

# El País

## Madrid, Spain

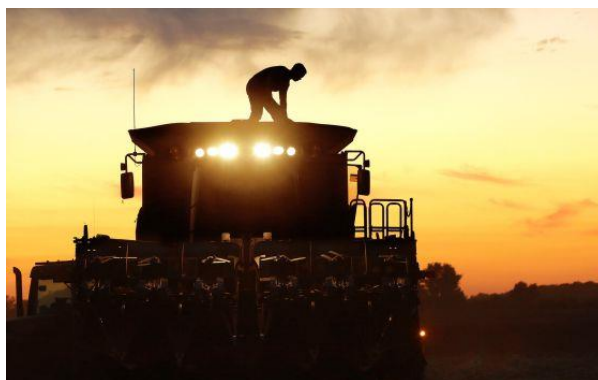
### 29 December 2014

#### El deshielo de las relaciones Cuba-EE UU

#### EE UU busca nuevos mercados tras su giro político hacia La Habana

Los Estados agricultores observan una oportunidad para ingresar en el mercado cubano, que importa el 80% de sus alimentos

Antonieta Cádiz Houston



Agricultor de Pleasant Hills, Illinois. / Seth Perlman (AP)

Cuba es un país de 11 millones de habitantes que importa más del 80% de los alimentos que consume. Un mercado potencialmente interesante para su vecino más próximo, Estados Unidos, al que las fuertes restricciones provocadas por el embargo comercial impuesto durante más de cinco décadas ha dificultado hacer negocios con la isla.

El Consejo Comercial Económico Cuba-Estados Unidos estima que las importaciones de alimentos le cuestan cerca de 2.000 millones de dólares al año al gobierno de Raúl Castro. En otras palabras, es un mercado ávido y en espera de un cambio.

La normalización de relaciones bilaterales anunciada por el presidente Barack Obama el 17 de diciembre tiene el potencial de responder a esta demanda y, de paso, beneficiar a Estados agricultores como Texas. Aunque el escepticismo opaca por ahora incluso a los más optimistas.

Entre las modificaciones importantes en su política hacia Cuba, Obama anunció la revisión de la definición de “efectivo por adelantado” que actualmente entorpece el comercio autorizado. También abrió la posibilidad de que bancos de Estados Unidos abran cuentas en instituciones financieras en Cuba para facilitar el proceso de transacciones autorizadas.

*Creo que veremos un retorno al consumo de productos como trigo, carne, cerdo, condimentos y productos listos para el consumo Parr Rosson, economista*

“Al remover estas barreras comerciales, los productos agrícolas estadounidenses serán mucho más competitivos en precio”, aseguró el secretario de agricultura, Tom Vilsack.

Actualmente, cualquier productor agrícola que quiera vender a la isla debe obtener el dinero en efectivo antes de hacer el envío. El intercambio debe realizarse a través de un tercero, en general un banco, lo que implica costos adicionales.

A pesar de eso, desde 2000 existe un tímido comercio entre Estados Unidos y Cuba. Ese año se aprobó la ley de Reformas a Sanciones Comerciales y Fortalecimiento de Exportaciones (TSRA), que permitió la

venta legal de productos agrícolas y medicinas a Cuba por motivos humanitarios. Esto convirtió en poco tiempo a EE UU en el principal proveedor de alimentos y productos agrícolas de la isla.

En 2002, las exportaciones alimentarias desde Estados Unidos a Cuba se tradujeron en más de 138 millones de dólares. En 2008 llegaron a su punto más alto con 710 millones, mientras en 2013 el comercio alcanzó 348 millones, según datos del Consejo Comercial Económico bilateral.

Las exportaciones estadounidenses se han concentrado en pollo congelado, soya, maíz, cerdo y embutidos. En años anteriores figuraron productos como frijoles y algodón. Los Estados exportadores son en su mayoría agrícolas como Arkansas, California, Iowa, Luisiana, Texas, Illinois, Mississippi, Minnesota, Nebraska y Misuri.

Pero ¿qué pasaría con un comercio más activo? La organización Alianza Comercial Texas Cuba, enfocada en impulsar las transacciones con la isla, destaca un informe de 2001 que incluye una proyección del impacto económico que tendría el aumento de exportaciones agrícolas hacia Cuba para los Estados norteamericanos.

En el caso de Texas, el estudio proyectó que un crecimiento de sólo 53 millones de dólares en las exportaciones generaría un valor agregado de más de 67 millones y cerca de 1.500 empleos.

En entrevista con EL PAÍS, uno de los autores del reporte, Parr Rosson, economista de Texas A&M AgriLife Extension Service y director del departamento de economía agrícola de Texas A&M University, aseguró que la nueva política de Estados Unidos hacia Cuba traerá enormes beneficios para los Estados agrícolas del país, incluyendo Texas.

*En el corto plazo no creo que esto tenga un impacto en Estados agricultores porque llevará tiempo en implementarse. John Kavulich, asesor del Consejo Comercial Económico Cuba-EE UU*

“Nuestros productos han estado decayendo en el mercado cubano, que se ha centrado especialmente en piernas de pollo. Creo que ahora veremos un retorno al consumo de otros productos como trigo, pero también carne, cerdo, condimentos y más productos listos para el consumo”, explicó.

“Antes, para la isla era más barato comprar de países como Brasil o Vietnam, aunque los productos demoraran más en llegar, ahora eso cambiará y los bienes estadounidenses serán más competitivos. Los agricultores y negocios en Texas han impulsado este cambio por largo tiempo”, agregó.

El reporte estima que en 2009 cerca de 85 millones de dólares en productos estadounidenses salieron de los puertos de Texas. El primer lugar lo ocupó Luisiana con \$241 millones de dólares.

John Kavulich, asesor político del Consejo Comercial Económico Cuba-Estados Unidos, no oculta su escepticismo frente a la posible apertura que traerían las nuevas regulaciones para la isla.

“En el corto plazo no creo que esto tenga un impacto en Estados agricultores como Texas, primero porque llevará tiempo en implementarse. En el largo plazo hay mucha incertidumbre ¿quién va a pagar esto? Cuba debe miles de millones de dólares a Venezuela, Rusia, China y otros, las compañías estadounidenses no querrán ponerse al final de la línea para recibir el dinero, las ventas continuarán siendo en efectivo”, comentó.

Hasta ahora, el anuncio de la Casa Blanca ha causado reacciones encontradas en Texas. El senador Ted Cruz, hijo de un exiliado cubano, rechazó abiertamente el cambio diciendo que “minimizaba los intereses de seguridad nacional para Estados Unidos”. Pero otros líderes estatales, como el nuevo gobernador electo Greg Abbott se han mantenido en silencio, esperando resultados en lugar de palabras.

# Ag Week

## Fargo, North Dakota

### 29 December 2014

#### Exporters unwise to use credit in Cuba

**U.S. agriculture exporters should stick to a cash basis for sales to Cuba, according to John Kavulich, executive director of the U.S.-Cuba Trade and Economic Council.**

**By:** Jerry Hagstrom

U.S. agriculture exporters should stick to a cash basis for sales to Cuba, according to John Kavulich, executive director of the U.S.-Cuba Trade and Economic Council.

The payment terms may be changed so Cuba pays cash upon delivery rather than before the boat leaves the port, Kavulich said, but exporters would be unwise to grant credit to the Cubans — if that becomes legally possible — because they have a history of not paying their bills to other countries.

“Cuba is the safest food product export market — and no one can contradict it — because of cash-only,” Kavulich said. The U.S.-Cuba Trade and Economic Council has promoted and analyzed U.S. trade with Cuba since 1994.

Allowing the Cuban government to deal directly with U.S. banks rather than through banks in third countries “can make existing transactions more efficient, more profitable and (will) provide a basis for new transactions to be more efficient and more profitable,” Kavulich said. “But I am worried there is going to be pressure on changing the payment terms.”

Kavulich said he has also told Cuban officials they are wiser to stick to cash transactions.

If Cuba were to not pay a bill to a publicly held U.S. company and “the stock tanks over it,” Kavulich said, “everyone will run.”

The Trade Sanctions Reform and Enhancement Act of 2000 allowed the export of U.S. food products and seeds to Cuba, but on a cash-only basis. Cuban-Americans in Congress insisted the U.S. and U.S. financial institutions not grant any credit to the Cuban government, which is the buyer of the U.S. foods.

The cash-only system has had complications because of rules about how the Cubans could pay, but it has also made selling to Cuba very popular with American farmers and food companies because Cuba has never been in a position to fail to pay.

But that could change if credit sales were allowed, Kavulich said. One reason Cuba has bought food from other countries, such as Venezuela, Kavulich said, is that government-to-government sales allow Cuba to fail to pay without much public exposure.

Since President Barack Obama’s announcement Dec. 17 that he will liberalize banking regulations and begin the normalization of U.S. diplomatic relations with Cuba — including changing the U.S. Interests Section in Havana into a full-scale embassy — many farm groups have issued statements that they hope for an increase in business beyond the \$300 million in farm exports to Cuba this year.

#### **‘Irrational exuberance’**

Quoting former Federal Reserve Chairman Alan Greenspan, Kavulich said there might be an “irrational exuberance” in the farm community about expectations of a quick change in sales to Cuba, and also about the buying power of Cuba’s 11 million generally poor people.

The Obama administration has also said it will allow the sale of farm equipment to Cuba’s small farmers, but Kavulich said farm groups such as the American Farm Bureau Federation and farm equipment

companies could come into conflict over whether Cuba should be an export market for farm products or a developed competitor in production.

Cuban officials have told Agweek that Cuba, which has a relatively low birth rate and educates its people, would have to import labor if it were to become an exporter of fruits and vegetables. Kavulich said American agriculture will have to deal with the question of whether it wants Cuba to compete with the U.S. for Mexican migrant laborers.

Kavulich said the biggest barriers to increased sales to Cuba might be Cuba's infrastructure needs and how it will finance its modern development. If Cuba wants to modernize its telecommunications structure to allow use of the Internet and the ATM systems used by U.S. banks, a structure will have to be built. No one has said who would pay for that, he noted.

Kavulich said he does not think the embargo and other congressional acts that affect Cuba will be repealed anytime soon, but he also said he thinks Republicans in Congress will fail to stop the Obama administration from using its executive branch to make the changes it can.

"The embargo is codified into law," Kavulich said, but "its shell is becoming thinner and thinner as each administration passes, whether Republican or Democrat."

Kavulich said he thinks there is a bipartisan majority in the House to repeal the embargo, but the question will be whether the Republican leadership allows a vote on it.

# TheStreet.com

## New York, New York

### 26 December 2014

## What U.S. Corporations Are Doing About Trading With Cuba

BY Doug Olenick Follow |

NEW YORK (TheStreet) -- U.S. companies do not expect to see any short-term gain in exports or sales due to President Barack Obama's decision to normalize relations with Cuba, halt the trade embargo and allow limited direct travel for the first time in decades.

With the average Cuban citizen earning a small sum in internationally exchangeable currency, the island isn't a mouth-watering untapped market for smartphones, cars, dishwashers or just about any other consumer product. Most U.S. corporations appreciate Cuba's longer term potential, but aren't loading freighters with product and sailing them to Havana.



But the U.S. already does have trade relations to Cuba, and corporations would like to see it expand. The U.S. exported \$349 million worth of goods to Cuba in 2013, according to the U.S.-Cuba Trade and Economic Council from a peak of \$781 million in 2008. Several companies, including, **Microsoft** (MSFT) , **Google** (GOOGL) and **Sabre Corp.'s** (SABR) Travelocity contacted by *TheStreet* had no comment at this time on the development.

For those companies that did have some thoughts on opening trade with Cuba the general theme is that companies are keeping an eye on recent developments, but no plans are in the works to take advantage of the situation. This holds true even for the auto industry, which should be poised to help replace the massive fleet of 1950s cars still operating on the island.

"We are reviewing the initiative to determine its potential impact for the auto industry," said **Ford Motor** (F) spokeswoman Susan Krusel.

**General Motors** (GM) offered a similar view.

"There isn't much to say at this time, since so much remains to be decided. Nevertheless, we're very encouraged by the news on Cuba. We will certainly evaluate any opportunities that may present themselves," said GM spokesman James Cain.

## The Wall Street Journal

### New York, New York

24 December 2014

**In Cuban Capital, Change Stirs Fears**  
**Despite High Hopes, the Communist Island's Revolutionary Past Suggests Change Will Come Slowly**



Cubans waiting on Tuesday near the U.S. Interests Section in Havana to seek visas. Agence France-Presse/Getty Images

HAVANA—Israel Rodríguez, a barkeeper at a state-run hotel, spent his savings to build a 36-seat mini-theater at his residence here after the government last year allowed dozens of private 3-D cinemas to open.

But just a few months later, the government abruptly cracked down on the cinemas, saying that the diversion was corrupting youth. Some Cubans speculated that the government was worried of the private theaters emptying state-run facilities and even using them to show subversive programming.

“If the captain tells us to shut down, we shut down,” Mr. Rodríguez said this week, recalling a long authorization process and costly equipment imports. “I still have everything there, as good as new. Maybe one day the government will change its mind.”

Despite high hopes around a new chapter in Cuba's economic and diplomatic links with the U.S. following the announcement last week by Presidents Barack Obama and Raúl Castro to thaw relations frozen for 54 years, the communist island's revolutionary past suggests change will come slowly here. Just three days after the surprise announcement, state newspaper Granma showed a front-page photo of

Mr. Castro shaking hands with Russian Deputy Prime Minister Dmitry Rogozin, a brazen Washington critic.

The visit by Mr. Rogozin—who said via Twitter that the U.S. will “suffocate” Cuba as it begins to mend ties and has argued for Russia's right to annex Alaska—served as a sobering reminder of the long road ahead for Cubans hoping that rapprochement leads to an economic boost.

“Change? We'll have to see it to believe it,” said taxi driver Sandalio Gomez, one of many here who are skeptical that a totalitarian state will suddenly open up. “The idea of improving relations is good. This is a poor country and we can use the economic help. But for now all we can do is hope.”

It isn't easy changing minds in Cuba, which in many ways appears to be stuck in another era. Rundown buildings crowd this capital city, which remains little changed since the guerrilla forces led by Fidel Castro ousted Gen. Fulgencio Batista in 1959. Vintage American sedans, called “almendrones”—or big almonds—because of their bulky rounded exterior, still ply the streets.

The détente calls for the ideological foes to establish formal relations, including embassies. The U.S. will also let American residents quadruple the amount of remittances they can send to the island. The new rules also allow U.S. exports of telecommunications and agricultural gear, as well as construction materials.

What it doesn't signal, at least not yet, is a Chinese-styled sudden shift toward freer markets or more political freedom, analysts say.

“It's not realistic to expect Cuba to transform overnight,” said Emily Parker, author of “Now I Know Who My Comrades Are,” a book on underground Internet use in Cuba, Russia and China. “The Cuban government...recognizes that a free Internet would pose a threat to its control over information.”

Only a fraction of Cubans have access to the Internet, and many of those are party or army officials. The government also tightly regulates content, sending most Cubans to an intranet that usually links to pro-government websites, says Freedom House, an organization that tracks freedom around the world.

Still, the U.S. moves could boost Internet access, Ms. Parker said, and despite government attempts to control the Web, help ordinary Cubans gain access to information and empower them to report injustice.

Ismael Pérez, a chauffeur, wondered if the changes that may be coming to Cuba would be good for people like him. Mr. Pérez, 53 years old, has worked for the state all his life but now, he and many other drivers are being taken off the state payroll as the government tries to cut expenses. He was told to keep driving a state car, pay a rental fee and keep the proceeds. “I don't have that experience in private business, you understand?” he said. “We are afraid of changes. With change comes risk. We'll have to wait and see what happens.”

Clues to how Havana views the new political landscape can be found in Mr. Castro's announcement of the secret talks his government had been holding with U.S. officials for some 18 months, said John Kavulich, an adviser on the Cuban economy.

Dressed in a military uniform, Mr. Castro “was making it clear that Cuba was still at war, that it was still under attack,” Mr. Kavulich said. “The Cuban government will only embrace the components of change that they feel they can manage and can survive.”

Mr. Castro made his domestic priorities clear during an address to the National Assembly in which he thanked Mr. Obama for his bold move but warned that Cuba wouldn't sacrifice its principles. “We can't pretend that to improve relations with the U.S., Cuba will renounce the ideas for which it has struggled for more than a century, for which its people has spilled much blood and taken great risks,” he said.

He also announced a new Communist party congress, the forum for any policy changes to be discussed, but set the faraway date of April, 2016, giving him time to evaluate and react to the changes.

Hurdles also lie on the other end of the Florida Straits. The U.S. embargo on Cuba remains in place and despite President Barack Obama's intentions to ease relations, a group of opposition lawmakers led by Florida's Republican Senator Marco Rubio, many with roots in the staunchly anti-Castro Cuban exile community, promises to obstruct any overtures towards Havana, even the appointment of an ambassador.

Mr. Castro took over for his ailing elder brother, Fidel, in 2006 but it wasn't until 2010 that the leftist leader began implementing subtle changes to the centralized economy, allowing scores of small-scale private businesses like hotels and restaurants to capitalize on the vital tourism trade. More recently, the government has allowed locals to buy mobile phones and sell their homes and cars.

But those timid reforms have been tough going because average Cubans had no experience in managing businesses, said Pedro Freyre, chair of law firm Akerman LLP, who advises clients looking to do business in Cuba.

"Cubans have forgotten how to be capitalists and some folks are being trained by NGOs to do exactly that," said Mr. Freyre. "The other thing is that in their heart of hearts, the rulers of Cuba are still Marxists, socialists, and they believe in social planning."

## **San Antonio Express-News**

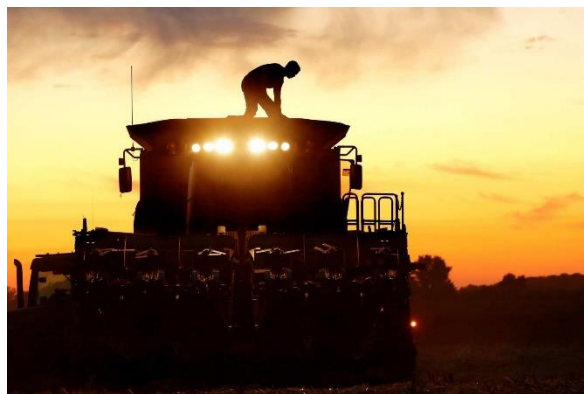
**San Antonio, Texas**

**24 December 2014**

### **National & International Business**

### **U.S. agriculture has big appetite for Cuba trade**

Steve Karnowski, Associated Press



A central Illinois corn farmer, on top of his combine, is silhouetted against the setting sun while harvesting corn in Pleasant Plains, Ill. U.S. agriculture has a big appetite for freer trade with Cuba, and corn is one of the main products Cuba now buys from the United States.

MINNEAPOLIS — U.S. agriculture has a big appetite for freer trade with Cuba. From wheat to rice to beans, the industry stands to be one of the biggest beneficiaries of President Barack Obama's plan to ease economic and travel restrictions imposed against the communist-ruled island.

Agricultural exports have been among the few exceptions to the half-century-old U.S. trade embargo, though they've been subject to cumbersome rules, requiring cash payments — up front before products are shipped — that go through banks in other countries that charge hefty fees.

As a result, Latin American and Asian countries with fewer restrictions and easier financing have gained market share in recent years.

The removal of such trade barriers will make U.S. agricultural products “far more price competitive” in Cuba, U.S. Agriculture Secretary Tom Vilsack said after the Obama administration announced plans to restore diplomatic relations and to try to persuade Congress to lift the embargo.

Major U.S. farm groups including the American Farm Bureau Federation and National Farmers Union, as well as leading agribusinesses such as Cargill Inc., have long advocated normalized trade relations with Cuba, a market of 11 million consumers just 90 miles off U.S. shores.

Sales of U.S. agricultural products to Cuba peaked at over \$710 million in 2008, before the recession, but fell to \$350 million by 2013, according to the U.S.-Cuba Trade and Economic Council. Frozen chicken, soybeans and soy products, and corn are the main products Cuba now buys from the United States.

It’s hard to quantify just how much of a boost the planned changes will give to U.S.-Cuban agricultural trade, said Parr Rosson III, head of the agricultural economics department at Texas A&M University. But he predicted it could grow to \$400 million to \$450 million within a couple of years.

“That’s just a back-of-the-envelope estimate on my part ... but the market can make those swings very readily,” he said.

Cuba remains a poor, relatively small country, Rosson said. Its economy shifts depending on remittances sent home by Cubans abroad, tourism and nickel exports, he said.

But liberalized rules for remittances and tourism should provide an early boost in demand, he said, and easier banking rules eventually will make a difference too. The boost would be even bigger if Congress ever dismantles the embargo, he said.

“We’re talking a monumental move to lift the embargo right now,” he said. “But things can change.”

Wheat growers in the Midwest expect new export opportunities since Cuba now buys nearly all its wheat from Canada and Europe. Cuba hasn’t bought U.S. wheat since 2011, but could import at least 500,000 metric tons of it annually, according to the National Association of Wheat Growers.

“If Cuba resumes purchases of U.S. wheat, we believe our market share there could grow from its current level of zero to around 80-90 percent, as it is in other Caribbean nations,” Alan Tracy, president of U.S. Wheat Associates, said in a statement.

Dry beans, dry peas, lentils and potatoes are big parts of the Cuban diet. That creates more opportunities for farmers in colder states such as North Dakota, though they’ll still have to compete with cheaper Chinese beans, said Bill Thoreson, president of the U.S. Dry Bean Council.

“If we have normalized trade relations with them and are able to do away with some of the banking regulations, I believe there’s some real potential to do business with Cuba,” Thoreson said.

Rice producers in southern states and California are hoping to resume exports to Cuba for the first time since 2008, according to the USA Rice Federation.

“It’s an enormous rice market,” said Dwight Roberts, CEO of the U.S. Rice Producers Association. Roberts said he believes imports of U.S. rice someday could reach the levels Cubans bought before the revolution.

**Agri-View**  
**Madison, Wisconsin**  
**24 December 2014**



# Cuba deal a boon for U.S. farmers

U.S. Agriculture Secretary Tom Vilsack said reforms announced by President Barack Obama will make it make easier for U.S. exporters to sell U.S. farm products to Cuba.

The U.S. has allowed agricultural exports to Cuba since 2001 under the Trade Sanctions Reform and Export Enhancement Act.

In 2013, the U.S. exported just shy of \$350 million of agricultural goods to Cuba, with frozen chicken, corn, soybeans and soybean meal, as the top products, according to the U.S.-Cuba Trade and Economic Council.

Chicken represented nearly half the value, with \$144 million in sales. Canned foods, frozen sausages and frozen pork also were among the top ten products.

But farm exports to Cuba have fluctuated during the past several years, going as high as \$710 million in 2008 after starting off with only \$4.3 million in exports in 2001, when trade ties between the U.S. and Cuba were partially liberalized.

Agricultural trade has been limited by several regulatory and financial hurdles that the Obama administration is aiming to eliminate, including restrictions on cash transactions.

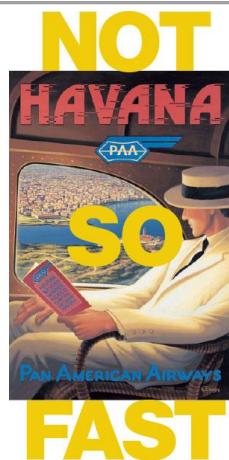
The biggest agricultural winners from the Cuba announcement will be farmers in the southeastern states. They can easily ship products like poultry, rice and corn to Cuba, which is just a few hundred miles away. As of 2006, a full quarter of Alabama's agricultural revenue came from exports to Cuba, including sales of catfish, soybeans and poultry.

The USA Rice Federation has been pressuring the U.S. government, along with other agriculture groups, to normalize trade with Cuba, said President and Chief Executive Officer Betsy Ward, who noted her group has been doing trade missions in the country for more than a decade.

## BloombergBusinessWeek New York, New York 23 December 2014

### Cuba Isn't Libre Yet

By Peter Coy



Artwork by Kerne Erickson © Greg Young Publishing, Inc.

If the embargo of Cuba had been aimed at keeping the Castro brothers in power, it might be judged today as the most successful foreign policy in the history of the U.S. Almost 53 years after President John F. Kennedy declared the embargo on all trade “in light of the subversive offensive of Sino-Soviet Communism with which the Government of Cuba is publicly aligned,” the Castros are still ruling the island nation under the banner of communism. They have outlasted Presidents Eisenhower, Kennedy, Johnson, Nixon, Ford, Carter, Reagan, Bush, Clinton, and Bush, and most of Obama’s presidency. “These policies defy reason,” Google Executive Chairman Eric Schmidt wrote on his Google+ feed after a visit in June, marveling that U.S. law prevented him from renting a hotel room for more than \$99 a night. The failed American embargo is as anachronistic as one of those patched-up 1950s Pontiacs that still cruise the streets of Havana.

Anachronistic, however, doesn’t equal “over.” Now that a week or so has passed since President Obama’s surprise Dec. 17 announcement that he will loosen restrictions on travel, trade, and banking, it’s becoming clear that the rapprochement with Cuba is incomplete and ill-defined. For one thing, Congress hasn’t lifted the embargo. The day of the announcement, John Kavulich, a senior policy adviser of the nonpartisan U.S.-Cuba Trade and Economic Council, said Obama was promising to make the embargo as hollow as an Easter egg. A week later he used a different metaphor: Change, he fears, “is going to slow down like molasses.”

Here’s the problem. While the majority of Americans and Cubans favor better relations, change is opposed by polar opposites: elements of Cuba’s communist leadership, and the Cuban Americans who are committed to driving them out. One of the latter is Lincoln Díaz-Balart, a former Republican congressman from Miami who retired in 2011 to make way for his younger brother. (Much like, ahem, Fidel Castro.) Díaz-Balart helped write the Helms-Burton Act of 1996, which tightened the embargo. He says it would be a mistake to ease the pressure on the Castros now that their benefactor, Venezuela, is being squeezed by low oil prices. “People are going to realize in the next months that there’s no change in the law. There’s not going to be a change in the law,” says Díaz-Balart. “It’s a lot of splash, but it’s not a lot of cash.”

Story: The U.S. Travel Industry Can't Wait to Take You to Cuba

On the Cuban side, President Raúl Castro is more of a reformer than his ailing older brother, but he’s moving at a snail’s pace, and there’s virtually zero chance he’ll meet the conditions for removal of the embargo spelled out in Helms-Burton: release of all political prisoners; scheduling of multiparty elections; independent courts, unions, and press; and the expulsion of Fidel and himself from the government. Castro faces pressure to toe the communist line from other *historicos*—fighters in the Cuban Revolution—such as Ramiro Valdés, a hard-liner who clamped down on the Internet as communications minister and in 2007 said “the wild colt of new technologies can and must be controlled.” Then there are the potentially restive Cuban Revolutionary Armed Forces, to which Castro nodded in his address to the nation on the agreement with the U.S. by wearing olive-green fatigues bedecked with medals. “He has to be very careful because of the army. It’s more powerful than the party,” says Carmelo Mesa-Lago, 80, an economist who worked under the Castros in the first flush of the revolution’s success but left in 1961 after the regime seized universities and newspapers.

This is not to take anything away from Obama, who’s done more than any president to establish normal relations between the U.S. and Cuba. The countries will exchange ambassadors. His administration will ease restrictions on exports of food as well as construction and telecommunications equipment and begin to establish banking ties. The U.S. Department of State will review whether to end Cuba’s outdated designation as one of four state sponsors of terrorism, along with Iran, Sudan, and Syria.

After that, though, things get messy. Robert Muse, a lawyer knowledgeable about U.S. laws relating to Cuba, argues that Obama has latitude to do more. He says the drafters of Helms-Burton—rushed through Congress in strengthened form after Cuban MiGs shot down two unarmed planes flown by a U.S.-based anti-Castro group over the Straits of Florida on Feb. 24, 1996—“inadvertently codified, froze in place, the discretion for the president to license almost anything under the embargo.” He notes that Obama used that discretion to allow each American visitor to Cuba to return with \$400 worth of goods, which was never before permitted. Argues Muse: “If he does it for refrigerator magnets”—i.e., small sums—“he can do it for thousands of cases of Cuban rum or boxes of cigars.”

Obama shouldn’t try it, warns Díaz-Balart, now a lawyer in Miami and chairman of the Congressional Hispanic Leadership Institute. “Obviously we’re going to see a lot of legal challenges.” Díaz-Balart also points out that the law continues to prohibit lending to Cuba, requiring the nation to pay in cash for anything it buys. And Kavulich, the policy adviser, says Cuba’s banks haven’t met disclosure standards that U.S. banks require to do business with them.

Expect guerrilla warfare over Cuban policy. Some battles will be fought in the courts, as Díaz-Balart intimates; others in Congress. Senator Marco Rubio (R-Fla.), the son of pre-Castro Cuban immigrants, vowed on his

website to “make every effort to block this dangerous and desperate attempt by the President to burnish his legacy at the Cuban people’s expense.”

Rubio and his allies could try to block funding for an embassy—although the U.S. already has a consular-like Interests Section housed in the former embassy—or refuse to approve an ambassador. Senate Foreign Relations Committee Chairman Robert Menendez (D-N.J.), also the child of Cuban immigrants and an opponent of the Castros, wants hearings in the committee next year, although he will lose his chairmanship because the Democrats have lost their Senate majority.

Story: Why Americans Will Overpay for Cuba's Vintage Cars

The fighting will also occur, albeit less visibly, in Cuba, where Raúl Castro has shown little stomach for the changes that will be required to make Cuba’s economy function properly. If Castro, whose term expires in 2018, drags his heels or can’t move the communist old guard, little will happen. “There is this idea in Cuba that lifting the embargo is going to fix everything,” says Mesa-Lago, who has a Ph.D. in economics from Cornell. “The major problem is to fix the economics. They need production to pay for imports. This is not going to be a magic thing.”

Public opinion may play a decisive role. As Obama knows, the opening between Cuba and the country to the north that Cubans call *La Yuma*—apparently from the Hollywood film *3:10 to Yuma* that was popular in Cuba in the 1950s—will whet an appetite for deeper ties that will be hard for the communists to resist. In the U.S., Muse, the lawyer, questions whether potential Republican presidential candidates like Rubio and former Florida Governor Jeb Bush, also a stalwart anti-Castroite, will want to go heavy on an issue that will strike most Americans as a relic of the best-forgotten Cold War.

On the other hand, the stalemate across the Florida Straits has proved its staying power. Miami just elected another Cuban American foe of Castro to Congress, Republican Carlos Curbelo. He’s 34. Even in the best scenario, change will take time. To Americans with just a bit of Spanish, *sin embargo* sounds like “without embargo.” It actually means “nevertheless.” So consider this: The U.S. embargo may be an abject failure, bad for Americans and Cubans alike. Nevertheless, it continues. *Sin embargo, el embargo continua.*

# **The New York Times**

## **New York, New York**

### **19 December 2014**

**Obama Intends to Lift Several Restrictions Against Cuba on His Own**

By JULIE HIRSCHFELD DAVIS and MICHAEL R. GORDON



President Obama at the White House's Hanukkah party. Administration officials said travel and commerce restrictions against Cuba could be lifted next month. Credit Mark Wilson/Getty Images

WASHINGTON — President Obama will move as soon as next month to defang the 54-year-old American trade embargo against Cuba, administration officials said Thursday, using broad executive power to defy critics in Congress and lift restrictions on travel, commerce and financial activities.

The moves are only the beginning of what White House officials and foreign policy experts describe as a sweeping set of changes that Mr. Obama can make on his own to re-establish commercial and diplomatic ties with Cuba even in the face of angry congressional opposition.

“The embargo is a container — it’s been that way since President Eisenhower — that’s had regulations and laws put into it and taken out of it and mixed about,” said John Kavulich of the U.S.-Cuba Trade and Economic Council. “President Obama is saying, ‘I’m going to leave a shell, but it’s going to be a proverbial Easter egg — it’s going to be hollow.’”

The Treasury Department will issue a series of regulations to ease agricultural exports and establish banking relations, administration officials said, and the Commerce Department will move to allow United States companies to export construction and telecommunications equipment, among other things, for sale in Cuba.

The State Department is also starting a review that could lead to Cuba’s removal from a list of state sponsors of terrorism, clearing away a major impediment to Havana’s ability to trade and access banking services around the world.

Taken together, the actions will render the embargo “a lot more holes than cheese,” said Robert L. Muse, a Washington-based lawyer who specializes in American laws relating to Cuba. “The president went big on this, and that produces a momentum of its own, so I expect that we’ll see these things go further and faster than anybody would have anticipated.”

It is not clear when Mr. Obama might nominate an ambassador, a move that would set the stage for contentious confirmation hearings. “We would anticipate that we will have an embassy before we would make a nomination,” said Roberta S. Jacobson, the assistant secretary of state for Western Hemisphere affairs.

In a briefing with reporters, she described a process that could rapidly lead to a full restoration of diplomatic relations.



“That process is relatively straightforward, frankly, from a legal perspective,” Ms. Jacobson said. “We can do that via an exchange of letters or of notes. It doesn’t require a formal sort of legal treaty or agreement.”

White House officials said they had spent months determining how far Mr. Obama could go to unilaterally loosen restrictions on trade and financial transactions with Cuba, and concluded he had broad authority to do so without violating the embargo’s scope. Officials said the White House had not “eviscerated the embargo.”

Lawmakers in both parties have made it clear that Congress was unlikely to lift the embargo on its own anytime soon.

Senator Robert E. Menendez, Democrat of New Jersey, said the president’s changes were “clearly intended to circumvent the intent and spirit of U.S. law and the U.S. Congress.”

## Companies interested in doing business in Cuba



Consumer companies like **Coca-Cola and PepsiCo** will face big challenges in a country where most residents are quite poor.



Hotel companies like **Marriott International** will be entering a country where foreign companies are offered contracts to manage a hotel but not own the property itself.



**Telecom providers** will be allowed to build and provide commercial telecommunications and Internet infrastructure and services.



For now a U.S. traveler may bring back no more than \$100 worth of **tobacco and alcoholic** products combined.



Companies like **John Deere** and **Caterpillar** would love to sell Cuba heavy farming and mining equipment. Cuba has one of the world’s largest deposits of nickel.

The United States does not need to build a new embassy, officials said, because it would be housed in the Havana compound that is now home to the current United States Interests Section. Nor would Cuba’s human rights record pose an obstacle to the restoration of relations, officials said.

Ms. Jacobson is scheduled to lead a team of American officials to Havana near the end of January, although no specific date has been set, to discuss the restoration of relations as well as issues in carrying out a 1995 migration accord.

“I do think that some human rights issues will be talked about in this trip,” she said. “I do not necessarily think that we’re talking about direct human rights conditionality in the restoration of diplomatic relations.”

Treasury and Commerce Department officials are moving quickly to tear down regulatory barriers to Americans’ ability to travel, conduct financial dealings and export products to Cuba, officials said.



Senator Marco Rubio, Republican of Florida, became a leading voice of criticism Wednesday as he denounced President Obama’s announcement of the restoration of diplomatic relations with Cuba. Publish Date December 18, 2014. Photo by Joe Raedle/Getty Images.

The Commerce Department said it would loosen an array of export limits, including the sale of tools and equipment to small businesses not owned by the Cuban government, like construction companies, agricultural businesses, automobile repair and beauty shops.

Restrictions on scientific, athletic and cultural goods — such as musical instruments for orchestral concerts — will also be relaxed.

The administration “is confident that these changes are consistent with the statutory requirements of the embargo,” said Matthew S. Borman, the deputy assistant secretary of commerce for export administration.

The Office of Foreign Assets Control at the Treasury Department will scrap a measure that requires people who are already eligible for travel to Cuba to receive special permission from the government for trips such as those involving family visits, professional, religious or cultural programs and humanitarian projects.

### **Historic Shift in Cuba-U.S. Relations, as Told by Newspapers Around the World**

CreditPrimera Hora, via Newseum

New rules will also make it easier to get there, by allowing the direct purchase of airline tickets to Cuba rather than requiring travelers to go through a travel agent and charter a flight.

The Treasury Department is also quadrupling the amount of money that can be sent to Cubans each quarter, to \$2,000 from \$500, and is loosening banking restrictions. It plans to relax requirements, strongly opposed by American exporters, that mandate that cargo be paid for in advance or financed by a bank in a third country before it can be shipped.

A major step toward resuming ties would be the removal of Cuba from the State Department’s list of state sponsors of terrorism, which includes countries like Iran, Sudan and Syria. Cuba was placed on that list in 1982.

Its removal is the most important step the Obama administration can take before the restoration of full economic ties, said Julia E. Sweig, a senior fellow at the Council on Foreign Relations.

Such a step, she said, would put “Cuba in a normal space where its financial and business ties around the world, and with the United States, will no longer be subject to the sanctions and scrutiny of counterterrorism mechanisms set up after 9/11.”

“Banking is incredibly cumbersome because Cuba is on the list,” she added.

The White House said the State Department would have six months to review Cuba’s place on the list, but Ms. Jacobson said it could be completed sooner.

The review will consider whether Cuba has supported international terrorism over the past six months and whether it has renounced the use of terrorism and ratified treaties against terrorism.

A State Department recommendation that Cuba should be removed from the list would need to be approved by Mr. Obama. It would also go to Congress, which could not block the move except by separate legislation that would have to be signed by the president.

### **How America’s Relationship With Cuba Will Change**

President Obama on Wednesday announced the re-establishment of diplomatic relations with Cuba and a series of actions aimed at easing travel and trade restrictions rooted in a 1963 law.

Key Changes announced Wednesday Obama changed in 2009 Congressional action required

- Diplomatic Relations
- There have been no diplomatic relations with Cuba since the early 1960s, after Fidel Castro and his Communist government came to power.
- Relations will be re-established, with an American embassy in Havana.
- State-Sponsored Terror List
- In 1982, Cuba was designated a state sponsor of terrorism.
- Secretary of State John Kerry will review the designation.
- Travel Restrictions
- Citizens and permanent residents of the United States are not permitted to travel to Cuba, with some exceptions. General licenses, which require no special permission, are authorized for:
  - Persons visiting a “close relative” who is a Cuban national and "persons traveling with them who share a common dwelling as a family with them.”
  - Obama authorized this in 2009.
  - Government business.
  - Journalists regularly employed at a news organization.
  - Certain researchers and professionals.
  - Certain college faculty and students or others participating in educational activities.
  - Certain religious activities.
  - Telecommunications providers.
  - Obama authorized telecommunications providers to pursue licensing agreements in 2009.
  - Producers or distributors of agricultural or medical goods.
  - Other specific licenses to travel are granted on a case-by-case basis.
  - Obama will open up general licenses to travel for these reasons, which previously required approval on a case-by-case basis:
    - Public performances, workshops and athletic competitions.
    - Support for the Cuban people, including human rights work.
    - Humanitarian work.
    - Private foundations and institutes.
    - Information dissemination.
    - Travel related to export of authorized products.
    - Lifting all restrictions on travel, including for tourism, would require congressional action.
    - Banking and Trade Embargo

- No transactions involving the property of a Cuban national (including purchasing Cuban cigars in third countries or signing a Cuba-related contract with a foreign firm).
- United States institutions will be able to open accounts at Cuban financial institutions.
- Travelers to Cuba will be allowed to use American credit and debit cards.
- United States entities in third countries will be allowed to engage in transactions and meetings with Cuban individuals in third countries.
- No imports or exports (with certain exceptions like humanitarian gifts).
- Certain items that support the Cuban private sector will be allowed for export, including certain building materials and agricultural equipment.
- Certain items that support telecommunications in Cuba will be allowed for export, and companies will be allowed to establish related infrastructure.
- Licensed American travelers will be able to import \$400 worth of goods (including up to \$100 in tobacco and alcohol).
- Congress would need to act to lift the embargo entirely.
- Transfer of Money
- Authorized travelers are now permitted to carry \$3,000 in remittances to Cuba. There are no limits on remittances to religious organizations.
- No limits on sending remittances to close relatives.
- Obama authorized this in 2009.
- Remittances of up to \$500 per quarter may be made to any Cuban national for humanitarian needs.
- That limit will be raised to \$2,000 a quarter.
- License requirements for people who provide remittance forwarding services (other than depository institutions).
- Licenses will no longer be required.

## What U.S. Companies Can Expect in Cuba

Many American companies are eager to enter Cuba, but they will face big obstacles to succeeding in the market.

Some companies are already selling products in Cuba. Other companies would be interested in doing business there. Consumer companies like **Coca-Cola and PepsiCo** will face big challenges in a country where most residents are quite poor.

U.S. companies like **Cargill** and the **Archer Daniels Midland Company** are already exporting corn and soybeans to Cuba. A trade act in 2000 allowed the sale of unprocessed agricultural products with strict restrictions.

Hotel companies like **Marriott International** will be entering a country where foreign companies are offered contracts to manage a hotel but not own the property itself. **Telecom providers** will be allowed to build and provide commercial telecommunications and Internet infrastructure and services.

American companies including **Tyson Foods** and **Pilgrim's Pride** are already selling frozen chicken to Cuba.

For now a U.S. traveler may bring back no more than \$100 worth of **tobacco and alcoholic** products combined.

Companies like **John Deere** and **Caterpillar** would love to sell Cuba heavy farming and mining equipment. Cuba has one of the world's largest deposits of nickel.

### Exports: \$1.8 billion

Foodstuffs  
Raw Sugar  
Rolled Tobacco  
Hard Liquor  
Fruit Juice  
Alcohol > 80% ABV  
Raw Tobacco  
Misc.  
Mineral Products

Refined Petroleum  
Cobalt Ore  
Cement  
Misc.  
Metals  
Nickel Mattes  
Semi-Finished Iron  
Scrap Copper  
Scrap Aluminium  
Scrap Iron

Misc.  
Chemical Products  
Glands and Other Organs  
Human or Animal Blood  
Packaged Medicaments  
Laboratory Reagents  
Misc.  
Animal Products  
Crustaceans  
Honey

Misc.  
Wood Products  
Wood Charcoal  
Misc.  
Machines  
Other Construction  
Vehicles  
Telephones  
Integrated Circuits  
Misc.



|                               |                            |                             |                              |
|-------------------------------|----------------------------|-----------------------------|------------------------------|
| Vegetable Products            | Hard Liquor                | Liquid Dispersing           | Chemical Products            |
| Coffee                        | Chocolate                  | Machines                    | Pesticides                   |
| Misc.                         | Malt Extract               | Electric Heaters            | Packaged Medicaments         |
| Plastics & Rubbers            | Yeast                      | Computers                   | Mixed Mineral or Chemical    |
| Raw Plastic Sheeting          | Flavored Water             | Other Heating Machinery     | Fertilizers                  |
| Misc.                         | Beer                       | Refrigerators               | Sulfur                       |
| Transportation                | Other Vegetable Residues   | Harvesting Machinery        | Soap                         |
| Tug Boats                     | and Waste                  | Electrical Transformers     | Potassic Fertilizers         |
| Misc.                         | Jams                       | Stone Processing Machines   | Sulfuric Acid                |
| Animal Hides                  | Misc.                      | High-voltage Protection     | Antiknock                    |
| Tanned Equine and Bovine      | Plastics & Rubbers         | Equipment                   | Aqueous Paints               |
| Hides                         | Rubber Tires               | Electric Batteries          | Nitrogenous Fertilizers      |
| Misc.                         | Plastic Lids               | Washing and Bottling        | Nonaqueous Paints            |
| Paper Goods                   | Ethylene Polymers          | Machines                    | Cleaning Products            |
| Misc.                         | Plastic Pipes              | Industrial Food Preparation | Laboratory Reagents          |
| Instruments                   | Other Plastic Products     | Machinery                   | Phosphatic Fertilizers       |
| Misc.                         | Raw Plastic Sheeting       | Cranes                      | Scented Mixtures             |
| Arts & Antiques               | Compounded Unvulcanised    | Transmissions               | Glaziers Putty               |
| Misc.                         | Rubber                     | Electric Motors             | Industrial Fatty Acids, Oils |
| Textiles                      | Polyacetals                | Air Conditioners            | and Alcohols                 |
| Misc.                         | Other Rubber Products      | Fork-Lifts                  | Perfumes                     |
| Animal & Vegetable            | Plastic Building Materials | Lifting Machinery           | Human or Animal Blood        |
| Byproducts                    | Rubber Belting             | Electrical Power            | Glues                        |
| Misc.                         | Other Plastic Sheatings    | Accessories                 | Ink                          |
| Precious Metals               | Plastic Housewares         | Ball Bearings               | Hair Products                |
| Misc.                         | Self-adhesive Plastics     | Electric Soldering          | Antibiotics                  |
| Misc.                         | Rubber Apparel             | Equipment                   | Lubricating Products         |
| Misc.                         | Acrylic Polymers           | Textile Processing          | Nitrites and Nitrates        |
| Stone And Glass               | Cellulose                  | Machines                    | Special Pharmaceuticals      |
| Misc.                         | Propylene Polymers         | Steam Boilers               | Other Coloring Matter        |
| Footwear & Headwear           | Rubber Pipes               | Electric Filament           | Nitrogen Heterocyclic        |
| Misc.                         | Other Vinyl Polymers       | Spark-Ignition Engines      | Compounds                    |
| Weapons                       | Vinyl Chloride Polymers    | Electric Generating Sets    | Refractory Cements           |
| Misc.                         | Plastic Wash Basins        | Household Washing           | Photographic Plates          |
| <b>Imports: \$6.0 billion</b> | Amino-resins               | Machines                    | Carboxylic Acids             |
| Mineral Products              | Used Rubber Tires          | Video Recording             | Sulfates                     |
| Refined Petroleum             | Styrene Polymers           | Equipment                   | Vitamins                     |
| Asbestos                      | Monofilament               | Electrical Ignitions        | Other Paints                 |
| Barium Sulphate               | Misc.                      | Industrial Printers         | Organic Composite            |
| Petroleum Jelly               | Animal & Vegetable         | Video Displays              | Solvents                     |
| Misc.                         | Byproducts                 | Other Engines               | Other Nitrogen Compounds     |
| Vegetable Products            | Soybean Oil                | Soil Preparation Machinery  | Saturated Acyclic            |
| Wheat                         | Other Vegetable Oils       | Office Machine Parts        | Monocarboxylic Acids         |
| Corn                          | Bovine, Sheep, and Goat    | Microphones and             | Carbonates                   |
| Soybeans                      | Fat                        | Headphones                  | Carbides                     |
| Rice                          | Pig and Poultry Fat        | Pulley Systems              | Micro-Organism Culture       |
| Dried Legumes                 | Inedible Fats and Oils     | Electrical Insulators       | Preparations                 |
| Coffee                        | Seed Oils                  | Broadcasting Equipment      | Glands and Other Organs      |
| Malt                          | Misc.                      | Industrial Furnaces         | Bandages                     |
| Potatoes                      | Transportation             | Other Agricultural          | Sulfides                     |
| Ginger                        | Vehicle Parts              | Machinery                   | Sodium or Potassium          |
| Sowing Seeds                  | Buses                      | Rubberworking Machinery     | Peroxides                    |
| Frozen Vegetables             | Cars                       | Motor-working Tools         | Enzymes                      |
| Misc.                         | Specialized Vehicles       | Broadcasting Accessories    | Acyclic Alcohols             |
| Animal Products               | Delivery Trucks            | Integrated Circuits         | Sulfonamides                 |
| Poultry Meat                  | Tractors                   | Liquid Fuel Furnaces        | Synthetic Coloring Matter    |
| Concentrated Milk             | Trailers                   | Metalworking Machine        | Oxygen Amino                 |
| Pig Meat                      | Motorcycles                | Parts                       | Compounds                    |
| Cheese                        | Aircraft Parts             | Electrical Lighting and     | Beauty Products              |
| Non-fillet Frozen Fish        | Bi-Wheel Vehicle Parts     | Signalling Equipment        | Photographic Chemicals       |
| Butter                        | Vehicle Bodies             | Vacuum Cleaners             | Misc.                        |
| Frozen Bovine Meat            | Recreational Boats         | Other Domestic Electric     | Misc.                        |
| Fish Fillets                  | Locomotive Parts           | Housewares                  | Other Furniture              |
| Preserved Meat                | Railway Cargo Containers   | Mill Machinery              | Light Fixtures               |
| Processed Egg Products        | Misc.                      | Leather Machinery           | Seats                        |
| Processed Fish                | Machines                   | Tobacco Processing          | Prefabricated Buildings      |
| Molluscs                      | Combustion Engines         | Machines                    | Sports Equipment             |
| Misc.                         | Engine Parts               | Electric Motor Parts        | Brooms                       |
| Foodstuffs                    | Insulated Wire             | Metal Molds                 | Models and Stuffed           |
| Soybean Meal                  | Liquid Pumps               | Scales                      | Animals                      |
| Animal Food                   | Excavation Machinery       | Semiconductor Devices       | Party Decorations            |
| Starch Residue                | Low-voltage Protection     | Casting Machines            | Pens                         |
| Sausages                      | Equipment                  | Steam Turbines              | Mattresses                   |
| Baked Goods                   | Large Construction         | Gas Turbines                | Pencils and Crayons          |
| Other Edible Preparations     | Vehicles                   | Forging Machines            | Misc.                        |
| Other Prepared Meat           | Electrical Control Boards  | Carbon-based Electronics    | Stone And Glass              |
| Cocoa Powder                  | Air Pumps                  | Boat Propellers             | Glass Bottles                |
| Processed Fish                | Valves                     | Blank Audio Media           | Refractory Bricks            |
| Confectionery Sugar           | Centrifuges                | Electrical Capacitors       | Asphalt                      |
| Wine                          | Telephones                 | Other Construction          | Glazed Ceramics              |
| Sauces and Seasonings         | Machinery Having           | Vehicles                    | Bathroom Ceramics            |
| Other Processed Vegetables    | Individual Functions       | Misc.                       |                              |

Interior Decorative  
Glassware  
Milling Stones  
Porcelain Tableware  
Safety Glass  
Cement Articles  
Rock Wool  
Plaster Articles  
Refractory Ceramics  
Building Stone  
Ornamental Ceramics  
Unglazed Ceramics  
Glass Mirrors  
Misc.  
Metals  
Iron Pipes  
Hot-Rolled Iron  
Iron Structures  
Coated Flat-Rolled Iron  
Metal Stoppers  
Copper Wire  
Other Iron Products  
Iron Blocks  
Interchangeable Tool Parts  
Iron Fasteners  
Iron Pipe Fittings  
Other Small Iron Pipes  
Raw Iron Bars  
Cold-Rolled Iron  
Other Hand Tools  
Aluminium Cans  
Raw Aluminium  
Iron Railway Products  
Semi-Finished Iron  
Aluminium Structures  
Flat-Rolled Iron  
Aluminium Bars  
Metal Mountings  
Coated Metal Soldering  
Products  
Padlocks  
Stranded Iron Wire

Other Iron Bars  
Other Steel Bars  
Iron Cloth  
Hot-Rolled Iron Bars  
Iron Wire  
Copper Plating  
Large Flat-Rolled Stainless  
Steel  
Small Iron Containers  
Iron Housewares  
Other Aluminium Products  
Large Coated Flat-Rolled  
Iron  
Large Flat-Rolled Iron  
Aluminium Foil  
Aluminium Plating  
Ferroalloys  
Other Large Iron Pipes  
Raw Zinc  
Iron Chains  
Stranded Aluminium Wire  
Raw Lead  
Tool Sets  
Iron Stovetops  
Hand Saws  
Large Iron Containers  
Iron Springs  
Misc.  
Footwear & Headwear  
Rubber Footwear  
Leather Footwear  
Footwear Parts  
Other Footwear  
Textile Footwear  
Waterproof Footwear  
Artificial Vegetation  
Umbrellas  
Misc.  
Instruments  
Medical Instruments  
Chemical Analysis  
Instruments

Orthopedic Appliances  
Utility Meters  
X-Ray Equipment  
Other Measuring  
Instruments  
Gas and Liquid Flow  
Measuring Instruments  
Surveying Equipment  
Thermostats  
Oscilloscopes  
Hydrometers  
Instructional Models  
Breathing Appliances  
Drafting Tools  
Optical Fibers  
Misc.  
Paper Goods  
Uncoated Paper  
Newsprint  
Paper Containers  
Kaolin Coated Paper  
Carbon Paper  
Uncoated Kraft Paper  
Paper Labels  
Cellulose Fibers Paper  
Shaped Paper  
Postage Stamps  
Other Printed Material  
Other Uncoated Paper  
Toilet Paper  
Sulfate Chemical  
Woodpulp  
Brochures  
Paper Notebooks  
Misc.  
Animal Hides  
Trunks and Cases  
Leather Apparel  
Misc.  
Textiles  
Heavy Synthetic Cotton  
Fabrics

Synthetic Filament Yarn  
Woven Fabric  
Light Pure Woven Cotton  
Light Synthetic Cotton  
Fabrics  
Knit Women's Suits  
Other Cloth Articles  
Non-Retail Pure Cotton  
Yarn  
House Linens  
Packing Bags  
Light Rubberized Knitted  
Fabric  
Non-Knit Men's Suits  
Knit T-shirts  
Raw Cotton  
Non-Knit Active Wear  
Knit Men's Suits  
Non-Knit Women's Suits  
Heavy Pure Woven Cotton  
Plastic Coated Textile  
Fabric  
Non-Retail Synthetic Staple  
Fibers Yarn  
Knit Socks and Hosiery  
Non-woven Textiles  
Misc.  
Wood Products  
Sawn Wood  
Plywood  
Wood Fiberboard  
Wood Carpentry  
Misc.  
Precious Metals  
Misc.  
Arts & Antiques  
Misc.  
Weapons  
Misc.

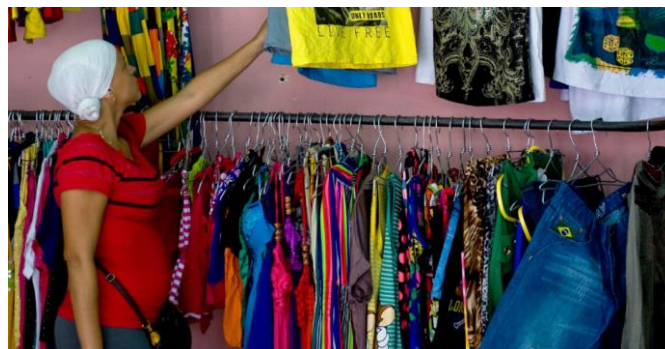
# Foreign Policy Magazine

Washington, DC  
19 December 2014

## Fantasy Island

**American firms can't wait to get back into Cuba, but Havana isn't likely to open the floodgates for U.S. products any time soon.**

By Jamila Trindle



This week's surprise rapprochement with Cuba raises tantalizing prospects for U.S. companies: the decades-long American embargo could be lifted, giving the firms access they haven't seen since Fidel Castro unceremoniously kicked them out and nationalized everything from oil to rum more than 50 years ago. It also raises a difficult question: will Cuban strongman Raul Castro invite the companies back on terms they can actually live with?

The changes President Barack Obama announced Wednesday create openings for specific industries, including agriculture, telecommunications, and construction equipment. The administration also made several changes that will make the process of doing business with Cuba a little less cumbersome. Travel restrictions were loosened, banks have the go-ahead to make direct connections to Cuban banks and travelers to the island can bring back up to \$400 worth of local goods (though only \$100 of that can be cigars and rum). Only \$359 million worth of U.S. goods were exported to Cuba last year.

The potential for more travelers to Cuba has peaked the interest of U.S. tourism companies and more goods flowing back and forth could open an opportunity for shipping companies like UPS and FedEx. While the future is still uncertain, the diplomatic breakthrough gave U.S. executives something to think about on Thursday and many are contemplating what the Cuba market might offer. Major League Baseball teams, meanwhile, are salivating at the prospect of raiding the island for potential new superstars.

But those are still island fantasies for now — none of the changes take effect until the rules are officially changed, which regulators say will happen in the “coming weeks.”

While the normalization of relations with Cuba is a dramatic diplomatic breakthrough, a return to anything resembling business as usual may be much harder to achieve. The first hurdle will be dismantling the embargo, which bans Americans from traveling to the island or doing business with Cubans except under specific exemptions. The Obama administration needs the help of Congress to do that, and that appears unlikely with Republicans controlling both the House and the Senate for the first time in years. Some powerful lawmakers from both parties are already threatening to undo the limited changes the president made under his executive authority and block funds to build a new embassy in Havana.

Even if the embargo is lifted, the Castro government is unlikely to loosen the reins on the largely state-controlled economy unless it sees a political advantage to the change. That, in practice, could mean U.S. companies are allowed to enter Cuba under U.S. law, but Castro refuses to lift the restrictions and bureaucratic red tape that would still make it hard to do business in Cuba.

“There's far more sizzle than there is steak,” said John Kavulich, senior policy advisor with the US Cuba Trade and Economic Council. “It's only going to go as far as the Cuban government feels it is not going to be disruptive and no further,” said Kavulich.

In March, Cuba's General Assembly passed a new law to encourage foreign investment. Some observers were initially encouraged by Castro's acknowledgement of the need for outsiders to invest in his country. A recent solicitation from the Cuban government suggests officials see potential for foreigners to enter a wide array of sectors from pharmaceuticals to construction, but most of the projects require foreign companies to pair up with Cuban companies in joint ventures.

The opportunities outlined in the 168-page document are intriguing. Cuba needs a plant to make glass bottles, an instant dry yeast factory, and an enterprise to produce 70.5 million gallons of buffalo milk to make mozzarella. The government is seeking a \$430 million investment in a cement plant in Holguin province. An investor with \$9.5 million could get in on the business of transporting hotel workers and other tourism employees to and from their jobs.

Economist Richard Feinberg noted in a blog post that the investment document “offers fascinating insights into the current distressed state of the Cuban economy.” But so far it hasn't resulted in any deals. Feinberg, who is a UC San Diego professor and Brookings fellow, was traveling in Cuba this week and did not respond to requests for further comment.

U.S. investors will be watching to see whether the Cuban government opens up the country in earnest, by allowing foreign companies to propose and execute their own projects, or continues to take the same top-down approach.

Cuba's beleaguered economy will be another limiting factor for U.S. businesses – Cubans simply don't have a lot of money to spend. The average person makes about \$20 a month. And the Cuban government still has final say over what those consumers will be allowed to buy.

“The U.S. government can only influence so much, but I think what they're trying to do is get rid of at least the U.S. barriers to private firms going into that space,” said Nelson Dong, a trade lawyer with law firm Dorsey & Whitney in Seattle.

## National Public Radio

Washington, DC

19 December 2014

What The Change In U.S.-Cuba Relations Might Mean For Food

Eliza Barclay

It took a few hours for some Cubans to realize the magnitude of President Obama's [announcement](#) on Wednesday about changes in the relationship between the U.S. and Cuba, according to Cuban blogger Yoani Sanchez.

Why? Because they were at the market, buying fish. "It is important to also say that the news had fierce competition, like the arrival of fish to the rationed market, after years of disappearance," [wrote](#) Sanchez, who is perhaps the [most celebrated dissident](#) on the island.



Sugar, coffee, fruit juice for babies, oil and salt inside a market subsidized by the government in Havana on July 11, 2013.

As you've probably heard or seen, if you've traveled to Cuba food (and, at times, the lack thereof) remains one of the most striking emblems of Cuba's dysfunctional economic system. Let's just say that the agreement between Obama and Cuban President Raul Castro will probably eventually mean big changes for the food supply in Cuba.

But if you're picturing Cubans sipping Frappuccinos at Starbucks in Havana, or a Carnival cruise ship full of American tourists unloading in the port and filing into a gleaming new McDonald's, hold your horses. Such massive changes are, in theory, more possible than they were on Tuesday, but not before our two

governments work out a huge number of issues embedded in our super complex trade relationship, analysts say.

Obama and Castro's speeches were significant and expansive, says John Kavulich, president of the [U.S.-Cuba Trade and Economic Council](#), but "the details are what matter. What people tend to forget is it's not what the U.S. wants to do to or for Cuba. It's about what Cuba feels is in its interest."

Most Cubans depend on monthly rations (limited amounts of deeply subsidized food) of rice, beans, coffee and a few other staple foods for their sustenance. There's also a [thriving black market](#) for food, supplying the wealthy and the foreigners with gourmet items like blue cheese and smoked salmon smuggled in by suitcase. (I traveled to Cuba in 2003 and 2007, first on a person-to-person license and then on a freelance journalist visa. Like so many other American visitors, I was utterly bewitched by the people, the music, the rum. But I lost weight there probably because candy bars and other snacks were so hard to come by.)

Of course, Cuba is far more food secure than many of its similarly impoverished neighbors in Latin America like Honduras and Haiti. But animal (and fish) protein is in extremely limited supply, and to buy food, Cubans have to wrestle with a ["jigsaw puzzle"](#) different markets and currencies for different food products.

Cuba imports about 80 percent of its food, according to the [World Food Program](#). That costs the government \$2 billion a year, and since 2000, a solid chunk of the imports have come from the U.S. In 2013, American firms sold \$348 million worth of agricultural goods to Cuba, according to the U.S.-Cuba Trade and Economic Council. The top three products? Frozen chicken, soybean meal (for animal feed) and corn.

Wednesday's announcement was not the end of the embargo, of course. But Obama's [new approach](#) to Cuba includes "expanded sales and exports of certain goods and services from the U.S. to Cuba." That includes agricultural products, from commodities like rice and beans to butter.

And for U.S. agricultural producers, the most important part of Wednesday's announcement was Obama's call to lift restrictions on financial transactions for food products, says David Salmonsens, a trade specialist with the [American Farm Bureau](#).

Currently, any agricultural producer who wants to sell to Cuba has to get cash upfront from the Cuban government before shipping, and the money exchange must be handled through a third-party bank, which means all kinds of extra transaction costs.

If the Treasury Department and Commerce Department go along with Obama's order, then those producers will now be able to do business more directly with the Cuban government and its banks, says Salmonsens.

Without those extra transaction costs, certain U.S. producers that don't currently sell to Cuba like fruit and vegetables producers may finally be able to offer the Cuban government a competitive price. Or rice from the Southeast U.S.: Cuba used to buy it, until we were out-competed by Brazil and Vietnam.

[Cargill](#), for one, says it's optimistic about the opportunities. So is the [American Soybean Association](#).

"Depending on how it develops, it could put our producers back into a more normal trading relationship with Cuba, so that the whole supply chain evolves, and demand rises as barriers are reduced and eliminated," says Salmonsens.

But as Kavulich points out, food isn't necessarily Cuba's biggest priority: Investments in infrastructure may be more desperately needed.

Still, "there are opportunities" for food companies, he says, but what happens when the "Cubans say, 'That's all well and good, but we need help with financing?'" The risk of doing business with the Cuban government is huge."

Cuba's government has considerable trade deficits with other nations, but little with the U.S. If American businesses want to sell more to Cuba, they might find themselves waiting a while to get paid, he says.

The big trade picture aside, the outlook for Cuban cuisine is also a bit murky. As I [reported](#) in 2012, Cuban chefs haven't been able to incorporate many modern cooking techniques, or exotic ingredients. (I don't think sous vides machines can get past the embargo.) So chefs may have to wait a while before they can import some of the American ingredients they covet.

As Sanchez wrote, Wednesday's announcement "is just the beginning." It's tempting to get excited about the future of Cuban food, but "keep the corks in the bottles," she says.

## **Inside US Trade**

**Arlington, Virginia**

**23 December 2014**

### **Daily News**

#### **Cuba Trade Policy Changes Expand Permitted Exports, Ease Payment Terms**

The new policies announced by President Obama on Dec. 17 as part of a new course with Cuba would expand the type of goods that U.S. companies can ship to Cuba beyond the current exports of agricultural goods and medical equipment -- provided they are sold to private buyers -- and also ease existing restrictions on the payment terms.

With respect to payment terms, the administration has proposed a less restrictive cash-in-advance payment policy and allowing U.S. financial institutions to establish direct business ties with Cuban banks. The product categories that are eligible for export under the policy changes announced by President Obama include building materials, agricultural equipment for small farmers and communications-related electronics.

These exports could be allowed under the same general licensing procedures that apply to agricultural exports to Cuba now, but experts held open the possibility that there may be additional requirements. Under current arrangements, exporters are required, within the time period of their license, to notify the government of their export but do not have to apply for a specific license for each shipment.

U.S. experts familiar with Cuba say selling goods to private entities may require some special arrangements given the Cuban government's deep involvement in the country's economy.

This is because the Cuban government controls such a large portion of the country's assets that U.S. officials will likely have to confirm that the exports are being used solely for private sector purposes, and not -- for example -- for government infrastructure projects, sources said.

However, U.S. companies covered under this product scope are not likely to sell their goods directly to Cuban private-sector entrepreneurs, said John Kavulich, senior policy advisor at the U.S.-Cuba Trade and Economic Council.

"The issue that's going to happen is ... the Cuban government doesn't allow Cuban nationals who are operating independent businesses to buy inputs from any entity other than a government entity," Kavulich said. He speculated that the administration could reach an agreement with the Cuban government on the warehousing of these goods for sale to private sector individuals, meaning some wholesale operation with the involvement of the Cuban government might be necessary for sales to occur.

He added that the Cuban government has a reputation for being faithful in its enforcement of these types of arrangements if it has agreed with the U.S. or any other country to do so.

U.S. agricultural exports -- the bulk of currently authorized shipments -- are sold directly to a company operated by Cuba's foreign trade ministry. They are authorized for humanitarian purposes under the 2000 Trade Sanctions Reform and Export Enhancement Act (TSRA).

The communications goods, sources speculated, could include consumer electronics such as cellular telephones -- which are currently eligible for donation, but not sale, to Cuban individuals -- and telecommunications services such as satellite television, which is currently unavailable under Cuban law.

The White House fact sheet says the scope of this category will include consumer communications devices, related software, applications, hardware, and services, and items for the establishment and update of communications-related systems. It also says telecommunications providers will be allowed to establish the "necessary mechanisms" to provide commercial telecommunications and Internet services.

**On the payment terms, the U.S. government is retaining the requirement that U.S. exports be paid in cash**, but will no longer demand that payment be made before shipments leave U.S. ports. This rule was instituted in 2005 under the George W. Bush administration as a more restrictive interpretation of the "cash-in-advance" stipulation in the TSRA.

Then-Senate Finance Committee Chairman Max Baucus (D-MT) at one point described the Bush regulation as effectively blocking agricultural shipments to Cuba, but a fact sheet by the U.S.-Cuba Trade and Economic Council says any reduction in exports was the result of other factors.

It cites Cuban government efforts to refrain from buying U.S. goods to encourage U.S. entities to lobby for the end of the embargo, and says the reduction in sales was not because of Treasury Department payment regulations. U.S. food exports to Cuba authorized under TSRA in reporting year 2013 were \$348.7 million dollars, down from their 10-year peak of \$710 million in reporting year 2008.

President Obama will apply a less restrictive interpretation of TSRA by allowing cash payments for shipments to be made after they leave U.S. ports and before they are transferred to the purchaser in Cuba.

A White House fact sheet on the Cuba changes specifies that "the regulatory definition of the statutory term 'cash in advance' will be revised to specify that it means 'cash before transfer of title.'"

That was the interpretation of the law's cash-in-advance requirement that prevailed under the TSRA until the George W. Bush administration applied a stricter interpretation in 2005, according to Kavulich.

Also on the financing front, President Obama announced his intention to permit U.S. institutions "to open correspondent accounts at Cuban financial institutions to facilitate the processing of authorized transactions." This will increase the speed, efficiency and oversight of authorized payments between the U.S. and Cuba, according to the White House.

Kavulich and Robert Muse, a lawyer and Cuba expert, said this move is aimed at benefiting current and future U.S. exporters by eliminating the hurdle of going through a third-country financial institution to process cash payment for their shipments to Cuba. This provision will allow U.S. banks to open accounts and deposit funds into accounts in Cuban banks -- and vice versa -- thus making it easier for the direct and instantaneous transfer of funds between two countries, sources said.

Under current rules, they said, Cuba must pay U.S. agricultural exporters through institutions in third countries like France or Mexico, which is costly and requires more processing time. The third-country banks that process these payments are also often reluctant to do so because of a labyrinth of U.S. sanctions and money laundering laws that can lead to legal liability and hefty fines.

This provision could apply to both Cuban government-owned banks, such as the Cuban Central Bank, or foreign subsidiaries that are established in the Cuban market, from countries such as Canada or France. Provided they are allowed to do so under forthcoming regulations, U.S. banks are more likely to establish correspondent accounts with these institutions because of their financial stability, Kavulich said.

These sources said Obama's decision to direct the State Department to review Cuba's designation as a state sponsor of terrorism could result in facilitating further financial engagement with Cuba because of increased confidence from financial institutions that they will not be faced with either government or market pushback for doing business in that country.

Additionally, lifting the designation would allow U.S. government agencies involved in financing, including the Export-Import Bank or the U.S. Department of Agriculture's GSM-102 program, to back shipments to Cuba or provide it with foreign aid, one source said.

Kavulich also said the administration's intention to allow the use of U.S. credit and debit cards by travelers to Cuba is important as a symbolic action. Currently, credit and debit cards with branding from U.S. companies are permitted for use in Cuba, but only if the bank processing the payment is a non-U.S. Bank.

A senior Treasury official said this week that U.S. financial institutions will be permitted to facilitate these payments under the coming regulations to be issued as a result of the president's announcement.

**Overall, Obama's proposals for easing trade with Cuba reflects ideas floated by previous administrations**, such as the sale of agricultural equipment. That provision, when proposed under Bush, faced pushback by U.S. agriculture groups because they did not want to endanger their exports by making Cuba a more self-sufficient producer, according to Kavulich.

The regulations implementing the new policies have not yet been released by the administration, but Assistant Secretary of State for Western Hemisphere Affairs Roberta Jacobson said on Dec. 18 that some regulatory changes could come in "days or weeks, certainly not months." In addition to State, the Commerce Department and Treasury Department will also carry the regulatory weight of the changes.

The administration has been clear in emphasizing that the policy changes do not lift the Cuban embargo as it was codified by Congress in the Helms-Burton Act of 1996. However, according to Muse, Obama can make these regulatory changes under his constitutional authority on foreign policy, and because Helms-Burton codified the president's ability to alter policy toward Cuba with his licensing power unless prohibited from doing so by specific Congressional action.

Other changes the President announced relate to some of the extraterritorial aspects of U.S. sanctions policy with respect to Cuba. The White House announced that the new policy will "allow foreign vessels to enter the United States after engaging in certain humanitarian trade with Cuba," a change from a current policy under which ships are prohibited from arriving at U.S. ports within 180 days of servicing a Cuban port.

This broader provision was a political hurdle in World Trade Organization talks for the Trade Facilitation Agreement (TFA), in which Cuba sought to include freedom of transit language aimed at forcing the U.S. to lift this restriction. The two sides ultimately agreed to non-legally-binding compromise language to resolve the issue when the TFA was first approved in Bali, Indonesia. The administration will have to define what activity constitutes "humanitarian trade" for this regulation, sources said.

Additionally, Obama has proposed giving general licenses for U.S.-owned or controlled entities to provide services to or engage in financial transactions with Cuban individuals in third countries, according to the White House fact sheet. Muse speculated that this regulation will apply to foreign subsidiaries of U.S. companies who wish to provide services to Cubans who are currently excluded from doing so because the U.S. currently does not allow such entities to provide such services to a Cuban overseas without specific permission to do so.

## **Radio Sputnik**

**Moscow, Russia**

**19 December 2014**

Live interview to discuss the changes in United States policy toward the Republic of Cuba.



# PJ Media

## Milpitas, California

### 19 December 2014

[Mark Lander of the New York Times](#) describes how president Obama has ‘mastered the art of secret negotiations’. “What the Cuba, Iran and China talks have in common — aside from their cloak-and-dagger allure — are a small team of negotiators, strict discipline and tight control by the White House.” A less charitable description might use the words “deceit”, “amateurism” and “bad faith” to characterize the White House’s efforts.

They also attest to Mr. Obama’s willingness to entrust historic projects to close aides, some of whom are young and have little experience in diplomacy.

In the case of Cuba, the entire American delegation consisted of two White House officials, one of whom, Benjamin J. Rhodes, is a 37-year-old speechwriter who has worked for Mr. Obama since his 2008 campaign and has become an influential voice in the administration. The Iran and China negotiations were also led by trusted Obama aides.

Using non-diplomats helps preserve the veil of secrecy, a senior official said, because such people are less likely to arouse suspicion among colleagues or the press. The three countries with which they were negotiating, the official said, were also able to keep a secret.

Castro seems to be the big winner. The [WSJ](#) says that the White House may be intentionally giving away the store as part of a deep game. “By offering so much for relatively little, Mr. Obama may calculate that an American gesture now will lead to a larger opening once the aging Castro brothers finally go to their eternal punishment.”

He may also hope that by acting now he can prepare the way for a triumphant visit to Havana before the end of his Presidency. Mr. Obama came to office in 2009 promising a new era of engagement with U.S. adversaries, and engage he has. Perhaps his Cuban “reset” will turn out better than have his efforts with Russia, Syria, North Korea and Iran.

The administration has a talent for turning victory into defeat. It’s good news for Fidel Castro, just when his regime was teetering on the precipice occasioned by the bankruptcy of principal allies Venezuela and Russia. The president has argued that 50 years of isolation has not toppled Castro. Why topple him now that he’s on the verge of going over the cliff? Maybe because the administration wants a stable Communist dictatorship off Florida in preference to a nation ripped apart by civil war. If starving Cubans actually stage a real revolution in Havana it might be inconvenient.

[Mark Trumbull of the Christian Science Monitor](#) asks “will closer financial ties between the United States and Cuba help to promote political reform on the communist island or simply prop up a morally bankrupt regime?”

“The United States has just thrown the Cuban regime an economic lifeline,” Sen. Robert Menendez (D) of New Jersey, outgoing chairman of the Senate Foreign Relations Committee, said in a statement released Wednesday. Another senator of Cuban-American heritage, Ted Cruz (R) of Texas, used the same “economic lifeline” phrase in issuing his own lament.

But one of the benefits to secret negotiations is that the administration can completely avoid answering such knotty questions. [Julie Hirschfeld Davis and Michael Gordon of the New York Times](#) report “Obama Intends to Lift Several Restrictions Against Cuba on His Own”. He’ll do it all in his vest pocket, in the same secretive manner that he conducted the negotiations themselves.

WASHINGTON — President Obama will move as soon as next month to defang the 54-year-old American trade embargo against Cuba, administration officials said Thursday, using broad executive power to defy critics in Congress and lift restrictions on travel, commerce and financial activities.

The moves are only the beginning of what White House officials and foreign policy experts describe as a sweeping set of changes that Mr. Obama can make on his own to re-establish commercial and diplomatic ties with Cuba even in the face of angry congressional opposition.

“The embargo is a container — it’s been that way since President Eisenhower — that’s had regulations and laws put into it and taken out of it and mixed about,” said John Kavulich of the U.S.-Cuba Trade and Economic Council. “President Obama is saying, ‘I’m going to leave a shell, but it’s going to be a proverbial Easter egg — it’s going to be hollow.’”

It’s not Easter any more. The other holiday metaphor Kavulich could have used is “stuffed as full of \*\*\*\*t as a Christmas turkey”. Not hollow but full. Crawling with nasty surprises. For the real danger in these last minute bargains being closed with Cuba, Iran and China is that the junior presidential aids are committing the United States to courses of action that nobody fully understands. The fine print is unknown, even to those custodians of institutional memory, Old Foggy Bottom.

The administration’s approach to the Cuba deal is exactly the same as its approach to Iran. Do it in the dark. Back in October of 2014, [David Sanger of the New York Times](#) writing before the midterm elections wrote: “Obama Sees an Iran Deal That Could Avoid Congress”. Sanger described how the administration was determined to ignore even a Democratic Senate on Iran.

President Obama will do everything in his power to avoid letting Congress vote on it. ... The Treasury Department, in a detailed study it declined to make public, has concluded Mr. Obama has the authority to suspend the vast majority of those sanctions without seeking a vote by Congress, officials say.

But Mr. Obama cannot permanently terminate those sanctions. Only Congress can take that step. And even if Democrats held on to the Senate next month, Mr. Obama’s advisers have concluded they would probably lose such a vote.

“We wouldn’t seek congressional legislation in any comprehensive agreement for years,” one senior official said.

‘Trust Obama and just sign on the dotted line,’ seems to be the order of the day. Short circuiting public debate with secret negotiations and deliberately ignoring the power of advise and consent carries dangers of its own. After all, “secret diplomacy” was widely blamed for the [outbreak of the Great War](#).

A secret treaty is a treaty between nations that is not revealed to other nations or interested observers. An example would be a secret alliance between two nations to support each other in the event of war. The opposing nations would be unaware of the treaty and therefore unable to add it to their calculations, which could obviously result in a difficult situation for the party that declared war when suddenly confronted with the troops of two or even three nations. Secret treaties were common before the First World War, and many blamed them for helping spark that conflict.

After 1918 it transpired there were wheels within wheels. Checks that couldn’t be cashed. Side bets that nobody knew about. Even if there are no secret annexes to the administration’s deals, the unspoken assurances under which the agreements are concluded form an important context in which they are to be understood. What the Cubans, Iranians and Chinese *think they are entitled to* – what they expect – is important, especially when nobody else knows what it is. It’s an accident waiting to happen.

For it is the context, not the text, which the administration wishes to be determinative in the relationship. It wants to turn legislation into hollow “Easter Eggs” and pursue goals not yet vouchsafed to the State Department or the legislature, though clearly known to Ben Rhodes and Fidel Castro.

The administration is clearly creating what economists call the [principal-agent problem](#). Obama wants to sign a blank check on behalf of the United States without telling anyone what he’s buying.

The principal-agent problem or agency dilemma occurs when one person or entity (the “agent”) is able to make decisions that impact, or on behalf of, another person or entity: the “principal”. The dilemma exists because sometimes the agent is motivated to act in his own best interests rather than those of the

principal. The agent-principal relationship is a useful analytic tool in political science and economics, but may also apply to other areas.

Unless there is complete transparency between the principal and the agent, there is always the danger an agent will do things contrary to the client's interest yet which benefit himself. Mastering the art of secret diplomacy is not unlike learning to cheat at cards. It's a sign of the administration's incompetence and desperation as much as anything else. The best kind of card game is where all the cards are on the table.

Otherwise the other players at the table may suddenly notice that that something's not right with the game. That's how miscalculations begin, but it is not always how they end.

Then I ducked my head, and the lights went out, and two guns blazed in the dark,  
And a woman screamed, and the lights went up, and two men lay stiff and stark.  
Pitched on his head, and pumped full of lead, was Dangerous Dan McGrew,  
While the man from the creeks lay clutched to the breast of the lady that's known as Lou.

Secret diplomacy may not be all its cracked up to be.

## **AOL News**

### **Washington, D.C.**

#### **19 December 2014**

What is the U.S. embargo against Cuba and what needs to happen for it to be lifted

HAVANA, CUBA - DECEMBER 17: Alan Gross on the tarmac with his wife, Judy Gross, attorney Scott Gilbert, Sen. Jeff Flake, (R-AZ), Sen. Patrick Leahy, (D-VT) and Rep. Chris Van Hollen, (D-MD) during his release December 17, 2014 at an airport near Havana, Cuba.. Obama announced plans to restore diplomatic relations with Cuba, over 50 years after they were severed in January 1961. In a prisoner exchange, U.S. contractor Alan Gross was freed after being held in Cuba since 2009 and sent to Cuba three Cuban spies who had imprisoned in the U.S. since 2001. (Official White House Photo by Lawrence Jackson)

What is the U.S. embargo against Cuba and what needs to happen for it to be lifted  
"I look forward to engaging Congress in an honest and serious debate about lifting the embargo,"  
President Obama said in a press conference.

Since President Obama's comments Wednesday it's been hard not to talk about the U.S. embargo on Cuba and Obama's proposed shift in relations with the country.

"I think all of us hope Congress will lift the embargo," Rep. Chris Van Hollen said.

"The embargo is not what's hurting the Cuban people. It's the lack of freedom," Sen. Marco Rubio told Fox News.

So, where did the embargo come from in the first place? And, with President Obama's intention to try and get rid of it, what does the White House need to do to make that happen?

President Dwight Eisenhower first imposed a limited embargo against Cuba in the late '50s after the communist country expanded its relationship with the Soviet Union. President John F. Kennedy widened the embargo in 1962 to include all Cuban trade, including food and medicine. Kennedy later imposed travel restrictions to Cuba after the Cuban Missile Crisis in 1963. (Videos via Euronews, National Archives)

According to many, the U.S. embargo against Cuba was also about deposing former President and former Prime Minister of Cuba Fidel Castro - a Marxist leader who violently overthrew the previous government.

In the years following the embargo, Cubans suffered.

"Cuba's economy, once so dependent on its huge neighbor to the north, withered. ... Cubans paid a heavy price in economic hardship and political repression," BBC reporter Paul Adams said.

Fast-forward to 2014, opinions are split on re-establishing ties with Cuba. Some have said the embargo has lasted too long and actually didn't serve its purpose of creating an uprising against Castro.

Others, like Sen. Marco Rubio, believe lifting the embargo would be a mistake.

"It is a victory for the oppressive Cuban government, but a serious setback for the repressed Cuban people," Rubio said.

Opinions are also split within Miami, Florida's Cuban population.

"The older generation says, 'I feel betrayed twice. First, by Fidel Castro, which caused me to flee Cuba. And now, by my own president, President Obama.' Whereas the younger generation ... they say, 'Look, our president is doing this in the best interest for us,'" Al Jazeera reporter Morgan Radford said.

Obama's plans to shift U.S.-Cuba relations are divisive, but he's vowed to gut much of the restrictions against Cuba himself.

John Kavulich of the U.S.-Cuba Trade and Economic Council told The New York Times, "President Obama is saying, 'I'm going to leave a shell, but it's going to be a proverbial Easter egg - it's going to be hollow.'"

President Obama can establish an embassy, allow for certain banking transactions between Cuban and American institutions and issue general licenses for traveling. What he can't do: completely lift all restrictions for travel and completely get rid of the embargo. He'll need congressional approval for that.

Obama has said he'll work with Congress to make those things happen but - considering early opposition from some Congressional lawmakers - he said Friday it'll probably be a while we'll even see a debate on lifting the embargo.

**Politico**  
**Washington, DC**  
**18 December 2014**



## **Cuba Inc.? Not quite**

By Helena Bottemiller Evich and Adam Behsudi

U.S. business and agriculture groups say the Obama administration took a huge leap forward with Wednesday's historic Cuba policy change. But while chicken and rice exports may take off, don't expect shiny new U.S.-made tractors and lumber to flood Havana anytime soon.

President Barack Obama's executive action doesn't fundamentally change the game, numerous industry sources say. The Cuban embargo and Cuban government remain formidable obstacles for U.S. products and financial transactions.

The new policy, which re-establishes diplomatic relations after a more-than-50-year freeze, allows U.S. companies to sell building materials for private residential construction, goods to help Cuban entrepreneurs build businesses and agricultural equipment for small farmers.

"It doesn't mean every executive is going to fuel up their jets at Teterboro Airport and fly to Havana," said John Kavulich, senior policy adviser for the U.S.-Cuba Trade and Economic Council.

The Cuban government, largely guided by communist ideals, may be reluctant to see some citizens grow wealthy at the expense of others, Kavulich said. He noted that the government tends to regulate how imports are dispersed in its largely state-run economy.

Experts also see the Obama administration's actions as fairly limited in the context of overall U.S. exports, which amounted to about \$2.3 trillion in goods and services in 2013. U.S. exports of goods and services to Cuba, in contrast, stood at about \$358 million total last year.

And the new measures only chip away at the sweeping embargo that has kept U.S.-Cuban trade flows at a minimum for more than five decades, trade watchers say. To really go big, Congress would need to be interested in ending the decades-old economic sanctions. But it's unclear whether farm groups that would gain from such an effort will go to the Hill and fight for Obama's policy in a newly Republican-controlled Congress.

"Certainly there will be agricultural interest groups who will probably carry that banner," said Erick Erickson, vice president of the U.S. Grains Council, which doesn't lobby. "I don't know that this signals a change of mood on the Hill. That's another chapter in the ongoing saga."

Christopher Sabatini, senior director of policy at the Americas Society and Council of the Americas, said any changes to the U.S. economic embargo on Cuba are a no-go.

“You do actually have a pretty good cross-section of bipartisan groups that are in favor of changing the embargo,” he continued. “But the supporters of the embargo speak much more loudly and polished-ly and virulently than those who are against it.”

What will be key is to watch how regulators translate the White House’s words into policies, he said.

“A lot of the licensors and public officials will interpret this in the narrowest way possible,” Sabatini said. “Policy is boring, but it can be completely run off the rails by an uncooperative bureaucracy.”

On top of Republican opposition to normalizing trade relations with Cuba, Obama’s policy faces backlash from the anti-Castro lobby, which has some bipartisan support in Congress.

“These policy changes raise serious questions regarding the president’s credibility and geopolitical vision,” wrote Mauricio Claver-Carone, executive director of Cuba Democracy Advocates, which presses for human rights and freedom in Cuba, on his blog on Wednesday. “They also represent an abuse of his executive authority under U.S. law.”

The U.S.-Cuba Democracy PAC, which spent nearly \$380,000 on lobbying this year, has already declared the just-announced policy change a failure. And Sen. Robert Menendez (D-N.J.), a longtime opponent of lifting the trade embargo, slammed Obama’s announcement on Wednesday.

“The United States has just thrown the Cuban regime an economic lifeline,” Menendez said. “This is a reward that a totalitarian regime does not deserve, and this announcement only perpetuates the Castro regime’s decades of repression.”

### **Farmers could find win**

Of all the sectors that stand to gain from the changes, American farmers may be best-positioned to snap up more business in Cuba, which is heavily reliant on food imports. U.S. agricultural exports have been allowed since 2001, but financial red tape caused them to lose ground to competitors such as Brazil, Thailand and China. The new policy is expected to make it easier for American farmers to get access to a \$1 billion-plus market opportunity.

U.S. exporters will have an easier time exporting chicken, corn, lumber and other products, and with the limit on remittances to Cuban nationals set to quadruple, many Cubans will have more cash to buy them.

The new financial policy allows U.S. agricultural experts to forgo a longstanding requirement that Cuban companies pay cash in advance for food shipments, usually through a bank in a third country. And U.S. financial institutions will be allowed to set up correspondent accounts with Cuban banks, meaning money could be easily wired to the U.S. company’s account even after the cargo is unloaded in Havana’s port.

“What this does is make it more efficient, sufficiently reduces the cost of these transactions, so it’s more likely now that Cuba will be able to do business at a higher level from an agricultural product perspective,” Agriculture Secretary Tom Vilsack said Wednesday.

The changes are expected to help American farm groups make up ground after decades of crushing financial regulations.

“Brazil is now the No. 1 supplier [of food] to the Cuban market,” said Devry Boughner Vorwerk, vice president of international business relations at Cargill and president of the U.S. Agriculture Coalition on Cuba. “Our exports have been falling.”

Together, the financial measures could make U.S. farm exports from 10 percent to 25 percent more cost-efficient, estimates C. Parr Rosson, head of the agricultural economics department at Texas A&M University.

Rice, in particular, has had its market share crushed by cheaper exports from Vietnam and Thailand over the past few years, Rosson said. The USA Rice Federation said its members haven't sold rice to Cuba since 2008, but they hope to start.

Meanwhile, corn producers hope to take back their shrinking market share of Cuba's roughly 900,000 tons of corn imports, valued at about \$800 million. U.S. corn exports to Cuba have shrunk from about 811,000 tons in 2007-08 to 137,000 tons last year.

"Subject to some caveats to how the details of how this unfolds, we could see the U.S. recapturing a big share of that 900,000-ton market," said Erickson, of the U.S. Grains Council. "That's a big bump."

As for farm equipment, which the White House said will be easier to export to Cuba to help small farmers, the policy changes might not help manufacturers much: Rosson said he expects Cuba to be a more used-equipment market.

"[T]hey're not going to be able to afford these huge, hundreds of thousands of dollar-pieces of equipment, but they will be able to buy used equipment," Rosson said.

### **Gains for other sectors uncertain**

Sectors including telecommunications, financial services and building materials see the potential for an agricultural boost and want to set themselves up for similar gains.

In Southern states, there are high hopes for an increase in lumber exports — and maybe even some Alabama-grown turf for Cuba's golf resorts.

Richard Wallace, vice president of communications at Southern Forest Products Association, said the Caribbean basin is one of the association's biggest markets. Wallace expressed confidence that Cuba will be a market for his member companies' lumber, assuming there aren't any restrictions on what types of lumber can be exported under the new rules.

"Just think of the docks and piers that Cuba could have," he said.

While it's unclear how big a construction market Cuba offers, Wallace said, "everything's old" and "they could certainly use some new houses."

"Do they have skilled labor to build the houses?" he asked. "Those are issues that are going to have to be addressed."

Brett Hall, a deputy commissioner at the Alabama Department of Agriculture and Industries, added that Cubans have "really liked" Alabama's treated lumber, adding that the potential market is a "straight shot" from the Port of Mobile.

Still, the Cuban government's actions in response to the U.S. shift remain a wild card in the effectiveness of the new U.S. policy.

Under the White House plan, relaxing financial restrictions, for example, is central to spurring more U.S. exports, but Cuba may not be receptive to the arrangement because it would open Cuban banks to U.S. financial regulations, such as transparency requirements, according to Kavulich, a top expert on U.S.-Cuba trade relations.

"The president is making a lot of gestures, but it's all about the Cubans reciprocating," he said.

In addition, moves to allow visitors to Cuba to use credit and debit cards will have only a minuscule impact on the profits of banks and card companies, research analysts said. Payment processing businesses such as Western Union, Moneygram International and Xoom Corp. would benefit more under the loosened restrictions.

Western Union has provided very limited money transfer services from the U.S. to Cuba since 1999 because of regulations imposed by the U.S. Office of Foreign Assets Control that have constrained money flows into Cuba, as well as into Syria and Sudan.

Western Union shares were up 2.4 percent in trading Wednesday afternoon, while its competitor Moneygram International saw a stock gain of 5.5 percent and Xoom Corp., which provides online money transfers, saw shares rise 11 percent, well above broader stock market increases.

“The company welcomes these changes and is ready to implement the new rules, announced today, consistent with OFAC guidelines,” a Western Union spokesman said in a statement.

The same question about Cuba’s response applies to the telecommunications sector. The new approach will allow telecom providers to “establish the necessary mechanisms, including infrastructure” to provide voice and Internet services in Cuba, a potentially fertile market. The country’s Internet penetration is only 5 percent, and there are only 2 million cellphones among the population of 11.4 million.

But any foreign business that wants to establish itself in Cuba must enter a contract with the government that gives the state 51 percent ownership, and citizens can’t buy computers or access the Internet without special authorization.

Still, some tech companies seemed open to the idea of doing business in Cuba. Facebook and Twitter, for example, said they’re hopeful about the opportunity because the new Cuban policy fits in neatly with both companies’ missions to connect the world. “We are always excited when more people have the opportunity and accessibility to connect with one another,” a Facebook spokesperson said.

AT&T, Verizon and other companies pushed for years to get U.S. government restrictions changed so the companies could make a deal with Cuba. While AT&T had no comment Wednesday, Verizon said only, “We are focused on continuing to provide our customers with the best service in the United States.”

However, the communist Cuban government has rebuffed companies seeking to increase connectivity among its citizens, and Cuban President Raúl Castro’s speech Wednesday revealed very little in the way of Havana’s next steps. In it, he broadly called for the United States to remove “restrictions on traveling, direct post services and telecommunications.”

“It’s hard to believe they will suddenly change their behavior. You can’t change the dynamic overnight,” said Ellery Biddle, editor at Global Voices Advocacy and a fellow at the Berkman Center for Internet and Society at Harvard University.

Added David Gross, a former State Department coordinator for international communications and information policy, now a partner at the law firm Wiley Rein. “It will become clear quickly — within six months — whether they are embracing a more liberalized relationship.”

## **The Hill**

### **Washington, DC**

### **18 December 2014**

#### **Obama picks new fight over Cuba**

By [Mike Lillis](#)

President Obama has picked a new fight with Congress over the nation's Cuba policy, enraging newly empowered Republicans already accusing the White House of executive overreach.



The stunning announcement – coming just weeks after another White House edict drastically reshaped U.S. immigration policy – has also raised spirits among Democrats, who are hoping the back-to-back power moves are a sign the president will be more exertive in the face of GOP opposition through the final two years of his lame-duck presidency.

“His actions,” said Rep. Lacy Clay (D-Mo.), “are smart, strategic and long-overdue.”

Coming after 18 months of secret talks between Washington and Havana, the new policies take long strides toward normalizing relations with Cuba more than 50 years after ties were cut with the arrival of the Communist Castro regime.

Under the deal – sealed by Obama and Cuban President Raúl Castro – the United States will establish an embassy in Havana and ease long-held travel and trade restrictions. The agreement was reached only after Castro agreed to free Alan Gross, a U.S. contractor imprisoned in Cuba since 2009.

But if the move at once proved historic, it also promised to play an outsized role in the politics of the next Congress, which returns to Washington next month with Republicans leading both chambers and relations with the White House at a low point in Obama's tenure.

Republicans are already outraged over last month's executive order halting deportations on millions of immigrants living in the country illegally. And on Wednesday, before Obama had even announced his new Cuba policy, Republican critics – including several eyeing the White House in 2016 – had laced up their gloves to take a swing.

“It is a victory for the repressive Cuban government and a serious setback for the repressed Cuban people,” said Sen. Marco Rubio (R-Fla.), a Cuban American and a potential presidential contender. “The White House has conceded everything and gained little.”

Other GOP leaders – including Sen. Ted Cruz (R-Texas), former Florida Gov. Jeb Bush and House Minority Whip Steve Scalise (R-La.) – were quick to pile on the criticism.

“The beneficiaries of President Obama's ill-advised move will be the heinous Castro brothers who have oppressed the Cuban people for decades,” Bush said via Facebook.

While the policy shift has infuriated conservatives, it's also energized liberals, who have long-urged Obama to fight harder for the Democratic ideals on which he campaigned in 2008 and 2012. Many have blamed the Democrats' midterm election drubbing on what they consider Obama's unwillingness to do just that. And they're hoping his recent moves on immigration and Cuba forecast a new era of liberal policy-making from the White House.

“Our president has taken the mold-breaking, progressive action that so many of us always hoped he would and for that he deserves our most heartfelt praise,” Charles Chamberlain, the head of Democracy for America, a liberal advocacy group, said Wednesday in a statement.

Still, the thorny debate over U.S.-Cuba policy has never broken strictly along party lines. And that dynamic was on full display following Wednesday's announcement.

Indeed, Sen. Jeff Flake (R-Ariz.) was among the Republicans visiting Cuba with administration officials when the deal broke. And at least one powerful Democrat – Sen. Robert Menendez (D-N.J.), another Cuban American – denounced the agreement as an invitation for “rogue regimes to use Americans serving overseas as bargaining chips.”

“President Obama's actions have vindicated the brutal behavior of the Cuban government,” Menendez, the senior Democrat on the Senate Foreign Relations Committee, said in a statement.

What's less clear, however, is what power Congress's critics have to push back against Obama's new policies.

Sen. Lindsey Graham (R-S.C.) suggested Wednesday that lawmakers would use the budget as their weapon, vowing to do “all in my power” to prevent federal dollars from opening the Havana embassy.

“Normalizing relations with Cuba is bad idea at a bad time,” Graham said on Twitter.

Still, trade and foreign relations experts say that, while Congress must act to eliminate the decades-old embargo altogether, Obama has broad powers to ease trade and travel sanctions on America's island neighbor under current law.

“The laws were written in such a way that gave the executive branch a good amount of leeway,” said John Kavulich, senior policy adviser for the U.S.-Cuba Trade and Economic Council. “He has a lot of discretion, and it seems as though he’s intending to use it.”

Complicating the equation for the critics, Obama maintains veto power over congressional funding bills. And despite the outcry, the Republicans' efforts to dismantle the administration's new deportation policies have so far met with only frustration.

Most Democrats, meanwhile, were quick to hail the Cuba deal, arguing that the tougher rules governing Cuban-American relations over the last 50 years have failed to topple the Castro regime while stifling Cuba's economy at the expense of the Cuban people.

“We work with the Russians. We work with the Vietnamese, we work with China and many other nations that we have had difficult relationships with in the past,” Rep. John Lewis (D-Ga.), the civil rights icon, said in a statement. “To move into the future, we must learn to live together and work together as members of the community of nations.”

Announcing the new relationship, Obama emphasized that very point.

“We can do more to support the Cuban people and promote our values through engagement,” Obama said in a video statement from the White House.

“It's time for a new approach.”

## Politico

### Washington, DC

### 18 December 2014

By ADAM BEHSUDI

*With help from Doug Palmer and Victoria Guida*

**CUBA INC.? NOT QUITE:** U.S. business and agriculture groups say the Obama administration took a huge leap forward with Wednesday's historic Cuba policy change. But while chicken and rice exports may take off, don't expect shiny new U.S.-made tractors and lumber to flood Havana anytime soon.

President Barack Obama's executive action doesn't fundamentally change the game, numerous industry sources say. The Cuban embargo and Cuban government remain formidable obstacles for U.S. products and financial transactions.

The new policy, which re-establishes diplomatic relations after a more-than-50-year freeze, allows U.S. companies to sell building materials for private residential construction, goods to help Cuban entrepreneurs build businesses and agricultural equipment for small farmers.

“It doesn’t mean every executive is going to fuel up their jets at Teterboro Airport and fly to Havana,” said John Kavulich, senior policy adviser for the U.S.-Cuba Trade and Economic Council. Read the full story here: <http://politico.pro/1sC0sk8>

**IT’S THURSDAY, DEC. 18:** Welcome to Morning Trade, where we’re wondering if this week’s news on Cuba counts as “vindication of right,” as one president said once: <http://bit.ly/VBudaX>

Got any news or tips? Send them to me: [abehsudi@politico.com](mailto:abehsudi@politico.com) or @abehsudi.

**CHINA CLAMPS DOWN BEFORE OPENING UP:** Chinese Vice Premier Wang Yang on Wednesday defended his country’s use of its anti-monopoly law in the face of intense U.S. industry criticism, arguing China needs to clamp down on questionable business practices before it can further open its economy to foreign investment.

“In my view, China has strengthened supervision, including anti-monopoly, for the purpose, first, to have a better opening up,” Wang said, speaking through a translator at the annual meeting of the U.S.-China Joint Commission on Commerce and Trade, a high-level bilateral forum to address trade irritants.

U.S. companies complain that China has disproportionately applied its anti-monopoly laws against foreign firms in a bid to promote its own national champions or to force the transfer of foreign technology. Pro Trade’s Doug Palmer brings us the latest from Chicago: <http://politico.pro/1AfnJ1v>

**VILSACK: CUBA POLICY GOOD FOR U.S. AG:** U.S. Agriculture Secretary Tom Vilsack said reforms announced Wednesday by President Barack Obama will make it make easier for U.S. exporters to sell U.S. farm products to Cuba, reports Palmer, who caught the former Iowa governor on the sidelines of the high-level JCCT in Chicago.

"What this particular opportunity creates is a much more efficient, less-expensive opportunity for Cuba to buy American agricultural products," Vilsack told POLITICO.

**"In the past, when Cuba was purchasing product, they had to pay cash in advance.** They had to route the cash through a third party because we couldn’t allow direct transactions between American banks and Cuban banks," Vilsack explained following a session in which he was a presenter.

The U.S. has allowed agricultural exports to Cuba since 2001 under the Trade Sanctions Reform and Export Enhancement Act. In 2013, the U.S. exported just shy of \$350 million of agricultural goods to Cuba, with frozen chicken, corn, soybeans and soybean meal as the top products, according to the U.S.-Cuba Trade and Economic Council. Chicken represented nearly half the value, with \$144 million in sales. Canned foods, frozen sausages and frozen pork were also among the top 10 products.

**CANADA’S CUBAN CONCILIATOR ROLE:** Canadian Prime Minister Stephen Harper congratulated the U.S. and Cuba on working toward normalizing relations, noting Ottawa’s role in hosting senior officials from both countries, “which permitted them the discretion required to carry out these important talks.”

“Canada supports a future for Cuba that fully embraces the fundamental values of freedom, democracy, human rights and the rule of law,” Harper said in a statement.

**RUBIO: CUBA POLICY ‘ABSURD’:** Back home, the Cuba policy decisions drew sharp rebuke from Sen. Marco Rubio, who said the Obama administration’s move toward normalizing relations with Cuba is “absurd,” offering some of the sharpest initial Republican criticism of the news. Rubio, the son of Cuban immigrants and a likely Republican presidential contender, spoke on Fox News just hours after reports emerged that the U.S. would be opening talks with Havana.

“It’s part of a long record of coddling dictators and tyrants that this administration has established,” the Florida senator charged, adding that the White House’s route won’t result in more economic freedom or democracy in Cuba.

**PRITZKER PLANS CUBA TRIP:** Commerce Secretary Penny Pritzker said on Wednesday she plans to visit Cuba to discuss further ways to expand commercial ties. An aide said the trip could take place in 2015, but no dates have been set.

"I look forward to visiting Cuba to lead our efforts to expand our commercial diplomacy as part of the president's initiative to encourage positive change in Cuba," Pritzker said during a speech at the JCCT meeting taking place Wednesday and today.

"These historic actions by the president chart a new course for our country's relationship with Cuba and its people," Pritzker said. "It will improve the lives of millions and will help spur long overdue economic and political reform across the country."

# Latin America News Dispatch

New York, New York

18 December 2014

## Cuba 'Not Open For Business' Just Yet



Workers making Cuban cigars, which U.S. visitors will now be allowed to bring home in small quantities.

### Christopher Looft

The United States and Cuba may be normalizing relations, but don't expect a major trade boom for now.

While the changes announced by President Obama will widen the types of financial transactions allowed between the two countries and permit more forms of trade and travel, a broadly restrictive embargo on trade with Cuba remains in place, and firmly under the control of the U.S. Congress.

As U.S. diplomats prepare to set up an embassy in Havana for the first time since 1961, U.S. business leaders, on the other hand, "are not fueling up their corporate jets," according to John Kavulich, senior advisor for the U.S.-Cuba Trade and Economic Council, which advises businesses about trade with Cuba.

"Cuba is not open for business," said Doug Jacobson, a sanctions attorney with Jacobson-Burton PLLC in Washington, DC. "You have to separate out the diplomatic normalization of relationships and the economic... From an economic perspective, I really think this is much more symbolic than practical in terms of applications for U.S. businesses."

One of the concrete changes announced by Obama would allow U.S. banks to set up accounts in Cuba. Previously, firms were required to set up accounts in third countries, which made it inconvenient to pay for imports and exports. The change will especially benefit U.S. agricultural producers seeking to do business in Cuba, according to Mark L. Schneider, the Senior Vice President and Special Advisor on Latin America for the Washington-based International Crisis Group.

Those producers have faced difficulties in selling their products in Cuba, where buyers were required to make cash payments in advance of the goods' arrival, and through 3rd-party banks. That policy would be reversed.

Schneider said that, four years ago, when he accompanied a bipartisan group of U.S. legislators from agriculture-heavy states on their trip to Cuba, the members of congress “came away with the view that this kind of action by the president would have a significant impact on increasing U.S. agricultural exports to Cuba.”

The U.S. will also allow the export of other products that Cuba’s small private sector could use, like building materials and agricultural equipment, but as Jacobson noted, other countries could already provide these materials. Nothing prevents Cubans from buying concrete or fertilizer from Mexico for personal or business use, he added, other than their relatively low purchasing power.

“The reality is that they haven’t been doing that,” Jacobson said. “To buy the paint to paint somebody’s house is a month or two months’ salary.”

Jacobson is skeptical that trade will flourish as a result of the policy shift, not least because many exports to Cuba will remain prohibited. “I’m getting calls from clients: ‘oh, can I export to Cuba tomorrow?’ No, you can’t even export to Cuba in six months because nothing has changed for your product range. My medical and agricultural clients, they can already sell to Cuba, not that they have been that successful in doing so,” a consequence of low demand, he said.

And Cuba will be unable under the new policy to raise money to buy U.S. goods by selling its own products to the country. “This makes no changes whatsoever to exports of commercial items from Cuba to the United States,” Jacobson said, except for the \$400 in goods that U.S. visitors will be allowed to bring back from Cuba, \$100 of which can go toward tobacco or alcohol.

Still, from a diplomatic perspective, the move is “a watershed in not only U.S.-Cuba relations, but U.S.-Latin American relations,” said Schneider, who also worked in the 1990s as a senior U.S. Agency for International Development official in the region. “It’s already produced unanimous applause within Latin America, from our close friends like Chile to our much less close friends like Venezuela.”

In addition to the looming arrival of U.S. diplomats in Havana, it will be easier to travel to Cuba for several reasons, including journalism, humanitarian missions and academic study. But overall, travel for just tourism’s sake in Cuba will remain prohibited.

As modest as they may be, the changes already announced could still face hurdles. According to Kavulich, Cuban financial institutions will need to make major changes to comply with post-9/11 banking laws aimed at preventing money laundering and the support of terrorism. Kavulich said the Cuban government has previously signaled its unwillingness to comply with these laws, which contributes to uncertainty over the prospect of stronger banking ties.

“The relationship between the U.S. and Cuba has always been about a series of moments, not just a moment,” he added. “The Cuban government does not like uncertainty. And any substantial change in the relationship between the U.S. and Cuba is defined by uncertainty.”

However, even if the current changes to economic policy don’t produce a renaissance in trade, they will likely give advocates of stronger ties a solid foundation to work from. For one thing, as Schneider noted, other countries are likely to increase their involvement with Cuba because the U.S. announcement will be taken as a signal that agencies like the Treasury Department will not aim to punish those who do business on the island.

And while the U.S. embargo will remain in place, Jacobson is optimistic that more changes are coming.

“I think that this is a baby step forward,” Jacobson said, “and then there will be a next step, and then there will maybe be another step, and then maybe Congress will realize that this is ridiculous.”

The changes announced Wednesday were largely designed to help the Cuban people, according to Jacobson. They are likely to benefit from a potential increase in U.S. visitors to the island, who will spend their dollars at private restaurants (“which are actually quite good”) and on souvenirs to bring home. But Cuba may face one unintended consequence: the loss of the mystique of their famous cigars and rum.

Jacobson said he tried both on a recent trip, and it seemed that due to economic hardship, quality has declined.

“Cuban cigars, in many ways, are overrated,” Jacobson said. “And Cuban rum... Is it really any better than Bacardi?”

## **CNBC**

### **New York, New York**

### **17 December 2014**

Live interview to discuss changes in United States policy toward the Republic of Cuba and the implications for United States companies.

## **The Hill**

### **Washington, DC**

### **17 December 2014**



By Peter Schroeder

President Obama has significant powers at his disposal to make the U.S. trade and travel embargoes on Cuba meaningless, though action by Congress is required to formally lift the sanctions.

Six separate laws dictate the terms of sanctions on Cuba. They range from the Trading with the Enemy Act of 1917 to the Trade Sanctions Reform and Export Enhancement Act of 2000.

It was President John F. Kennedy who prohibited U.S. exports to Cuba under the Trading with the Enemy Act shortly after Fidel Castro took control of the island nation.

Since then, Congress has moved periodically to toughen the sanctions with legislation, and a series of presidents have also taken executive steps to tighten or loosen the screws on Cuba.

Experts agree that Obama, who with actions on healthcare and immigration has signaled a willingness to test the lengths of executive power, has significant discretion when it comes to U.S. policy toward Cuba.

The six laws are written in a way to give the executive branch latitude in enforcing the law, and regulations are used to implement many of the sanctions.

“The laws were written in such a way that gave the executive branch a good amount of leeway,” said John Kavulich, senior policy adviser for the U.S.-Cuba Trade and Economic Council. “He has a lot of discretion, and it seems as though he’s intending to use it.

Obama on Wednesday announced the U.S. will seek formal diplomatic relations with Cuba, and travel and trade restrictions will be eased.

Neither the trade nor the travel embargo is being lifted, but Obama's announcement will make it easier to get a license to travel to Cuba and will allow visitors to bring back goods to the United States. Americans also will be able to send up to \$8,000 a year to Cubans and will no longer need a specific license to do so.

These changes could provide significant advantages to average Cubans, an argument the White House highlighted on Wednesday. But, as some Republicans argue, they could also help the Castro regime stay in power.

Obama can't repeal legislation enforcing the embargo without action by Congress.

"Fundamentally, the embargo is law, and without Congress's backing, the heart of U.S. economic sanctions will remain in place," said Mark Lagon, an adjunct senior fellow for human rights with the Council on Foreign Relations.

And Kavulich said there are limits to Obama's actions.

"If the president is now going to expand what people can do, when they go down there, and how many people can go down there, is he essentially ending the embargo? No, there's still a lot he can't do," he said.

But through regulations, Obama can chip away at the effectiveness of the sanctions, making it easier for people to travel or trade with Cuba.

Some experts on Cuba-U.S. relations argue that Obama might have an unimpeded path toward fundamentally changing the embargoes, even if Congress doesn't lift a finger.

Robert Muse, a Cuban legal expert, argued in a recent article that the president's ability to alter or rescind the embargo is "essentially unfettered."

The Trading with the Enemy Act, which provides the basis for the embargo, effectively gives the president the power to put in place and maintain economic sanctions against hostile nations.

Muse contends that, since the implementation of the trade embargo is done by a host of regulations, the president has extremely broad power to do away with them. After all, it was Kennedy who prohibited U.S. exports to Cuba, meaning Obama is "just as free" to rescind it, he wrote.

But Obama could face a number of hurdles with a Republican House and Senate, where some members are warning of a challenge.

Shortly after the administration announced the shift, Sen. Lindsey Graham (R-S.C.) said he would try to bar funds from being used to establish an embassy in Cuba for the first time since the 1960s.

Sen. Marco Rubio (R-Fla.) said he would do everything in his power to block Obama's efforts, while Sen. Robert Menendez (D-N.J.) said a prisoner trade accompanying the other changes "sets an extremely dangerous precedent."

And some experts questioned whether Obama was fully acting within a law, suggesting that, as with immigration and healthcare, Obama's actions on Cuba could face a court challenge.

"Most who were involved in the drafting of the legislation ... will believe that some of this isn't authorized," said Kavulich.

**BBC World Service (28 minute interview)**  
**London, United Kingdom**  
**17 December 2014**

## 'New chapter' in US-Cuba ties

As these once most bitter of enemies agree to establish closer relationship, we assess the economic impact.

We talk to John Kavulich, Senior Policy Advisor at the U.S. Cuba Trade and Economic Council in New York, and Pedro Feyre, an expert in Cuban-American legal relations at Columbia Law School.

Plus, frantic buying in the shops and a rush to withdraw cash from banks. We hear the latest on Russia's currency crisis.

Also in the programme, crash tests on seven popular Indian car models found them to be unsafe. How much will it cost to make them safer?

And finally, they're renowned as one of nature's biggest aphrodisiacs. But we'll hear how oysters are facing a distinctly unromantic threat: Herpes.

# Bloomberg News

## New York, New York

### 17 December 2014

#### Coke, Travel Companies Stand to Benefit From Opening Cuba

By Matt Townsend Dec 17, 2014 1:48 PM ET



Coca-Cola would consider re-entering the market “at the appropriate time and in... [Read More](#)

(Bloomberg) -- Coca-Cola Co. sells its beverages in all but two countries -- North Korea and Cuba. The list might soon shrink to one.

President Barack Obama moved today to end the isolation of Cuba, proposing to remove trade and travel restrictions that have lasted more than 50 years. The policy change could benefit a raft of companies.

Obama would let U.S. businesses export goods such as building materials, farming equipment and communications infrastructure on the island. The loosening of travel restrictions could aid the cruise and airline industries. U.S. financial institutions will be allowed to open accounts with Cuban banks. The unexpected thaw could mean new business for companies as varied as Carnival Corp. (CCL), Nike Inc. (NKE) and Wal-Mart Stores Inc. (WMT)

Normalizing relations with the island nation about 90 miles from Florida would open a market of about 11 million people -- about the same size as a U.S. state like Ohio -- that have been longing for U.S.



products for decades, according to John Kavulich, a senior policy adviser at the U.S.-Cuba Trade and Economic Council.

“What’s attracted U.S. companies from before the revolution, through the revolution to today is there’s an incredibly high awareness for U.S. brand names,” Kavulich said in an interview. That means the cost of entering the market would be lower because not as much marketing is needed, he said.

The steps Obama laid out would loosen an embargo that had been one of the most durable elements of U.S. foreign policy.

Orbitz CEO

Orbitz Worldwide Inc. (OWW), a longtime critic of the embargo, applauded Obama’s moves on Cuba, saying it would hopefully pave the way for travel between the two countries.

“There are numerous economic, social and cultural benefits that will flow from free and open access and our customers are eager to visit Cuba,” said Barney Harford, CEO of Orbitz.

Any excitement over the potential for Cuba to become an outpost for global brands like Nike, McDonald’s Corp. or Wal-Mart has to be tempered. It’s a poor country and its people don’t have enough access to credit to spend a lot on discretionary goods. The government in Havana, the nation’s capital, also has been known to make moves toward opening up to foreign firms, only to pull back.

The World Bank, citing 2011 data, pegs the island’s gross domestic product at more than \$68 billion -- about what the U.S. produced that year in a day and a half, according to data compiled by Bloomberg.

‘Appropriate Time’

“No one should be holding their breath for the Havana-Mac,” Kavulich said. “Or investing in McDonald’s today in anticipation of the Havana-Mac.”

Coca-Cola would consider re-entering the market “at the appropriate time and in accordance with the relevant laws and regulations governing U.S. relations with Cuba,” Ann Moore, a spokeswoman for Coke, said in an e-mail.

Obama’s plan boosted the shares of some companies who may benefit from the opening of Cuba. Herzfeld Caribbean Basin Fund (CUBA), a closed-end mutual fund that aims to profit from a resumption of trade between the U.S. and Cuba. Herzfeld, which overseas \$45 million, jumped as much as 47 percent. Its top holdings are airline Copa Holdings SA and Coca-Cola Femsa SAB, the world’s largest Coke bottler.

## Politico

### Washington, DC

17 December 2014



POLITICO Pro

**Vilsack: Cuba deal a boon for U.S. farmers**

By Doug Palmer , Helena Bottemiller Evich and Jenny Hopkinson

CHICAGO — U.S. Agriculture Secretary Tom Vilsack said reforms announced today by President Barack Obama will make it make easier to sell U.S. farm products to Cuba.

“What this particular opportunity creates is a much more efficient, less-expensive opportunity for Cuba to buy American agricultural products,” Vilsack told POLITICO on the sidelines of the U.S.-China Joint Commission on Commerce and Trade meeting.

“In the past, when Cuba was purchasing product, they had to pay cash in advance. They had to route the cash through a third party because we couldn’t allow direct transactions between American banks and Cuban banks,” Vilsack explained following a session in which he was a presenter.

The U.S. has allowed agricultural exports to Cuba since 2001 under the Trade Sanctions Reform and Export Enhancement Act. In 2013, the U.S. exported just shy of \$350 million of agricultural goods to Cuba, with frozen chicken, corn, soybeans and soybean meal, as the top products, according to the U.S.-Cuba Trade and Economic Council. Chicken represented nearly half the value, with \$144 million in sales. Canned foods, frozen sausages and frozen pork were also among the top 10 products.

But farm exports to Cuba have fluctuated over the past several years, going as high as \$710 million in 2008 after starting off with only \$4.3 million in exports in 2001, when trade ties between the U.S. and Cuba were partially liberalized.

Agricultural trade has been limited by several regulatory and financial hurdles that the Obama administration is aiming to eliminate, including restrictions on cash transactions.

“Those barriers are being removed, so now [the Cubans] can pay as everyone else pays when the product is in transit and you don’t have to go through a third party,” Vilsack explained, noting how an American and Cuban banks “can deal directly with each other.”

By significantly reducing the cost of the transactions, “it’s more likely now that Cuba will be able to do business at a higher level, from an agricultural product perspective,” Vilsack said.

The biggest agricultural winners from the Cuba announcement will be farmers in the Southeastern states. They can easily ship products like poultry, rice and corn to Cuba, which is just a few hundred miles away. As of 2006, a full quarter of Alabama’s agricultural revenue came from exports to Cuba, including sales of catfish, soybeans and poultry.

Other leading states exporting to Cuba include Georgia, Arkansas, Texas, North Carolina and Mississippi, with most products funneling through Louisiana, Florida or Virginia ports.

The USA Rice Federation has been pressuring the U.S. government, along with other agriculture groups, to normalize trade with Cuba, said President and CEO Betsy Ward, who noted her group has been doing trade missions in the country for more than a decade.

“The Cuban people are great consumers of rice, and although the U.S. has sold no rice to the country since 2008, Cuba is expected to import 450,000 metric tons this marketing year,” Ward said. “This could once again become an important market for us.”

The easing of financial restrictions will help U.S. producers contend with Canada and the European Union, which do not have to jump over the same hurdles.

“These things have stood in the way of being more competitive,” said Dave Salmonsens, senior director for congressional relations at the American Farm Bureau Federation.

However, Bill Reinsch, president of the National Foreign Trade Council, said that while the U.S. agricultural sector could stand to gain significant benefits from the relaxing of trade restrictions, the boom may not come quickly.

“There will be some winners, but temper that with the fact that this is an economy that is not in very good shape,” Reinsch said. “They don’t have very much money, so I don’t expect some commercial bonanza.”

# Chicago Tribune

## Chicago, Illinois

### 17 December 2014

#### **Coke to travel companies seen benefiting from Obama's Cuba move**

By Matt Townsend, Bloomberg News Bloomberg

NEW YORK — Coca-Cola Co., one of the world's largest companies, sells its beverages in all but two countries — North Korea and Cuba. That might be one nation soon.

President Barack Obama moved Wednesday to end the isolation of Cuba, proposing to remove trade and travel restrictions that have lasted more than 50 years. The policy change could benefit

Obama would let U.S. businesses export goods such as building materials, farming equipment and communications infrastructure on the island. The loosening of travel restrictions could aid the cruise and airline industries. U.S. financial institutions will be allowed to open accounts with Cuban banks. The unexpected thaw could mean new business for companies as varied as Carnival, Nike and Wal-Mart Stores.

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"What's attracted U.S. companies from before the revolution, through the revolution to today is there's an incredibly high awareness for U.S. brand names," Kavulich said in an interview. That means the cost of entering the market would be lower because not as much marketing is needed, he said.

The steps Obama laid out would loosen an embargo that had been one of the most durable elements of U.S. foreign policy.

Orbitz Worldwide Inc., a longtime critic of the embargo, applauded Obama's moves on Cuba, saying it would hopefully pave the way for travel between the two countries.

"There are numerous economic, social and cultural benefits that will flow from free and open access and our customers are eager to visit Cuba," said Barney Harford, CEO of Orbitz.

Any excitement over the potential for Cuba to become an outpost for global brands like Nike, McDonald's or Wal-Mart has to be tempered. It's a poor country and its people don't have enough access to credit to spend a lot on discretionary goods. The government in Havana, the nation's capital, also has been known to make moves toward opening up to foreign firms, only to pull back.

The World Bank, citing 2011 data, pegs the island's gross domestic product at more than \$68 billion — about what the U.S. produced that year in a day and a half, according to data compiled by Bloomberg.

"No one should be holding their breath for the Havana- Mac," Kavulich said. "Or investing in McDonald's today in anticipation of the Havana-Mac."

Coca-Cola would consider re-entering the market "at the appropriate time and in accordance with the relevant laws and regulations governing U.S. relations with Cuba," Ann Moore, a spokeswoman for Coke, said in an email.

# Havana Times

## Miami, Florida

### 10 April 2014

## Cuba Buys Less Food and More Medicines from the USA

*The top priority over the past year for the Cuban purchases was frozen chicken.*

By Ivette Leyva Martinez ([Café Fuerte](#))



The top priority over the past year for the Cuban purchases from the USA was frozen chicken.

HAVANA TIMES — Sales of food products from US companies to Cuba continued to plummet in 2013 declining to \$348.7 million dollars, but there was a significant increase in US exports of medicines and medical equipment to the island.

According to statistics released this week by the USA-Cuba Economic and Trade Council, (USCTEC), purchases from Cuba's state Alimport company in the US market in 2013 were the lowest in the past seven years, with a decrease of 23 percent compared to 2012.

Since Congress authorized commercial transactions with Cuba in 2000, only three times were the food sales below \$350 million annually. Peak purchases occurred in 2008, with \$710 million.

However, in the health care field, the sales reached \$2.18 million, a slight but significant figure considering the constraints imposed by the embargo.

### Unprecedented medical supply exports to Cuba

The amount was the largest amount of exports of medical equipment and medicines to Cuba in the last five years, a period in which the largest annual transactions were \$234.718 US dollars, reported in 2012.

During the 13 years of sales of agricultural products to Cuba, the total amount of transactions amounted to \$4.689 billion.

The largest purchases by Cuba in the US market last year were mostly frozen chicken (\$144.3 million, 41% of all operations) soybean oil (\$ 69.3 million), corn (\$ 57.5 million) and soybeans (\$39.4 million).

The statistical map prepared by USCTEC – an independent entity headquartered in New York-, is based on official reports of the US departments of Agriculture and Commerce, as well as records of exporting companies. However it does not include the added transportation costs, bank charges and other expenses arising from deliveries of goods to the island.

According to John S. Kavulich, the principal adviser USCTEC, among the main causes of the decline in purchases by Alimport from US firms figure the preference by Cuba to purchase products from exporters controlled by governments that offer more favorable payment conditions and less publicity when fees are not paid on time, due to financial difficulties being experienced by the island.

### Less transparency

“For the Cuban government, it is easier to deal with payment problems with companies under state control, mostly Venezuela, China, Vietnam and Brazil,” Kavulich told Café Fuerte.” The transparency of international operations puts into question the financial capacity of Cuba.”

Illiquidity is hitting the Cuban economy hard. The issue of lack of funds was widely discussed behind closed doors, during the last two ordinary session of the National Assembly of Popular Power (parliament) in August and December 2013.

The Cuban government is forced to contribute annually more than \$ 2 billion dollars to buy food abroad and compensate for the low production of agricultural products. Currently Venezuela and China appear to be the major food suppliers to Cuba.

Kavulich denied that the changes implemented since 2005 by the Office of Foreign Assets Control (OFAC) of the US Treasury Department to monitor financial transactions with Cuba are the cause of the decline in US sales.

“The earlier successful efforts of Cuba to motivate US companies, organizations, local government representatives and members of Congress to make more visible their lobbying efforts in favor of a change in US policy, has evaporated,” said executive.

### Annual figures on Cuba’s purchases from the US market

2001 – \$ 4,318,906  
2002 – \$ 138,634,784  
2003 – \$ 256,901,471  
2004 – \$ 391,990,382  
2005 – \$ 350,218,040  
2006 – \$ 340,433,442  
2007 – \$ 437,564,824  
2008 – \$ 710,086,323  
2009 – \$ 528,482,955  
2010 – \$ 366,467,782  
2011 – \$ 358,457,389  
2012 – \$ 457,318,357  
2013 – \$ 348,747,293  
Total: \$ 4,689,621,948

Source : USTEC

# Caféfuerte

Miami, Florida

9 April 2014

## Cuba compró menos alimentos y más medicinas a EEUU en el 2013



**Cuba priorizó las compras de pollo congelado a firmas estadounidenses durante el pasado año.**

**Por Ivette Leyva Martínez**

Las ventas de alimentos de Estados Unidos a Cuba continuaron en picada durante el 2013 y apenas alcanzaron los \$348.7 millones de dólares, pero hubo un incremento notable en las exportaciones de medicinas y equipos médicos hacia la isla.

Según estadísticas divulgadas este martes por el Consejo Económico y Comercial EEUU-Cuba (USCTEC), las compras de la compañía estatal Alimport en el mercado estadounidense en el 2013 fueron las más bajas de los últimos siete años, con una disminución del 23 por ciento con relación al período precedente.

Desde que el Congreso autorizó las transacciones comerciales con Cuba en el 2000, solo en tres ocasiones se habían registrado cifras por debajo de los \$350 millones anuales. El pico de las compras ocurrió en el 2008, con \$710 millones.

Sin embargo, en el sector de la salud, las ventas llegaron a los \$2.18 millones de dólares, una cifra discreta pero significativa teniendo en cuenta las limitaciones impuestas por el embargo.

### **Exportaciones sin precedentes**

Es el mayor monto de exportaciones de equipos médicos y medicinas hacia Cuba en el último lustro, período en el que las transacciones más cuantiosas fueron de \$234,718 dólares, reportadas en el 2012. Durante los 13 años de ventas de productos agrícolas a Cuba, el monto total de las operaciones asciende a \$4,689 millones de dólares.

Las principales compras de Cuba al mercado estadounidense el pasado año fueron mayormente de pollo congelado (\$144.3 millones, el 41% del total de las operaciones), compuesto de aceite de soya (\$69.3 millones), maíz (\$57.5 millones) y granos de soya (\$39.4 millones).

El mapa estadístico elaborado por USCTEC -entidad independiente con sede en Nueva York- se basa en los reportes oficiales de los departamentos de Agricultura y Comercio, así como en los registros de compañías exportadoras, pero no incluye los costos añadidos de transportación, recargos bancarios y otros gastos derivados de los envíos de mercancías a la isla.

De acuerdo con John S. Kavulich, consejero principal de USCTEC, entre las causas principales de la disminución de las compras de Alimport a firmas estadounidenses figura la preferencia cubana de adquirir productos de entidades controladas por gobiernos que ofrecen condiciones de pago más favorables y menos publicidad cuando los honorarios no son cumplidos en tiempo, debido a las dificultades financieras por las que atraviesa la isla.

### **Menos transparencia**

“Para el gobierno cubano, es más fácil lidiar con problemas de impagos con compañías bajo control estatal, mayormente de Venezuela, China, Vietnam o Brasil”, dijo Kavulich a Café Fuerte. “La transparencia de las operaciones internacionales pone en entredicho la capacidad financiera de Cuba”.

La falta de liquidez está golpeando duramente a la economía cubana. El tema de la carencia de efectivos se discutió ampliamente, a puertas cerradas, durante las dos últimas sesión ordinarias de la Asamblea Nacional del Poder Popular, en agosto y diciembre de 2013.

El gobierno cubano se ve obligado a desembolsar anualmente más de \$2,000 millones de dólares para adquirir alimentos en el exterior y poder compensar la escasa producción de productos agrícolas. Actualmente Venezuela y China aparecen como los mayores proveedores alimentarios de Cuba.

Kavulich negó que los cambios implementados a partir del 2005 por la Oficina de Control de Bienes Extranjeros (OFAC) del Departamento del Tesoro para fiscalizar las transacciones financieras con Cuba sean la causa de la disminución en las ventas estadounidenses.

“Los esfuerzos anteriormente exitosos de Cuba para motivar a compañías estadounidenses, organizaciones, representantes de gobiernos locales y miembros del Congreso en hacer más visibles sus esfuerzos de cabildeo en favor de un cambio de la política de Estados Unidos, se ha evaporado”, señaló el ejecutivo.

### **CIFRAS ANUALES DE LAS COMPRAS DE CUBA EN EL MERCADO DE EEUU**

2001 - \$4,318,906  
2002 - \$138,634,784  
2003 - \$256,901,471  
2004 - \$391,990,382  
2005 - \$350,218,040  
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2009 - \$528,482,955  
2010 - \$366,467,782  
2011 - \$358,457,389  
2012 - \$457,318,357  
2013 - \$348,747,293  
**Total:** \$4,689,621,948

*Fuente: USTEC*

**Cuba Standard.com**

**Miami, Florida**

**9 April 2014**

## U.S. sales to Cuba continue decline in 2013

CUBA STANDARD — U.S. food and agricultural sales to Cuba continued their downward trend in 2013, with a 23.7% drop, according to U.S. trade data.

U.S. agricultural and food sales totaled \$348.75 million last year, down from \$457.3 million in 2012, according to statistics prepared by the New York-based U.S.-Cuba Trade and Economic Council.

U.S. sales to Cuba peaked in 2008 at \$710 million.

John Kavulich, senior policy advisor at the Trade and Economic Council, blamed the slide on lack of interest on Cuba's side, as it prefers dealing with nations that provide preferential treatment.

The most-sold U.S. product to Cuba in 2013 was frozen chicken — accounting for \$144.4 million, or 41.4% of all sales — followed by soybean oil cake (\$69.3 million), corn (\$57.5 million), and soybeans (\$39.4 million).

U.S. export data do not include bank, transport and other charges.

At the same time, U.S. medical sales to Cuba, allowed under an exemption under the Cuban Democracy Act of 1992, saw a small spike last year. U.S. companies sold \$2.2 million worth of medical equipment and medicine in 2013, according to data provided by the Trade and Economic Council. This compares to minimal amounts in previous year not exceeding \$250,000. The U.S. government imposes strict end-use reporting requirements on medical exporters that are difficult to monitor. Also, Cuban buyers are concerned about warranty and replacement-part follow-up.

## The Tampa Tribune

Tampa, Florida  
6 April 2014

### Tampa investors long to reconnect with Cuba

By Paul Guzzo



JIM REED/STAFF

This image shows a Lykes family ship, the S.S. Florida, that made regular runs to Cuba before Castro came to power.

TAMPA — Few lost more than the Lykes family of Tampa when Fidel Castro came to power in 1958 and nationalized Cuba's private property.

Their 15,000-acre spread in Oriente province had been identified by Fortune magazine a few years earlier as one of the most productive cattle ranches in the Western hemisphere.

“Breathtaking,” said John Parke Wright, grandson of patriarch Dr. H.T. Lykes, of its landscape. “It’s a gorgeous part of the island.”



Recent signs of improvement in U.S.-Cuba relations have rekindled Wright's hopes that his family will do business on that land again. He talks of a cattle ranch on the property, as well as a nature preserve and a five-star hotel.

Just last week, Cuba took new steps to encourage foreign investment. It eliminated its labor tax, cut its profit tax in half from 30 percent to 15 percent while exempting most companies from paying it for eight years, and authorized joint ventures with foreign interests.

But without moves on the U.S. side to soften a travel and trade embargo now half a century old, Wright and businessmen like him can only watch as nations such as Brazil capitalize on Cuba's ovations.

"I have two hats here," Wright said during an interview in Tampa last week, holding a Cuban military cap in one hand and a rancher's hat in the other. "The question I pose to you is which one do we prefer?"

Carlos Saladrigas of the Cuba Study Group, U.S. business leaders of Cuban descent, says it another way: "The embargo would force Americans to lose first-come advantage and that is a big economic negative."



Saladrigas said he doesn't expect the business floodgates will open in Cuba just yet. There are still roadblocks. Every foreign investment, for example, needs government approval and businesses must use a government-run employment agency in hiring. What's more, he said, the Cuban government has been promising the world for years that it would allow companies that are 100 percent foreign owned to set up shop there. Not one has yet.

The first foreign investors will serve as guinea pigs, closely watched by other potential investors, said Carmelo Mesa-Lago, Cuban-born economist and University of Pittsburgh economics professor. "Cuba needs to reverse the bad image it has had for foreign investment," Mesa-Lago said.

Wright is resolved that in socialist Cuba, he cannot buy back the ranch once owned by his family but he does hold out hope of forming a joint venture and leasing the property. It is used now as a cooperative farm. It's not the perfect solution, he said, but as a businessman he knows there is rarely such a thing.

Like his ancestors, Wright has earned his living through the cattle industry. He also has a flair for drama and storytelling that has helped him navigate the political side of international trade. Most of his business is in nations such as China, Saudi Arabia and Cuba.

His cousin, Arthur Savage, president of a Tampa-based shipping company, is more to the point when he describes what U.S. business needs from its political leaders to make the most of Cuba. "You don't go to war," Savage said, "with your top business partners." And that's just what Cuba could be some day, he said.



Still, it may take a while for the Lykes family. Even if the embargo were lifted today, Wright said, he would need to see growth first in a high-end tourist trade interested in meals of fine beef. That would come if U.S. tourists flocked to the island, he said. Wright and Savage already do limited business in Cuba, taking advantages of changes through the years in the embargo. Wright trades cattle semen to Cuban farmers. Savage's company is a shipping agent whose clients include cargo vessels travelling to Cuba. It's just a shadow of the bustling business their family did with the island in the days before Castro.

Savage is part of Tampa's McKay family, which made its fortune in the Cuban cattle industry. The Lykes family did the same after marrying into the McKay family. When the Lykes and McKays arrived Tampa in the 1800s it was wild and undeveloped. Using the fortune they made in Cuba, they turned it into a bustling city, said Rodney Kite Powell, curator at the Tampa Bay History Center. Powell credits the two families with Tampa's early successes as a port and banking center, earning them status as the founding families of the community.

Wright said Tampa could grow again with the money it earns from doing business with Cuba, either through investment or trade at its port. Savage is focused on how ports can take advantage of the new foreign investment laws.

New investor-funded development in Cuba will require supplies, he said. And any money the Cuban government makes off these investments can go toward improving an infrastructure that's crumbling from years of isolation.

"When I am in Cuba, I get fixated on the lights being too dim," Savage said. "That is not just a problem that can always be fixed with new bulbs. Often it would need new bulbs, wiring and switches. Cuba is a country the size of Florida and near everything needs to be replaced."

U.S. businesses could supply these necessities to Cuba. And he and others like him could transport them. Under current U.S. law, such trade is forbidden. But as with trade in agriculture, the government could approve it without lifting the embargo.



Cuba already uses American construction supplies, but purchases them from the Dominican Republic, said Cuban native Arturo Lopez-Levy, a former policy advisor for the Castro regime from 1992-1994 who now is now an academic in Denver.”

“I think they would prefer to purchase them right from the U.S.,” Lopez-Levy said.

History backs such a claim. Since 2000, the U.S. has allowed the export of agricultural products to Cuba as long as payments are made with cash upfront rather than on credit.

According to the U.S.-Cuba Trade and Economic Council, total agricultural exports to Cuba from 2001 through February 2012 amount to \$3.5 billion. The figure has shrunk toward the end of the period, though, to just half of what it was annually at its peak in 2008.

Savage blames the decline on the cash requirement. Cuba has grown tired of it. The government agreed to it, thinking it was a step toward normalizing relations with the U.S. When that did not happen, it began taking its business elsewhere.

In a normal trading atmosphere, Cuba would receive 50 percent of its exports from the U.S. simply because of proximity, said Al Fox of Tampa, president of the Alliance for a Responsible Cuba Policy Foundation, which lobbies for open relations with Cuba. The island lies just 90 miles off Florida’s shores.

Savage said Cuba used to purchase the bulk of its rice from Louisiana but now buys from Vietnam because it provides a line of credit. The trip from southeast Asia is so far that some of the shipment is ruined by the time it reaches its destination.

Under the new foreign investment law, Wright said, Brazil is poised to become a major player in Cuba as a developer and trading partner. Among Brazil’s top exports, said Wright, are cattle, citrus and sugar — all of them major Florida exports, too.



Leaders from Tampa have already begun establishing a relationship with Cuba. A delegation from the Greater Tampa Chamber of Commerce traveled to the island nation in 2013 and in January, José Ramón Cabañas Rodríguez, chief of the Cuban Interests Section in Washington, D.C., attended a Tampa chamber event as a guest.

But many still see the risk of doing business with Cuba as too great because they say its government has proven it cannot be trusted. A host of examples are cited by Mauricio Claver-Carone, director of U.S.-Cuba Democracy PAC, a Washington, D.C., lobbying group promoting democracy in Cuba. Cuba froze more than a billion dollars in foreign assets in 2009, imprisoned businessmen from Canada and England without due process, and has failed to pay a number of trade debts with other countries, Claver-Carone said. This, coupled with the difficulty of working with the Cuban government, is why foreign ventures in Cuba have dropped from 400 in 2000 to 190 today, he said.

Lopez-Levy, the former Castro adviser, disagrees with that assessment. The businessmen were jailed for corruption and their crimes would have warranted similar reaction anywhere in the world, he said. Further, he said, Cuba has bilateral agreements in place with its trading partners and could have its international assets frozen if it makes unlawful seizures.

Savage said trust in the Cuban government should not be the issue keeping U.S. business from investing or trading there. Risk is always a part of business, especially internationally, he said. Russia is an example.



U.S. businesses that invested in Russia are concerned the nation will freeze their assets in retaliation against economic sanctions imposed in response to its invasion of neighboring Crimea, said Bill Reinsch, president of the National Foreign Trade Council, a Washington-based business organization advocating a rules-based world economy. When some of those investments were made, Russia and the U.S. were on friendlier terms.

But for Claver-Carrone, it’s not just about business but about bringing democracy to an island ruled by what he calls an oppressive government. He said at some point dollars and cents need to take a back seat to decency. Cubans, he

said, receive an average wage of only about \$20 a month. "That's like slave labor," he said. "And because U.S. companies would have to hire through the government, they would be employing them at that wage. How is that OK?"

Cuba, he added, is desperate. Its patron the Soviet Union is long gone. It risks losing the \$3.5 billion a year in oil supplied by Venezuela in return for the skilled workers it sends to Venezuela. And the economy is growing at a rate of just 2.7 percent a year when it needs a rate of 7 percent.

The new investment laws adopted last week are an effort to save the Castro brothers' failing socialist government, Claver-Carone said. "The problem is they are serial monopolists," he said. "They have a very hard time letting go. They only relax laws when they need to and then when things turn around, they tighten control again."

If restrictions are tightened rather than loosened, he added, the government may topple. Tampa shipper Savage scoffed at this idea. "Remember what Einstein said about insanity," he said. "It's doing the same thing over and over again and expecting different results. We've tried suffocating Cuba for years and it has not worked. Let's try something different."

# CNBC

28 March 2014

Englewood Cliffs, New Jersey

## Tread carefully in Cuba's 'open' economy: Experts

By Adam Molon

The Cuban government said this week that it will open most of the nation's economic sectors to international investment and allow the existence of wholly owned foreign firms in Cuba, as part of a new foreign investment law that is expected to pass on Saturday.

The Cuban government is also expected to cut the profit tax it charges foreign enterprises operating on the island to 15 percent from the current 30 percent.



Franklin Reyes | AP

In this Nov. 6, 2013 photo, small fishing boats float anchored on the opposite shore of a port under construction in the Bay of Mariel, Cuba. Authorities have high hopes that Mariel could become a strategic economic center.

But experts like John Kavulich, a senior policy advisor at the U.S.-Cuba Trade and Economic Council, said that while these proposed initiatives have the potential to bring positive, liberalizing reform to Cuba's economy, international firms should still approach with cautious skepticism.

"What they've announced they'd do, does it sound progressive? Yes. Does it have the potential to be progressive? Yes," Kavulich said, referencing the Cuban government and the newly proposed foreign investment legislation.

"But Cuba's had a foreign investment law since the 1980s. And one of the problems has been that when the government feels that they've made enough progress, they reverse course and try to take back or

eliminate the opportunities that they've presented to companies. Any changes announced now have to be looked at in that historical context."

Currently, international firms are allowed to operate in Cuba only as minority stakeholders in so-called mixed companies that are majority-controlled by the government.



Cuba new law expected to be approved  
CNBC's Michelle Caruso-Cabrera outlines new Cuban law, including foreign investors can own 100 percent of a business there, and a promise of no expropriations.

Kavulich pointed to a lack of legal and procedural transparency as a key issue affecting Cuba's business environment, noting that some of the key challenges foreign firms face in Cuba include repatriation of profits, arbitration of conflicts and disputes, and regulations requiring that Cuban personnel be hired through a state-run employment agency.

"On a plate of appetizers, it's not going to be the first appetizer that you select," said Kavulich of Cuba's international investment environment. "There are many countries throughout the world that are far more transparent and have a less hostage-like relationship with cooperating partners."

John McAuliff, executive director of the Fund for Reconciliation and Development, a nonprofit organization advocating warmer relations between the U.S. and Cuba, said that a new foreign investment law enacted within an opaque and evolving system like Cuba's could lead to misunderstandings for international investors, and, in some instances, even something potentially as bad as jail time.

"In a transitional situation where not all the rules are clear or not all the laws are clear, people could, through overreach, or greed, or ignorance, get themselves into trouble with local laws," said McAuliff. "There have been serious issues with people cutting corners and getting into trouble with the law, and facing criminal charges in Cuba."

Robert L. Muse, an attorney who specializes in U.S. laws relating to Cuba, said that in order for new Cuban foreign investment policies to be effective, specificity of terms and clarity of process are key.

"I would encourage Cuba to go very quickly from the general to the highly specific. What are the timelines? What are the approval processes? How are they going to be enforced? Then, move on to specificity of rule-making and regulations," said Muse. "It's not going to be good enough to make broad pronouncements that Cuba is now seeking foreign investment. Some questions are going to have to be pre-emptively answered."

Muse cautioned that international companies considering investment in Cuba should do so with their eyes wide open to the opportunities and risks present in the island's economy and politics.

"This is a country that is opening up after 60 years of dormancy in the investment sectors," said Muse. "You're almost pioneering your way in, but there are risks associated with it."

'Developing economically in the right direction'

Andrew MacDonald, director and chief executive of Esencia Group, said he finds those risks worth taking. His company plans to build biomass power plants in Cuba through a joint venture formed with a state-owned company in Cuba's Ministry of Sugar.

"There are some unique factors," said MacDonald of international investment in Cuba. "It can be a tad bureaucratic at times, but the country is developing economically in the right direction."

MacDonald said that while his company has been able to work effectively within Cuban joint ventures through considerable efforts, the prospect of being able to form a wholly owned venture in Cuba is appealing.

"One of the issues in Cuba is that it is a little bit chicken-and-egg. You've got to do a lot of prework and invest a lot of resources before you get the joint venture approved, and then you can actually do the real work," said MacDonald. "From a foreign investment point of view, it's an attractive proposition to be able to own 100 percent of your company and not have to form a joint venture."

Whether working in joint venture arrangements or as a wholly owned entity, MacDonald said his company has no plans to exit Cuba.

"The opportunity side is enormous, because Cuba is a country rich in natural resources," he said. "We believe in the Cubans, and we respect them for their technical abilities and the resources they have."