

4-1-2004

Agricultural Sales to Cuba Rising

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/noticen>

Recommended Citation

LADB Staff. "Agricultural Sales to Cuba Rising." (2004). <https://digitalrepository.unm.edu/noticen/9185>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiCen by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Agricultural Sales to Cuba Rising

by LADB Staff

Category/Department: Cuba

Published: 2004-04-01

Since late 2001, US exports to Cuba have gone from next to nothing to a multimillion-dollar business that has producers in virtually every state competing to sell in the Cuban market. While US President George W. Bush has made extraordinary efforts to tighten travel restrictions and cultural, academic, and scientific exchanges, there have been few serious efforts to block the burgeoning export business, almost all of which has taken place since he came to office in January 2001.

In the fall of 2000, President Bill Clinton signed the Trade Sanctions Reform and Exports Enhancement Act, which allowed direct sales of food and medicine to Cuba on humanitarian grounds without some of the fatal restrictions previously attached to such sales (see NotiCen, 2000-10-12). Anti-Castro hard-liners saw to it that the bill contained language withholding public and private export credits, forcing Cuba to pay cash. While advertised as a gesture toward the farm-state members of Congress who had been pressing for an end to the trade embargo, the anti-Castro right viewed the legislation as a victory. They believed the bill gave the appearance of liberalizing trade without actually doing so because of the assumption that Cuba could not pay cash.

After Hurricane Michelle hit Cuba in November 2001 (see NotiCen, 2001-11-29), Castro rejected US offers of humanitarian aid, saying Cuba preferred to buy. Whether this was part of a strategy, the move was a key element in undoing the nearly complete prohibition on food sales to Cuba and helping build farm-state pressure to liberalize trade. The Castro government encouraged the belief that the sales would be a one-time event and estimated that Cuba would need only a modest US \$3 million to US\$10 million in purchases to tide the country over during the emergency. But within weeks, the Cuban state import agency Alimport had signed orders worth US\$20 million.

By the end of 2003, total US sales approached US\$700 million. That year, the US became Cuba's seventh-leading trade partner behind Venezuela, Spain, China, Canada, Holland, and Italy. Cuban trade figures indicate the US is one of 10 countries that account for 72% of Cuba's overall trade and is now the largest supplier of Cuban food imports. Figures compiled by the New York-based US-Cuba Trade and Economic Council show that US food exports to Cuba doubled in 2003, putting Cuba in 35th place among buyers of US agricultural products.

Any pretense that these sales are strictly humanitarian has been largely dropped as Alimport negotiates contracts to buy breeding cattle, paper, and lumber. Alimport president Pedro Alvarez said recently that purchases should rise even higher in 2004 and that the agency expects to negotiate US\$100 million in contracts with US firms in April alone. Major imports include wheat, rice, corn, poultry, eggs, soybeans, and livestock. Under the law, Cuba may purchase US medicines but does not do so because of the high prices charged. Leading the US exporters are corporate giants Archer Daniels Midland (ADM), Cargill, and Tyson Foods. In all, some 120 US companies in 34 states are now selling to Cuba. Companies in another dozen states have trade plans under study.

Cuba not worried about mad cows

The recent outbreaks of bovine and poultry disease in the US have not hurt sales to Cuba. While the US has not taken Cuba up on its offer to send experts to help deal with the problem, the Bush administration has given visas to Cuban veterinary inspectors to examine herds and processing plants in 10 states where Alimport has contracts. Not so long ago, the administration was denying visas to Alimport officials seeking sales agreements in the US (see NotiCen, 2002-05-16). Alvarez announced in March that Alimport would not cancel contracts for some 30,000 metric tons of poultry and expressed confidence in suppliers and US government inspectors.

Cuba's willingness to honor contracts and negotiate new ones despite the health issue is clearly the result of the unadvertised cooperation of US authorities in allowing prior inspection by Cubans. While other countries were canceling beef imports from the US, Alvarez said, "We know they are not going to send us sick animals." This confidence in the US comes from a government whose leader warned in recent speeches that Bush was planning to invade Cuba.

Trade fair blocked

Last June, the Bush administration refused to permit US businesses to hold a food trade fair in Havana like the five-day Food and Agribusiness Exhibition in September 2002 that resulted in more than US\$90 million in sales to Alimport (see NotiCen, 2002-10-10). Florida sent the largest number of exhibitors even as Gov. Jeb Bush tried to talk them out of it. The Treasury Department's Office of Foreign Assets Control (OFAC) gave as its reason for denying the necessary licenses for a second exhibition the jailing in Cuba of 75 dissidents in March 2003 (NotiCen, 2003-04-24). The real motive is probably a more generic dissatisfaction with the close relations Cuba has established with US agribusiness.

Administration officials attempted to undermine the successful 2002 exhibition though with a different set of arguments. James Cason, head of the US Interests Section in Havana, warned sellers that Cuba was an "international deadbeat" with "a Jurassic Park economy that's no great market for the United States." Curiously, his boss, Secretary of State Colin Powell, thought the exhibition was a good idea. Without an exhibition of their own, however, US firms essentially took over the Havana International Fair in November 2003, signing contracts worth US\$165 million. States take the lead in effect, trade policy with Cuba is now being set at the state and local level where the farms are.

In December 2003, Kansas Gov. Kathleen Sebelius signed a US\$10 million sales agreement with Alimport. The agreement also binds the governor to work with the state's congressional delegation to abolish trade and travel restrictions. In California, Gregory Estevane, president of Global Strategies Trading, said that the state was falling behind in the race for contracts and that he expected to take representatives of about 20 Central Valley companies to Cuba on a trade junket. "California needs to get in here and organize," he said. "Little Kansas and little Illinois have their act together and they're organized." Idaho's Sen. Larry Craig and Rep. Butch Otter both Republicans went to Cuba in February for trade talks. While there, they signed an agreement to sell Alimport US \$10 million worth of potatoes and beans starting in April. Alimport expects to extend the trade to paper and live cattle.

Producers are not the only ones angling for position in the Cuban market. Port cities are vying with each other to become the major shipping points for Cuba-bound cargoes. In March, the Port of Houston signed an understanding with Cuba that port officials say could make it the chief port serving the agricultural Midwest. It could also become a major port for cruise ships heading for Cuba once the travel ban is lifted, said Port of Houston chairman Jim Edmonds. Not to be outdone, several Florida ports are ignoring the protests from Gov. Bush and the Miami exile leadership in their zeal to get a share of current and future business. Miami's Radio Progreso Weekly noted in January that local newspapers were underreporting the efforts of Port Manatee to ship such products as vegetables, cattle feed, livestock, and lumber to Cuba. Talks between the Tampa Bay port and Alimport are underway in Havana.

The trade-policy puzzle

These developments in Cuba-US trade raise the question of why the Bush administration has done so little to rein it in. In areas of immigration, travel, even in the editing of scientific journals, administration officials have searched out and plugged up the smallest holes in the sanctions policy. Yet, long after the passage of Hurricane Michelle, the administration has taken no serious steps to end sales predicated on humanitarian principles. The most commonly suggested reason is that Bush wants to appease hard-liners among the electorate in Florida with petty sanctions while pacifying US farming interests by allowing huge sales to Cuba. However, the administration is not the only player in trade-policy maneuvering. In effect, socialist Cuba has taken a major role by changing the subject from ideology to free-market commerce.

Ideology taught that impoverished communist Cuba and its "Jurassic Park economy," so long dependent on aid from the former Soviet Union, could not trade on the open international market. The result of this fundamental miscalculation was that the Clinton and Bush administrations watched while Alimport spread business around to 19 ports and to producers and agricultural officials in 35 states. Alimport now has powerful pressure groups all over the US who would agree with Sen.

Max Baucus (D-MT), who said about his state's first contract with Alimport last year, "This is good for Montana, good for the Cuban people, and good for business." Cuban officials also surely understand how the Senate works and are doing business in the smallest as well as largest states. Global Strategies Trading president Estevane said that, because of California's great political power, Cuba is likely to give the state's exporters preference in future contracts. But Alimport appears just as interested in Montana, with 1% of California's population but the same number of senators.

-- End --