U.S. Agricultural Trade with Cuba: Current Limitations and Future Prospects

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October 1, 2015
Summary

After more than half a century during which trade relations between the United States and Cuba have evolved from a tight economic embargo to a narrow window of trade in U.S. agricultural and medical products, the diplomatic initiative that President Obama announced in December 2014 to restore more normal relations with Cuba has raised the possibility that bilateral relations could move toward an expansion in commercial opportunities.

Many U.S. agricultural and food industry interests believe the Cuban market could offer meaningful export expansion potential for their products—but only if a number of restrictions under the U.S. embargo on trade with Cuba were to be removed. Among the measures most often cited as inhibiting exports of U.S. products, while simultaneously benefiting foreign competitors, are a prohibition on the provision of private financing and credit on sales to Cuba; denial of access to U.S. government credit guarantees and export promotion programs; the ban on general tourism to Cuba; and the general prohibition on U.S. imports of Cuban goods.

Some Members of Congress have introduced legislation in the 114th Congress that would ease U.S. economic sanctions on Cuba. These bills span a broad range of approaches, from a narrow focus on removing the ban on providing private financing and credit for the sale of agricultural goods to Cuba to far broader legislative initiatives that seek to lift the Cuban embargo altogether.

A question that arises for policymakers as diplomatic relations with Cuba are restored is what the potential opportunity is for U.S. food and agricultural exports to Cuba if bilateral relations are returned to a more normal status in the future. Corollary questions are what agricultural products Cuba might export to the United States if the existing prohibition on Cuban products were to be removed, and what implications trade in Cuban products could hold for U.S. agriculture.

Numerous stakeholders within the food and agriculture industry, as well as the U.S. Department of Agriculture (USDA), contend that U.S. agricultural exports to Cuba could expand markedly if key elements of the embargo against Cuba were removed. The prohibition on providing private credit and financing and the ban on access to government export promotion programs are two that are often cited. USDA asserts that basic commodities, like U.S. rice, wheat, dry beans, and dried milk could readily gain market share in Cuba under more normal trade relations in view of the close proximity of U.S. ports to Cuba compared with export competitors. Higher value food and agricultural products might make inroads in Cuba over time, it is argued, particularly if Cuba could increase its access to foreign exchange by selling its products in the United States.

A concern voiced by some in agriculture is that opening the U.S. market to Cuba could pave the way for a new influx of tropical fruit and vegetable products that would compete directly with winter-season production in Florida, particularly if foreign investors perceive the opportunity to create an export platform for the U.S. market in Cuba. Among the concerns raised is that Cuban production is often subsidized by the government; also, that allowing Cuban produce into the U.S. market could become a conduit for introducing new pests and plant diseases. While Cuba was once a leading sugar producer and the largest foreign supplier to the U.S. market prior to the embargo, its sugar industry has undergone a steep decline since the demise of the Soviet Union. Cuba continues to export limited quantities of sugar and might very well request access to the lucrative U.S. sugar market if normal trade relations were restored. But any such opportunity would most likely be the result of a negotiated agreement between the United States and Cuba.

A report on Cuba imports and the effects of U.S. restrictions on U.S. exports to that country that the U.S. International Trade Commission was expected to provide to the Senate Finance Committee in September 2015 has been rescheduled for March 2016 to accommodate the committee’s request to expand the scope of the report.
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Introduction

Amid more than a half a century of antagonistic political relations between the United States and Cuba during which commercial ties were largely severed, U.S. exports of agricultural products to the island nation currently stand out as one of the few points of engagement between the two countries, if to a limited degree. U.S. exports of medicine and medical products is the other product category for which the U.S. government has eased its long-standing embargo on trade with Cuba. In a major diplomatic initiative, President Obama announced in December 2014 a significant shift in relations with Cuba with the goal of transitioning from a decades-long policy of sanctions that were designed to isolate Cuba toward a more normal bilateral relationship.

To advance the goal of normalizing relations with Cuba, the President announced a series of actions designed to move the two nations closer to this objective. These included reestablis\n\nging diplomatic relations; reviewing the State Department’s designation of Cuba as a state sponsor of international terrorism; and providing limited openings for increasing travel, and for expanding commerce and the flow of information. In May 2015, the State Department removed Cuba from the list of state sponsors of terrorism, and on July 20, 2015, the United States and Cuba reestablished diplomatic relations and reopened embassies in their respective capitals. While these actions are tangible steps in the direction of a more normal relationship with Cuba and will ease the embargo in some areas, the majority of economic restrictions first imposed on Cuba in 1962 remain in place.¹

This report reviews the current state of agricultural trade between the United States and Cuba, identifies key impediments to expanding bilateral trade in agricultural products, identifies key provisions in the law to which these obstacles are anchored, and considers the potential consequences for trade in agricultural goods in the event that the current thaw in diplomatic relations was to be extended more broadly so that bilateral trade was returned to a more normal footing. It also summarizes several of the bills introduced in the 114th Congress that propose to remove specific restrictions that impede trade in agricultural goods or that seek to lift the embargo on Cuba entirely.

Background and Perspective

Relations between the United States and Cuba deteriorated sharply, and then decisively, in the early 1960s following a series of dramatic events that recast the U.S.-Cuba relationship along antagonistic lines. Chief among these events were Fidel Castro’s action in the early 1960s to build a repressive communist regime and move Cuba toward close relations with the Soviet Union; the expropriation of U.S. economic assets on the island nation located a mere 90 miles from Florida; U.S. covert operations to overthrow the Castro regime in the failed Bay of Pigs invasion of Cuba in 1961; and the subsequent confrontation between the United States and the Soviet Union over the Kremlin’s attempt to install offensive nuclear missiles in Cuba in 1962.

From Embargo and Sanctions to a Window for Farm Exports

In response to these events, President Kennedy imposed an embargo on trade with Cuba in 1962. The trade embargo was subsequently expanded—to prohibit most financial transactions and to freeze Cuban government assets in the United States. The web of U.S. sanctions on Cuba was strengthened in subsequent years and was also broadened to include various democracy-building measures with the enactment of additional laws, including the Cuban Democracy Act (CDA) of 1992 (P.L. 102-484) and the Cuban Liberty and Solidarity (LIBERTAD) Act of 1996 (P.L. 104-114), the latter frequently referred to as Helms/Burton legislation. In 2000, with passage of P.L. 106-387, the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA), Congress opened the door to U.S. agricultural exports to Cuba, but with restrictions on credit and financing.

Obstacles Impeding U.S. Agricultural Exports to Cuba

The U.S. sanctions regime against Cuba has been tweaked in various ways in the years since TSRA was enacted, but alterations have been mostly at the edges, and this continues to be the case. Notwithstanding the new diplomatic opening to Cuba that President Obama unveiled late last year in tandem with his expressed desire to move toward a more normal relationship with Cuba, key restrictions on economic relations with Cuba persist. Among the plethora of restrictions that remain in place, those frequently identified as suppressing trade in U.S. products to Cuba include the following:

- a prohibition on the provision of credit and financing for U.S. exports;
- denial of access to government programs and commercial facilities that otherwise would be available to promote and facilitate U.S. agricultural exports to Cuba;
- the ban on general U.S. tourism to Cuba; and
- a general ban on U.S. imports of goods from Cuba, with a recently introduced exception for goods produced by Cuban entrepreneurs.

USDA Identifies Key Barriers to Expanded Agriculture Exports to Cuba

That significant barriers continue to restrict the potential for U.S. agricultural exports to Cuba was acknowledged recently by the U.S. Department of Agriculture (USDA) in April 2015 testimony before the Senate Agriculture Committee. USDA asserted that if the embargo were removed, the United States could become “a major trading partner with Cuba,” considering that Cuba imports around 80% of its food and that U.S. exporters enjoy significant logistical advantages over their major export competitors in Brazil and Europe. But it contends that these potential advantages are more than offset by a number of policies governing food and agricultural exports to Cuba, pointing to the prohibition on any U.S. government export assistance under TSRA, such as credit guarantees and market promotion programs, as one. Among impediments to expanding U.S. agricultural exports to Cuba that are not governed by the embargo, USDA cited Cuba’s limited supply of foreign exchange and its requirement that all U.S. imports be funneled through Cuba’s state corporation, Alimport—a requirement that is not imposed on all of Cuba’s suppliers.

Subsequently, in a report of June 2015 on the potential for U.S.-Cuba agricultural trade, USDA’s Economic Research Service cites restrictions imposed by TSRA on the terms of payments and

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financing as a “major inhibitor of U.S. agricultural exports to Cuba.”

Under TSRA, payment or financing terms are limited to either cash in advance or financing by third-country financial institutions, with the latter being a more laborious process than making a conventional payment directly from the buyer’s financial institution in Cuba to the seller’s financial institution in the United States. Following President Obama’s “normalization” initiative in late 2014, the U.S. Treasury altered its interpretation of “cash in advance” from one that required cash payment before the shipment of goods from a U.S. port of departure to one that requires cash payment before transfer of title. Moreover, U.S. institutions also were allowed to open correspondent accounts at Cuban financial institutions. Still, in its Cuba report of June 2015, USDA concludes that lacking the ability to extend credit to Cuban buyers places U.S. agricultural exporters at a competitive disadvantage in relation to other exporting countries.

U.S. Agricultural Interests Offer Perspective on Trade with Cuba

In December 2014, the Senate Committee on Finance requested that the U.S. International Trade Commission (USITC) conduct an investigation and issue a report on trends in Cuban imports of goods and services, including from the United States. The Committee also requested that the agency provide an analysis of U.S. restrictions affecting Cuba’s purchases. In its letter to USITC, the committee identified three areas of particular interest:

- an overview of Cuba’s imports of goods and services from, to the extent possible, 2005 to the present, including identification of major supplying countries, products, and market segments;
- a description of how U.S. restrictions on trade, including those relating to export financing terms and travel to Cuba by U.S. citizens, affect Cuban imports of U.S. goods and services; and
- for sectors where the impact is likely to be significant, a qualitative and, to the extent possible, quantitative estimate of U.S. exports of goods and services to Cuba, in the event that statutory, regulatory, or other trade restrictions on U.S. exports of goods and services as well as travel to Cuba by U.S. citizens are lifted.

In response to the Finance Committee’s request, USITC held a hearing in June 2015 to solicit the views of a range of experts and interested stakeholders. At that hearing, a number of witnesses with agricultural trade interests specifically cited the restriction on the provision of credit as a particular handicap for U.S. agricultural exporters. For instance, testimony provided by Cargill, Inc. asserted that “Cuba is still importing food, but is choosing our competitors as suppliers more often than not.” Cargill listed seven challenges that U.S. agricultural exporters face in the Cuban market:

1. restrictions on financing that make U.S. exporters uncompetitive;
2. a cumbersome payment process that stems from the financing restrictions;
3. travel difficulties facing Cuban importers who wish to observe vessel loadings;
4. inability to offer price risk tools to Cuba due to U.S. financing restrictions;
5. lack of consultations between U.S. and Cuban government regulatory officials;

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6. inability to invest in Cuban agriculture and food sectors; and
7. the ban on U.S. tourism to Cuba, which constrains high-value, tourist-oriented U.S. food exports.

In its testimony to USITC, Riceland Foods, Inc., a farmer-owned cooperative and direct exporter of U.S. rice and wheat, cited key actions the U.S. government would need to take in order for U.S. producers to regain market share in rice in Cuba that has been lost as a result of the trade embargo:

- remove the ban on U.S. tourist travel to Cuba;
- allow direct banking services and the extension of credit on commercial terms; and
- permit Cuba to export its goods to the United States.

Also offering testimony before USITC was an agricultural economist from the University of Florida, who pointed out that sales of U.S. intermediate and consumer-oriented foods have held up fairly well amid the overall decline in sales of U.S. agricultural product sales to Cuba in recent years, whereas bulk grains have borne the brunt of the loss of market share to non-U.S. suppliers.\(^5\)

He cited the credit provided by export competitors and the inability of U.S. exporters to be competitive on this element of a sale as the single most important factor in Cuba’s shift away from U.S. rice.

USITC’s report on Cuba imports and the effects of U.S. restrictions on U.S. exports to that country was expected to be transmitted to the Committee on Finance on September 15, 2015,\(^6\) but on August 19, 2015, the committee asked USITC to expand the scope of its investigation and rescheduled the report’s due date for March 17, 2016.\(^7\) The request adds the following elements:

- A qualitative analysis of existing Cuban non-tariff measures, Cuban institutional and infrastructural factors, and other Cuban barriers that would inhibit U.S. and non-U.S. firms in conducting business in and with Cuba, among which: restrictions on trade and investment; property rights and ownership; customs duties and procedures; sanitary and phytosanitary measures; state trading; protection of intellectual property rights; and infrastructure affecting telecommunications, port facilities, and the storage, transport, and distribution of goods;
- A qualitative analysis of any effects that such measures, factors, and barriers would have on U.S. exports of goods and services to Cuba in the event of changes to statutory, regulatory, or other trade restrictions on U.S. exports of goods and services to Cuba; and
- To the extent feasible, a quantitative analysis of the aggregate effects of Cuban tariff and non-tariff measures on the ability of U.S. and non-U.S. firms to conduct business in and with Cuba.

USITC has extended the deadline for written submissions to October 23, 2015.


\(^6\) For USITC announcement and background, see http://www.usitc.gov/documents/332_552_notice01292015sgl.pdf.

U.S. Agricultural Trade with Cuba over the Years

Prior to the Cuban revolution in 1959 that brought Castro to power and triggered the deterioration in U.S.-Cuban relations, the United States and Cuba conducted a brisk trade in agricultural products. During the three fiscal years before the revolution—FY1956-1958—Cuba ranked as the ninth largest market for U.S. agricultural exports and the second largest supplier of U.S. agricultural imports, according to the U.S. Department of Agriculture (USDA). In a report issued in June 2015, the agency notes that rice, lard, pork, and wheat flour led the list of U.S. farm exports to Cuba in value terms, with Cuba ranking as the largest foreign market for U.S. long-grain rice. Cane sugar, molasses, tobacco, and coffee topped the list of U.S. agricultural imports from Cuba during that period. With the advent of the Castro regime and the imposition of U.S. sanctions, U.S. agricultural trade with Cuba ground to a halt in the early 1960s.

Figure 1. U.S. Agricultural Exports to Cuba
2001-2014

Source: U.S. Department of Agriculture Foreign Agricultural Service.

Trade in farm products remained at a standstill until Congress enacted the Trade Sanctions Reform and Export Enhancement Act of 2000 (P.L. 106-387), or TSRA, which authorized certain sales of food, medicines, and medical equipment to a number of countries, including Cuba. TSRA did not change the general ban on imports from Cuba, including agricultural products, and it added prohibitions on extending credit to facilitate agricultural sales to Cuba and on providing any U.S. government support for exports to Cuba. Notwithstanding these disadvantages, U.S. agricultural exporters quickly established a foothold in Cuba, with export sales reaching a peak of

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$685\text{ million in calendar year (CY) 2008 in the aftermath of several hurricanes and tropical storms (Figure 1), representing 0.6\% of total U.S. agricultural exports of }$114.8\text{ billion that year.}

The level of U.S. agricultural exports to Cuba has trended lower since 2008, averaging $365\text{ million a year during the most recent three calendar years, from 2012 to 2014, or about 0.25\% of average U.S. agricultural exports to the world of }$145.4\text{ billion over this period. Most recently, U.S. agricultural exports to Cuba dipped to }$286\text{ million in CY2014. A parallel trend is that U.S. exports to Cuba have become increasingly concentrated in a few commodities, with chicken meat (leg quarters), corn, soybean meal, and soybeans accounting for 84\% of the total between 2012 and 2014 (Table 1).}

A number of close observers have suggested the decline in U.S. food and agricultural exports to Cuba in recent years is likely the product of several factors, among which are a preference within the Cuban government for diversifying its supplier network; an effort to establish closer relations with certain allies, such as China and Vietnam; and the availability of credit offered by some non-U.S. suppliers that U.S. competitors are prevented from providing under the U.S. trade sanctions regime.\textsuperscript{9} Concerning the role of credit, USDA asserts that “U.S. restrictions on extending credit to Cuban buyers have made it harder for U.S. agricultural exporters to sell a larger volume and broader variety of commodities to Cuba.”\textsuperscript{10}

\textbf{Table 1. Major U.S. Agricultural Product Exports to Cuba 2012-2014 Average}

<table>
<thead>
<tr>
<th>Product</th>
<th>Value, $1,000</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Agricultural Exports</td>
<td>365.3</td>
<td>100%</td>
</tr>
<tr>
<td>- Animals and Products</td>
<td>161.2</td>
<td></td>
</tr>
<tr>
<td>- Chicken meat</td>
<td>148.9</td>
<td>41%</td>
</tr>
<tr>
<td>- Pork</td>
<td>4.3</td>
<td>1.2%</td>
</tr>
<tr>
<td>- Grains and Feeds</td>
<td>97.3</td>
<td></td>
</tr>
<tr>
<td>- Corn</td>
<td>72.9</td>
<td>20%</td>
</tr>
<tr>
<td>- Brewing/distilling dregs</td>
<td>14.1</td>
<td>3.9%</td>
</tr>
<tr>
<td>- Mixed feeds</td>
<td>10.3</td>
<td>2.8%</td>
</tr>
<tr>
<td>- Oilseeds and Products</td>
<td>103.5</td>
<td></td>
</tr>
<tr>
<td>- Soybean meal</td>
<td>59.4</td>
<td>16.3%</td>
</tr>
<tr>
<td>- Soybeans</td>
<td>44.1</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

\textbf{Source:} U.S. Department of Agriculture, Foreign Agricultural Service.

\textbf{Note:} Totals do not add up because list is limited to major products.


Figure 2 illustrates that as Cuba’s agricultural imports from the United States have fallen in recent years, Cuba has increased its imports from the rest of the world, with the European Union and Brazil ranking as Cuba’s largest suppliers in CY2014.

Figure 2. Cuba’s Agricultural Imports by Origin, 2001-2014

Potential for Expanded Agricultural Trade with Cuba

A number of the witnesses at the USITC hearing asserted that the Cuba market offers potential growth opportunities for U.S. food and agricultural exports, a view that was underscored in the USDA report of June 2015. Sounding a cautionary note on the topic of liberalizing trade with Cuba was the University of Florida economist, who cited concerns about potential threats to Florida agriculture that could be realized if the ban on imports from Cuba were to be lifted.

In its June 2015 report on the potential for increased U.S. agricultural trade with Cuba, USDA points to several important similarities between Cuba and the Dominican Republic, including population size and per capita income in terms of purchasing power parity. Given these similarities, the report goes on to consider whether the Cuban market for U.S. agricultural exports, which averaged $365 million from 2012-2014, might have the potential to expand to a level closer to that of the Dominican Republic, which absorbed an average of $1.1 billion of U.S. agricultural products over the same three years. USDA cites Cuba’s close geographic proximity to the United States as a potential advantage for U.S. food and agricultural product exports that

could help to drive export gains. Another reason that the agency sees an opportunity to expand U.S. agricultural product exports to Cuba is that the U.S. share of the market in Cuba, at about 20%, is less than half the U.S. market share in the Dominican Republic.

**A Possible Market Opportunity for U.S. Rice**

In terms of product mix, USDA sees the potential for U.S. rice to “regain a large share of Cuba’s import market,” if a normal trading relationship were to be established—but only if U.S. suppliers are allowed to provide competitive terms of credit. Among the advantages that favor U.S. rice compared with rice from current suppliers Vietnam and Brazil are the year-round availability of high-quality rice that Cuban consumers prefer, and transportation cost advantages. USDA suggests that exports of other U.S. commodities that have flagged in recent years, such as dry beans, wheat, and dry milk, could also rebound if normal trade relations were restored. In addition, USDA contends that tourist-oriented food service sales could support U.S. exports of cheese; yogurt; and higher value cuts of pork, poultry meat, and beef, particularly if restrictions on tourism to Cuba were relaxed. The agency also sees potential for expanded U.S. export sales of low-value cuts of pork, pork variety meats, chicken leg quarters, and milk powder, subject to further income growth within Cuba. In recent years, Cuba has imported significant quantities of wheat, rice, and nonfat dried milk (Figure 3), but almost all of this trade accrued to non-U.S. suppliers.

**Figure 3. Composition of Cuba’s Agricultural Imports**

2012-2014

![Figure 3. Composition of Cuba's Agricultural Imports](image)

*Source: U.S. Department of Agriculture.*

In testimony to the USITC, Riceland Foods estimated that if the trade embargo on Cuba were lifted, U.S. rice producers could regain 20% to 30% of the Cuban market within two years, amounting to between 90,000 to 135,000 metric tons with a value of between $40 million and
$60 million. Rice from Arkansas and Louisiana would be expected to make up about three-quarters of the increased sales, according to Riceland.12

In other testimony to USITC, Texas A&M University cited research from the University’s Center for North American Studies, which concluded that U.S. agricultural exports to Cuba have the potential to climb to $1.2 billion within five years if restrictions on trade financing and travel were to be relaxed.13 As concerns the potential effects on individual states of easing the trade embargo against Cuba along these lines, Texas A&M named Arkansas, Texas, Minnesota, Louisiana, Missouri, and Nebraska as the states that would be expected to benefit most from an expected increase in agricultural exports. Among the factors most likely to influence the volume and mix of U.S. agricultural exports to Cuba, Texas A&M listed remittances to Cuba from Cuban-Americans in the United States and access to foreign exchange based on Cuba’s exports—led by tourism, nickel/cobalt, pharmaceuticals, sugar, and tobacco products.

Florida Could Face Heightened Competition from Cuban Exports

In addition to the potential for U.S. agricultural export gains from lifting certain trade restrictions with Cuba, or from removing the U.S. trade embargo completely, is the potential opportunity for Cuba to ship its agricultural products to the United States. A potential concern that could arise over U.S. imports of Cuban agricultural produce is that Florida farmers grow many of the same products during the same season as Cuba. Observers have pointed out that vegetables, citrus, sugar, and tropical fruit are among the overlapping product categories and concluded that if the prohibition on Cuban agricultural exports were removed, Florida growers could face increased competition.”14 A corollary concern about such a policy change centers on the possibility that Florida growers could face subsidized competition from Cuba in that some Cuban farms make no payments to the government for the use of their land. Concern about possible subsidized competition would be compounded if firms outside Cuba were to develop the island as a production platform for exporting produce to the United States, a development that some believe might alter the competitive structure of the U.S. winter fresh vegetable industry.15 Some also worry that opening the U.S. market to Cuba’s produce could pose a threat to Florida agriculture by exposing it to new invasive pests and diseases.

Cuba’s Agricultural Exports: Narrow in Scope, Limited in Quantity

Cuba’s agricultural exports are limited, averaging $526 million per year during CY2012-2014, according to USDA, and are concentrated in a few products—sugar accounted for 89% of its farm exports during this period, followed by honey with about 4% of the total.16 China and the European Union are the leading markets for Cuba’s agricultural exports. Although not considered agricultural products per se, cigars and cigarettes also were significant export earners during this period, averaging $222 million per year. USDA suggests that Cuba could exploit comparative

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15 Ibid.
advantages it has in the production of certain crops, such as tropical fruit, vegetables, sugar, and tobacco, to boost its agricultural exports to the United States if the embargo on its products were lifted.

Figure 4. Cuba’s Sugar Production and Exports Since the Revolution

![Graph showing Cuba's sugar production and exports since the Revolution.](image)

Source: U.S. Department of Agriculture, Foreign Agricultural Service.

Cuba was long known as a major producer and exporter of sugar, but its production and export trade have declined precipitously since the demise of the Soviet Union in 1991, so its capacity to be a major influence on the world market has diminished sharply. USDA states that Cuban sugar production has fallen from between 6.5 million and 8.5 million metric tons during the 1980s, when it exported some 90% of its output, to an average of 1.6 million metric tons during the three most recent marketing years of 2012/2013 through 2014/2015 with exports averaging just below 1 million tons annually. (Figure 4).

Cuban Sugar Exports and the U.S. Market

Given Cuba’s resource endowments and history as a major sugar producer, Cuba might expand its output and exports with additional investments. Although the United States is the world’s largest sugar importer and Cuba was the largest foreign source of sugar for the U.S. market prior to the U.S. embargo, any post-embargo access to the U.S. sugar market would have to be negotiated. Any such access might well be quite limited in scope given the existing limitations on sugar imports under the U.S. sugar program via tariff rate quotas (TRQs), free-trade agreements, and through a 2014 export limitation agreement with Mexico. The United States currently provides low- or no-duty access to most of its supplier countries based on historical trade patterns as determined under an agreement struck under the auspices of the World Trade Organization.

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In its June 2015 study, USDA concluded, “A more normal trading relationship with Cuba would likely result in the establishment of some U.S. sugar imports from Cuba, but at volumes much smaller than during the late 1950s.” USDA cites a 2002 paper authored by two officials at the U.S. International Trade Commission that identifies six possible options for providing Cuba with access to the U.S. sugar market that the authors contend would be compliant with the existing multilateral trade agreements at the World Trade Organization (WTO):

- allocate WTO quotas on a first-come, first-serve basis;
- auction sugar quotas;
- redistribute the tariff-rate quota (TRQ) among countries, including Cuba;
- increase the TRQ to accommodate Cuba;
- replace the existing TRQ with a simple tariff; and
- provide market access for sugar as part of a free trade agreement with Cuba.

Legislative Initiatives Aimed at Easing Restrictions on U.S. Agricultural Exports to Cuba

When President Obama announced his initiative to alter the course of U.S.-Cuba relations late last year, he indicated that he does not have the authority to end the embargo because it is codified in legislation. Under the LIBERTAD Act, the President would be required to end the trade embargo if he determines that Cuba has elected a government under free and fair elections and has met other criteria, among which are showing respect for basic civil liberties and human rights of Cuban citizens and Cuba moving to establish a free market economic system. Otherwise, congressional action would be required to end it, either by amending or repealing the LIBERTAD Act and other embargo-related statutes. The text box below identifies existing statutes that contain restrictions that are of particular importance for trade in food and agricultural products with Cuba.

Recognizing that U.S. farmers and exporters are competing for food and agricultural markets in Cuba under terms that place them at a distinct disadvantage compared with foreign competitors that are not subject to restrictions under the U.S. embargo, some Members of Congress have proposed legislation that would ease various elements of the U.S. economic embargo on Cuba, or repeal it entirely. A brief review of several of the legislative initiatives that address agricultural aspects of the trade embargo against Cuba follows.

- Three bills would lift the overall embargo: H.R. 274 (Rush), H.R. 403 (Rangel), and H.R. 735 (Serrano).
- H.R. 635 (Rangel), among its various provisions, has the goal of facilitating the export of U.S. agricultural and medical exports to Cuba by permanently redefining the term “payment of cash in advance” to mean that payment is received before the transfer of title and release and control of the commodity to the purchaser; authorizing direct transfers between Cuban and U.S. financial institutions.


19 For a more comprehensive list of legislation introduced into the 114th Congress to remove trade sanctions on Cuba, see CRS Report R43926, Cuba: Issues for the 114th Congress, by Mark P. Sullivan.
institutions for products exported under the terms of TSRA; establishing an export promotion program for U.S. agricultural exports to Cuba; and prohibiting restrictions on travel to Cuba.

- S. 491 (Klobuchar) would remove various provisions of law restricting trade and other relations with Cuba, including certain restrictions in the CDA, the LIBERTAD Act, and TSRA that currently prohibit financing of agricultural sales to Cuba, U.S. export assistance for sales to Cuba including credit and guarantees, and the entry of Cuban goods into the United States.

- S. 1049 (Heitkamp) would amend TSRA to allow for the private financing of agricultural commodity sales to Cuba.

- S. 1543 (Moran) would repeal or amend various provisions of law restricting trade and other relations with Cuba, including certain restrictions in the CDA, the LIBERTAD Act, and TSRA. It would repeal restrictions on private financing for Cuba in TSRA but continue to prohibit U.S. government foreign assistance or financial assistance, loans, loan guarantee, extension of credit, or other financing for export to Cuba, albeit with presidential waiver authority for national security or humanitarian reasons. Under the initiative, the federal government would be prohibited from expending any funds to promote trade with Cuba or develop markets in Cuba, although certain federal commodity research and promotion programs that are funded through mandatory assessments would be allowed.

**Select Statutory Provisions Relevant to U.S. Food and Agricultural Exports to Cuba**

- Two restrictions that some have identified as being among the most significant in terms of inhibiting U.S. agricultural exports to Cuba are found in Sec. 908 of TSRA (U.S.C. 7207):
  1. prohibiting U.S. aid to facilitate exports to Cuba;
  2. limiting the means by which a U.S. person may finance the sale of agricultural products to Cuba to cash in advance or third-country financing.

- Concerning sugar specifically, section 902 of P.L. 106-387, the Food Security Act of 1985 (U.S.C. 1446 note), denies a sugar import quota to Cuba and to any third country trading in Cuban sugar, although this restriction is subject to presidential waiver under terms provided in the LIBERTAD Act.

- The statutory ban on general tourism to Cuba is in Sec. 910(b) of TSRA (22 U.S.C. 7208(b)).

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