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US Trade Fair in Havana

by LADB Staff

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US firms such as Archer Daniels Midland (ADM) and Cargill signed sales contracts for US\$90 million during the five-day Food and Agribusiness Exhibition held at Havana's Pabexpo center Sept. 26-30. Another US\$13 million in sales was pending at the close of the fair. In sales, the event was a milestone in Cuba-US commercial relations and was considered something of a setback for the hard-line policy of President George W. Bush's administration, which approved the transactions but worked hard to undermine them. The trade fair was made possible by legislation passed in October 2000 permitting the sale of food and medicine to Cuba, though on a cash-only basis.

Because of the restrictions, farm associations predicted sales would amount to no more than US \$50 million (see NotiCen, 2000-11-16). But sales have greatly exceeded expectations. Cuban trade authorities say that, before the trade show, Cuba bought US\$140 million worth of food or 16% of planned food imports for 2002. Exhibitors and Cuban trade officials agreed that the fair was more successful than expected and sales were double the estimates.

Thirty-three states, the District of Columbia, and Puerto Rico sent some 800 representatives. Participants included exhibitors from 288 firms as well as state agriculture and port officials. The largest contingent was from Florida, which sent representatives from 30 companies. Minnesota Gov. Jesse Ventura and officials from three other states also participated. This was not the first US commercial fair in Cuba since trade restrictions were begun in October 1960.

In January 2000, 97 US medical-products firms participated in the United States Health Care Exhibition at Pabexpo. The exhibition did little to increase Cuban purchases of medical supplies and equipment, in part because of US export restrictions, one of which requires Cuba to certify that the supplies would not be used to treat foreigners, who pay in hard currency. By comparison, the agribusiness fair, which President Fidel Castro called "historic," was significant because it did more than show off US products. Besides greatly increasing sales to Cuba, the fair allowed US vendors to establish channels for future business deals and lent additional weight to the anti-embargo arguments in Washington.

Trade embargo loses Republican support

The Bush administration policy of maintaining the embargo has lost support among members of his own party. No less a Republican conservative than Attorney General John D. Ashcroft led an unsuccessful campaign to liberalize trade with Cuba while representing Missouri in the Senate (see CubaSource, 2000-06-09). House Majority Leader Rep. Dick Armey (R-TX), a longtime staunch embargo supporter, surprised Washington recently by reversing his stand and calling for an end to both the embargo and the travel ban.

In July, the House of Representatives voted by a wide margin for three amendments to the Treasury-Postal spending bill that would ease the travel and trade restriction and remove the US\$1,200 annual cap on family remittances to Cuba. The value of trade with Cuba has become an important element in the embargo debate, with pro-embargo groups saying it will prove to be insignificant. However, the USA Rice Federation estimated recently that rice growers could sell as much as 600,000 metric tons a year to Cuba or about 20% of all US rice exports.

Pedro Alvarez, president of Cuba's government-run agricultural import agency ALIMPORT, has said that, without the trade embargo, Cuba would be buying 70% of its food and many other products from the US. Trade fair organizer Peter Nathan, president of PWN Exhibicion, said that, by the middle of 2003, Cuba could move from 51st place to 33rd place in the list of buyers of US agricultural products. Before last year, Cuba was 180th on the list. Overall, the Cuban market may eventually be worth US\$1.5 billion per year.

Bush officials discourage sales

The Bush administration mounted a campaign to dissuade US firms from attending the trade fair, even though it had approved exhibitors' requests for Commerce Department export permits. The administration set off a scattershot attack against sales with arguments ranging from Castro's alleged promotion of prostitution to Cuba's potential capacity to develop biological weapons. Administration officials portrayed the fair as a scheme to dupe farmers into signing trade deals that would only help Castro stay in power.

As the fair was about to open, recently installed US Interests Section chief James Cason called a news conference to depict Cuba as an "international deadbeat." "This is a Jurassic Park economy that's no great market for the United States," Cason said. "Cuba owes US\$11 billion to its international partners....We don't want to be in that queue of people asking for money."

Responding to news that Gov. Ventura would head a trade delegation to Havana, Otto Reich, assistant secretary of state for Western Hemisphere affairs, asked Ventura to cancel, arguing that trade with Cuba would benefit only Castro. "It is not in our interests to have a hostile terrorist state continue in power 90 miles from our shores," Reich told reporters. "And it would be one of the greatest ironies in history if the wealth of the American private sector is what keeps that failed government from finally collapsing." Somewhat contradictorily, Reich said Cubans could not buy anything anyway because their per capita income was too low. Castro is "a self-declared enemy of the United States," Reich said, and resurrected a questionable claim made by another State Department official in May that Cuba has "a potentially offensive bioweapons capability" (see NotiCen 2002-05-23). Finally, he advised Ventura and his delegation not to engage in "sexual tourism" while in Cuba. Ventura asked for an apology but did not get it.

Florida Gov. Jeb Bush also advised Ventura about his planned trip. He wrote the Minnesota governor to give him "a broader and more-realistic picture of life in Cuba." Following the official line, Gov. Bush told Ventura that Cuba does not pay its bills, that the profits from trade go to the Cuban military and internal security forces, and he repeated the discredited charges that Cuba harbors terrorists. Asked by a reporter at the fair about the claim that Cubans do not receive

imported food, Castro said, "Dozens of millions of tons of food have been distributed for free to six million people. But we don't publicize that."

John Kavulich, president of the US-Cuba Trade and Economic Council, said the comments from Cason and Reich "did much to poison the atmosphere and anger exhibitors," and that Cason's visit to the fair helped "to repair the self-inflicted damage to their public diplomacy effort. However the damage remains." Key issue is how Cuba pays "We sympathize with the companies that might be owed money in Europe, Canada, and elsewhere," Kavulich said, "but it does not affect us. We are insulated. Our sales must be in cash. In that sense, Cuba is one of the safest export markets in the world for US agriculture companies."

Cuba's ability to buy from the US on a cash-only basis has perplexed trade opponents. Pro-embargo forces insist that Cuba was simply not paying or was making secret credit arrangements with US exporters. As the fair was about to open, the Bush administration announced that it would start looking for companies who might be extending credit to Cuba. But farm groups worry that the move is intended to pry confidential business documents from sellers as a way of discouraging trade with Cuba.

Sally Grooms Cowal, president of the anti-embargo Cuba Policy Foundation, said the investigation was meant "to have a chilling effect on US companies. To me, it looks like they're trying to circumvent the law by harassing US companies." Kavulich said he understood that foreign banks doing business in Cuba have provided some of the financing. But, he said, there was no evidence that any of the US firms trading with Cuba had broken "either the spirit or letter of the law regarding cash sales to Cuba." Cuban authorities shrug off the accusations and ask why exporters would sell to deadbeats.

Alimport's Alvarez says all payment arrangements have complied with US law. He said there had been some financial arrangements made with banks in third-party countries, which does not come under US law. "We are following the law exactly," he said. In his speech at a dinner given for exhibitors, Castro said, "There was not a single case of late payment for the services and products delivered; everything was paid for in cash, despite predictions by those who claimed that Cuba was not in a position to pay for such purchases."

Reuters reported that foreign creditors said Cuba was "chronically late" in its payments, but that, at 20% interest, credit dealings with Cuba were profitable. While Cason predicted US firms would be standing in line to be paid if US banks were allowed to finance exports to Cuba, many exhibitors did not see it that way.

An executive of Perdue Farms said, "It should be up to the companies and banks, not the government, to judge the credit worthiness of whom we are dealing with." Castro made himself the ultimate payment guarantor. "I have to make sure all the bills are paid," he said, and promised to give Cason US\$100,000 if payments were not made in full. "Food has first priority in our country. That is something we take very seriously. Hard currency does not have wings. There is no flight of capital here. So there is no risk that our country will not pay its bills if one day we are given credit."

Trade show could bolster anti-embargo forces

The success of the trade fair is expected to have an impact on the embargo debate and make it harder for Bush to carry out his threat to veto bills aimed at easing the embargo. Cargill executive Robert Lumpkins said, "We will continue to support efforts to further normalize the commercial relationship between our two countries." Brian Alexander, director of the Cuba Policy Foundation, said that the trade fair would influence support in Congress for "further liberalizing trade with Cuba." Alvarez agreed. "I think this will have an important impact when those friends of Cuba go back home to the United States."

But what if Bush vetoes the pending legislation to soften the embargo? Rep. Jeff Flake (R-AZ) told a Washington Times reporter, "If he chooses to veto, it is only a matter of time before he is faced with the same legislation with a great deal of embarrassment and wasted resources in the meantime. It is not a matter of if US-Cuba policy changes, the question is simply when." Fair organizer Peter Nathan said he was planning for another trade fair in Havana next year and predicted it could be twice the size of this one.

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