As the following table indicates, the total loss to U.S. businesses of the eight selected products is 11.5 billion pesos or about $15 billion. If one extrapolates from this calculation, and includes all products that might have been exported from the U.S. to Cuba, then a conservative estimate of the total loss to U.S. business rises to $30 billion.

COST OF CUBAN EMBARGO TO U.S. BUSINESS
(in Cuban Pesos)

Product	U.S. Loss in 1985	U.S. 25-Year Loss
Chemicals	86,450,000	2,264,660,000
Herbicides and Pesticides	61,258,850	415,789,000
Grains	100,000,000	2,452,588,000
Rice	37,063,000	562,784,000
Steel and Iron	12,000,000	1,625,002,000
Medicines and Medical Equipment	180,000,000	n.a.
Textiles	88,212,000	1,121,236,000
Transportation	335,096,000	3,004,994,000

(The authors derived the 25-year loss in the following way: Using the years 1970, 1975, 1980 and 1985, the average amount of annual Cuban trade in each product was found and it was multiplied by 25 for the 25 years of the embargo. This provided the total average amount that Cuba had spent on that product over 25 years. It then was assumed that if there had never been an embargo, the U.S. could have obtained 30% of that trade. This assumption was supported by Cuban trade officials. All figures are taken from the Annual Statistical Volume for Cuba for 1986.)

CUBAN TRADING SYSTEM

The Cuban trading system is similar to those of other state-run economies. There are approximately sixty different enterprises (empresas) which are charged with the task of conducting commerce in a specific product line or service. Of these 60 empresas, 17 come under the immediate jurisdiction of the Ministry of Foreign Trade (MINCEX) while another 43 empresas relate administratively with other Ministries or offices. MINCEX, however, retains a functional relationship with all empresas.

Cuba maintains 39 commercial offices around the world. Ten are located in socialist countries, ten are in Europe, nine in Latin America, five in Asia, and one in Canada.

Style and management of the Cuba trade apparatus have evolved substantially over the last ten years. During the second half of the 1970s, U.S. companies began to revisit Cuba after a 15-year hiatus. U.S. firms found the Cuban trade apparatus to be rather rigid. Its managers were relatively tied to the structure and guidelines of an inflexible system. New ideas which did not fall within the narrowest definitions of the responsibility of the empresa were generally rejected. There was little room for barter, and U.S. firms found it relatively difficult to structure deals.

In 1988, this rigidity seems to have loosened. The authors met with with numerous trade officials in the spring of 1988. They were open, willing and able to discuss any financial package or project structure. Furthermore, the Cubans are currently involved in barter arrangements and joint ventures with countries around the world. Compensation agreements were also discussed.

Cuban trade officials are not ideological in their business dealings. They are knowledgable about their products and familiar with the world market. They demonstrate a solid understanding of the U.S. economy and know their potential market. During the last ten years, they have had regular contact with hundreds of U.S. companies and are fully experienced in dealing with Western businesses. Finally, Cuban trade officials are pragmatic and express interest in lifting the embargo and desire to trade with their "natural partner."

In contemplating a resumption of trade, Cuban trade officials discussed specific possible business opportunities between Cuba and the U.S. These are discussed in detail in the section entitled "Future Trade Possibilities between Cuba and the U.S."

ATTITUDE OF THE U.S. BUSINESS COMMUNITY

The U.S. business community is pragmatic, flexible, aggressive, and oriented toward the bottom-line. These attributes are reflected in its attitudes toward trading with Cuba.

While politics may influence the business decisions of some executives, on the whole ideology has not greatly affected companies' attitudes toward doing business with Cuba.

U.S. firms will obey U.S. law. The immediacy of the imposition of the trade embargo was a shock to U.S. companies. Cuba represented a major market which could not be easily substituted. U.S. companies were forced to develop new customers.

Between 1962 and the mid-1970's there was virtually no contact between Cuba and the U.S. business community. The secret overtures initiated in the final months of President Nixon's administration were continued by President Ford. Business antenna are very sensitive to political developments. Some U.S. firms immediately began exploring trade possibilities. In 1975, the first U.S. firm since the imposition of the embargo visited Cuba.

When President Carter came to office and lifted restrictions on travel to Cuba, hundreds of companies visited the island, including delegations from Minneapolis, Chicago, California, Massachusetts, Florida and New York, Most of them were preparing for the direct trade they thought would evolve out of Carter's early initiatives.

It was during this period as well that subsidiary trade was permitted. This proved to be a welcome development to the business community. Many companies took full advantage of the commercial trade possible through this route. But in so doing, they made it clear that they felt this was but an intermediate step to direct trade, which they preferred. (*See appendix B for a partial listing of firms that have traveled to Cuba*)

On their visits to Cuba, the majority of U.S. businessmen involved found the Cuban trade officials to be professional, competent, knowledgable and interested in trading with U.S. firms. The businessmen began to understand the amount of business possible, and nearly all came away desiring to trade with Cuba, once the political situation permitted.

Subsidiary trade also became possible at this time and U.S. businessmen welcomed it, viewing new trade possibities as an intermediate step toward direct trade.

The full step wasn't taken. President Reagan closed the doors on business with Cuba and reimposed travel restrictions. U.S. based firms, once again, turned their attention to other markets.

Despite the eight years of Reagan administration policy that has tightened the embargo against Cuba, contact between U.S. firms and Cuba has continued. Cuban trade officials have met U.S. businessmen at international conferences and private meetings around the world. On both sides, there is interest, willingness and desire to trade. The authors have discussed the potential for U.S.-Cuban trade with businessmen from around the U.S. over the past several months. Some of the businessmen had visited Cuba during the 1970's, others are currently conducting subsidiary trade and some have never traded with Cuba. The majority expressed a desire to do business with Cuba once trade restrictions are lifted.

CUBA AND THE SOVIET UNION

It is widely assumed that Cuba is too economically bound to the Soviet Union and the bilateral political and economic ties that have evolved over the years to be able to conduct substantial trade with the U.S.

We examined that proposition and found that it is not necessarily true. Rather, it could be argued that the reverse is true. Whenever Cuba has had the financial resources, it has turned away from the Soviet Union and the CMEA (Council of Mutual Economic Assistance) to open up other markets, other sources, other commercial alternatives.

One Cuban trade official explained, "We are the world's greatest experts at knowing what happens when all economic eggs are placed in one basket."

1987: CUBAN TRADE WITH THE WEST

Trade between Cuba and market economy countries reached $1.25 billion in 1987, down from a total of $1.6 billion in 1986.

The table on the following page shows overall Cuban trade with the West since 1970. Cuba's major Western trading partners are Japan, Spain, Argentina, Canada, West Germany, Switzerland, the United Kingdom, Italy and France.

(Please see graph on following page)

TOTAL FOREIGN TRADE OF CUBA
SOCIALIST AND MARKET ECONOMY COUNTRIES

1970-1980
(In millions of pesos)

Year	1970	1975	1976	1978	1980
		SOCIALIST ECONOMY COUNTRIES			
Exports	$777	2002	2090	2916	2786
Imports	$917	1605	1864	2849	3613
Total	$1694	3607	3954	5765	6399
		MARKET ECONOMY COUNTRIES			
Exports	$224	771	457	365	553
Imports	$370	1299	1074	602	904
Total	$594	2070	1531	967	1457

TOTAL FOREIGN TRADE OF CUBA
SOCIALIST AND MARKET ECONOMY COUNTRIES

1981-1986
(in millions of pesos)

Year	1981	1983	1984	1985	1986
		SOCIALIST ECONOMY COUNTRIES			
Exports	3179	4765	4909	5332	4699
Imports	4114	5414	6072	6770	6412
Total	7293	10179	10981	12102	11111
		MARKET ECONOMY COUNTRIES			
Exports	557	485	377	493	463
Imports	922	630	874	911	886
Total	1479	1115	1251	1404	1349

Source: Anuario Estadistico de Cuba, 1986. Note: This does not represent total global trade of Cuba; Cuban trade with the developing world is not represented.

In meetings with a number of Cuban trade officials, we asked them to discuss current levels of Cuban trade with market economy countries. While the list is far from comprehensive, it does give a general indication of the scope of specific Cuban trade with the West in products likely to be part of commerce between Cuba and the U.S. The following is a summary of those products.

Cuban Exports:

Fruits and Citrus: Cuba exports 30,000 tons of fresh fruit and 2,000-3,000 tons of fruit concentrate to Europe and Japan.

Nickel: Between 30 and 40% of Cuban nickel is exported to the West.

Sugar: About one million tons of sugar is sold on the world market.

Seafood: 12,000 tons of lobster, 5,000 tons of shrimp and 1,000 tons of tuna are sold to the West.

Cuban Imports:

Chemicals: Cuba imports between $130 and $150 million in chemicals per year from the West. Pesticides, herbicides, and fungicides make up 65% of the 105 different chemical products which Cuba imports. Japan, Europe and Canada are Cuba's main Western suppliers of these products.

Medicines and Pharmaceuticals: Cuba buys $180 million from the West, primarily Japan, Italy, the U.K. and Spain. $60 million of the total is spent on raw materials and medicines, $10 million on chemical products, and $50 million on consumables.

Textiles: 30-40% of Cuba's textiles are imported from the West; mainly Japan, Mexico, Spain, Portugual, Italy and the U.K.

Grains: Cuba imports 1.9 million tons of grains annually from the West. This includes 100,000 tons of rice from Thailand, Pakistan and Egypt; 350-400,000 tons of corn from Argentina, Canada and France; 150,000 tons of wheat flour from Canada, Germany and Holland; 150,000 tons of soy meal from Argentina and Canada; 60,000 tons of sunflower meal from Argentina and Uruguay; and 100,000 tons of soybean oil from Argentina and Holland.

Steel: Cuba buys $10-15 million from the West, mainly Spain, the U.K., Germany and Japan.

The authors interviewed a number of western commercial attaches in Havana. When questioned about how they viewed the possible lifting the embargo, many of the attaches said their countries would be unable to compete if the U.S. were to enter Cuba's western market. "You have to understand that there is a fascination here with things American. If the U.S. lifts the embargo, I might as well pack my bags and go home" said Canadian commercial attache Bernard White.

HOW CUBA PAYS

Cuba's two main sources of hard currency are sugar and the re-selling of imported Soviet oil. Cuba's earnings from these exports are used to pay for western goods. For years, sugar prices have been low. If Cuba were to continue to sell one million tons of sugar a year to the world market at today's prices, it would earn a little less than $200 million annually.

Oil prices have fallen during recent years and despite their slight rise in 1987, they began to decline once again during the first half of 1988. This overall decline has had an adverse effect on Cuba's hard currency export earnings. Cuban trade officials estimate that Cuba lost $300 million in hard currency last year solely because the fall in oil prices. Consequently, Cuba lowered its imports of western goods by about one-third.

Furthermore, Cuba has an approximate 5.5 billion peso debt to the West, and has had to go several times to the Paris Club to renegotiate payment. In the last half of 1987, however, Cuba's debt increased only marginally. During the same period, official export credits rose by a bit over 800 million pesos to 2.5 billion; supplier credits rose by 336 million pesos to a total of almost 2 billion pesos, and debts to banks and other financial institutions rose by 441 million pesos to 1.8 billion pesos.

Those opposed to lifting the trade embargo often cite Cuba's debt as evidence that there is little possibility of substantial trade with Cuba (and, thus, that U.S. losses from the embargo are small as concomitantly would be the gains from lifting it.)

The debt, however, does not seem to be a major obstacle for western firms who are trading with Cuba now. To be sure, Cuba has recently reduced its imports from the West, but this is no way precludes trade with the U.S. The authors consulted Western commercial attaches in Cuba who expressed long-term optimism. "Cuba's debt crisis is a temporary problem, but we will wait it out," said the Spanish attache.

FUTURE TRADE POSSIBILITIES BETWEEN THE U.S. AND CUBA

It is impossible to predict the exact amount of trade that would occur between the U.S. and Cuba if the embargo were lifted. There are, however, certain factors that will point toward its potential range and scope.

U.S. firms, for example, could be expected to replace most of the trade currently conducted by U.S. subsidiaries in third countries. This would be a minimum average of $300 million per year for U.S. firms.

Cuba currently trades $1.25 billion with Western countries. The U.S. could capitalize on its natural geographic advantage, compete in this market and receive a healthy percentage of this total.

In March, 1988, the authors interviewed Miguel Castillo, the Cuban Vice Minister of Foreign Trade. Castillo estimated that the U.S. could capture between 33 and 50 percent of Cuban trade with the West. In other words, U.S. businesses could earn at least $500 million in the first year after the embargo was lifted.

The Cubans have been quite consistent in this estimate. Ten years ago, former Cuban Trade Minister Marcelo Fernandez quoted the same figure to visiting business executives. U.S. policy makers ceased studying the Cuban economy in the early-1980s, thus there are no comparable U.S. estimates.

During the authors' interviews with key Cuban trade officials, the latter discussed specific products or services that could be traded, and disclosed for the first time some dollar estimates of future trade. What follows is an examination of their estimates of potential trade between the U.S. and Cuba.

U.S. Exports to Cuba

Grains and other Foodstuffs:

The Cuban empresa, ALIMPORT, controls the imports of grain and foodstuffs. Cuba imports a total of $500 million worth of grains per year, of which 50-60% is bought from Western nations.

Cuba imports 1.9 million tons of grain from the West worth approximately $200-250 million.

Cuban officials estimate that the U.S. could capture up to 40% of this market, or between $80-100 million per year.

An ALIMPORT official estimated that in the first year of U.S. exports to Cuba, the U.S. could sell: 40,000 tons of rice, 90-100,000 tons of corn, 400,000 tons of wheat, 60,000 tons of soy meal, 25,000 tons of sunflower meal and 40,000 tons of sunflower oil.

Of these products, rice and soybean meal are still imported in bags; corn and wheat are imported in bulk

Some of Cuba's trade in grain is conducted on a barter basis. The debt problems have caused ALIMPORT to keep its imports from the West at a level lower than average. Cuban officials recognized that Cuba's access to credit facilities must be considered in any commercial negotiations with the U.S.

Chemicals:

QUIMIPORT is in charge of importing chemical products including fertilizers, pesticides, chemicals for the rubber industry, pigments and dyes, and essential oils for the textile and hide industry.

QUIMIPORT imports $130-150 million per year of chemical products from the West; 65% of which are fertilizers and pesticides.

According to QUIMIPORT officials familiar with the U.S. market, the U.S. could provide 95% of Cuba's pesticide, herbicide and fungicide needs. This would involve 105 different products. The proximity, price and quality of U.S. products would make the U.S. extremely competitive in this market, the officials said.

Cuba is also interested in any possible joint ventures involving these products. For example, Cuba could buy chemicals from U.S. businesses, and process them in Cuban plants for domestic use and export. QUIMIPORT has calculated that they need, for example, two herbicide plants to meet domestic needs, and still have some product available for export.

Medicines and Medical Supplies:

Under the direction of the empresa, MEDICUBA, Cuba imports some 10,000 different products annually to meet Cuba's health and medical needs. Cuba buys approximately $180 million worth of medical supplies from the West. Cuban trade officials estimate that the U.S. could transact about $60 million in medical business with Cuba. The U.S. has a natural competitive edge over current Cuban suppliers because Cuba could save about 10% in transportation costs by importing from the U.S.

Of particular interest to the Cubans are: raw materials and chemicals, $60 million; chemical products; $10 million; and consumables; $50 million.

Beyond current Cuban expenditures in this area, Cuba plans to spend another $160-200 million to construct 40 new hospitals by the year 2000. Each 300-400 bed hospital will cost $4-5 million.

Metals:

Cuba imports about one million tons per year of steel plates, sheets, angles and bars under the direction of the empresa, CUBAMETALES.

Cuba annually buys $50-60 million in metal products from the West, and Cuban traders estimate that the U.S. could initially capture 20% of this market. Such trade would most likely involve sheets, plates, and technology.

U.S. Imports from Cuba

There are three major points that must be kept in mind when considering the potential for importing Cuban goods First, when the U.S. buys goods from Cuba, will allow Cuba to buy more from the U.S. Second, U.S. importers will find that some of Cuba's products are very attractive since transportation costs will be greatly reduced. Third, Cuban products may represent a totally new import opportunity for U.S. businesses.

Nickel:

Under the direction of the empresa CUBANIQUEL, Cuba exports 30-40% of its nickel to Western countries. Cuba currently mines and processes about 38-40,000 tons of nickel per year. However, they expect a significant increase in production from three main mines: 1) The mines at Nicaro and Moa, after final rehabilitation will produce 40-47,000 tons; 2) The mine at Punta Gorda is expected to be fully operational by 1992, producing an estimated 10,000 tons per line per year - or a potential of 30,000 tons of nickel, and 3) the mine at Camarioca is scheduled to begin operating in 1992 and will produce 30,000 tons of nickel per year. By 1992, Cuba will be mining and processing a total of 100-107,000 tons of nickel per year.

The U.S. currently imports almost all of its nickel, primarily from Canada, South Africa and Australia. Cuban trade officials estimate that at the price the U.S.

currently pays Canada for nickel, the U.S. could save between $500 and $800 per ton.

Fruits and Vegetables:

CUBAFRUTAS currently overseas the export of 500,000 tons of citrus products per year. Of this total, Cuba exports 30,000 tons of fresh fruit and 2-3000 tons of frozen concentrate to Europe and Japan.

Cuba plans to double its production of citrus within the next few years. The trees planted ten years ago will mature within two to four years and will yield added fruit for export.

U.S. citrus importers currently import 200-250,000 tons of concentrate from Brazil per year. Cuban traders estimate that U.S. importers of frozen concentrate could save $150 per ton of concentrate if they bought from Cuba. This is an aggregate savings of $34 million per year.

Cuba currently does not export a significant amount of fresh fruits and vegetables since these products do not travel well over the long distances to Europe and Asia.

If the embargo were lifted, however, Cuba officials said that they would be willing to devote more land to citrus production aimed specifically at the U.S. market. Cubans estimate that fruit and vegetable production yields 2 1/2 times what sugar yields in hard currency per hectare.

For U.S. importers, Cuba could essentially be an expanded East Coast supplier of such products as tomatoes, avocados, lettuce, green peppers, and sweet potatoes. Since Cuba's season begins two months earlier, it would allow U.S. suppliers to offer an additional two months a year to U.S. consumers.

Cuban officials expressed interest in joint ventures in this area as well.

Seafood:

Cuba is one of the world's largest suppliers of high-quality lobster and shrimp. In exchange for valuable foreign currency, the Cuban empresa CARIBEX, exports 100% of its product to Western markets. Cuba currently sells about 12,000 tons of lobster, 5,000 tons of shrimp, 1,000 tons of tuna and other quantities of hake, mackerel and red fish.

France and Canada purchase most of the lobster, while the shrimp is sold at high prices, primarily to Italy and Canada.

With demand for seafood increasing in the country, the U.S. could absorb whatever quantity Cuba could provide to the U.S. Additional imports would serve to reduce the price for consumers and benefit U.S. importers.

Sugar:

CUBAZUCAR markets Cuban sugar. Cuba has been producing approximately 7 million tons of sugar per year of which 5.5 million tons went to the Soviet Union, .7 to the domestic market, and the remaining was sold for hard currencyi. This production represents a shortfall from Cuba's goal of eight million tons per year. Cuba was hurt by Hurricane Kate in 1985 and the drought of 1986. These natural calamities produced losses of 1.2 million tons or 160 million pesos in convertible currency.

The amount of Cuban sugar sold on the world market averaged 2.1 million tons from 1979-1981, but has decreased since then to 1.7 million tons in 1985, 1.4 in 1986 and 1.0 million in 1987.

Cuban sugar dealers predict the U.S. will import no cane sugar within the next five years. U.S. quotas have dramatically decreased in the last few years because of the increase in the use of other sweeteners. U.S. refiners now refine raw sugar for export.

U.S. refiners buy raw sugar from domestic suppliers in Florida, Louisiana and Texas but the amount isn't sufficient to enable them to operate their plants at full capacity.

Cuban supplies would represent a marked savings in freight over current foreign suppliers who currently make up this shortfall. Freight from present Far Eastern suppliers to North America costs about $35 per ton to ship. Freight costs to transport Cuban raw sugar to New York is $12 per ton, which is a savings of $13 per ton or more than one cent per pound. Since the margin between raw and refined sugar is so low, any advantage is important.

Cuba could expects to be able to make available to U.S. refiners about 500,000 tons per year, which would save the U.S. refiners about $6.5 million.

Ten years ago, sugar trade was a highly charged political issue because sugar was tied up by U.S. quotas and because sugar involved the interests not only of domestic U.S. industry but of foreign governments as well. Because of the competing political forces, it would have been highly contentious for Cuban sugar to enter the U.S. in the 1970s. Settlement of this issue could have held up other trading possibilities.

This is no longer the case. Sugar may have been effectively removed as a political issue and in fact probably represents a product that would benefit the U.S. industry.

Tourism:

INTUR and CUBANACAN are Cuba's two empresas responsible for developing Cuba's tourist industry.

In 1987, 200,000 tourists visited Cuba, primarily from Canada, West Germany, Argentina, Brazil and Mexico.

In 1958, almost 230,000 tourists visited Cuba. But because they stayed for shorter periods of time than they do now, the number of tourist-days in 1987 actually is higher today than 1958.

During the 1960's, tourism was not a priority of the Cuban government . In the late 1970's when President Carter lifted travel restrictions, New York based Caribbean Holidays began weekly TWA flights to Cuba and in 1978, almost 10,000 U.S. tourists visited Cuba.

Most tourists who visit Cuba are middle-income. Since Cuba has no five star hotels, it has been unable until now to cater to wealthier tourists. Under the management of CUBANACAN, a state enterprise that functions with the autonomy of a private company, Cuba has initiated a major program to improve its tourist facilities.

Tourism officials say that by 1992, the number of rooms available to tourists will double to 20,000 to house one million guests annually.

Most importantly, 70% of this new construction will be contracted on a joint-venture basis. Such agreements have already been concluded with firms from Spain, Germany, Italy, France and Mexico. At the time of this writing, Cuba was expecting visits from companies from Canada, Japan and Austria.

Though the terms of the various joint ventures were not released, CUBANACAN did make available the pro-forma contract which contains provisions for 50-50 ownership of the property between the foreign investor and the Cuban state enterprise.

Architectural plans have been drawn up for new hotels throughout the country, though most of the new construction will be constructed at Varadero, Cuba's most celebrated beach. Although there are no existing figures for the total value of all new construction, Cuban officials indicate that the value of the joint venture project with the Spanish alone totaled $500 million of construction.

In addition to construction and management of new hotels, tourism also offers other commercial opportunities. Existing hotels are being renovated, and for this Cuba is buying machinery and spare parts from a variety of sources: air conditioning systems from Japan, Otis elevators, kitchen equipment and water systems from Mexico, and boilers from Argentina.

Cuban traders stated openly that they would prefer to import equipment from a single source to ensure compatibility. The United States, they said, is the logical place.

OTHER OPPORTUNITIES:

Because Cuba's trade apparatus has become more flexible over the past ten years, there are a variety of new opportunities for U.S. firms in Cuba. Two of these new areas are:

Electronics/Computers

Ten years ago there was virtually no computer industry in Cuba. Today, Cuba is developing a domestic market, and Cuban-made computers are found throughout the country.

Cuba has focused its computer technology on a wide range of software applications for medical applications, the sugar industry, pschological testing, and management and planning. Cuba also produces display screens, keyboards and chips for micro-computers.

Joint-ventures involving computer production have already been signed with firms from Brazil. Export agreements also were reached with companies in Mexico, Brazil, Argentina, Venezuela, Spain and Italy.

Export Zones

Cuban trade officials indicated a willingness to entertain proposals that would allow U.S. firms to assemble or manufacture items in Cuba for export. Essentially, Cuba might have an advantage over competing countries in East Asia and the Caribbean. Its centrally planned economy may allow it to set wage scales and other conditionss at levels more attractive to a foreign investor.

RESULTS OF THE U.S. EMBARGO AGAINST CUBA

The United States originally had four major objectives, mostly political, in imposing a full trade embargo against Cuba. They were to:

1) Destabilize and ultimately overthrow the Castro government;

2) Increase the cost of and ultimately break Soviet-Cuban relations;

3) Deprive the Cuban Government of hard currency earnings which Cuba could use to finance its foreign policy.

4) Retaliate for the nationalization of U.S. property.

The first objective - the overthrow of the Castro regime - was a policy goal of both the Eisenhower and Kennedy administrations. Toppling Castro was included on John Kennedy's 1960 Presidential campaign agenda. During a campaign debate with his opponent, Richard Nixon, Kennedy declared: "We must attempt to stengthen the non-Batista democratic anti-Castro forces in exile, and in Cuba itself who offer eventual hope of overthrowing Castro."

Because Cuba had extensive economic ties to the U.S. before the embargo, the Cuban economy was an obvious point of vulnerability for the new regime. Policy planners believed that economic hardship resulting from an embargo would foment enough internal dissent to lead to Castro's ouster.

A quarter century of trade embargo against Cuba has neither destroyed the Cuban economy nor toppled Castro. Rather than inciting internal dissent, the embargo has strengthened nationalist sentiments and provided a rallying point for the Cuban people against U.S. policy. Furthermore, it has provided Castro with a scapegoat for the economic troubles besetting his country.

Second, the Kennedy administration believed that if the economic embargo did not result in the overthrow of the Castro regime, at least it would make the Soviet-Cuban relationship as costly as possible thereby reducing incentives for cementing their friendship. Administration officials conceded that if the U.S. could not prevent the deepening of this relationship, at least it could punish the players.

The economic hardships endured by the Cubans were significant, but far from preventing the solidification of Soviet-Cuban ties, the U.S. embargo has locked Cuba more tightly into the Soviet Union's trade and assistance sphere.

The continued application of economic sanctions simply perpetuates Cuba's dependence on the Soviets. Lifting the embargo, in fact, could now accomplish the original reason for its installation. By offering the Cubans an alternative, Soviet-Cuban ties could be reduced.

Third, the U.S. instituted the embargo policy to deprive the Cuban government of hard currency earnings which, it argued, could be used to finance Cuba's "export of revolution."

The embargo never prevented the Cubans from carrying out support for revolutionary movements in Latin America. The early years of the embargo, 1963-1968, were the most difficult, but this was about the same period that Cuba was most active in supporting militant left wing groups in Latin America.

Today, the embargo has no influence in the Cuban government's decisions about its activities abroad. Since the U.S. has cut all significant economic ties with Cuba, it lacks leverage and inducements that trade partners normally have with one another. The embargo is counter-productive to U.S. policy goals because not only does the U.S. lack influence in Cuba, but finds itself now isolated in the hemisphere as almost all of its neighbors have normalized relations and begun trading with Cuba.

Fourth, the embargo initially was implemented to punish Cuba for nationalizing U.S. property, and to dissuade other countries from contemplating similar action. In the mid-1960's an amendment was added to the embargo laws that tied the lifting of the embargo to compensation for U.S. nationalized property.

Compensation has long been on the bilateral agenda between the U.S. and Cuba, and well it should be: U.S. citizens and companies who lost properties in Cuba should be compensated. However, compensation should be part of discussions on normalization and lifting the emargo. The Cubans do not have sufficient hard currency reserves to pay the compensation bill. Renewed trade with the U.S. could help Cuba earn the money that can be used to pay off the claims.

Furthermore, on numerous occasions, Cuba has expressed interest in discussing and resolving compensation with the U.S. Every other country that had claims against Cuba has already settled, and the U.S. has settled claims with other communist countries.

Not only is the embargo denying the U.S. claimants their lost assets, but it is also denying U.S. businessmen a growing market that is being divided among U.S western competitors.

None of the main objectives of the embargo has been achieved, and the point of diminishing returns arrived long ago. The embargo doesn't threaten Castro's stability or improve U.S. leverage against his government. Instead of preventing Soviet-Cuban ties, it has forced Cuba to depend solely on the Soviets. Finally, the embargo is not only an impediment to compensation of U.S. citizens who had property in Cuba, but it is denying the U.S. business community the right to compete in a natural market that is quickly being divided up among the U.S.'s primary trade competitors.

SOURCES

The following is a list of individuals and organizations who met with us, and assisted us, in the course of our research:

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Fidel Castro, President of Cuba
Manuel Davis, First Secretary, Cuban Interests Section
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APPENDIX A

TOTAL CUBAN FOREIGN TRADE, 1970-1986
(divided by Socialist and Market Economy Countries)

TOTAL CUBAN IMPORTS AND EXPORTS, 1986-1987
(By Area and Country)

TOTAL FOREIGN TRADE OF CUBA
SOCIALIST AND MARKET ECONOMY COUNTRIES

1970-1980
(In millions of pesos)

Year	1970	1975	1976	1978	1980
			SOCIALIST ECONOMY COUNTRIES		
Exports	$777	2002	2090	2916	2786
Imports	$917	1605	1864	2849	3613
Total	$1694	3607	3954	5765	6399
			MARKET ECONOMY COUNTRIES		
Exports	$224	771	457	365	553
Imports	$370	1299	1074	602	904
Total	$594	2070	1531	967	1457

TOTAL FOREIGN TRADE OF CUBA
SOCIALIST AND MARKET ECONOMY COUNTRIES

1981-1986
(in millions of pesos)

Year	1981	1983	1984	1985	1986
			SOCIALIST ECONOMY COUNTRIES		
Exports	3179	4765	4909	5332	4699
Imports	4114	5414	6072	6770	6412
Total	7293	10179	10981	12102	11111
			MARKET ECONOMY COUNTRIES		
Exports	557	485	377	493	463
Imports	922	630	874	911	886
Total	1479	1115	1251	1404	1349

Source: Anuario Estadistico de Cuba, 1986
Note: This does not represent total global trade of Cuba; Cuban trade with the developing world is not represented.

TOTAL CUBAN IMPORTS AND EXPORTS BY AREA AND COUNTRY
(in Millions of Pesos)

COUNTRY	EXPORTS		IMPORTS	
	1986	1987	1986	1987
Socialist Countries				
Albania	$4	3	5	3
Bulgaria	142.5	156	126	130
China	57	58	98	67
Czechoslovakia	97	117	112	138
German Dem. Rep.	199	242	185	202
Hungary	14	57	64	42
North Korea	9	15	7	8
Mongolia	1	1	1	.3
Poland	35	29	42	62
Romania	64	80	51	120
USSR	3435	3700	4003	3979
Viet Nam	3	5	11	11
Yugoslavia	0	2	22	11
SUBTOTAL	4060	4467	4729	4775
Market Economy Countries				
Argentina	14	4	126	99
Canada	30	28	44	12
Egypt	20	12		
France	34	35	45	30
West Germany	7	21	72	35
Italy	21	26	39	30
Japan	67	59	207	70
Mexico	1	1	20	38
Netherlands			16	10
Spain	57	54	103	103
Sweden	4	6	16	9
Switzerland	28	30	20	29
United Kingdom	11	8	68	52
Others	103	124	125	89
SUBTOTAL	418	427	901	607
TOTAL	4478	4895	5630	5382

Source: Cuba Quarterly Economic Report, June 1987, p. 23-24

APPENDIX B

U.S. SUBSIDIARY TRADE WITH CUBA

Summary of Licenses Issued for U.S. Foreign Subsidiary Trade with Cuba

U.S. Dollar Values of Licensed U.S. Subsidiary Transactions with Cuba

Itemized U.S. Dollar Values for Licensed Transactions with Cuba by U.S. Subsidiaries

Partial List of U.S. Companies that have Traveled to Cuba

A Sample License

A Partial List of U.S. Companies that have Received Licenses to Trade with Cuba

A List of Cuban Business Contacts

U.S. FOREIGN SUBSIDIARY TRADE WITH CUBA

FISCAL YEARS 1982 - 1987

TABLE I

SUMMARY OF LICENSED U.S. FOREIGN SUBSIDIARY TRADE WITH CUBA

A. APPLICATIONS	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987
1. Applications approved	163	164	243	245	247	198
2. Applications denied	0	7	2	1	0	2
3. Applications not acted upon	7	6	5	10	2	1
TOTAL APPLICATIONS	170	153	250	256	249	201

B. EXPORTS TO CUBA IN MILLIONS OF U.S. DOLLARS* AND AS A PERCENTAGE OF TOTAL TRADE

	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987
1. Grain, Wheat, and other consumables	$ 48 19 %	$ 55 39 %	$ 82 30 %	$ 109 38 %	$ 58 16 %	$ 54 22 %
2. Industrial and other non-consumables	$ 44 17 %	$ 32 23 %	$ 34 12 %	$ 53 18 %	$ 49 14 %	$ 75 31 %
Subtotal Exports	$ 92 36 %	$ 87 62 %	$ 116 42 %	$ 162 56 %	$ 99 30 %	$ 129 53 %

C. IMPORTS FROM CUBA IN MILLIONS OF U.S. DOLLARS* AND AS A PERCENTAGE OF TOTAL TRADE

	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987
1. Naphtha	$ 54 21 %	$ 28 20 %	$ 120 44 %	$ 35 12 %	$ 65 18 %	$ 33 14 %
2. Sugar	$ 105 42 %	$ 26 18 %	$ 39 14 %	$ 91 32 %	$ 181 52 %	$ 81 33 %
3. Tobacco	$ 0.7 0.2%	$ 0.4 0.3%	$ 0.2 0.07%	$ 0.2 0 %	$ 0.3 0 %	$ 0.2 0 %
4. Molassas	$ 1 0.4%	$ 0 0 %	$ 0 0 %	$ 0 0 %	$ 0 0 %	$ 0 0 %
5. Others	$ 0 0 %	$ 0.7 0.5%	$ 0 0 %	$ 0 0 %	$ 0 0 %	$ 0 0 %
Subtotal Imports	$ 161 64 %	$ 55 38 %	$ 159 58 %	$ 126 44 %	$ 254 70 %	$ 114 47 %

	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987
D. TOTAL EXPORTS & IMPORTS	$ 253	$ 142	$ 275	$ 288	$ 354	$ 243
PERCENT INCREASE (DECREASE)	21 %	(44) %	94 %	5 %	23 %	(31) %
E. EXPORT/IMPORT RATIO	36/64	62/38	42/58	56/44	30/70	53/47

SOURCE: U.S. TREASURY DEPARTMENT
Office of Foreign Assets Control
MAY ~~1987~~ 1988

*-Numbers are rounded. Items may not add to totals due to rounding.

TABLE II

U.S. DOLLAR VALUES OF LICENSED U.S. SUBSIDIARY TRANSACTIONS WITH CUBA
(IN MILLIONS OF DOLLARS*)

COUNTRY	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986	FIVE YEAR TOTAL	
Argentina	$22.00	$10.00	$12.00	$31.69	$22.35	$103.04	7
Australia	0.40	0	0	0	0	.40	
Austria	0.10	0	0	2.39	0	2.49	
Belgium	0.10	0.10	0.11	.36	.64	1.31	/
Bermuda	53.00	47.00	65.00	0	0	165.00	
Brazil	0	0	0.02	0	0	.02	
Canada	45.00	29.40	40.20	33.35	63.38	211.33	2l
Costa Rica	0	0	0.02	1.35	0	1.37	
Denmark	0	0.50	0	0	0	.50	
France	18.00	0.03	0.20	1.29	5.06	24.58	10
Italy	0	0	0	0	.67	.67	
Japan	0.10	0.10	0.09	0.08	.11	.48	0.
Mexico	0	0.70	0.73	9.50	4.98	15.91	3.
Netherlands	0.10	0.20	0.83	0.60	.87	2.60	(
Panama	1.00	0.50	25.00	0	0	26.50	(
Spain	6.00	4.00	5.00	7.59	10.93	22.59	9.
Sweden	0.20	0.10	0.26	5.73	.09	6.38	0.
Switzerland	0	17.00	82.03	63.30	76.34	238.77	56.
United Kingdom	107.00	31.00	43.08	130.47	168.54	480.09	108.
Venezuela	0	0.10	0	0	n	.10	14.
West Germany	0.50	0.60	1.00	1.02	.17	3.29	0.
TOTALS	$253.00	$142.00	$275.00	$288.72	$354.13	$1307.42	30(

n = Negligible (less than $ 10,000)
* = Numbers are rounded, therefore totals may not add.

SOURCE: TREASURY DEPARTMENT
Office of Foreign Assets Control
MAY ~~1987~~ 1988

TABLE III

ITEMIZED U.S. DOLLAR VALUE* FOR LICENSED IMPORT/EXPORT TRANSACTIONS WITH CUBA BY U.S. SUBSIDIARIES
(In millions of dollars)

COUNTRY	FY 1982			FY 1983			FY 1984			FY 1985			FY 1986			FY 1987		
	Cuban Imports	Cuban Exports CON.	N-CON.	Cuban Imports	Cuban Exports CON.	N-CON.	Cuban Imports	Cuban Exports CON.	N-CON.	Cuban Imports	Cuban Exports CON.	N-CON.	Cuban Imports	Cuban Exports CON.	N-CON.	Imp	Exp CON	
Argentina	0	4.00	18.00	0	0	10.00	0	9.00	3.00	0	21.70	9.99	0	8.92	13.42	62.5	10.5	
Australia	0	0	0.40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Austria	0	0	0.10	0	0	0	0	0	0	0	0	2.39	0	0	0	0	0	
Belgium	0	0	0.10	0	0	0.10	0	0	0.11	0	0.12	0.24	0	0.44	0.20	0	1.2	[illegible]
Bermuda	53.00	0	0	27.00	20.0	0	65.00	0	0	0	0	0	0	0	0	0	0	
Brazil	0	0	0	0	0	0	0	0	0.02	0	0	0	0	0	0	0	0	
Canada	1.00	29.00	15.00	0.40	16.0	13.00	0.20	21.00	19.00	0.16	15.69	17.49	16.23	37.00	10.15	0.2	14.5	
Costa Rica	0	0	0	0	0	0	0	0	0.02	0	0	1.35	0	0	0	0	0	
Denmark	0	0	0	0.50	0	0	0	0	0	0	0	0	0	0	0	0	0	[illegible]
France	0	17.00	1.00	0	0	0.03	0	0	0.20	0	0	1.29	0	0	5.06	0	0.24	[illegible]
Italy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.67	0	0	
Japan	0	0	0.10	0	0	0.10	0	0	0.09	0	0	0.08	0	0	0.11	0	0	[illegible]
Mexico	0	0	0	0	0	0.70	0	0	0.73	0	0	9.50	0	0	4.98	0	0	3
Netherlands	0	0	0.10	0.20	0	0	0	0.10	0.83	0	0.29	0.30	0	0	0.87	0	0	[illegible]
Panama	1.00	0	0	0	0.5	0	0	25.00	0	0	0	0	0	0	0	0	0	[illegible]
Spain	0	0	6.00	0	0	4.00	0	0	5.00	0	2.46	5.12	0	0.02	10.91	0	0.26	8
Sweden	0	0	0.20	0	0	0.10	0	0	0.26	0	2.46	3.27	0	0	0.09	0	0	0.
Switzerland	0	0	0	0	17.0	0	55.00	27.00	0.03	35.00	25.83	2.46	65.0	11.34	0	35.0	21.9	
United Kingdom	105.00	0	2.00	26.00	2.0	3.00	39.00	0.08	4.00	91.36	37.86	1.23	165.36	0.60	2.57	78.0	5.5	2
Venezuela	0	0	0	0	0	0.10	0	0	0	0	0	0	0	0	0	0	0	1
West Germany	0	0	0.50	0	0	0.60	0	0	1.00	0	0	1.02	0	0	0.17	0	0	[illegible]

* = Numbers rounded. Items may not add to totals due to rounding.
CON. = Consumable goods
N-CON. = Non-Consumable goods
n = Negligible

SOURCE: TREASURY DEPARTMENT
Office of Foreign Assets Control
MAY ~~1987~~ 1988

THE FOLLOWING COMPANIES HAVE TRAVELED TO CUBA (a partial listing)

A.E. Chew & Company
A.R. Wood Manufacturing
Abbott Laboratories
Agri-business Council
Alton Grain Equipment
Amax Nickel
American Cotton Yarn
American Express
American National Bank
Amigo Foods
Angel Photo Color Service
Arncam Shipping
Arthur Anderson & Company
Atlanta Chamber of Commerce
Bache Halsey Stuart Inc.
Badger Pan America
[illegible] of Newport
[illegible] Life Company
[illegible]reene Company
[illegible]tearns & Company
[illegible]ell & Howell
Bemis Company
Benheim-Blair & Affiliates
Benson Quinn Export Company
Berney Insurance Agency
Billy Graham Association
Blaesbierg Heavy Lift
Boeing
Borg-Warner
Boston Sausage & Provision
Bradley Construction
Brady-Hamilton Stevedore
Broeker-Hendrickson
Burdick Grain Company
Burroughs Corporation
C.B. Perkins Tobacco Company
CBS Records
CSL Industries
CWT Farms, Inc.
Cabot Corporation
California Stevedore & Ballast
Camp, Dresser & McKee
Carborundum Company
Cardiac Pacemakers
[illegible]aribbean Holidays
[illegible] Endowment
[illegible] Tractor
[illegible]a Company
[illegible]ssociates
[illegible] River Park
Chicago White Sox
Chrysalis Records
Clark Equipment
Clinical Medical Diagnostic
Clobar Manufacturing
Coca Cola
Consolidated Sewing Machines
Control Data
Crest Associates
[illegible] Electronics
[illegible]k-Delaware Company
[illegible] & Company
Designers Adcock & Stock
Dibert, Bancroft & Ross, Ltd.
Dooley Plastics
Eaton Corporation
Economic Systems Group
El Dorado International
Elektra/Asylum Records
Engelhard Minerals & Chemicals
Estates Securities
Exchange Bank
F. William Free & Company
Familian Realty Investment Corporation
First National Bank of Chicago
First National Bank of Minneapolis
Florida East Coast Railway
FMC Corporation
Fulton Iron Works
G.D. Searle International
Geer, Dubois, Inc.
Gelardin/Brumer/Cott Inc.
GEM Peerless Electrical Supply
General Dryer
General Electric
General Mills
Great Western United
H.B. Fuller Company
Help Wanted Advertising
Heublein, Inc.
Honeywell, Inc,
Hukuba-Cowdery
I.J. Enterprises
I.S Joseph Company
International Forest Products
International Harvester
International Minerals and Chemicals
Isham, Lincoln and Beale
J.I. Case Company
J.M. Brown Company
J. Meyer & Company
J.P. Company
James Corcoran Galleries
Jennie-O-Foods, Inc.
Kadison, Pfaelzer, Woodard, Quinn & Rossi
Karns & Karabian
Kato Equipment Company
Kelly Enterprises
Kirkwood, Kaplan, Russin & Vecchi
Koehring-BOMAG
Kohler International, Ltd.
Kwik-Way International
L.A. Rockler Fur Company
Lakeland Bean Company
La Preferida
Leep Homes
Lees-Carney
Leonard Jed Company
Lyon Associates
Lyon Food Products, Inc.
McDonnell-Douglas
M & C Caribbean Enterprises
Mackay Envelope Company
Maimin International
Manatt, Phelps, Rothenberg & Tunney
Massachusetts Lt. Governor
Massachusetts Office of Economic Affairs
MASSPORT
Mid America Committee
Mid-North America Import-Export Company
Midwest Federal Savings & Loan Association
Minneapolis Chamber of Commerce
Mize Corporation
Mohawk Bank and Trust
Motown Industries
National Patent Development Corporation
Newport Garden Center
New York Yankees
Nichols Engineering Corporation
North American Life and Casualty Corporation
Northrop King & Company
Northwest National Bank of Minneapolis
Northwest Orient Airlines
Norton International
Oak Farms, Inc.
Office of Boston Mayor Kevin White
O'Keefe Company
Oliver Berliner & Associates
Onan Corporation
Oona's
Paul Drew Enterprises
Peavey Company
Peter Condakes Company
Pillsbury Company
Precision Parts Exchange
Price Waterhouse
Products Supply Company
Prudential Insurance
R.B. Willson, Inc.
RCA Communications
Riviana Foods
Road Machinery Supplies
Robert A. Baldini
Royal Industries
Rudolph Beaver, Inc.
Sandorf Building Company
San Francisco Chamber of Commerce
Schouten International
Seatrain Lines
Security Pacific National Bank.
Shore Lobster & Shrimp
Spiro & Associates
Stanford Research Institute
Stolte Construction
Strachan Shipping Company
SuCrest Corporation
Suffolk Electric Company
Surrey, Karasik & Morse
Teledyne Energy Systems
Thomas P. Gonzalez Corporation
Tire Mart, Inc.
Tonka Corporation
Toro Company
Tower Corporation
Trailer Marine Transport
Transcontinental Fertilizer
TTT Ship Agencies
UOP, Inc.
USM Corporation
U.S. Import & Export
Uncle Ben's Food
Vanguard Advertising
Visa, U.S.A. Inc.
Washington Fish & Oyster Company
Weinstein International
Wickes Corporation
World Meat Exports
Worthington Pump, Inc.
Xerox
Yorkshire Trading Company
Ziegler Company

ALAMAR ASSOCIATES
Washington, D.C., 1979

C-10499

TREASURY DEPARTMENT
Foreign Assets Control

License No. ......

Date June 5, 1984

JUN 7 1984

LICENSE

(Granted under the authority of section 620(a), Public Law 87-195, and under the authority of section 5(b) of the Act of October 6, 1917, as amended, Executive Order No. 9193 of July 6, 1942, Executive Order No. 9989 of August 20, 1948, and Part 515 of Chapter V, Subtitle B of Title 31 of the Code of Federal Regulations)

To Beatrice Foods Co.
Two North LaSalle St.
Chicago, Illinois

Sirs:

1. Pursuant to your application of May 25, 1984, the following transaction is hereby licensed:

(SEE REVERSE SIDE)

2. This license is granted upon the statements and representations made in your application, or otherwise filed with or made to the Treasury Department as a supplement to your application, and is subject to the conditions, among others, that you will comply in all respects with all regulations, rulings, orders and instructions issued by the Secretary of the Treasury under the authority of section 620(a), Public Law 87-195, or under the authority of section 5(b) of the Act of October 6, 1917, as amended, and the terms of this license.

3. The licensee shall furnish and make available for inspection any relevant information, records or reports requested by the Secretary of the Treasury, the Federal Reserve Bank of New York, or any other duly authorized officer or agency.

4. This license expires November 30, 1984, is not transferable, is subject to the provisions of Part 515 of Chapter V, Subtitle B of Title 31 of the Code of Federal Regulations, and any regulations and rulings issued pursuant thereto and may be revoked or modified at any time in the discretion of the Secretary of the Treasury acting directly or through the agency through which the license was issued, or any other agency designated by the Secretary of the Treasury. If this license was issued as a result of willful misrepresentation on the part of the applicant or his duly authorized agent, it may, in the discretion of the Secretary of the Treasury, be declared void from the date of its issuance, or from any other date.

Issued by direction and on behalf of the Secretary of the Treasury:

FOREIGN ASSETS CONTROL
FEDERAL RESERVE BANK OF NEW YORK
By ......

per pro John P. Sullivan

Attention is directed to 19 USC § 1592 and § 1595a; 18 USC § 545; 18 USC § 1001; and 50 USC App. 5(b) for provisions relating to penalties.

U.S. GOVERNMENT PRINTING OFFICE

xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

Approved for the sale bv your subsidiary, Stahl Iberica,S.A., Parets, Spain of chemical coatings and finishes for leather covered by the four (4)firm orders described in your application, valued at about U.S. $ to Quimimport, Havana, Cuba.

This license does not authorize :

1) the use of any U.S. dollar accounts in this transaction;
2) the involvement of any person subject to U.S. jurisdiction (including Beatrice Foods Co.) except Stahl Iberica,S.A., Spain and its officers, directors and employees in this transaction;
3) the transportation of the licensed commodity aboard any vessel which is owned by, controled by, or under charter to any person subject to U.S. jurisdiction. This subparagraph does not preclude the U.S. affiliate licensed herein from booking space aboard a vessel , for transportation of the commodity, from persons who are not subject to the jurisdiction of the United States and are not designated nationals.
4) Any U.S. citizen or resident to travel to,from and within Cuba in connection with this transaction.

xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

List of Companies That Requested
Licences to Trade With Cuba
in FY 1984

Beatrice Foods Co.
Two North La Salle
Chicago, Illinois 60602
312/782-3820

Chemical coatings & Finishes for leather
Stahl Iberica S.A., Parets, Spain
to: QUIMIPORT

Black & Decker Manufacturing Co.
701 East Joppa Rd.
Towson, Maryland 21204
301/583-3900

Drills, Mexico
Black & Decker Industrial, S.A. de CV of Mexico
to: FERRIMPORT

BMC Industries, Inc.
1100 American National Bank
St. Paul, Minnesota 55101

spectacle lenses
Buckbee-Mears Europe GmbH, ("BME"), West Germany
to: MEDICUBA

Bonnie Bell
18519 Detroit Ave.
Lakewood, Ohio 44107

Cosmetics & toiletries
Bonnie Bell of Canada, Ltd., Ontario, Canada
to: CUBALSE

Cargill, Inc.
One Exchange Plaza, 14th Floor
New York, NY 10006

Wheat, Sunflower seed oil
Tradax Ocean Transportation S.A., Geneva, Switzerland
to: AL-IMPORT

Continental Grain
277 Park Ave.
New York, NY 10172

Corn from Argentina
Compania Continental, S.A., Argentina
to: ALIMPORT EMPRESSA CUBANA IMPORTATDORA DE ALIMENTOS

Cooper Industries, Inc.
P.O. Box 4446
Houston, Texas 77210
713/739-5400

rolled steal, sodderery stations/irons, oil guaging tapes, plumb bobs, electronic fittings
The Cooper Tool Group of Canada, Fudley & Venables Ltd., England, Bedford Steels, Ltd., England
to: FECUIMPORT, CONTRUIMPORT

Corning Class Works
Hougton Park
Corning, New York 14831

dinnerware & glass tumblers, Argentina
Rigolleau, S.A., Argentina
to: CONSUMIMPORT

Crane Co.
300 Park Ave.
New York, NY 10022

Cast steel/iron valves, British subsidiary, Crane Ltd., United Kingdom

Crane Co.
757 Third Avenue
New York, NY 10022
212/415-7300

Cast steel/iron valves,
Crane Ltd., United Kingdom
to: FERRIMPORT

Cummins Engine Co.
P.O. Box 3005
Columbus, Indiana 47202-3005
812/377-5000

model engines, spare parts, Mexico
DINA-CUMMINS, S.A., Mexico
to: CONSTRUIMPORT

Dow Chemical Co.
2030 Willard H. Dow Center
Midland, Michigan 48674
517/636-1000

Purchase of naptha by Swiss subsidiary
Dow Chemical Europe, S.A. Switzerland
to: DOW CHEMICAL NETHERLANDS, B.V. HOLLAND

Drew Chemical Corp.
One Drew Chemical Plaza
Boonton, NJ

Drew Chemical ltd., Canada
to: FLOTA CUBANA DE PESCA

E.I. DuPont de Nemours & Co.
1007 Market Street
Wilminton, DE 19898
302/774-1000

nylon yarn, polyethylene resin
DuPont de Nemours, Netherland, BV
to: QUIMIMPORT

Eli Lilly Company
307 East McCarthy Street
Indianapolis, Indiana

hard shell gelatin capsules, MediCuba
Elanco Industrial, S.A., Madrid, Spain
to: MEDICUBA

Emerson Electronic So.
8000 West Florissant Ave.
P.O. Box 4100
St. Louis, Missouri 63136
314/553-2000

ultrasonic transducer probes, cables & adapter plugs
Krautkramer, GmbH, West Germany
to: ENERGOIMPORT

Firestone Tire & Rubber Co.
1200 FireStone Parkway
Akron, Ohio 44317
216/379-7000

Tractor Tires
Firestone Canada, Inc. ("FCI"), Industria Firestone de Costa Rica, S.A.
to: TRANSIMPORT

General Motors Corp.
3044 West Grand Blvd.
Detroit, Mich. 48202
313/556-5000

4 door Sedan, Switzerland
General Moters Suisse, S.A.
to: PERMANENT MISSION TO CUBA AT THE UN IN GENEVA

Goodyear Tire & Rubber Co.
1144 East Market Street
Akron, Ohio 44316
216/796-2121

Truck tires, Canada
Goodyear Canada Inc., Canada
to: TRANSIMPORT

H.B. Fuller Co.
2400 Rasota Ave.
St. Paul, MN 55108

pressure sensitive hot melt adhesive
H.B. Fuller GmbJ, West Germany
to: MAPRINTER

Ingersoil Rand Co.
200 Chestnut Ridge Road
Woodcliff Lake, NJ 07675
201/573-0123

air compressors
Cia Ingersoll-Rand S.A., Madrid, Spain
to: MAQUIMPORT

Johnson Controls, Inc.
5757 North Green Bay Ave.
Milwaukee, Wisconsin 53209
414/228-1200

Sicol valves to Ferrimport
Johnson Controls, Ltd., United Kingdom
to:FERRIMPORT

Johnson & Johnson
One Johnson & Johnson Plaza
New Branswick, NJ 08933
201/524-0400

Nizoral 30 tablets 200 mg.@
Janssen Pharmaceutica, NV, Belgium
to: MEDICUBA

Joyce International, Inc.
135 Community Drive
Great Neck, NY 11021

The Lubrizol Corp.
29400 Lakeland Blvd.
Wickliffe, Ohio 44092
216/943-4200

additives for lubricating & fuel oils
Lubrizol of Canada, Ltd.
to: CUBA METALES

Masoneilan Division
McGraw-Edison, Co.
10077 Grogans Mill Rd.
The Woodlands, Texas 77380

control valves for food processing plant, fertilizer plant,
Masoneilan, S.A., Spain
to: MAQUIMPORT

Monsanto Company
800 North Lindbergh Blvd.
St. Louis, Missouri 63167
314/694-1000

acrylonitrile, butadiene, atryene
Monsanto, Canada, ("MOCAN")
to: QUIMPORT

Morton Thiokol, Inc.
110 North Wacker Dr.
Chicago, Illinois 60606-1560
312/807-2000

Cosmetics
William (Hounslow)Ltd., England
to: QUIMIMPORT

N. L. Industries
1230 Ave. of the Americas
New York, NY 10020

Titanium dioxide, Canada

N L Industries, Inc.
3000 North Belt
Houston, TX 77032
713/987-5900

NL Chem, Canada
to: MEDICUBA

Phibro - Saloman Inc.
1221 Ave. of the Americas
New York, NY 10020
Picker International, Inc.
595 Miner Rd.
Cleveland, Ohio 44143

replacement parts for medical X-ray diagnostic equipment
Picker International Canada, Int.
to: MEDICUBA

Relianee Electric Co.
29325 Chagrin Blvd.
Cleveland, Ohio 44122

electrical Switching equipment
Federal Pioneer, Ltd., Canada
to: CONSUMIMPORT

Rohm -& Haas Co
Independence Mall West
Philadelphia, PA 19105
215/592-3000

ion exchange resin
Duilite International S.A., France
to: MAPRINTER

Schlumberger Limited
277 Park Ave.
New York, NY 10172
212/350-9400

Electrical meter transformers
Samgamo, Canada
to: EMERGOIMPORT

Stanley Works
195 Lake Street
New Britain, Conn 06050
203/225-5111

agricultural tools
Herramientas Stanley S.A. de CV. Mexico
to: FERRIMPORT

Tenneco, Inc.
P.O. Box 2511
Houston, TX 77002
713/757-2131

Albrifilm LN England
Albright & Wilson, Ltd.(A&W), England
to: QUIMIMPORT

Union Camp Corporation
1600 Vally Road
Wayne, NJ 07470
201/628-2000

Cartonajes Union, S.A. ("CUSA"), Madrid, Spain
to: FLOTA CUBANA DE PESCA
Cardboard fish boxes

Union Carbide Corp.
39 Old Ridgbury Rd.
Danbury, Connecticut 06817

Dominion Viscose Products, Ltd., Union Carbide Canada
to: MAPRINTER

Union Carbide, Corp.
11 West 42nd Street
New York, NY 10036
203/794-2000

Dominion Viscose Products, Ltd., Union Carbide Canada
to: MAPRINTER

USM Corporation
426 Colt Highway
Farmington, CT

Texpm 480-2-0mm
Tucker Fasteners Ltd., United Kingdom, Texon GmbH, West Germany
to: CONSUMIMPORT, FERRIMPORT, CUBATEX

Worthington Pumps
Clinton & Roberts
Buffalo, NY

Spare parts for pump accessories
Worthington, S.A., Madrid, Spain
to: EMPRESA CUBANA IMPORTADORA DE BUQUES MERCANTES Y DE PESCA, ECAVEP TRACTOIMPORT

Worthington-Turbodyune
International Corp.
1701 Gulf Road
Rolling Meadows, Illinois

Spare parts for compressors for garages & workshops
Worthington Internacional Compressors, S.A., Madrid, Spain
to: TRANSIMPORT, CONSTRUIMPORT, CUBA EQUIPOS

Businesses Contacts

Jorge Brioso
Vice President
CUBA AZUCAR
No. 74971
Infanta No. 16
Havana, Cuba
Sugar

Ada Prado Brito
Assistant Managing Director
CUBATEX
P.O. Box 7115
23 No. 55
Havana, Cuba
Textiles

Benjamin Carballo
Director
CUREF
8 Street No. 508
Miramar
Havana, Cuba
Metal

Lic. Maria del Carmen Abarrategui
Vice President
CUBAEXPORT
55 - 23rd Street
Vedado, Havana, Cuba
P.O. Box 6719
Rum & tobacco

Leslie Edward
General Director
QUIMIMPORT
23 NRO.55
5 To Piso, Vedado
Havana, Cuba
Chemicals

Guatavo Gutierrez Fontecilla
Vice President
INSTITUTO NATIONAL de TURISMO
G Y Melecon
Havana, Cuba
Tourism

Walter S. Leo
President
CUBANIQUEL
Havana, Cuba
Nichel

Lic. Abraham Maciques Maciques
President
CUBANACAN, S. A.
Avda. 146, C/11-N. 1107 Playa
Aptdo Postal 16046 Zona 16
Havana, Cuba
Tourism

Lic. Lydia Olivera
Vice President
CUBA METALES
16 Infanta Street
Havana, Cuba
Metals

Ing. Francisco R. Padron Perez
Director General
CUBATABACO
O'reilly 104
Havana, Cuba
Tabaco

Lic. Martha Pampillo Cid
Jefe Dpto, Comercial
ALIMPORT
Infanta No. 16 3er Piso
Vedado
Havana, Cuba
Grains

Orlando Romero
Director General
MEDICUBA
P.O. Box 6772
1 Maximo Gomez Street
Havana, Cuba
Medicines & Medical Supply

Badih Saker Saker
President
ALIMPORT
Infanta No. 16 3er Piso
Vedado
Havana, Cuba
Grains

Pedro Suarez Gambe
General Manager
Exportadora del Carive
'CARIBEX'
Edif. 7, Barlovento
Havana, Cuba
Sea Food

APPENDIX C

LEGAL ASPECTS OF THE TRADE EMBARGO

A Chronology of the U.S. Trade Embargo

1988 Regulations on Trade with Cuba

Legal Aspects of the Trade Embargo

The U.S. embargo against Cuba began in 1960 when the U.S. limited imports of Cuban sugar, and underwent a series of changes until 1963 when a complete economic embargo against Cuba, under the Cuban Assets Control Regulations, was instituted. Since 1963, the regulations have been continuously revised.

Some of the changes in the embargo law since 1963 have clarified previous ambiguities. Other changes have intentionally modified the nature of the embargo, either making it more extreme, or easing restrictions on trade with Cuba. The U.S. has tried to prevent other countries from trading with Cuba by everything from "moral suasion" to black lists and threatening aid cut-offs. These attempts are reflected in the amendments to the embargo.

The most significant change in the embargo for U.S. businesses was in 1975. The regulations were amended so that the U.S. Treasury Department could grant licenses to U.S. subsidiary companies in third countries who wanted to trade with Cuba (see Appendix C for more information on Subsidiary trade with Cuba). Other modifications of the embargo reflect changes in different administration's policy toward Cuba. For example, in the late 1970's the Carter Administration relaxed travel restrictions on U.S. citizens going to Cuba. President Reagan reversed that.

What follows below is a chronology of the evolution of the U.S. embargo against Cuba. Analyses of the changes in the regulations are included in italics. The most updated edition of the Cuban Assets Control Regulations, reflecting all the changes in the laws since 1963 is included, in full, at the end. The chronology was produced primarily from Treasury Department sources, though where secondary sources were used, they are cidited. A bibiliography follows the chronology.

CHRONOLOGY

1960

February, 1960: Soviet Deputy Prime Minister Anastas Mikoyan visited Cuba and signed a trade agreement in which the Soviet Union committed itself to purchase five million tons of sugar over a five-year period; to supply Cuba with crude oil and petroleum products, as well as with wheat, iron, fertilizers and machinery; to provide Cuba with a $100 million credit at 2.5% interest.

June, 1960: The Texaco Oil Corporation and subsequently, Esso and Shell, refused to process oil in their Cuban refineries because the Cubans had begun to obtain oil from the Soviet Union. The U.S. companies, under U.S. pressure, were refusing to sell fuel to Cuba.

June 29, 1960: Cuba nationalized the Texaco refinery.

July 1, 1960: Cuba nationalized the Esso and Shell refineries.

July 5, 1960: The Cuban Government nationalized all U.S. business and commercial property in Cuba.

July 6, 1960: Presidential Proclamation 3355 was issued under the authority conferred on the President by Section 408 of the 1948 Sugar Act, as amended July 6, 1960 by Public Law 86-592. The amended legislation provides that the President shall determine, notwithstanding any other provision of the Sugar Act, the quota for Cuba for the balance of calender year 1960 and for the three month period ending March 31, 1961, "in such amount or amounts as he shall find from time to time to be in the national interest."

President Eisenhower cancelled 700,000 tons of sugar remaining in Cuba's 1960 quota. Eisenhower stated that "... this action amounts to economic sanctions against Cuba. Now we must look to other moves -- economic, diplomatic, and strategic." The Soviet Union announced it would buy the 700,000 tons of sugar cut by the U.S.

August, 1960: A special meeting of the Organization of American States was convened in San Jose, Costa Rica by U.S. Ambassador Christian Herter who sought to persuade the conference to condemn Cuba for endangering the hemisphere. The U.S., however, was unsuccessful in condemning Castro or Cuba, and a much watered down resolution was passed which condemned all intervention in the Americas by non-American States.

October 13, 1960: President Eisenhower declared a partial embargo prohibiting exports to Cuba except for the non-subsidized foodstuffs and medicines. Cuba proceeded to socialize wholesale and retail trade that had been U.S.-owned and also socialized Cuban-owned businesses.

October 14, 1960: The Second Cuban Urban Reform Law went into effect, which led to another round of nationalizations of U.S.-owned rental properties.

December 16, 1960: Following Presidential Proclamation 3383, again under the authority of the amended Sugar Act of 1948, the U.S. Government suspended the Cuban sugar quota for the first three months of 1961.

1961

January 3, 1961: The U.S. Government broke diplomatic and consular relations with the Cuban Government.

March 31, 1961: Presidential Proclamation 3401 was issued under the authority of the 1948 Sugar Act, suspending the Cuban sugar quota for all of 1961.

September, 1961: The U.S. Congress prohibited all assistance to the Cuban Government and authorized the President to establish and maintain a blockade on all commerce between the U.S. and Cuba. Legislation allowing such an action was included in section 620(a) of the Foreign Assistance Act:

The Foreign Assistance Act of 1961 (FAA), Section 620 (a) provides: "No assistance shall be furnished under this chapter to the present government of Cuba. As an additional means of implementing and carrying into effect the policy of the preceding sentence, the President is authorized to establish and maintain a total embargo upon all trade between the U.S. and Cuba."

December 1, 1961: Following Presidential Proclamation 3440, the U.S. suspended the Cuban sugar quota until June 30, 1962.

1962

January, 1962: The OAS convened in Punta del Este, Uruguay for their Eighth conference. Cuba was excluded from the OAS, and an arms embargo against Cuba was imposed.

February 3, 1962: President Kennedy signed proclamation No. 3447, acting under the authority of 620 (a)(1) of the Foreign Assistance Act (FAA) of 1961. Proclamation 3447 embargoed all trade with Cuba, except for the non-subsidized sale of foods and medicines. The embargo would go into effect at 12:01 a.m. on February 7, 1962. The Secretary of Treasury was authorized to carry out trade prohibitions on Cuban imports. The Secretary of Commerce was authorized to carry out prohibitions of U.S. exports to Cuba under the Export Control Act of 1949 as amended, although prohibition on exports were already in effect.

The President could unilaterally remove the embargo under the same provision, but he would have to determine that such action is "necessary . . . in the interest of the U.S." under section 620 (a)(2) of the FAA of 1961. Unless the President makes this determination, and Cuba has not made compensation for expropriated property, no benefit may be provided to Cuba. If the President does make this determination, he would have the Secretary of Treasury rescind the Cuban Import Regulations under section

5(b) of the Trading with the Enemy Act of 1917. The President would also have the Secretary of Commerce amend the Export Adminstration Regulations and put most exports to Cuba under general license. The Export Administration Regulations denied U.S. vessels the right to carry American goods to Cuba. Furthermore, no U.S. vessel could carry non-American goods to Cuba or even touch a Cuban port.

February 6, 1962: The Treasury Department promulgated the Cuban Import Regulations. These prohibited imports into the United States of all goods of Cuban origin such as sugar and tobacco. Later, in 1963, the regulations were later replaced by the Cuban Assets Control Regulations.

March 23, 1962: Section 5(b) of the 1917 Trading with the Enemy Act was amended to prohibit the importation of any product fabricated completely, or in part, from Cuban materials, even if manufactured in other countries. So, for example, cigars manufactured in Holland, in whole or in part with Cuban tobacco, would be barred.

This effectively limited any attempt to import Cuban goods from third countries and denied the U.S. the opportunity to import goods that contained anything originating in Cuba.

May, 1962: The U.S. Treasury Department promulgated Treasury Order 55638 under the authority of Section 401 of the 1962 Tariff Classification Act and the 1951 Trade Agreement Expansion Act, as modified by the Trade Expansion Act of 1962. The new order unilaterally rescinded Cuba's "Most Favored Nation" status and the preference formerly accorded it under the GATT agreement, to which both countries were signatories.

September, 1962: The U.S. Government announced that all ships involved in trade with Cuba, no matter what their country of registry, would be "black-listed" and prohibited from entering U.S. ports.

1962: The U.S. prohibited assistance to any country which furnished assistance to Cuba (Public Law 187-565, 301 (d). Specifically, U.S. assistance was prohibited to any country which sold, furnished or permitted ships and aircraft under its registry to carry to Cuba items on two lists adopted under the Mutual Defense Assistance Act of 1951, known as the Battle Act. One list contained arms, ammunitions, implements of war, and atomic energy materials; the second contained strategic materials such as petroleum, transportation materials of strategic value, and components used in the production of arms.

1963

February, 1963: The United States tried to prohibit government-owned or government-financed cargoes of other countries to be transported by ships carrying cargoes to Cuba. Each month a blacklist of affected ships was published. The U.S. was ineffective in its attempt to impose its policies on third countries via aid cut-offs.

July 8, 1963: The Cuban Assets Control Regulations, which were issued on June 3, 1963, were approved. They revoked the Cuban Import Regulations of February 6, 1962. Essentially parallel to the Foreign Assets Control

Regulations, they 1) prohibited all transactions carried out by the Cuban Government, its representatives or citizens; 2) blocked any individual, partnership or other group of individuals from making transfers of payment or credit, conducting foreign exchange transactions, or importing or exporting money, gold, silver or any other precious metals between the U.S. and Cuba; 3) prohibited persons subject to U.S. jurisdiction from engaging in unlicensed financial or commercial transaction of any kind with Cuba or nationals thereof; 4) blocked all assets in the U.S. belonging to Cuba or Cuban nationals; 5) prevented travel to, from and within Cuba except where specific licenses were granted; and, 6) prohibited imports of Cuban goods.

The Cuban Assets Control Regulations differ from the Foreign Assets Control Regulations in that they contain a general license (section 515.541) which authorized transactions incident to the conduct of business abroad by non-banking entities, organized and doing business under the laws of any country in "the authorized trade territory." As a practical restraint on such trade, the Treasury Department applied, from the outset, a so-called "moral suasion" policy to discourage U.S. parent companies from permitting their foreign subsidiaries from trade with Cuba. Furthermore, U.S. citizens who were officers or directors of such firms were prohibited from any participation or involvement in such transactions.

The Cuban Assets Control Regulations were issued because the statutory basis for the Cuban Import Regulations was narrow. It was limited to trade between the U.S. and Cuba. Thus, it did not deal with imports of Cuban goods or goods that contained Cuban materials from third countries, nor did it prevent Americans or American-owned subsidiaries in foreign countries from trading with Cuba. (Treasury Department Analysis)

The development of the new regulations also stemmed from the fact that the United States had difficulties in its relations with some foreign countries because they disliked the application of U.S. regulations to subsidiary firms in their countries. According to Stanley Sommerfield, past director of Foreign Assets Control Board: "The U.S. has been quite successful so far in persuading American parent firms to take steps on a voluntary basis to ensure that their foreign affiliates did not trade with Cuba . . . therefore it was felt that it would only aggrevate our foreign policy problems to exercise a regulatory control over such firms . . . If it develops that a substantial amount of trade is being conducted by subsidiaries with Cuba (and constant checks are being made on this point) then the exemption will be reconsidered." (Sommerfield, p. 868)

In fact, this regulation went unchanged until 1975 when the general license authorizing affiliate trade with Cuba was revoked along with the provision prohibiting the involvement of U.S. officers and directors in such trade. In their place, a new and more liberal section was added, which provides that specific licenses are to be issued for certain categories of transaction between U.S.-owned or controlled firms in third countries and Cuba when such transactions are favored or required by local law or policy in the third country. (Surrey and Wallace, p. 276)

A State Department press release stated that the action was in accordance with a July 3, 1963 resolution of the OAS and consistent with the resolutions to counter subversive activities which were adopted April 4, 1963 in Managua, Nicaragua by the Governments of the Central American Republics, Panama and the United States.

1964

February, 1964: The U.S. Department of Commerce eliminated butter from the scanty list of U.S. products Cuba was still allowed to purchase.

1964: All members of the OAS were called upon to prohibit trade with Cuba, which made the ban on U.S. trade with Cuba nearly complete.

1964: The Cuban Assets Control Regulations were ammended by the addition of two new sections, 515.607 and 515.608, to provide for the taking of a census of Cuban-blocked assets in the U.S.

1965

1965: The Cuban Assets Control Regulations were amended by the addition of section 515.536 and revision of existing section 515.808. Section 515.536 authorized certain customs transactions with respect to merchandise whose importation was prohibited under section 515.204 of the Regulations. The purpose of the revision of section 515.808 was to authorize Customs procedures with respect to merchandise prohibited from import under 515.204 and to make it harmonious with 515.536.

1966

1966: Section 515.322 of the Cuban Assets Control Regulations was revised in view of the separation of Singapore from Malaysia and Singapore was added to the list of countries included in the category "authorized trade area."

1967

1967: The Cuban Assets Control Regulations were amended by the revision of sections 515.508, 515.515, 515.803 and 515.804, and by the addition of section 515.809. Sections 515.508 and 515.515 were revised to authorize payments or transfers of credit or securities from any blocked account to another blocked account under certain conditions. Section 515.803 was revised to make it clear that a decision by the Office of Foreign Assets Control constituted final agency action under the Regulations. Section 515.804 was revised to make clear in the description of applicable procedures the fact that reports were required to be filed in certain circumstances. Section 515.809 added provisions regarding disclosure of records contained in 31 CFR, part 1.

1969

1969: Sections 515.607 and 515.608, which deal with the census of Cuban assets in the U.S., were revoked.

1974

1974: The Cuban Assets Control Regulations were amended by the addition of sections 515.410 through 515.414, and 515.543 through 515.558.

Section 515.410 added an interpretation to section 515.411 that prohibited, unless licensed, U.S. persons from dealing abroad in merchandise of Cuban origin.

Section 515.411 added an interpretation that heirs, legatees, etc., are excluded from the section 515.518 authorization for debits to blocked accounts for certain personal expenditures.

Section 515.412 added an interpretation that the section 515.541 license for U.S.-owned foreign firms did not extend to U.S. citizens who were officers and directors of such foreign firms.

Section 515.413 added the interpretation with regard to furnishing technical advice to American-owned foreign firms.

Section 515.514 added a new interpretation that section 515.541 applied to foreign branches of U.S. firms.

Section 515.543 provided for issuance of specific import licenses upon satisfactory proof that the goods to be imported were out of Cuba prior to July 8, 1963.

Section 515.544 provided for issuance of specific licenses for goods of Cuban origin sent as gifts to persons in the U.S. under specified conditions.

Section 515.545 provided for issuance of specific licenses under certain conditions for import of books, film and tapes of Cuban origin.

Section 515.546 licenses imports of news materials from Cuba under specified conditions.

Section 515.547 provided for issuance of specific licenses for import of research samples.

Section 515.548 provided for issuance of specific licenses for payment to Cuba for overflights and emergency landings.

Section 515.549 provided for issuance of specific unblocking licenses of non-Cuban citizens who were in Cuba on or after July 8, 1963 (but not currently).

Section 515.550 provided for issuance of specific unblocking licenses for up to 50 % of joint accounts, representing the interests of non-blocked surviving spouses.

Section 515.551 provided for issuance of specific licenses unblocking joint accounts in certain situations.

Section 515.552 provided for issuance of specific licenses unblocking portions of insurance proceeds in certain situations.

Section 515.553 provided for issuance of specific licenses for repayment from accounts of official representatives in Cuba of foreign governments.

Section 515.554 provided for issuance of specific licenses authorizing transfers of abandoned property under state laws.

Section 515.555 provided for issuance of specific licenses unblocking assets of Cuban corporations wholly or substantially owned by U.S. citizens.

Section 515.556 licenses payment of $100 per month from blocked accounts of Cuban citizens outside Cuba for living expenses.

Section 515.557 provided for issuance of specific licenses unblocking accounts of Cuban partnerships where partners had emigrated from Cuba to the U.S. or to a country in the authorized trade territory.

Section 515.558 provided for issuance of specific licenses unblocking accounts of Cuban sole proprietorships where the proprietor had emigrated from Cuba to the U.S. or to a country in the authorized trade territory.

1974: Title IV of the Trade Act of 1974 authorizes the President to extend the column 1 rates of duty -- Most Favored Nation treatment -- to any communist country. He must first find that Cuba allows free emigration, and Cuba would have to grant the U.S. some commercial benefits as well (Section 405 (b) of the Trade Act of 1974). Section 402 of the Trade Act of 1974 prohibits the Export-Import Bank from extending credits to Cuba unless the President determines that Cuba grants its citizens the right of free emigration.

1975

May, 1975: Following a trip to Cuba, Senator George McGovern called for a lifting of the embargo.

June, 1975: Assistant Secretary of State for Inter-American Affairs, William D. Rogers, defended the embargo before the House Committee on International Relations by pointing out its multilateral origin in the OAS and stressing the need for the U.S. to work with a consensus of Latin American nations.

July 29, 1975: The Organ of Consultation of the OAS, acting under the Rio Mutual Defense Treaty, adopted a resolution which allowed each signatory country to determine for itself the nature of its economic and diplomatic relations with Cuba. This allowed the U.S. to modify its policy toward subsidiaries without losing face diplomatically. When the U.S. announced the new regulations allowing subsidiary trade, it said it was abiding by the dictates of the OAS pronouncement.

August 21, 1975: The State Department announced that Sections 515.512 and 515.541 were removed from the Cuban Assets Control Regulations and a new section 515.559 was added. The new section, 515.559, entitled "Transactions by American-owned or controlled foreign firms with Cuba," states, "Specific licenses will be issued in appropriate cases for certain categories of transactions between U.S.-owned or controlled firms in third countries and Cuba, where local law requires, or policy in the third country favors trade with Cuba." In other words, U.S. subsidiary trade was now permitted.

In order to obtain a specific license to export goods from a third country to Cuba, the goods must be produced in the third country; they must be non-strategic in nature; and, no technical data of U.S. origin, other than service and operation data, may be transferred. Furthermore, the export transactions may not involve any U.S. dollar accounts, or financing provided by a U.S.-owned or controlled firm, except for normal short-term financing. Finally, since the regulations applied to "any person subject to the jurisdiction of the United States," American directors of a subsidiary were precluded from dealing with Cuba, even if the subsidiary itself was free to do so. (Surrey and Wallace, p. 277)

While a Commerce Department license was still required for items containing U.S. origin parts or components, all other trade between American foreign subsidiaries and Cuba could proceed with only a Treasury Department license.

The new regulations also permit Cuban goods to be imported by American subsidiaries, provided that the U.S. firm be located in a third country.

Thus, U.S.-controlled subsidiaries abroad may export to Cuba if the good is not strategic, has a modest amount of U.S. content, and contains no U.S. technology. If the export involves travel to Cuba, substantial U.S. content or inappropriate financing, it is unlikely that the export would be approved by the U.S. Government.

The impetus for the passage of the new regulations came from two sources: (1) the difficult position of U.S. subsidiaries doing business in third party host countries whose laws permitted such concerns to trade with Cuba; and, (2) a gradual thawing of relations with Cuba itself, leading to political maneuvers setting the stage for eventual direct trade.

There has been little litigation enforcing the policies of the Cuban embargo; the Treasury Department has generally enforced the Trading with the Enemy Act in an informal, non-judicial manner. The Treasury Department has not relied on formal proceedings against the U.S. parent corporations to control the putative violations of their foreign subsidiaries. Treasury has achieved considerable success in controlling the actions of subsidiaries by indirect means and administrative procedures. For example, Treasury has threatened adverse publicity against the parent in the U.S. The parent companies would prefer that the American public not know that its foreign subsidiary is trading with Cuba. Treasury has threatened future difficulties in securing governmental contracts. Using informal methods, Treasury has kept enforcement procedures within U.S. borders thus preventing "the highly visible and assuredly antagonistic spectacle *of a foreign corporation dealing directly with the U.S. Government in order to carry on its export business." (International Journal of Georgetown University Law Center p. 1007-1017)*

August 29, 1975: The Commerce Department announced a revision of its bunkering regulations to permit general license bunkering of third world country ships engaged in Cuban trade. Bunkers, however, were denied to vessels registered in, owned or controlled by, or under charter lease to Cuba or a Cuban national.

October, 1975: The Office of Foreign Assets Control of the Treasury Department issued amendments to the regulations which in effect transferred the responsibility for compliance from individual officers and directors of the foreign based affiliates to the affiliates themselves.

1977

1977: Section 515.546(b) of the regulations (which provided for news-gathering in Cuba by journalists) was removed because it was no longer necessary in view of new section 515.560. Section 515.559 was revised to delete a provision requiring the affiliate firm to be in the importing or exporting country; and, new sections 515.560, 515.561 and 515.562 were added to the regulations.

515.560 was a general license authorizing certain transactions incident to travel to and within Cuba. Under the new section, persons who visited Cuba were authorized to pay for their transportation and maintenance expenditures (meals, hotel bills, taxis, etc.) while in Cuba, and to buy up to $100 of Cuban goods for personal use or resale, which could be brought back with the visitor to the United States. This amendment constituted a relaxation of existing restrictions with regard to travel transactions involving Cuba or nationals thereof.

New Section 515.561 authorized payment or reimbursement by U.S.-owned or controlled foreign firms for expenditures incidental to travel to Cuba by foreign national employees.

New Section 515.562 authorized American-owned or controlled foreign firms to bunker and supply Cuban vessels and aircraft.

1978

1978: The citation of authority for the 1977 bunker provision was revised and section 515.561 was redesignated as section 515.562. New sections 515.563 and 515.564 and 515.565 were added to the Cuban Assets Control Regulations. Section 515.322 was revised.

New section 515.563 authorized quarterly remittance to Cuba of funds (not from blocked accounts) for family-support purposes.

New section 515.564 authorized certain transactions incident to travel to, from and within the United States by Cuban nationals holding U.S. visas. It also permitted U.S. persons, such as travel agents or sponsors of exhibitions or performances, to arrange or assist in transactions by or on behalf of such Cuban nationals incident to this authorized travel.

New section 515.565 provided for issuance of specific licenses authorizing certain transactions in connection with public exhibitions or performances in the United States by visiting Cuban nationals.

Section 515.322 was amended to update the list of countries in the authorized trade territory.

1979

1979: Sections 515.322 and 515.563 of the Cuban Assets Control Regulations were amended to revise citations of authorities. New sections 515.205 and 515.611 were added to the regulations.

New section 515.205 was added to impose an interest payment requirement on holders of certains types of blocked Cuban property. (This provision, designed to forestall the diminution in the value of blocked assets through inflation, was controversial, but it was not challenged as exceeding Treasury authority.)

New section 515.611 required persons subject to 515.205 to make a report, on a one-time basis, of such assets, but the report form was never issued and the reporting requirement was not implemented.

1980

1980: Section 515.542 of the Cuban Assets Control Regulations was amended and new section 515.415 was added to the regulations.

Section 515.542 was expanded to authorize transactions incidental to satellite communications between the United States and Cuba for purposes of news coverage. The 1980 amendment also indicated that specific licenses could be issued on a case-by-case basis for transactions incidental to other communications activities, such as the provision of telephone and telegraph services between the U.S. and Cuba.

New interpretation section 515.415 was added to make clear the applicability of section 515.201 prohibitions to transportation of certain undocumented Cubans to the United States.

The amendment was in response to the "Mariel boatlift," in which Cuba opened its port of Mariel and allowed 100,000 Cubans to enter the United States.

1982

April 19 & July 22, 1982: Section 515.560, dealing with Cuban travel was amended, and a minor amendment was made to section 515.536.

As amended, the general authorizations contained in section 515.560 were limited to persons engaged in official travel, visits to close relatives, and travel related to news-gathering or professional research or similar activities. As amended, the section provided that specific licenses could be granted in appropriate cases for humanitarian reasons or for purposes of public performances in Cuba in connection with cultural or sports-related activities.

The purpose of the amendment of April 19 was to reduce Cuba's hard currency earnings from U.S. business and tourist transactions by removing the general license for them.

The purpose of the July 22 amendment to section 515.560 was to explain and clarify the meaning of "professional research" and "similar activities," and to expand the meaning of "close relatives," to set forth a specific licensing policy concerning certain meetings scheduled to be held in Cuba before the end of 1982, and to authorize travel transactions in connection with hosted or sponsored travel that convey no economic benefit to Cuba.

Section 515.536 was amended to provide that a certificate of non-Cuban origin is required to refer to the Cuban Assets Control Regulations or to state that it was issued under the procedures agreed upon with the United States Government.

1985

1985: Section 7(g) of the Export Administration Amendments Act of 1985, 50 USC App 2406(g) provided that the authority to impose export controls for short supply purposes "shall not be exercised with respect to any agricultural commodity, including fats and oils or animal hides or skins, without approval of the Secretary of Agriculture."

December 10, 1986: The Cuban Assets Control Office issued a "partial listing of persons and firms who are specially designated nationals under the Treasury Department's Foreign Assets Control Regulations."

The purpose of this listing was to curtail trade conducted by individuals or firms who are acting as front organizations for the countries under embargo. The list contained 167 specially designated nationals of Cuba, one designated national of Cambodia, and no designated nationals of North Korea or Vietnam.

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