

# To trade or not to trade?

*States take the lead  
on trade with Cuba*

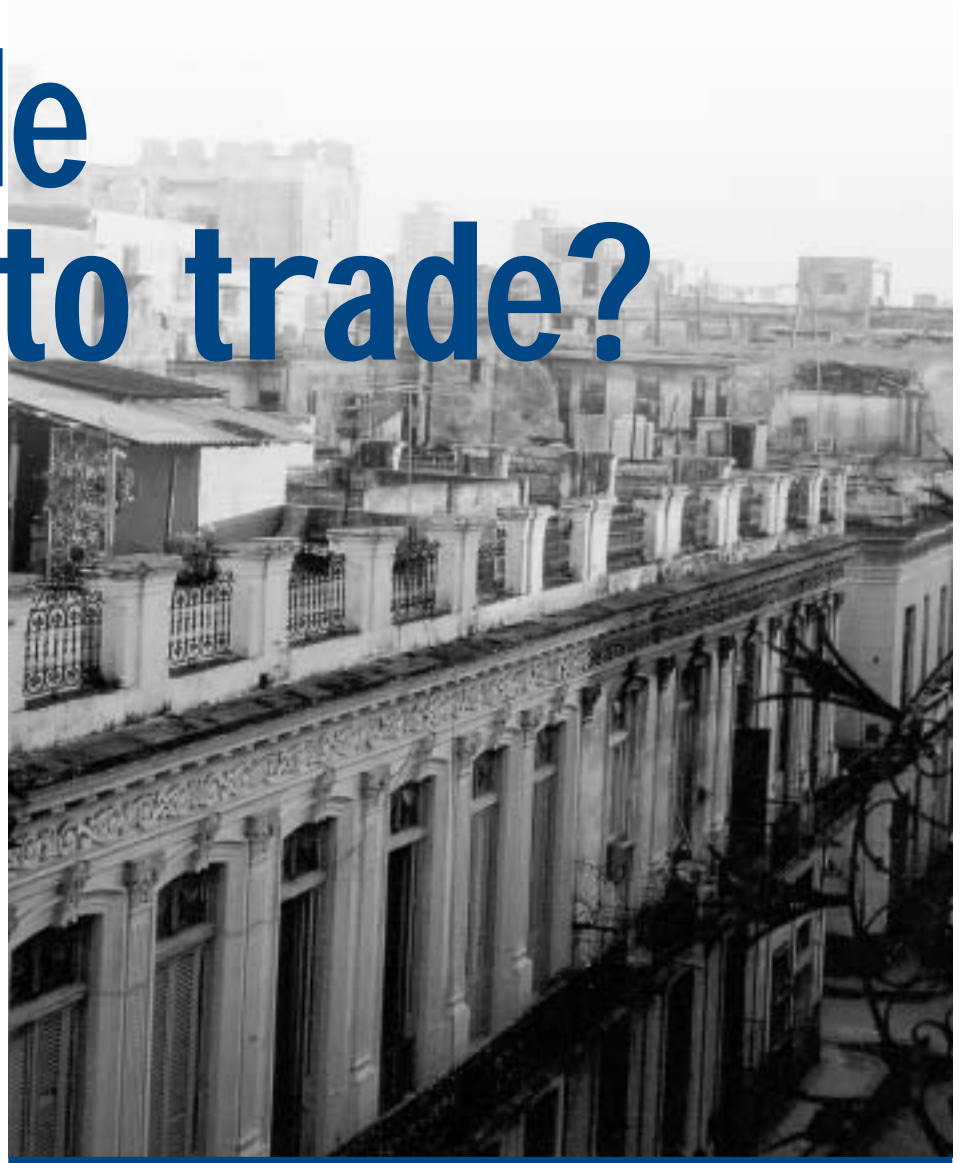
BY DR. CAROLYN ORR

**A**mericans have not traded directly with Cuba's 11 million inhabitants in 40 years. But U.S. policy regarding the island continues to be controversial. Recently, a growing number of state government officials have added their voices to those of advocates calling for expanded U.S.-Cuban trade.

## Ready, set, trade!

Elected state officials have made sporadic visits to Cuba during the last year. In September 2002, however, attendance at the first Food and Agribusiness Exhibition in Havana made it obvious that many state officials have decided Cuba is a viable marketplace for their products. Gov. Jesse Ventura of Minnesota, Lt. Gov. Jack Dalrymple of North Dakota and agricultural commissioners from seven states attended the exhibition, along with representatives of 285 companies from 33 states. Sales of U.S. agricultural products during the show amounted to over \$80 million. The event created significant public interest – especially the arrival of buffalo, cattle and sheep from Minnesota and the on-site production of California Raisin Havana Club Rum Ice Cream!

For Georgia Commissioner of Agriculture Tommy Irvin, the exhibition was “the culmination of more than two years of effort toward opening Cuban-American trade.” Similarly, Gene Hugoson, Minnesota’s commissioner of



*State officials visited Havana in September for the first U.S. Food and Agribusiness Exhibition.*

agriculture, said his state’s administration “is very interested in pursuing a realistic trade policy with Cuba. Hopefully, with continued prodding by those states that realize the value of such trade, the antiquated federal policy will change,” he added.

A partial U.S. trade embargo began in 1960 with Fidel Castro’s rise to power, and it escalated into a complete trade embargo and travel ban after the expropriation of American assets and the 1962 Cuban Missile Crisis. American products often made their way to the island through third-party vendors in Panama and Canada, but even foreign subsidiaries of U.S. companies were prohibited from doing business with Cuba.

For many years, Cuba was one of

Russia’s staunchest allies and greatest trading partners. The collapse of communism and the Soviet Union, however, left Cuba without support or a marketplace for many of its goods. Remaining true to Castro’s communist policies without the Soviet Union’s support meant that the government had to find new import and export markets and learn to live without billions in Soviet subsidies.

Trade with Cuba is controversial, and American policies have changed several times over the years. The Trade Sanctions Reform and Export Enhancement Act of 2000 reauthorized direct, cash-only export of agricultural products, art and medical equipment and supplies from the United States to Cuba. However, Castro was outraged that goods had to be bought with

cash, not credit, and that tourist travel was still not permitted. He initially refused to purchase goods from American companies.

In November 2001, however, Hurricane Michelle severely damaged Cuba's agriculture infrastructure. The need for food for storm victims was so great that purchases of U.S. soybeans, poultry, soybean meal and fruits began. The quality of American goods and reduced shipping expenses compared to other trading partners have resulted in an ongoing trade relationship.

Between the first sale in December 2001 and the September 2002 exhibition, Cuba purchased \$130 million in agricultural products from 30 American states. The purchases were purposefully spread around the country to include as many congressional districts as possible. As of September, products from 72 percent of U.S. House districts and 60 percent of Senate districts had made their way to the island.

The exhibition promised to further accelerate trade between the two nations. After his visit, North Dakota Lt. Gov. Jack Dalrymple said Cuba "was interested in buying more field peas than the entire state could supply." Similarly, the sale of Maryland-raised poultry and livestock feed brought state Secretary of Agriculture Hagner Mister to the show. Secretary Mister said Castro told him that he would rather buy food products from the United States than from the rest of the world. For Mister, the trip was simply an opportunity "to give Maryland farmers another market."

Commissioner Billy Ray Smith of Kentucky's Department of Agriculture said he sees great potential for selling his state's wood products to Cuba. Cuban rum is currently produced in barrels that are over 50 years old and in need of replacement. Other American products sold to the island include corn, rice, wheat, apples, pork and even branded beverages and pasta. Haagen-Dazs ice cream is now available in Cuban "dollar" stores. These stores are government owned and operated, but they allow Cuban citizens to use American dollars to purchase products not available through government rationing.

Dollars flow into Cuba from relatives in the United States, with annual remittances

estimated at up to \$1 billion. The tourism industry brings in almost \$2 billion a year, and foreign investment in the tourism and manufacturing industries provides additional revenue. Much of this income is used to pay for imported goods. All imports are procured through Pedro Alvarez Borrego, president of the Empresa Cubana Importadora de Alimentos, or Alimport. Borrego and other government representatives emphasize that Cuba seeks "normal" relations with the United States. They question the fact that America trades with China and North Vietnam, also communist nations, but refuses a similar relationship with Cuba.

Many of the exhibition's state visitors believe that the federal government is denying American exporters (particularly agricultural producers) the opportunity to sell to markets less than 100 miles from American shores, even as it stresses the importance of international trade for U.S. economic security. "Fidel Castro has outlasted nine U.S. presidents already," Gov. Ventura remarked. "How can we say the present U.S. policy is working?"

### **The controversy continues**

Cuba is still a communist nation, and although Castro has authorized a small amount of free enterprise – including incentive-based agriculture and family-owned and operated food or crafts enterprises – expansion through hiring of outside workers is not permitted. Political dissent can result in prison terms. Residents are frequently called on to assemble for parades and protests at Castro's whim. Education remains under government control. Some churches have reopened as a result of Pope John Paul II's visit in 1998, but few Cubans attend services. Everyone is guaranteed a job and a place to live, but salaries average \$16 per month and much of the housing is in dire need of repair.

Advocates of free trade, like U.S. Sen. Byron Dorgan of North Dakota, stress that "active trade, open travel, commerce and communication with the United States is more likely to lead to democratic reforms than the embargo." According to Meg Scott Phipps, North Carolina's commissioner of agriculture, it is important to her state's agriculture pro-

ducers "to do everything possible to support lifting agricultural trade and travel restrictions between the U.S. and Cuba."

But supporters of the embargo insist that freedom and social justice for Cuba's people will only be achieved through Castro's removal. They believe international political and economic pressure and isolation of his regime is the best way to bring this about. The Cuban government's repressive human rights record and lack of freedom for the press have led Cuban exiles to demand democratic and economic reforms before the embargo is removed. President Bush says sanctions will remain until Cuba allows free elections, free speech and freedom for political prisoners.

Since the economic collapse caused by the loss of Soviet subsidies in 1991, Cuba has experienced some economic growth. But the loss of tourism since Sept. 11, 2001, combined with the devastation caused by Hurricane Michelle, has weakened its economy. Low world sugar prices, the island's major export, have resulted in the closing of half of its sugar mills. Castro has devalued the currency, raised prices on most goods, defaulted on foreign loans and restricted foreign investors from removing profits.

These steps lead many trade opponents to say that Cuba's recent purchases from Americans are an effort to persuade Washington to lift the embargo entirely. John Kavulich, president of the U.S.-Cuba Trade and Economic Council, reports that in order to pay for the purchases from America, which must be bought with cash, Cuba is not paying its debts to other countries. Companies in Venezuela, Panama and Canada report an increase in repayment problems. But as long as U.S. policy requires cash in advance for American products, this won't be an issue for companies in the United States.

In the midst of arguments from both sides, Congress and the president will decide the future of trade. But officials from at least 33 states attending the agricultural exhibition see Cuba as a vital link to improving their economies. ★

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—Carolyn Orr is the lead agricultural and rural policy analyst at *The Council of State Governments*.