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EXAMINING THE STATUS OF U.S. TRADE WITH CUBA AND ITS IMPACT ON ECONOMIC GROWTH

HEARING

BEFORE THE

SUBCOMMITTEE ON COMMERCE, TRADE, AND CONSUMER PROTECTION

OF THE

COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

APRIL 27, 2009

Serial No. 111–32

Printed for the use of the Committee on Energy and Commerce*energycommerce.house.gov*

U.S. GOVERNMENT PRINTING OFFICE

72–881 WASHINGTON : 2012

For sale by the Superintendent of Documents, U.S. Government Printing Office
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EXAMINING THE STATUS OF U.S. TRADE WITH CUBA AND ITS IMPACT ON ECONOMIC GROWTH

MONDAY, APRIL 27, 2009

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMMERCE, TRADE,
AND CONSUMER PROTECTION,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 2:07 p.m., in Room 2123, Rayburn House Office Building, Hon. Bobby L. Rush [chairman of the subcommittee] Presiding.

Present: Representatives Rush, Sarbanes, Castor, Radanovich, Gingrey and Scalise.

Staff Present: Angelle Kwemo, Counsel; Christian Tamotsu Fjeld, Counsel; Michelle Ash, Counsel; Valerie Baron, Special Assistant; Shannon Weinberg, Minority Counsel; Brian McCullough, Minority Senior Professional Staff; and Chad Grant, Minority Policy Analyst.

OPENING STATEMENT OF HON. BOBBY L. RUSH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. RUSH. The subcommittee will come to order.

This is a subcommittee hearing on examining the status of U.S. trade with Cuba and its impact on economic growth, and the Chair will recognize himself for 5 minutes for the purposes of an opening statement.

I want to thank the members of the subcommittee for participating in the first trade hearing on Cuba in the 111th Congress. I recently visited Cuba with my colleagues in the Congressional Black Caucus. We met with President Raul Castro and Chairman Barbara Lee, and I personally met with former Cuba President Fidel Castro, along with Congresswoman Julia Richardson from California. A lot has been said and written about that trip to Cuba and about that meeting.

Because of travel restrictions, many Americans don't know what Cuba has become, but I witnessed a very compelling need to call this hearing to assess U.S. trade policies towards Cuba. I believe our current policy with Cuba is a failure. We must reevaluate our trade policy's impact on both the Cuban and the American people.

I strongly believe that expanding and diversifying our exports to Cuba will be beneficial for both countries. Some argue the current embargo should be maintained as a political tool that has proved to be effective, as was the case with South Africa. However, I must

say that the current embargo on Cuba is not a multilateral embargo, and we are in a different political and economic environment today.

Unilateral sanctions are usually problematic and ineffective. Cuba has opened its doors to the entire world, and the world has walked steadily in. All nations in the Americas except the U.S. have resumed diplomatic relationships with Cuba. All of our economic competitors, including China and Brazil and Mexico and Japan, Canada and the European Union, are currently trading with Cuba.

Cuba has also made it clear that the same doors are open to the U.S., and our policy should not permit American companies from doing business with the Cuban people. We are looking for new markets to penetrate. Our companies want to compete normally, and our unemployed workers want jobs. Now is not the time to ignore all the opportunities that are presented to us, and I believe that Cuba should be treated like other trading partners with similar political and economic and conditions.

Liberalizing trade with Cuba is not without precedent and has already proven beneficial to both the U.S. and the Cuban people. In 2000, when I and other Members of Congress voted to approve a modest opening of trade, the overall exports from Cuba rose from $7 million in 2001 to $404 million in 2004. However, I must add the so-called "cash in advance" rule initiated by the previous administration in 2005 has complicated an already difficult process and caused Cuba to cut back on its imports from the U.S. Nonetheless, the United States has been Cuba's largest supplier of food and agricultural products, with almost $2.7 million in total sales.

Having said all this, I am not naive nor am I blind to Cuba's challenges. It is undeniable that Cuba has serious political, economic, financial and social problems. Like many developing countries, Cuba has many regulatory hurdles. To be sure, political and economic reform must be initiated by Havana inside Cuba's borders. However, it is also undeniable that some progress has been made, and that the embargo in many instances has actually increased the suffering of the very people we are trying to assist.

Since the fall of the Berlin wall, approximately 28 nations have undergone transitions from Communist regimes. Countries that were less isolated from the West achieved more successful and prosperous democracies than those that were isolated. I believe that Cuba can make a similar transformation if we fully engage the island nation in the global economy.

I commend our President for his leadership in easing the current restrictions on Cuba. This is the first step in the right direction. I support a more rapid move towards normalization of our trading relationships with Cuba. Today's hearing is just a beginning in a series of steps that I intend to take to do all I can to both open up markets for U.S. commerce, especially for small minority and women-owned businesses, while also at the same time to help bring liberty and prosperity to the Cuban people.

And I yield back the balance of my time.

And now I recognize the Ranking Member of this subcommittee Congressman Radanovich for 5 minutes for the purposes of opening statements.

OPENING STATEMENT OF HON. GEORGE RADANOVICH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. RADANOVICH. Thank you, Mr. Chairman, for calling this important hearing to examine our trade relations with Cuba. I appreciate it.

This subcommittee's jurisdiction includes nontariff barriers to trade. As we saw in an earlier hearing in the subcommittee that examined ways to promote our exports to help our economy, increasing our trade exports to revive our economy is a path that we should pursue. We manufacture many world-class goods and services the world will buy if given a chance.

Today we examine quite a different topic: Cuba and our special situation with that country. Our embargo on trade with Cuba, except for food and medicine, is a longstanding policy I support due to the Castro regime that has been in power for over 50 years. President Obama has indicated a desire to go down a path to change that policy, including incremental changes to permit remittances and travel by Cuban Americans back to Cuba to visit their family. Other pundits have suggested that we go further to normalize relations.

I believe that that would be a mistake until the people of Cuba are free. If that time comes, I would fully support a change in the policy. Our agricultural exports would find a receptive market particularly in Cuba where about 80 percent of its food supply is imported, and the country would be a natural destination for our fruits and vegetables, among other products.

Unfortunately, the tyrannical oppression continues, and to pursue trade with Cuba is a major affront to those who have given their lives for the freedom of this Caribbean nation. I cannot justify in good conscience a change in policy that may produce marginal increases at best to our economy, and those benefits are quite questionable.

It is true that the embargo has not yet affected the bipartisan policy goal of regime change, but it is equally true that foreign investment and normal trade relations with Cuba by other developed nations has not produced any change. If we turn the blind eye and set aside our leadership as the world's promoter of democracy and freedom to follow in the footsteps of others, what do we expect will occur?

Thus far, the Castros have been able to use trade with other countries to further their own goals and enrich themselves without benefit to the people that they proclaim to care so much about. The Castros care so much, they do not tolerate political dissident, they suppress free speech and limit religious expression, including the establishment of religion-based schools. Since they assumed power, religion has been suppressed because it was counterrevolutionary. In short, a Cuban citizen has limited control over his own being because that right has been taken by the Castro brothers.

In one of the truly humanitarian exchanges after Raul Castro took over, Cuban citizens were permitted greater freedom to move within their own country. Can anyone here imagine not being able to travel freely without borders or send your child to a school of your choice? Well, maybe we can imagine that, given the adminis-

tration's recent decision to eliminate school vouchers for children in D.C. If you have the money to send your children to an elite private school, I guess that you don't have to worry about vouchers for others.

Many would like to see the travel ban to Cuba lifted completely from a purely substantive point regarding its effect on our economy that will provide little or—would provide little to our GDP and may even hurt our own domestic travel industry. Let us remember travel and tourism to the United States is one of our better exports that generates many jobs. Taking steps that would permit a one-way street permitting travel to Cuba without reciprocity would adversely hinder our balance of trade as we import more tourism. Add to that the substitution effect of diverting travel to Cuba that might otherwise have flowed to Florida or other domestic destinations, and I can only see us losing economically. In short, increased travel and tourism may not only hurt our domestic tourism industry without benefit to the Cuban people, while simultaneously filling the coffers of the Castros.

Telecommunications is also viewed as a possible avenue to export more products, but doing business in Cuba requires a joint venture with the Castro government. Whether the net effect would be positive is debatable. Certainly other countries that do not maintain a trade embargo with Cuba have been free to expand their markets in Cuba; however, democracy advocates have yet to see the benefits of those ventures. This may be due in part to the very limited financial resources of the average Cuban citizen and the affordability of telecommunication services. Why anyone thinks that this will change if a company providing the service as a U.S. company rather than their current provider escapes me.

As long as the Castros maintain a regime which oppresses individual freedom, oppresses dissenting political views, and expresses hostility towards religious expression, while at the same time maintaining a state-controlled economy to the benefit of the Castro family and their adherents, further trade relations beyond humanitarian aid in the name of making a buck is an injustice to the Cuban people and their brave freedom advocates.

Thank you, Mr. Chairman. I yield back.

Mr. RUSH. The Chair now recognizes the fine gentleman from Maryland Mr. Sarbanes for 5 minutes for purposes of an opening statement.

Mr. SARBANES. Thank you, Mr. Chairman. I certainly don't need 5 minutes. I am in a learning mode today. I am looking forward to the hearing. I appreciate your convening it.

Obviously the economic embargo on Cuba is a delicate topic. It seems to become more delicate every day, and more people are coming to the discussion. You have rightly acknowledged the human rights concerns that exist, but you also noted the arguments for modifying or even eliminating that embargo, and I am looking forward to hearing the discussion today.

I yield back my time. Thank you.

Mr. RUSH. The Chair now recognizes my friend and gentleman from Georgia Dr. Gingrey for 5 minutes.

OPENING STATEMENT OF HON. PHIL GINGREY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Dr. GINGREY. Mr. Chairman, thank you. I want to thank you for calling the hearing today on this important issue of the current trade embargo with Cuba and its economic impact on our country.

In the face of our current economic struggles, our responsibility is to bolster the United States economy by expanding trade in a fair and open way that creates jobs domestically. And, of course, we look for every opportunity to do that. However, trade policy is not just economic, as we all know, but, of course, it is also foreign policy.

In the case of Cuba, the lure of trade with the United States must be heavily conditioned on the improvement of human rights in that country. In fact, the oppressive Communist Castro regime has a widespread history of human rights violations and is currently listed as a state sponsor of terrorism by our State Department. Therefore, I have supported, and I will continue to support, the embargo. And I do not believe that the United States should lift this embargo until, until Cuba makes significant reforms that expand freedom and civil liberties for its citizens.

Over the past decade, there have been some concessions that have been made for humanitarian purposes, including remittances for family members of Cuban Americans as well as restricted travel for immediate family. Most recently the Fiscal Year 2009 Omnibus Appropriations Act made some more modifications to existing travel restrictions, and the Obama administration has called for additional changes to remittances. But these need to be closely monitored so that they benefit the people of Cuba and not just the Castros and the Castro government.

In the nearly 50 years that this embargo has been in place, there is one question that remains: Will Cuba trade with the United States improve political and economic conditions for the Cuban citizens, or will it simply reward and endorse the oppressive Communist government run by both Fidel and Raul Castro?

In the intervening time, we have seen a number of our allies in the Western Hemisphere—this has been said by the Chairman and Ranking Member—and Europe as well openly trade with Cuba, yet Cuba has made very little improvement in human rights conditions despite this open trade. For these reasons, I believe the Federal Government, and this subcommittee in particular, needs to proceed very cautiously as we hear testimony today and we debate future ramifications of trade with Cuba.

I look forward to hearing from both panel of witnesses, and at this time I yield back the balance of my time, Mr. Chairman, and I look forward to having an opportunity to question the witnesses.

Mr. RUSH. The Chair certainly thanks the gentleman from Georgia.

And now it is my pleasure and honor to welcome to this committee's hearing two fine public servants, both who are employees of the Department of Commerce. The one, Mr. Walter Bastian, is a Deputy Assistant Secretary for the Western Hemisphere, International Trade Administration.

Mr. Bastian, I want to welcome you, and I want to thank you for appearing before this subcommittee and taking time out from your busy schedule to share your thoughts with us.

Our next witness on this first panel is Mr. Matthew Borman, a fine gentleman from the Department of Commerce Bureau of Industry and Security. His former title is the Acting Assistant Secretary for Export Administration.

Mr. Borman, again, my thoughts are certainly gracious, and we want to thank you so much for being here and participating in this hearing.

We would ask, if you will—it has been a new policy on this subcommittee that you be sworn in for the purposes of giving an opening statement and participating in the hearing. So would you please raise your right hand—stand and raise your right hand.

[Witnesses sworn.]

Mr. RUSH. Please take your seats.

Please let the record reflect that all of the witnesses there answered in the affirmative.

Mr. Bastian, we would ask that you provide us with an opening statement, and you can restrict your statement, if you will, to 5 minutes. I would say more or less 5 minutes. Thank you.

TESTIMONY OF WALTER BASTIAN, DEPUTY ASSISTANT SECRETARY FOR THE WESTERN HEMISPHERE, INTERNATIONAL TRADE ADMINISTRATION, DEPARTMENT OF COMMERCE; AND MATTHEW S. BORMAN, ACTING ASSISTANT SECRETARY FOR EXPORT ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

TESTIMONY OF WALTER BASTIAN

Mr. BASTIAN. Thank you, Mr. Chairman.

Chairman Rush, Ranking Member Radanovich——

Mr. RUSH. And please pull the mic towards you, if you will, and——

Mr. BASTIAN. Sorry. There we go.

Chairman Rush, Ranking Member Radanovich and distinguished members of the committee, thank you for the opportunity to speak with you today concerning recent events in our relationship with Cuba. I welcome your interest in this topic.

Today's hearing is entitled "Examining the Status of U.S. Trade with Cuba and Its Impact on Economic Growth," but I can imagine that the interests of committee members extend not only to that subject, but also the President's recent statements regarding his beliefs that we can move the U.S.-Cuba relations in a new direction. It is my hope that Members will take no offense if I do not take this opportunity to expand upon nor to interpret the words and messages that the President so capably laid out during the successful Summit of the Americas in Trinidad and Tobago.

We meet at a fluid moment in U.S. policy, and, as members of this committee know, setting U.S. policy towards Cuba is not within the province of the Department of Commerce.

On April 13th of this year, the President directed the Secretaries of Commerce, Treasury and State to take actions necessary to lift restrictions on family visits to Cuba, remove restrictions on remit-

tances to family members, authorize greater telecommunications links with Cuba, and expand the scope of humanitarian donations eligible for export. These changes in our Cuba policy are designed to encourage greater contact between family members, ease the flow of remittances to Cuban families, and promote the flow of information to the Cuban people.

The Bureau of Industry and Security, BIS, at the Department of Commerce and Treasury's Office of Foreign Assets Control, OFAC, are hard at work implementing these policy changes. My colleague from the Bureau of Industry and Security will discuss these changes in more detail in his testimony.

Reaching out to the Cuban people in this way is a demonstration of our interest in sending our relations with Cuba on a more productive and positive course. The actions we are taking will directly benefit the well-being of Cuban citizens and will remove barriers between families in both countries.

Mr. Chairman, I understand that you recently returned from a visit to the island, and that you, as well as a number of your colleagues, are interested in greater commercial interchange with Cuba. As you know, the United States maintains extensive legal restrictions on the ability of U.S. firms to trade with Cuba. The President has indicated his belief that the embargo should remain in place as a source of leverage for positive change in Cuba.

I will very briefly delineate the mix of legislation that governs our trade relations with Cuba. The United States maintains a comprehensive trade embargo with respect to Cuba under numerous laws. That embargo was first announced by President Kennedy in Presidential Proclamation 3447 in 1962, under the authority of the Foreign Assistance Act of 1961. Implementing regulations issued by the Department of Commerce and the Department of Treasury to carry out the trade embargo on Cuba relied on general authorities of the Export Control Act of 1949 and the Trading With the Enemy Act. The trade embargo in Cuba has been further shaped over the years by various pieces of legislation, including the Export Administration Act of 1979; the Cuban Democracy Act of 1992; and the Cuban Liberty and Democratic Solidarity, otherwise Libertad, Act of 1996; and the Trade Sanctions Reform and Export Enhancement Act, TSRA, of 2000.

TSRA limits Congress' ability to promote and support U.S.-Cuba trade. Under TSRA, the Department is prohibited from providing the routine export assistance to U.S. exporters to Cuba that our U.S. and Foreign Commercial Service regularly provides to other U.S. firms. Despite the broad restrictions on trade with Cuba, U.S. producers exported more than $700 million in agricultural goods to Cuba in 2008, making the U.S. the largest source of food to Cuba, and making us Cuba's fifth largest trading partner.

Conclusion. President Obama indicated at the Summit of the Americas that the United States seeks a new beginning in its relations with Cuba. The measures announced on April 13th were intended as a signal to the people of Cuba and to the Government of Cuba that the United States is prepared to pursue policies that will strengthen the ties between the people in our countries and bolster progress towards a free and democratic Cuba.

Thank you, Mr. Chairman. I am pleased to answer any questions that you or the other members of the committee may have.

Mr. RUSH. Thank you, Mr. Bastian.

[The prepared statement of Mr. Bastian follows:]

WALTER BASTIAN
DEPUTY ASSISTANT SECRETARY FOR THE WESTERN HEMISPHERE
INTERNATIONAL TRADE ADMINISTRATION
DEPARTMENT OF COMMERCE
TESTIMONY BEFORE THE
HOUSE ENERGY AND COMMERCE SUBCOMMITTEE ON COMMERCE, TRADE AND CONSUMER PROTECTION
for a hearing entitled
"Examining the Status of U.S. Trade with Cuba and its Impact on Economic Growth"
APRIL 27, 2009

INTRODUCTION

Chairman Rush, Ranking Member Radanovich, and distinguished members of the committee, thank you for the opportunity to speak with you today concerning recent events in our relationship with Cuba. I welcome your interest in this topic.

Today's hearing is entitled "Examining the Status of U.S. Trade with Cuba and its Impact on Economic Growth," but I can imagine the interests of Committee Members extend not only to that subject, but also to the President's recent statements regarding his belief that we can move U.S.-Cuban relations in a new direction. It is my hope that Members will take no offense if I do not take this opportunity to expand upon nor to interpret the words and messages the President so capably laid out during the successful Summit of the Americas in Trinidad and Tobago. We meet at a fluid moment in U.S. policy and as Members of this Committee know, setting U.S. policy toward Cuba is not within the province of the Department of Commerce.

On April 13, 2009, the President directed the Secretaries of Commerce, Treasury and State to take actions necessary to lift restrictions on family visits to Cuba; remove restrictions on remittances to family members; authorize greater telecommunications links with Cuba; and expand the scope of humanitarian donations eligible for export. These changes in our Cuba policy are designed to encourage greater contact between family members, ease the flow of remittances to Cuban families and promote the flow of information to the Cuban people.

The Bureau of Industry and Security (BIS) at the Department of Commerce and Treasury's Office of Foreign Assets Control (OFAC) are hard at work implementing these policy changes. My colleague from the BIS will discuss these changes in more detail in his testimony.

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of U.S. firms to trade with Cuba. The President has indicated his belief that the embargo should remain in place as a source of leverage for positive change in Cuba. I will briefly delineate the mix of legislation that governs our trade relations with Cuba.

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CONCLUSION

President Obama indicated at the Summit of the Americas that the United States seeks a new beginning in its relations with Cuba. The measures announced on April 13 were intended as a signal to the people in Cuba and to the government of Cuba that the United States is prepared to pursue policies that will strengthen the ties between the people in our countries and bolster progress toward a free and democratic Cuba.

Thank you Mr. Chairman, and I am pleased to answer any questions you or other members of the committee may have.

Mr. RUSH. And now I'll recognize Mr. Borman for 5 minutes, more or less.

TESTIMONY OF MATTHEW S. BORMAN

Mr. BORMAN. Thank you, Mr. Chairman.

Mr. Chairman, Ranking Member Radanovich and distinguished members of the subcommittee, I would also appreciate the opportunity to appear before the subcommittee today to discuss the Bureau of Industry and Security's role in implementing the U.S. Trade embargo on Cuba. I also ask that my written statement be included in the record.

Mr. RUSH. So ordered.

Mr. BORMAN. As my colleague Mr. Bastian has already outlined, there are a welter of laws and regulations that govern our trade with Cuba, and I won't enumerate them again. I would point out in particular the Libertad Act, among other things, codifies the trade embargo on Cuba, and it requires that the embargo would remain in effect unless certain conditions are met, most notably either there is a transition government in place, or there has already been a democratically elected government. So the Libertad Act codifies much of the current embargo.

Having said that, of course, though, the President and all Presidents retain some discretion to make exceptions to the embargo. And as a result of that, that discretionary authority, the Commerce Department has the authority to issue licenses for particular transactions or general authorizations for particular types of transactions under certain conditions. And as Mr. Bastian has already noted, the Bureau of Industry and Security regulates the export of commodities, software and technology to Cuba, while the Office of Foreign Assets Control, Department of Treasury, regulates all transactions with Cuba, including the financing related to exports. So we at BIS handle things going to Cuba, and Treasury handles essentially everything else, all other interactions between the U.S. and Cuba. We do ours through the Export Administration regulations. Treasury has a separate set of their own regulations.

Now, pursuant to the laws and regulations, almost everything in the U.S. economy needs a license and individual authorization to go to Cuba, and there is currently a general policy of denial for most items going to Cuba under the existing embargo. Notwithstanding the general policy of denial, however, in 2008, we at BIS processed 358 applications for licenses to export to Cuba. And of those 358 applications, 235 were approved, 114 were returned without action, and 8–9 were denied. The total dollar value of those approved licenses was about $1½ billion.

And in addition to those individual licenses, we also processed 151 notices of agricultural exports to Cuba. This is a particular license exception we have implemented pursuant to the Trade Sanctions Reform Act, or TSRA, as we call it. Of those 151 that we processed last year, 143 were approved, and they were worth about $3.2 billion, and the remaining 8 were returned without action. So those were the authorizations that we at BIS authorized individually and under the TSRA exemption.

One other thing I would point out is that these authorizations include about $95 million of exports that we authorized in the last

quarter of 2008 for hurricane relief specifically, and we did those in an average processing time of 5 days, which, as you can imagine in a government bureaucracy, is quite fast.

Mr. RUSH. I am quite impressed.

Mr. BORMAN. Now we are worried about the pending revisions to our regulations at BIS, based on the President's announcement. As Mr. Bastian noted, the President directed the Secretary of Commerce in particular to further expand the scope of the license exception; that is, the general authorization regarding gifts, gift parcels to Cuba. A wider variety of items will become available to be included in the gift parcels. The dollar value for the gift parcels will go up from $400 to $800. And the universe of recipients will be expanded, although there will still be no gift parcels permitted to either high government officials, Communist Party members, or institutions or organizations controlled by either the government or the party.

We will also establish a new license exception for consumer communications devices, cell phones, satellite phones, personal digital assistance, digital camera, again to further the free flow of information between the United States and the Cuban people and among the Cuban people.

And the last change that we will implement as a result of the President's decision is to lift the personal baggage limitation. Currently there is a limit of 44 pounds per person to take with them to Cuba. When we finalize our regulation implementing the President's directive, that limitation will be removed. So that is what we are doing to implement the President's directive.

In conclusion, I would just say again that what we do is largely governed by statute as well as regulations, and we continue to work with our interagency partners, principally the State Department, in this area to implement the President's directive to meet the basic human needs of the Cuban people and facilitate contacts between the American people and the Cuban people.

And with that I conclude my oral statement, and also I am happy to answer questions.

[The prepared statement of Mr. Borman follows:]

Statement of

Matthew S. Borman

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before the

Subcommittee on Commerce, Trade and Consumer Protection of the Energy and Commerce Committee, United States House of Representatives

April 27, 2009

Mr. Chairman, Representative Radanovich, and Distinguished Members of the Subcommittee:

I appreciate the opportunity to appear before the Subcommittee today to discuss the Bureau of Industry and Security's role in implementing the U.S. trade embargo on Cuba.

Legal Framework

On February 3, 1962, citing the authority granted by the Foreign Assistance Act of 1961, President Kennedy issued Proclamation 3447 declaring a trade embargo against Cuba. Among other actions, this proclamation directed the Secretary of Commerce to continue a prohibition, with certain exceptions, on exports from the United States to Cuba under the Export Control Act of 1949 (superseded by the Export Administration Act of 1979).

Today, the Bureau of Industry and Security (BIS) of the Department of Commerce and the Office of Foreign Assets Control (OFAC) of the Department of the Treasury maintain primary responsibility for implementing the embargo within the framework of a number of statutes and regulations. BIS regulates exports of commodities, software and technology to Cuba through the Export Administration Regulations (EAR). The general statutory basis for the EAR is the Export Administration Act of 1979 (EAA), and, when the EAA is in lapse, the International Emergency Economic Powers Act (IEEPA). OFAC also regulates transactions involving Cuba, including financial transactions related to exports, through the Cuban Assets Control Regulations (CACR), which are primarily authorized by the Trading With the Enemy Act (TWEA).

In addition to the embargo, on March 1, 1982 the Secretary of State designated Cuba as a State Sponsor of International Terrorism pursuant to the Export Administration Act of 1979. This designation resulted in further restriction of the export to Cuba of items controlled for anti-terrorism reasons on the Commerce Control List (CCL).

Congress passed legislation affecting the embargo against Cuba with the Cuban Democracy Act of 1992 (CDA) and the Cuban Liberty and Democratic Solidarity Act of 1996 (frequently referred to as the "Libertad" or "Helms-Burton" Act). In a provision aimed at providing support to the Cuban people, the CDA set forth a number of policies, since implemented in the EAR, to allow for a variety of items to be exported to Cuba. These items include donated food, medicine and medical devices, and telecommunications equipment to ensure adequate and efficient telecommunications service between the United States and Cuba. At the same time, the CDA also imposed some restrictions on certain exports, such as those requiring onsite verification for medical exports and prohibiting the authorization of most exports to Cuba from overseas U.S. subsidiaries.

Libertad codified the embargo against Cuba and requires that the embargo remain in effect subject to a provision related to the suspension or termination of the embargo upon a determination that a transition to democracy is underway, or has taken place, in Cuba. The President does, however, retain discretion to make exceptions to the embargo. As a result, the Commerce Department has the authority to issue a license for a particular export or to issue a general authorization, referred to in the EAR as a license exception, for the export of an identified category of items under stated conditions.

The Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA) required the authorization of exports of agricultural commodities to Cuba. Due to requirements in TSRA, however, exporters must still submit notice of proposed sales of eligible commodities for expedited government review to ensure that agricultural exports do not go to any Cuban entities that promote international terrorism.

Pursuant to the aforementioned statutes and regulations, practically all items on the Commerce Control List (CCL) (items subject to multilateral and unilateral controls) and most other items subject to the EAR, but not included on the CCL, require a license for export to Cuba. Most items that require a license are subject to a general policy of denial.

Certain exports, however, may be shipped to Cuba pursuant to a license exception set forth in the EAR. Commercial sales of agricultural commodities occur under a license exception as do gift parcels to individual Cubans and humanitarian donations by U.S. charitable organizations of a wide variety of items intended to meet the basic human needs of the Cuban people

In addition, BIS may issue licenses authorizing the export to Cuba of several categories of items following a case-by-case review by the Departments of Commerce, Defense and State. These categories include medicine and medical devices, telecommunications equipment, and items intended to meet humanitarian needs and to promote democratic change in Cuba. BIS may also issue licenses for certain agricultural items such as fertilizers and pesticides, aircraft and vessels on temporary sojourn to Cuba to deliver humanitarian aid, and items for U.S. news bureaus operating in Cuba.

2008 Authorizations

In 2008, BIS processed 358 export license applications for Cuba. Of those, 235 were approved, 114 returned without action, and 9 denied. The approved licenses were worth approximately $1.5 billion. BIS also processed 151 Agricultural License Exception Notices. Of those, 143 were approved and 8 returned without action. BIS did not deny any Agricultural License Exception Notices. The approved notices were worth approximately $3.2 billion.

The response to the 2008 hurricanes illustrates the U.S. Government's commitment to ensure that export controls do not hinder efforts to provide humanitarian aid to the Cuban people. During the last quarter of 2008, BIS authorized licenses for the donation of food, medicine and medical supplies, clothing, household goods, personal hygiene items, and shelter materials valued at over $95 million. Expedited U.S. Government review of license applications resulted in average processing time of only five days for these licenses.

The value of the licenses is the maximum that could be shipped and usually not the actual value of the goods shipped. Also, these figures do not include the dollar value of exports of humanitarian items exported under license exception, because U.S. charitable organizations are not required to provide notice or to otherwise formally report to BIS. The large number of inquiries received by BIS concerning the relevant license exception suggests extensive use of the license exception, particularly by faith-based organizations in the immediate aftermath of the 2008 hurricanes that struck Cuba.

Pending Revisions

On April 13, the President directed the Secretary of Commerce to further expand the scope of the license exception regarding gift parcels to make a wider variety of items eligible for export and to establish a new license exception authorizing the export of donated personal communications devices. Both license exceptions will permit donations to all Cubans (with the exception of identified Cuban Government and Communist Party officials) and to non-governmental organizations in Cuba. The President directed these measures to increase the independence of the Cuban people and to promote contacts between Americans and their relatives in Cuba and among the Cuban people in support of the Cuban people's desire to freely determine their own future and Cuba's future.

A draft of the regulatory change necessary to implement that directive has already been completed and is undergoing final departmental review. It will shortly be sent to the Office of Management and Budget for review.

Conclusion

The embargo against Cuba is based on a framework of statutes implemented by regulations. The controls implemented by BIS through the EAR are fully consistent with

the relevant laws enacted by the Congress. BIS, working together with our interagency partners, seeks to implement the President's recent directive promptly to meet the basic human needs of the Cuban people and facilitate contacts between Americans and their relatives on the island.

Thank you for your attention to this important topic. I would be pleased to answer any questions you may have concerning BIS's implementation of the embargo.

Mr. RUSH. The Chair thanks the gentleman, and indeed the Chair thanks both of the witnesses for their fine statements.

The Chair now recognizes himself for 5 minutes for the purposes of questioning these witnesses.

Because of Cuba's—let me restart that. Because of the U.S.'s unilateral embargo, we sometimes assume Cuba's economy is cut off from the world. That has certainly not been the case, from my understanding. Investors from all over the world are offering joint ventures in Cuba. Countries like Venezuela, Brazil, China, Vietnam extend credit to Cuba. And indeed, a Spanish company is leading an effort to drill for oil in Cuba's territorial waters this year, if I am not mistaken. And I believe that the American companies should be afforded the same investment opportunities in Cuba.

Let me ask both of the witnesses, what do you foresee happening if the U.S. normalizes its trade relations with Cuba? Can you indicate what markets would be ripe for entry in the U.S.—for the U.S.? What markets are there that American companies might be able to penetrate most readily and most thoroughly if, in fact, we were to normalize trade relationships?

Mr. Bastian, would you please begin?

Mr. BASTIAN. Thank you, Mr. Chairman.

As you might imagine, we don't have an awful lot of information on the specific needs of Cuba insofar as business is concerned. We don't share information with our trading partners, other trading partners, principally because we don't trade with Cuba to begin with. But I think it is a pretty safe assumption to say that in the areas of infrastructure, I think we have already covered as an example briefly telecommunication. But I think if you took a look at general infrastructure, transportation equipment, port-handling equipment, things of that nature, ports, railroads, airplanes, things of that nature, they could offer some significant, probably, opportunity to U.S. business, certainly things that we would be taking a look at.

But keep in mind also that at the moment we do—we are the fifth largest supplier to Cuba of product; not manufactured goods necessarily, except maybe some in the medical field, but basically agricultural goods. But I think if we took a look initially at those sectors, how do you move goods across the island to reach the Cuban people, I think those would be essential to look at.

Mr. RUSH. Mr. Borman.

Mr. BORMAN. In addition to what Mr. Bastian said, I think based on the data available to us, some of the other areas that would have some potential would be food processing, handling distribution. And as he said, in the medical area last year we licensed about 47 individual transactions for medical sales to Cuba worth about $64 million. So I think that would be another area.

Mr. RUSH. Do you have an estimate for the lost business opportunities that have occurred as a result of the embargo? How many U.S.—how many business opportunities has U.S. companies lost as a result of the embargo? Have you got an estimate?

Mr. BASTIAN. Mr. Chairman, I think the really short answer is no, we don't. Again, we clearly are not approached by U.S. companies that are—you know, that said, I could have sold so much to Cuba that we have not gotten. So I think you could probably take

a look at maybe—there was a really old study done, I think, by the ITC back in about—I think around 2001, in that timeframe there. But the data, of course, in that case is 8 years old, but it might give you an indication. But beyond that, I am not aware of any information that is out there that talks about sales foregone.

Mr. RUSH. OK. Mr. Borman.

Mr. BORMAN. I don't have any other information on that, Mr. Chairman.

Mr. RUSH. All right. If the embargo were lifted, what do you believe would be the impact in Cuba when the Cuban people see a difference in their daily lives if the Cuban Government still controls the distribution of goods? And secondly, how can we be assured that the Cuban Government will grant the appropriate licenses and other authorizations to American companies to do business? Do you have any information? Can you help us along with—in answering those questions? Mr. Bastian?

Mr. BASTIAN. Thank you, Mr. Chairman.

Speculation is very difficult and sometimes a pretty dangerous thing to get into, but I think it did mention something that is absolutely key, and that is this is a two-way street. The President, as an example, has announced some measures, is interested in pursuing those, and what we need to do is find basically a partner for that dance that will make—show a willingness to continue this course of action. I think that would probably be my response.

Mr. BORMAN. The only thing I would add to that, obviously a lot of the impact would be dependent upon the funds available to the Cuban people to actually purchase U.S. goods on a commercial basis. So that is a bit unknown at this point.

Mr. RUSH. OK. My time is up. And now I will yield for the purposes of questioning 5 minutes to the Ranking Member.

Mr. RADANOVICH. Thank you, Mr. Chairman.

And again, welcome to the subcommittee.

Mr. Bastian, I wanted to—I just noticed in your testimony on the amount of agricultural exports that occurred in trade between the U.S. and Cuba in 2008 was $700 million. Can you give me an idea how much that might be—that amount might be due to an increase in commodity prices? As you will recall, last year some of those export prices were rather high.

Mr. BASTIAN. I don't have the exact number off the top of my head. I will get it for you. But I think that you are absolutely right, because it was a significant jump in dollar amount over the last couple of years, due in large measure to commodity prices.

Mr. RADANOVICH. If there were a way to get the information to the committee to measure increase in exports in something other than dollars——

Mr. BASTIAN. I understand, sir. We will get that back to you.

Mr. RADANOVICH. All right. Thank you.

Also, the Castro regime confiscated many businesses and took intellectual properties such as trademarks when they took over power, and claim they now—claim that they now own those properties. How does the U.S. address trade policy with countries that don't honor property rights?

Mr. BASTIAN. I do believe that that is a question that really does need to be directed to State Department on that.

If I might, you do bring an interesting point, which is lifting the restrictions on Cuba on trade is part of what needs to be done. I think the other part of the things you referred to, I think you mentioned in the beginning an interest in nontariff barriers, and I think there is a whole host of issues that we need to take a look at if we are going to get the maximum benefit for U.S. companies.

Mr. RADANOVICH. Perhaps you can ask this. I would like to ask it. How should we deal with Cuba regarding our companies' intellectual property, given the profits Cuba has made selling confiscated property of former Cuban companies, usually in the form of rum or cigars?

Mr. BASTIAN. I think we would have to take a real hard look at that. And these are some of the issues, among others, that we would have to take a look at and get resolution to it, I think, before we can move forward.

It also brings up the whole question of intellectual property, about the security for, you know, potential future investors in the island. There are a host of issues that we need to take a look at, the ones that you deal with.

Mr. RADANOVICH. Thank you, Mr. Bastian.

Mr. Borman, the BIS is working on a regulatory change to implement the directive to permit license exemptions for donations of personal communications devices to Cuban citizens, but not to the Cuban Government. How can we ensure that the donations are not confiscated or redirected to the government?

Mr. BORMAN. Well, that really will depend on the knowledge people have of the individuals getting it and then various ways of feedback we have. You know, we don't have a way to go and necessarily check on the individual items once they are there, but there are a variety of other information sources we have that will help us assess that.

Mr. RADANOVICH. OK. Have you defined what a personal communications device is?

Mr. BORMAN. Yes. It is something that is really a retail sale. So, as I mentioned, it is things like personal digital assistance, mobile phone, satellite phones, laptop, desktop computers, digital cameras. Certainly nothing above a personal consumer level, nothing that businesses or governments would really use in any significant way.

Mr. RADANOVICH. OK. About one-third of license applications that you received in 2008 were returned without action. Why were the applications returned?

Mr. BORMAN. For one of two reasons. In some cases the licenses were not actually needed. There is a narrow strata of items like agricultural exports that we don't need an individual license. And the other group would be ones that there are simply not enough information on. So, for example, the license application, there is just not enough information on the proposed end user in Cuba for the U.S. Government to make an informed decision. And so we return that saying essentially you can't ship unless you come in and give us more information.

Mr. RADANOVICH. Mr. Bastian, one last question. As long as the embargo is the official U.S. policy, where do the companies that are permitted to export agriculture and medical products receive export assistance?

Mr. BASTIAN. They don't. We are talking about sales of agricultural commodities, which is basically cash in advance from Cuba.

Mr. RADANOVICH. Thank you very much.

I yield back the balance of my time.

Mr. RUSH. The Chair thanks the gentleman.

The Chair now recognizes the gentleman from Maryland Mr. Sarbanes for 5 minutes.

Mr. SARBANES. Thank you, Mr. Chairman.

Mr. RUSH. We will allow you 5 minutes.

Mr. SARBANES. Thank you.

I guess the U.S. embargo is the most restrictive trade embargo on Cuba in the world, right?

Mr. BORMAN. Well, we do have fairly restrictive trade policies in some other countries, Iran, Syria, North Korea.

Mr. SARBANES. No, but, I mean, there is no other country in terms of imposing an embargo against Cuba that comes near to what——

Mr. BORMAN. Compared to other countries.

Mr. SARBANES. Right.

What is the next most restrictive trade policy imposed on Cuba by another country that you would—is there any——

Mr. BASTIAN. I don't know.

Mr. SARBANES. OK.

Mr. BORMAN. Yes, I am not aware of what other countries' policies are.

Mr. SARBANES. We have talked about this distinction between the government and the people and steps that can be taken to try to ease some of the—or promote more interaction with the people of Cuba as opposed to with the government, which is tricky. It is tricky when we try to make that distinction in a lot of places, and I can think of a number of other examples. But are there—and some of this has to do with just allowing dollars and resources to flow straight to residents of Cuba. But are there—is there any kind of NGO infrastructure or other ways of getting resources to the people as opposed to the government? And after you comment on that, could you describe the impediments that the government might present to having that happen?

Mr. BORMAN. Well, certainly on the NGO side there are some NGOs that have a fairly established track record of operating with Cuba. In fact, particularly on the medical side, the medical donations we authorize are really through those organizations.

And I suppose there is always a possibility that the government will decide to do things differently, but I think there is enough information flow in and out of Cuba that it will be fairly apparent if the government decides to do things in a more restrictive way than they are currently doing in terms of letting those NGOs receive things from donors in the U.S. and distribute them directly to the people.

Mr. SARBANES. Are there restrictions on the NGO activity that you know of now that exists, that where if they ease those, that would be kind of the leading indicator that the government is dealing in a different way with that kind of humanitarian assistance and other assistance?

Mr. BORMAN. That I don't have an answer to, but we can check on that and get back to you on that.

Mr. SARBANES. OK. I appreciate it.

And the steps that the President took or asked people to take just recently in terms of lifting certain restrictions, are any of those ones that had been eased in the past and then tightened again, or would you view them all as new in either kind or degree?

Mr. BORMAN. On the gift parcels and the baggage, those were effectively changes to tightenings that were made in the previous administration. The donations of consumer communication devices, that is a new license exception.

Mr. SARBANES. OK. Thank you.

I yield back my time.

Mr. RUSH. The Chair thanks the gentleman.

Now the Chair recognizes the gentleman from Georgia Dr. Gingrey for 5 minutes.

Dr. GINGREY. Mr. Chairman, I thank you.

You know, we are going to hear from the second panel in a few minutes, and I was just reading the testimony from the United States Chamber of Commerce, and a statement is made, and their conclusion, regarding the embargo that has been going on for the past 50 years: Instead of isolating Cuba from the rest of the world, it has isolated the United States from our allies. The Cuban dictatorship could never have withstood five decades of free trade, free markets and free enterprise. That is a conjecture and stated pretty strongly.

I also want, Mr. Chairman, to read a recent—or from a recent press release that the Diaz-Balart brothers, Lincoln and Mario, who represent the Cuban American community mainly in and around Miami. And they were talking about something that President Obama said during his inaugural address on January 20th. And let me quote from President Obama: To those who cling to power through corruption and deceit and the silencing of dissent, know that you are on the wrong side of history, but that we will extend a hand if you are willing to unclench the fist. And that ends the quote.

The United States policy of state says, the liberation of all political prisoners, the legalization of all political parties, independent labor unions and the press, and the scheduling of free internationally supervised elections is what we treasure in the United States law in regard to dealing with a country like Cuba.

Let me ask Mr. Bastian first. The Castro regime confiscated many businesses and their intellectual properties, such as trademarks, when they took over power and claim they now own those properties. Now, for those who would say, well, we are trading with China, and this is a Communist regime, I don't know that China has ever taken over or confiscated any American property, U.S. property, and done what Cuba did shortly after the Castros took over.

How does the United States address trade policy with countries that do not honor property rights? How should we deal with Cuba regarding our companies' intellectual property given the profits Cuba has made selling confiscated property of former Cuban companies?

Mr. Bastian.

Mr. BASTIAN. Thank you, Congressman.

I think this is something that we tried to refer to earlier, and these are some of the issues that we absolutely need to get resolved. And we are familiar with the issues or the specific examples, I think, that you were alluding to. So these are the type of issues—I think this is what—it is quite a step. It is a long step from saying, OK, we are going to do this, we are going to establish these commercial relations with Cuba and make it reciprocal, and then clean up a lot of these issues we have to deal with and a lot of pressure to do that.

Dr. GINGREY. Obviously it is complicated.

Let me quickly ask Mr. Borman, BIS is working on a regulatory change to implement the directive to permit license exceptions for donations of personal communication devices to Cuban citizens, but not to the Cuban Government. How do we ensure that those donations are not confiscated or redirected to the government? Why do they fall under the personal communication device definition?

Mr. BORMAN. Well, again, because these will be donated often by relatives, I think. It will become very quickly apparent if the Cuban Government changes its current policy and starts confiscating these types of things from individuals, and we have the flexibility in our regulatory scheme to change that if it turned out that was the case.

Dr. GINGREY. Well, I am about to run out of my time, Mr. Chairman, but I would just say that I agree with President Obama and the statement that he made at his inauguration. We need to see an unclenched fist, and I don't think that we are seeing that. And this business of saying, well, we are the only country; all the other Western Hemispheric countries are trading and getting this economic advantage by trading with Cuba. That is trying to say, well, the end justifies the means. And, you know, I think we have got a matter of principle here, and I do agree with the Diaz-Balart brothers and Ileana Ros-Lehtinen and others who represent Cuban Americans who suffered and their families who continue to suffer under this brutal Communist dictatorship 90 miles from our shore.

Mr. RUSH. The Chair thanks the gentleman.

And the Chair now recognizes the gentlelady from Florida Ms. Castor for 5 minutes of questioning of the witness.

Ms. CASTOR. Thank you, Mr. Chairman. Thank you very much for holding this very timely hearing, and thanks for—thanks to our witnessing for appearing today.

I represent the Tampa Bay area in Florida. My hometown of Tampa has extensive historic family and economic ties to Cuba. Prior to the revolution, there was very robust trade and travel. There were ferries that ran from the port of Tampa to Cuba. Cattle shipments left the port of Tampa, and many other agricultural products. So the Tampa area has a great interest in modernizing the relationship, and President Obama's announcement was greeted with great enthusiasm by Cuban American families in my hometown and across the State.

Travel agents now are absolutely overwhelmed. They don't know—they can't keep up with the requests from family members to travel, and the bureaucratic barrier that was previously in place

was really a shame. My office deals with these—the family travel requests on a routine basis, and the stories of dying grandparents, where family members now would like to go see them—I had one case of a bone marrow transplant. The only—the sister was in the United States; the brother was there. She was the only match, and she had to go through all these bureaucratic hurdles to get there.

But there is another bureaucratic hurdle in place now, and I hope that you all can help. Currently there are only three airports in the United States that can—that are permitted to service charter flights or any air flight—any air travel: Miami, New York and L.A. Meanwhile, central Florida probably has the highest population of Cuban Americans outside Miami. And we have requested the Treasury and Commerce to help us quickly with getting another airport, Tampa International or some of the others, approved on an expeditious basis. Can you help?

I know this is an OFAC issue, but it seems to be directly consistent with President Obama's direction. The problem is that these families really shouldn't be subjected to a longer waiting period or additional cost having to travel to Miami just to get to the island.

Mr. BORMAN. We are in receipt of your letter to Secretary Locke. And after looking at it, it has become apparent to us that it is really the Department of Homeland Security Customs and Border Protection Unit that has the principal responsibilities. So we have already reached out to them and made them aware.

Ms. CASTOR. That is very interesting, because we have talked to the Department of Homeland Security, and they said, no, this is Treasury. And they—you know, this is—the people hate this about government, you know, passing the buck. Where do we need to—where do we need to go to get this taken care of? I am asking for your help as these families wait in line to try to see their family members.

Mr. BORMAN. As I said, in looking at the response that we have developed to the letter, it has become clear to us it is DHS. But we will take the responsibility of making sure the right agency comes back to you with that question and deals with that issue.

Ms. CASTOR. Don't you agree, this is consistent with President Obama's direction, and it doesn't make a lot of sense to just have L.A., New York and Miami where—when we have other cities across the country that are ready, willing and able to handle travel. Yes, I will take the nodding.

Mr. BASTIAN. Yes. Let me just—we will take a look at it. Keep in mind particularly that we have one of your Tampa sons, assuming everything goes well up here, will be Under Secretary, who will show you fervor and zeal in getting this resolved.

Ms. CASTOR. That is right. Mr. Chairman, a native son of Tampa has been nominated to serve as the Under Secretary of Commerce for International Trade, Frank Sanchez. He is outstanding. And I look forward to an opportunity for you two to get together.

Mr. RUSH. Thank you very much. I look forward to the same opportunity.

Ms. CASTOR. Thank you very much.

I will yield back.

Mr. RUSH. The Chair now entertains—well, the Chair will now—if our witnesses will continue to be with us, the Chair will recog-

nize a second round of questioning. We will give each Member an additional 3 minutes to ask a question. So in that regard, the Chair recognizes himself for 3 minutes.

Are either of you familiar with the report that was issued by the Ranking Member of the Committee on Foreign Relations, Senator Lugar, Richard Lugar, the Ranking Republican Member? Are any of you familiar with that report?

Mr. BORMAN. I read it.

Mr. RUSH. You read it? OK. And are you familiar with his comments and conclusions on this report on page 11? Now, I am going to read it just for reference here: In hindsight, the U.S. embargo has not served our national security agenda since Cuba seems to be an effective threat to the security of the United States. In the immediate post-Cold War era, the cost of maintaining this policy was negligible compared to the domestic political benefit derived from satisfying Cuban American groups in the U.S. The U.S. justified the embargo policy as an incentive or inducement for negotiation with the Cuban Government, the rationale being that the U.S. would lift the embargo or parts of it in response to reform on human rights and democracy. This narrow approach, however, will not further—has not furthered progress in human rights or democracy in Cuba, and it has come at the expense of other direct and regional strategic U.S. interests.

Today it is clear that a reform of our policy would serve security and economic interests in managing migration effectively, in combating the illegal drug trade, among other issues. And it goes on and on and on. And I want to ask unanimous consent that Senator Lugar's report of February 23, 2009, be entered into the record.

Without objection, so ordered.

[The information was unavailable at the time of printing.]

Mr. RUSH. Do you have any response to the Lugar report, Mr. Borman? Have you had a chance to see it? What are some of your commentary, your reactions to that report?

Mr. BORMAN. Well, I have read it. I have to say that I don't have any commentary on it. I think this is something that the folks in the administration that are looking at Cuba policy at large would be looking at in conjunction with a variety of other inputs on the Cuba policy. But we at the Department of Commerce have not been specifically tasked to review that and come up with a response.

Mr. RUSH. Mr. Bastian, the ITC Administrator is an advocate for U.S. businesses all over the world. In your experience, what sort of protections and assurances do people expect from the U.S. Government while operating overseas? And should American companies expect the same sort of support if and when they do business with Cuba?

Mr. BASTIAN. Mr. Chairman, the International Trade Administration, particularly through our U.S. and Foreign Commercial Service where we have a network of over 100 offices across the United States and about that same number, I think, overseas, abroad, provides a number of services for the information gathering, putting buyers and sellers together, finding agents and representatives for U.S. firms. These are all services which we would certainly have—would make available to U.S. companies, you know, should the situation change, keeping in mind that at the mo-

ment the embargo precludes us from doing anything with the U.S. business community insofar as Cuba is concerned. But we do have the ability to react and react quickly to changing situations, whether it is something that comes about as a change in an economic situation or political situation, or a natural disaster, reacting to hurricane destruction and things of that nature. Yes, we can do that pretty quickly.

Mr. RUSH. The Chair has run out of time. The Chair now recognizes the ranking member, Mr. Radanovich, for 3 minutes.

Mr. RADANOVICH. Thank you, Mr. Chairman. I've got one question for either member of the panel regarding business in Cuba.

There was testimony that will be given during this committee hearing of 500 international companies represented in Cuba, and many with substantial investment there. However, according to the State Department, the business environment is so unfriendly that the number of joint ventures dropped from 540 in 1982 to 287 in 2005. Because of the government's recentralization efforts, it is estimated that one joint venture and two small cooperative production ventures have closed each week since the year 2000; and foreign domestic investment dropped from 448 million in the year 2000 to 39 million in 2001 and to zero in 2002.

Are these 500 international companies independently owned or are they joint ventures? If they are joint ventures, why the difference between the State Department figures and your testimony—not your testimony, but the testimony that we've heard before the committee?

Maybe you can comment on, does the business climate work in Cuba for companies, international companies, that are doing business there?

Mr. BASTIAN. A lot of the information that we have is anecdotal, as I mentioned before, because we don't go out and collect information on Cuba, and we don't spend terribly much time talking to colleagues in other governments about their companies' experiences. We usually have other things we want to talk to them about.

But anecdotally, I think the answer is, it's not the easiest place in the world to do business. And we are aware of whether the joint ventures are a direct investment—but everything is a joint venture of some sort—that have failed, where the foreign partner certainly—what you got going in is not what you expected to find. So there is a lot of that.

Again, not to beat that horse to death, but it goes back to the kinds of issues that you're interested in, the nontariff types of obstacles that exist.

Mr. RADANOVICH. Thank you, Mr. Bastian.

Mr. Borman, anything to add?

Mr. BORMAN. No, I don't have anything to add.

Mr. RADANOVICH. All right. Thank you very much.

Thank you, Mr. Chairman.

Mr. RUSH. The Chair now recognizes Ms. Castor for 3 minutes.

Ms. CASTOR. Thank you, Mr. Chairman.

Gentlemen, President Obama's announcement and the White House document that followed were very specific when it came to telecom companies, any telecom company in this country. What should they be doing now to investigate economic opportunities?

Mr. BASTIAN. We haven't had any reaction from the Cuban Government yet on what's happening. I'll tell you, quite honestly, I've had—if you had asked me this question Friday at 3:00, I would have said, no company has called me on this yet.

To give you an indication, at about 3:05 I did get my first phone call. And they weren't as interested in the specific opportunity or condition of the market as they were in what's just the general likelihood that this will happen at some point in time. And I think you will probably find that there are a number of companies that have already got some market research that they've collected through other sources, most of them outside the United States.

Ms. CASTOR. I've been contacted as well, and just, people want to understand the process.

Mr. BASTIAN. That's absolutely right.

Ms. CASTOR. So right now we're waiting to see what the next step from the Cuban Government is; is that correct?

Mr. BASTIAN. Yes, ma'am.

Ms. CASTOR. There's no organized effort at commerce. There might be, maybe our next panel would have some information on that, but as of right now, Commerce doesn't have a strategy, but telecom companies should stay tuned.

Mr. BORMAN. Well, no, they can contact us on our part because we can tell them about what specific licensing requirements would be and how to coordinate that with Treasury. Because, again, for us, if they are looking at opportunities that would involve the export of hardware or software or technology, that's what's covered by us. The financial arrangement part of it would be covered by Treasury.

But that's what we can tell them about, how we would deal with an application for some kind of transaction. As Mr. Bastian said, the other part is what the Cuban Government will do, because somehow all the telecom providers will have to deal in some way with the Cuban Government.

But they should contact us.

Ms. CASTOR. Thank you very much.

I yield back.

Mr. RUSH. Dr. Gingrey is recognized for 3 minutes.

Dr. GINGREY. Thank you, Mr. Chairman. As we've heard in the testimony and some of the questioning in regard to opening up trade to Cuba, more so than we currently have done and that it would maybe increase human rights and be more effective than the embargo has been, and yet we have negotiated a trade agreement with Colombia, a country not too terribly far from Cuba, that is working very closely with us.

I think it's a fair statement to say that President Uribe is a friend of the United States and has done an outstanding job in dealing with the FARC, trying to abide by every request that our Congress has made regarding labor relations; and I think they've made great progress.

And yet here we've been sitting on a trade agreement, bilateral trade agreement with Colombia for over 2 years. And it's not just about trade and the importance of having that bilateral relationship and open our markets to them and theirs to us, but it's a huge security issue. And why we would take our eye off that ball and

all of a sudden focus it on Cuba, where we don't have a friend in the Castros and the amount of trade we're talking about I don't think compares to Colombia?

I would love to hear both of your thoughts in regard to that. Why take our eye off the main issue in regard to dealing and ratifying that bilateral trade agreement with Colombia and focus on Cuba? Maybe we can walk and chew gum at the same time, but go ahead and comment on that. I would appreciate it.

Mr. BASTIAN. I think the issues are—maybe at first blush they appear to be somewhat similar, but I don't think they are. I think there are huge emotional issues, political issues and social issues, when you come to deal with Cuba. In particular, I think, on the emotional and political side the issues are different than they are with Colombia.

I do agree with you that President Uribe has made excellent strides and tried to get that agreement through and to try to accommodate the United States. I think it's clearly a discussion, though, that will be held between Uribe's administration, the President himself, because he does get involved—by that, I mean President Uribe because he does personally get involved in these—and Ambassador Kirk at the U.S. Trade Representative's Office to move this ahead.

Dr. GINGREY. Mr. Borman?

Mr. BORMAN. Trade agreements are really in Mr. Bastian's bailiwick, so I have nothing to add to his comments.

Dr. GINGREY. Thank you, Mr. Borman.

Mr. Chairman, I yield back. Thank you.

Mr. RUSH. The Chair thanks the gentleman.

The Chair now wants to again thank the witnesses for appearing before us today. You have, with your narrow perspective—and I do respect the fact that your perspective had to be narrow because it could not enter into policy areas, which are not your purview and have not been clearly defined by the Obama administration as yet.

So I certainly appreciate your being with us to give us this narrow perspective as it relates to your jurisdiction.

We want to again thank you so much for being a part of this subcommittee hearing; and we ask now that the panel, first panel, be dismissed. And thank you so very much.

Mr. BORMAN. Thank you, Mr. Chairman.

Mr. RUSH. The Chair now calls the second panel to the desk. It is my pleasure to introduce the outstanding witnesses on this second panel. And to my left, your right, we have with us Ms. Adrean Scheid, is that correct, Rothkopf. Ms. Rothkopf is the Vice President of the Western Hemisphere Affairs Division of the U.S. Chamber of Commerce.

And next to Ms. Rothkopf we have with us Mr. Geoff Thale, who is the Program Director for the Washington Office on Latin America.

And next to Mr. Thale is Mr. Kirby Jones. Mr. Jones is the President of the U.S.-Cuba Trade Association.

And next to Mr. Jones, to his right—left, rather—would be Ambassador James Cason. Ambassador Cason is the President of the Center for a Free Cuba, and he's the former Principal of the Chief of Mission for the U.S. Interests Section in Havana. I want to wel-

come all of you witnesses. And it is the practice of this subcommittee, a new practice I might add, to swear in the witnesses, so I would ask that you stand and raise your right hand.

[Witnesses sworn.]

Mr. RUSH. Please let the record reflect that all witnesses have answered in the affirmative and have taken their seats.

STATEMENTS OF ADREAN SCHEID ROTHKOPF, VICE PRESIDENT, WESTERN HEMISPHERE AFFAIRS, U.S. CHAMBER OF COMMERCE; GEOFF THALE, PROGRAM DIRECTOR, WASHINGTON OFFICE ON LATIN AMERICA; KIRBY JONES, PRESIDENT, U.S.-CUBA TRADE ASSOCIATION, AND PRESIDENT, ALAMAR ASSOCIATES; AND AMBASSADOR JAMES C. CASON, PRESIDENT, CENTER FOR A FREE CUBA

Mr. RUSH. We will allow you 5 minutes for the purposes of opening statements, and we'll begin with you, Mrs. Rothkopf.

STATEMENT OF ADREAN SCHEID ROTHKOPF

Ms. ROTHKOPF. Thank you, Chairman Rush, Ranking Member Radanovich and members of the subcommittee. I greatly appreciate the opportunity to speak to you today. My name is Adrean Rothkopf, and I am Vice President for Western Hemisphere Affairs.

We applaud the recent moves by both Congress and the Obama administration to ease the embargo on Cuba. The Chamber sees recent bipartisan legislation and statements by the administration as important first steps toward a policy more likely to promote a transition to democracy and full civil liberties in Cuba and to bring significant economic opportunities to American farmers, businesses and workers.

While ultimately what we would like to see is an end to the embargo, which we view as one of the biggest foreign policy failures of the past half century, rather than encouraging Cuba to democratize, the embargo has helped prop up the Communist regime. Instead of isolating Cuba from the rest of the world, it has isolated the United States from our allies.

Our two countries are natural trading partners, and prior to the embargo the United States accounted for nearly 70 percent of Cuba's international trade. Cuba was the seventh largest market for U.S. exporters, particularly for American farm producers, but the embargo forced Cuba to seek out new sources for its domestic consumption.

Under the Trade Sanctions Reform and Export Enhancement Act of 2000, the sale of commercial agricultural exports was permitted, but with a variety of restrictions and licensing requirements, including cash-in-advance payments via third-country banks. Despite heavy regulation, by 2004, U.S. agricultural exports to Cuba rose from less than 1 million to 392 million, 42 percent of the Cuban market.

In 2008, U.S. exports to Cuba reached 718 million, yet the majority of agricultural trade with Cuba is done by large multinational companies as small- and medium-size exporters are deterred by the complexity of regulations. Other negative impacts on food and agricultural exports include restrictions on the ability to travel for the purpose of establishing commercial relationships and restrictions

on visits from Cuban officials to confer with U.S. suppliers, inspect facilities and discuss sanitary and phytosanitary issues.

In 2001, the International Trade Commission estimated that the embargo costs U.S. exporters up to $1.2 billion annually in lost sales. While the U.S. Chamber recommends that an updated study be conducted to fully evaluate the missed opportunities, it is clear that these include agriculture. The ICC estimates that if all restrictions on trade and travel are lifted, sales of poultry, beef and pork could rise by 25.7 to 37.8 million.

Additionally, Cuba has the potential to become the top foreign market for U.S. rice. A Congressional Research Service study estimates that removing restrictions on trade would increase rice exports by 14 to 43 million.

Tourism: Lifting the travel ban will create jobs in the U.S. and Cuban tourism industries and will have an impact on direct investment in tourism infrastructure, such as hotels, shops, cruise ship ports, airports. The ICC estimates that lifting the travel ban would increase U.S. Visitors to Cuba from 171,000 in 2005 to between 554,000 and 1.1 million. Additional tourist arrivals would increase U.S. Sales of agricultural goods to the island because of the increased tourist demand for food and because of higher Cuban economic growth, boosting domestic demand for high-quality U.S. food products.

Machinery: As Cuba rebuilds after widespread hurricane and tropical storm damage in 2008, the island is an important potential market for construction equipment and agricultural machinery. Additionally, Cuba has a dilapidated infrastructure system. An eventual opening or reform of the Cuban economy will create opportunities for U.S.-made equipment to rebuild the island's infrastructure.

Oil: There is a natural need for U.S. oil companies to participate in the exploration of Cuban offshore oil fields. Subsurface similarities with existing oil fields in the U.S. Gulf of Mexico would allow U.S. companies that have experience in the Gulf to mitigate complicated technical challenges in local deepwater development, leading to cost, environmental and safety efficiencies.

Additionally, Cuba's proximity to the U.S. allows for a transportation cost premium for the U.S. market that would serve to moderate energy prices to the United States. At the same time, with Cuba's maritime boundary just 45 miles away from the U.S. coastline, we ought to be concerned about who and how Cuba's oil fields are being developed from an environmental standpoint, as an oil spill could mean significant environmental damage for the United States.

We believe that opening trade with Cuba will bring political and economic change to the island, but establishing a commercial relationship will certainly raise legitimate business concerns on the part of U.S. companies. The Cuban Government will have to provide certain guarantees and safeguards in the areas of rule of law, environmental protection, infrastructure for travel requirements, the safety environment, intellectual property protection and incentives for innovation and labor rights.

Additionally, there are important considerations regarding financing. However, these concerns should not impede a lifting of

trade restrictions with Cuba. U.S. businesses can quickly and easily benefit from open trade.

Thank you very much.

Mr. RUSH. Thank you very much.

[The prepared statement of Ms. Rothkopf follows:]

Statement
of the
U.S. Chamber
of Commerce

On: Hearing: "Examining the Status of U.S. Trade with Cuba and its Impact on Economic Growth"

To: United States House of Representatives Committee on Energy and Commerce, Subcommittee on Commerce, Trade and Consumer Protection

By: Adrean Scheid Rothkopf, Vice President, Western Hemisphere Affairs, U.S. Chamber of Commerce

Date: April 27, 2009

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business -- manufacturing, retailing, services, construction, wholesaling, and finance -- is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 112 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

Thank you Chairman Rush, Ranking Member Radanovich, and members of the Committee on Energy and Commerce Subcommittee on Commerce, Trade and Consumer Protection. I greatly appreciate the opportunity to speak to this subcommittee on "Examining the Status of U.S. Trade with Cuba and its Impact on Economic Growth." My name is Adrean Scheid Rothkopf, and I am Vice President for Western Hemisphere Affairs at the U.S. Chamber of Commerce. The U.S. Chamber of Commerce is the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region.

We applaud the recent moves by both Congress and the Obama administration to ease the embargo on Cuba. We commend members in both the House and Senate for introducing bills that range from lifting the travel ban, to facilitating the sale of agricultural and medical products, to lifting the embargo. The U.S. Chamber sees recent legislation and statements by the administration as important first steps toward a policy more likely to bring change to Cuba and commercial benefits to the United States.

But ultimately what we would like to see is an end to the embargo. During one of the most exciting and dynamic periods of global economic expansion and technological innovation, the Cuban people have been left out. Cuba's poverty is the direct result of a half century of Marxist mismanagement, but the embargo allows the Castro brothers to blame it on Washington. Lifting the embargo would not only remove their excuse for economic failure, it would help American farmers, businesses, and workers, as well as the Cuban people by providing new economic opportunities.

Prosperity and free enterprise go hand in hand. The Chamber's own mission statement commits us to "advancing human progress through an economic, political, and social system based on individual freedom, incentive, initiative, opportunity, and responsibility." The Chamber supports efforts to broaden economic engagement with the island in the belief that additional commercial and people-to-people contacts would promote a transition to democracy and full civil liberties. Indeed, the belief in the power of engagement allows Americans to travel to or do business with Iran and North Korea, and this should extend to Cuba as well.

It is clear that the time is right to finally end a failed policy that isolates the United States from the region and the world. Public opinion has shifted in favor of increased trade and travel to Cuba. A recent poll released by Bendixen & Associates indicates that 67% of the Cuban-American community approves

of the steps President Obama has announced to ease restrictions on family travel, remittances, and the flow of information. The April 17-19, 2009 Summit of the Americas illustrated both how isolated the United States is in our policy toward Cuba and how much goodwill we would generate throughout the region by adopting a new stance. It is in our best interest to consider the potential benefits such a change would bring to our other international relationships as well.

Current Status of Trade with Cuba

The ability of American companies to do business with Cuba is curtailed by the 1963 Cuban Assets Control Regulations (CACR), which lays out a comprehensive set of economic sanctions, including a prohibition on most financial transactions with the island. These sanctions were made stronger with the Cuban Democracy Act (CDA) of 1992 and the Cuban Liberty and Democratic Solidarity Act (commonly referred to as the Helms-Burton legislation) of 1996. Most significantly, Helms-Burton codified the embargo and has had a lasting impact on U.S. policy options toward Cuba.

Prior to the embargo, the United States accounted for nearly 70% of Cuba's international trade. Cuba was the seventh largest market for U.S. exporters, particularly for American farm producers. Despite the fact that the United States and Cuba are natural trading partners, the embargo forced Cuba to seek out new sources for its domestic consumption.

In 2000, under the Trade Sanctions Reform and Export Enhancement Act (TSRA) the U.S. Congress began to allow the sale of agricultural and medical products to Cuba. In four short years after TSRA, U.S. exports to Cuba rose from less than $1 million to $392 million in 2004. Despite heavy regulation under TSRA, U.S. agricultural products captured 42% of the Cuban market.

In 2008, U.S. exports to Cuba reached $718 million. Corn topped the list of exports at $198 million, followed by meat and poultry at $152.6 million and wheat at $135 million. The state of Louisiana was the top exporter to Cuba in 2008 with sales of $256 million. Texas and Florida follow with combined sales of $150 million.

Obstacles to Current Trade Opportunities

Under the Trade Sanctions Reform and Export Act (TSRA) of 2000, the sale of commercial agricultural exports was permitted, but with a variety of restrictions and licensing requirements. TSRA allows for one-year export licenses and requires that Cuba pay U.S. exporters cash-in-advance via third-country banks. In 2005, the Bush administration amended TSRA's term of cash-in-advance payment by requiring payment before the goods departed a U.S. port.

Given these restrictions, the majority of current agricultural trade with Cuba is done by large multinational companies. A 2007 U.S. International Trade Commission report states that small exporters avoid the Cuban market because of the complexity of TSRA regulations. Removing restrictions on trade with Cuba would provide small and medium-sized enterprises (SMEs) with access to a much needed market in these difficult economic times.

As currently interpreted, cash-in-advance payment rules leave small and medium-sized exporters out in the cold when it comes to doing business in Cuba. Under the embargo, exporters to Cuba cannot take advantage of private U.S. financing of the sales, direct payments by Cuban banks are prohibited, and all payments must be routed through third-country banks. SMEs do not have established relationships with foreign banks, so these requirements create an additional impediment for sales of U.S. products to Cuba. Additionally, requiring payment before goods depart a U.S. port places our exports at a significant competitive disadvantage. As a result, U.S. agricultural sales to the island decreased by nearly 15% in the two years following the Bush administration's amendment of TSRA's term payments of cash-in-advance. Applying the commercial term of cash-in-advance payments to require cash on delivery, rather than cash before products leave U.S. ports, would reestablish the natural competitive advantage of U.S. products.

Restrictions on the ability to travel for the purpose of establishing commercial relationships also significantly impacts the ability of U.S. firms to trade with Cuba. U.S. exporters often lose out to third-country competitors because of the significant delays travel restrictions place on the ability to transact commercial sales. U.S. business travel to Cuba to explore the market would create additional commercial opportunities. Additionally, lifting the restrictions on visits from Cuban officials to confer with U.S. suppliers, inspect

facilities, and discuss sanitary and phytosanitary issues would greatly benefit the sale of U.S. food and agricultural exports to Cuba.

Dismantling policies that prohibit trade and investment in Cuba will reduce the transaction costs that place U.S. agricultural products at a competitive disadvantage. Doing so will bring benefits to U.S. farmers, businesses, and workers.

Missed Opportunities

It is clear that exporters from the United States are missing out on significant opportunities. While the Cuban economy is small and underdeveloped, our allies are taking a disproportionate share of the market of an island that is only 90 miles from our shores and is a natural market for U.S. goods and services. In 2001, the International Trade Commission estimated that the embargo cost U.S. exporters up to $1.2 billion annually in lost sales. The U.S. Chamber recommends that an updated study be conducted to evaluate the missed opportunities for U.S. farmers, businesses, and workers that are currently being taken up by our allies and trading partners.

Venezuela is Cuba's main trading partner with $7 billion in bilateral trade in 2007, much of it coming from the subsidized oil sold to the island. The European Union is second with $2.7 billion in bilateral trade, $2.13 billion of it being sales of EU products. China is Cuba's third-largest trading partner, with the two sides generating $2.2 billion annually. China is the top importer of Cuban products, especially nickel and sugar, while Chinese-made consumer goods, trucks, and buses have become common on the island. Canada, with an economy one-tenth the size of the United States, sells more to Cuba than the United States does. Cuba is continuing to diversify its commercial and business relationships around the world even with distant trading partners such as Malaysia and Vietnam.

While the U.S. remains on the sidelines, we are missing significant opportunities in numerous areas, including but not limited to:

Agriculture

A 2008 report of the U.S. Department of Agriculture states that 84% of all food consumed in Cuba is imported. Under TSRA, the United States has

gained control of a larger share of this market, but there are significant additional opportunities for growth.

In 2008, the United States had $153 million in combined meat and poultry sales to the island. The added cost of financial restrictions, the use of third-country banks, limited cargo and shipping options, and restrictions on visits by Cuban officials to U.S. slaughtering and processing facilities have had a negative impact on the export of poultry, beef, and pork to Cuba. The U.S. International Trade Commission estimates that if all restrictions on trade and travel are lifted, sales in poultry, beef, and pork could rise by $25.7-37.8 million.

Cuba has the potential to become the top foreign market for U.S. rice. While the United States was Cuba's primary source of rice prior to the embargo, U.S. rice exports to Cuba only reached $7 million in 2008. In recent years, Cuba has imported more than 500,000 tons of rice annually, mainly from Vietnam and China. A Congressional Research Service study estimates that removing restrictions on trade would increase rice exports by $14 to $43 million. The United States is a natural source of rice for Cuba, and the competitive advantage of our proximity to the island over China and Vietnam is being limited by regulatory impediments.

Tourism

Cuba is the only country in the world where the U.S. government restricts travel by American citizens, who are able to freely travel to Iran and North Korea. There is a growing consensus that additional people-to-people contacts, such as those encouraged by the U.S. government to Eastern Europe during the Cold War, will lead to Cuba becoming more open and democratic.

While the impact of American travel to the island on the regime may not be immediate, the opportunities for growth and job creation in the tourism industry are real for both U.S. business and Cuba. Lifting the travel ban will create jobs in the U.S. and Cuban tourism industries and have an impact on direct investment in tourism infrastructure such as hotels, shops, and cruise ship ports.

The U.S. International Trade Commission estimates that lifting the travel ban would increase U.S. visitors to Cuba from 171,000 in 2005 to between 554,000 and 1.1 million. An increase in U.S. tourism to the island would create a demand for more and higher quality food for tourists. It would also raise the purchasing power for U.S. agricultural exports and consumer goods of Cuban

citizens working in the tourism and related industries. The overall impact of increased tourism on Cuba's GDP would provide the Cuban government additional hard currency for the purchase of imports, including from the United States.

Machinery

As Cuba rebuilds after three devastating hurricanes and two tropical storms that caused widespread damage in 2008, the island is an important potential market for construction equipment and agricultural machinery. U.S. businesses are precluded from participating in the recovery efforts.

Additionally, Cuba has a dilapidated infrastructure system as a result of the inefficiencies inherent in centralized economies and the mismanagement of the Castro regime. While the Cuban government's ability to invest in infrastructure is currently limited, an eventual opening or reform of the Cuban economy will create opportunities for U.S.-made equipment to build the island's infrastructure. In the meantime, the European Union is taking advantage of the opportunities; in 2007, $696 million of the value of their trade was in machinery and transportation equipment.

Oil

The U.S. Geological Survey (USGS) estimated 4.6 billion barrels of undiscovered oil lie in Cuba's northwest offshore sector in 2004. Current Cuban government estimates are that reserves total 20 billion barrels. While energy analysts doubt the accuracy of Cuban government estimates, even USGS estimates indicate significant resources lie off the Cuban coast.

As part of a national economic strategy, Cuba is encouraging foreign participation in the energy sector. The United States is missing out on opportunities being seized by foreign governments and businesses. Companies like Spain's Repsol YPF and Brazil's Petrobras are currently investing heavily in the exploration of Cuban offshore oil fields. One international consortium, which includes Spanish, Brazilian, Norwegian, and Indian companies, is planning to drill exploration wells this summer. Lifting trade restrictions would allow U.S. oil companies to not only explore potential fields but also allow Cuba to increase production from current fields in an environmentally-sustainable way.

There is a natural niche for U.S. oil companies to participate. Subsurface similarities with existing oilfields in the U.S. Gulf of Mexico would allow U.S. companies that have experience in the Gulf to mitigate complicated technical challenges in local deepwater development, leading to cost, environmental, and safety efficiencies. It is very likely that there are technical crude oil composition similarities between Cuban oil resources and those that are already being produced in the Gulf. Therefore, the refineries that are along the Gulf Coast that process existing oil resources can also likely process Cuban oil with relative ease. U.S. refineries already tuned for this type of crude oil production would result in processing efficiencies. Additionally, Cuba's proximity to the U.S. allows for a transportation cost premium for the U.S. market that would serve to moderate energy prices to the United States.

While Cuba is 90 miles away, the maritime boundary is just 45 miles away from the U.S. coastline. That reality, coupled with the flow of ocean currents, means that the United States, and particularly the state of Florida, ought to be concerned about who and how Cuba's oil fields are being developed from an environmental standpoint. An oil spill 45 miles from the Florida coast could mean significant environmental damage for the United States. U.S. companies have a proven a track record, the technical capabilities, and the national interest to take environmental concerns seriously.

Doing Business in Cuba

It is clear that Cuba represents a natural market for U.S. goods and services and that U.S. businesses are missing commercial opportunities in Cuba. The U.S. Chamber believes that opening trade with Cuba will bring political and economic change to the island.

Establishing a commercial relationship with Cuba will certainly raise legitimate concerns on the part of U.S. businesses. The Cuban government will have to provide certain guarantees and safeguards to U.S. business in the areas of rule of law, environmental protection, infrastructure for travel requirements, intellectual property protection and incentives for innovation, and labor rights. Additionally, there are important considerations regarding financing.

However, these concerns should not impede a lifting of trade restrictions with Cuba. U.S. businesses can quickly and easily benefit from open trade with Cuba.

Conclusion

The U.S. embargo on Cuba is one of the biggest foreign policy failures of the past half century. Rather than encouraging Cuba to democratize, the embargo has helped prop up the Communist regime. Instead of isolating Cuba from the rest of the world, it has isolated the United States from our allies. The Cuban dictatorship could never have withstood five decades of free trade, free markets, and free enterprise.

American farmers, businesses, and workers are already missing significant economic opportunities because of the embargo that have eagerly been taken up by our allies and trading partners. But it is not too late for us to begin to take advantage of these opportunities as the United States represents a natural trading partner for the island.

Once again, I greatly appreciate the opportunity to testify today.

Mr. RUSH. Now the Chair recognizes Mr. Thale for 5 minutes.

STATEMENT OF GEOFF THALE

Mr. THALE. Thank you, Mr. Chairman. I'm Geoff Thale, the Program Director of the Washington Office in Latin America. WOLA is a human rights organization, and we look at Latin American policy and the Cuba policy from the perspective of human rights. I've submitted written testimony, but here I would just like to briefly summarize it.

What I would like to do is talk a little bit about whether, from our point of view, trade can contribute to improving the human rights situation in Cuba, and if so, how. And I would like to end by reiterating what I think you will hear from some of my other colleagues here about the trade opportunities and investment opportunities we're losing.

As an organization, as an institution, we don't believe that trade by itself in Cuba or anywhere else automatically brings gains and increases in democracy and human rights. But when trade is part of a broader strategy that includes diplomatic and political engagement on human rights issues and when they are internal and domestic pressures for the respect of human rights, then there are possibilities to see improvements in the human rights situation.

In the case of Cuba, we believe strongly that increased trade, increased travel and engagement can only benefit the human rights situation in Cuba and bring benefits to the United States as well.

Let me just say a word about the human rights situation itself. It's easy—it's very tempting to view the human rights situation in Cuba from sort of stereotypical points of view. It's extremely important not to whitewash the very serious and very real problems. It's important not to exaggerate them as well. I think it's really clear, if you look at the State Department's human rights reports, there are real restrictions on the freedom of association, on freedom of speech. It's very clear that Cuba holds between 100 and 200 political prisoners, depending on how you count it.

These are all clearly unacceptable violations of internationally recognized norms. The U.S. Government should call on the Cubans to end that, the human rights community should, the international community should generally.

At the same time, we look at human rights in the rest of Latin America. And if you look further at those same State Department reports, you won't see reports of political killings in Cuba or political disappearances or extrajudicial executions, which we see elsewhere in the region; and you won't see systematic accusations of torture, which is obviously an issue we have looked at in the Guantanamo context here. So I think, from our point of view, it's important to see the mixed bag you see in Cuba on human rights situations.

If you ask about the United States' ability to influence the human rights situation in Cuba itself, I think, from our point of view, our ability is nonexistent. We've had 50 years of an embargo—almost 50 years of an embargo—little trade with some narrow exceptions, limited contact, limited diplomacy; and the result is, we have very little influence and very little leverage.

Cuba is free to ignore our views on human rights because we don't make much significant difference to the government or its economy or its politics or its diplomacy. And so our view is, an engagement would change that.

By engaging through trade, by engaging through travel, by engaging through diplomacy, we'll develop relationships in Cuba over time and we'll develop tools over time that can be used to dialogue with and to encourage greater respect from the Cuban Government for human rights and democratic practices.

And I don't think that's a magical formula. We're not going to see change overnight; we're not going to see dramatic steps from today to tomorrow, but it's clearly a better strategy to pursue engagement including trade, travel and diplomacy than it is to continue the current embargo.

And I think it's important to underscore, that's a point of view that most of the world believes. Latin America, Europe, Asia, Africa, most of the Middle Eastern countries all engage with Cuba. Some key allies and partners of ours, especially Brazil and the Spanish Government, systematically engage with the Cuban Government on trade issues and link that to dialogue on human rights, democracy issues, political prisoners.

And, again, I don't think they expect dramatic change overnight. They see themselves as laying the groundwork, as preparing for the future and as developing relationships there. And the truth is, the United States is standing on the sidelines. And we're standing on the sidelines at a time when we have economic reasons to engage with Cuba.

As Ms. Rothkopf noticed—mentioned, as I assume Mr. Jones will mention as well, there are agricultural interests and agricultural possibilities in Cuba, there are interests from our ports on the Gulf Coast, there are tourism and travel interests, there are medical interests and medical opportunities, there are political energy interests. There's a whole set of economic opportunities that we're forgoing for the sake of a policy that's not bringing us any real benefit in terms of human rights and democracy.

So I think our view is that we ought to move toward a policy of engagement, that that policy ought to include moving toward ending our embargo on trade and taking advantage of the opportunity that brings us there. We're pleased to see that President Obama has taken the first initial steps in that process.

We're pleased, Mr. Chairman, to see that you traveled to Cuba recently, engaged in the beginnings of dialogue and diplomacy here. We hope we'll move forward in that way because we think it's good for human rights in Cuba as well as good for the United States.

Mr. RUSH. Thank you.

[The prepared statement of Mr. Thale follows:]

WASHINGTON OFFICE ON LATIN AMERICA

Celebrating 30 years of promoting democracy, human rights and social justice in Latin America.

Testimony of Geoff Thale

Program Director of the Washington Office on Latin America

Before the

House Committee on Energy and Commerce

Subcommittee on Commerce, Trade, and Consumer Protection

Hearing on

"Examining the Status of U.S. Trade with Cuba and Its Impact on Economic Growth"

April 27, 2009

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My name is Geoff Thale, and I am the Program Director of the Washington Office on Latin America (WOLA). I founded WOLA's program on U.S. Cuba policy in 1995, and have directed it since. I have accompanied three Congressional delegations to Cuba, traveled to the island a dozen times, and have written and spoken extensively about Cuba itself and about U.S. Cuba policy. I have worked professionally on issues of human rights, democracy, and development in Latin America for more than twenty years. I appreciate this opportunity to testify before the Subcommittee on Commerce, Trade, and Consumer Protection about the status of U.S. trade with Cuba.

The Washington Office on Latin America is a U.S. non-profit, non-governmental organization that promotes democracy and socio-economic justice in Latin America and the Caribbean, through analysis and foreign policy proposals informed by strong partnerships with civil society counterparts in the region. Since 1974, WOLA has monitored issues of human rights and democracy in Latin America, and has provided information and analysis to Congressional offices, the Administration, and the general public about conditions in the region and the impact of U.S. policy.

This hearing focuses on the status of U.S. trade with Cuba. There is, in fact, almost no U.S. trade with Cuba today. The United States has prohibited trade with Cuba, and U.S. investment in Cuba, since the early 1960s, as part of a broad embargo that forbade most travel to Cuba, and suspended diplomatic relations.

We believe that the U.S. embargo on Cuba hurts domestic U.S. economic and political interests, without bringing us any foreign policy benefits. WOLA believes that it is the interest of the United States to take steps to end the embargo and move toward unrestricted travel, and normal trade and diplomatic relations. There is no question that increased trade would be economically beneficial to the United States. In the context of normal trade and diplomatic relations, in which we are actually talking to Cuba, and have some potential influence with them, we will be in a better position to raise concerns about human rights and democratization that we cannot meaningfully raise today.

I bring a background as a human rights advocate to this hearing, and I would like in my testimony to talk about human rights in Cuba, the effects of current U.S. sanctions on the human rights situation, and how a change in U.S. policy that opens up travel, trade, and engagement might also open up dialogue on the human rights situation in Cuba. Let me be clear, WOLA does not believe that trade alone brings democracy and human rights. Only when trade is accompanied by political and diplomatic engagement with human rights issues, and with homegrown pressure for the respect of human rights, can the potential to effect human rights be realized.

I will highlight the ways in which other governments in both the Western Hemisphere and in Europe have chosen to engage and trade with Cuba, and why such an approach facilitates dialogue on human rights, while serving these nations' economic and political interests.

Human Rights in Cuba

To set the stage for a discussion of trade issues, I would like to first discuss the human rights situation in Cuba today, and then comment briefly on U.S. attempts to influence the human rights situation.

It is easy to fall into stereotypes in talking about human rights in Cuba. Friends and sympathizers of Cuba will talk about the social accomplishments -- low infant mortality levels, high literacy rates, universal education and health care programs – that have been achieved in a poor Caribbean country. Foes of the Cuban government will talk about political prisoners, restrictions on freedom of speech, and the long tenure of the Castro brothers.

For WOLA, it is important to be clear about the real and serious human rights problems that exist in Cuba today; these problems shouldn't be whitewashed. At the same time, the human rights situation in Cuba should not be exaggerated or distorted to serve political purposes. As the State Department's annual human rights report notes, Cuba is a one party state, which restricts freedom of speech and freedom of association. Political parties, beyond the Cuban Communist Party, are barred by the Cuban constitution, and activists in other political parties can be arrested. In April of 2008, for example, a spokesperson for the small "Independent Movement for an Alternative Option" was charged with the crime of "social dangerousness" and sentenced to four years in prison. Cuba holds political prisoners – about two hundred currently, according to the Cuban Commission for Human Rights and National Reconciliation, about half of whom are classified by our colleagues at Amnesty International as prisoners of conscience. A group of seventy-five political activists and dissidents were arrested in 2003; though some twenty of them have been paroled or given medical release, fifty-five remain in prison. Some of these prisoners

were convicted in trials that fell short of internationally recognized standards of due process and impartiality. These are unacceptable violations of internationally recognized norms, and the U.S. government, the human rights community, and others should call on Cuba to end these practices. Cuba regularly violates certain internationally accepted norms about human rights and the rule of law, but the picture is not uniformly bleak. The U.S. State Department human rights report says that the Cuban government and its agents were not responsible for politically motivated killings or politically motivated disappearances, a problem in other countries in this hemisphere. It does not identify cases of extrajudicial executions by police or other security officials, a practice we see in Central America, and in Colombia, where military officials have been charged with kidnapping young men, dressing them in guerrilla fatigues, and killing them to make their body count statistics better. And though it criticizes Cuba's treatment of prisoners, the State Department human rights report does not allege that the Cuban government engages in torture (an issue with which we are grappling here in the United States).

On the other side, Cuba's social accomplishments are real, and should not be lightly dismissed. The Universal Declaration of Human Rights asserts the right to a standard of living adequate for the health and well-being of one's self and one's family, and Cuba has focused strongly on education and healthcare. Public health efforts have yielded real results in Cuba. Infant mortality rates rival those in the United States (in fact, rates in Cuba are lower than infant mortality rates in Washington, D.C.) and life expectancy rates are approaching U.S levels. Education is free, and Cuban higher education is generally considered high quality. Health care is free, though the Cuban national health care system has been weakened by economic adversity

over the last decade. These are important achievements, and especially striking in a country whose per capita income is only about one fifth that of the United States.

What this portrait of Cuba suggests is that it is a country with some real human rights problems, but also with some real social achievements. Cuba ought to end its restrictions on political parties, its limits on freedom of speech and association, its continuing detention of prisoners of conscience and political prisoners, and its problems with judicial independence. The U.S. ought to end its trade embargo, which was always a disproportionate response to the problem in Cuba, and the U.S. and the international community should play a coordinated and constructive role in pressing Cuba to resolve its human rights problems.

U.S. Ability to Influence Cuba

Unfortunately, under current policy, the United States is in no position to play a useful or constructive role in urging Cuba to improve the human rights situation. The U.S. embargo, a complete ban on trade, travel and diplomatic relations was imposed on Cuba in the 1960s, at the height of Cold War tensions and has since become an impediment to real human rights dialogue. The United States, with little travel, little trade, and limited diplomatic contact, can be ignored by Cuba. After fifty years of our embargo we have none of the contacts, relationships, or tools of soft power with which to influence Cuba and have succeeded in isolating ourselves from Cuba and its people.

If we choose to engage, there are tools that can be used to encourage greater respect for human rights and democratic practices on the part of our trading partners. These range from

diplomatic efforts and engagement, in a transparent way, with civil society, to policy dialogue linked to investment or economic aid, or trade conditionality. But even under the most conducive conditions, the process of change can be slow, responding to international pressures but more importantly to internal political dynamics. We hope and expect that engagement will encourage political opening and change in Cuba, but we do not expect that change in Cuba will happen overnight.

Some defenders of our current policy argue that trade and travel with Cuba will strengthen the Cuban economy and therefore prop up the Cuban government, with its abusive record on human rights. This argument ignores the reality that most of the world is already involved in trade with Cuba, and that our policy of isolating it failed decades ago. For the United States to move toward travel, trade, and engagement is not to abandon our human rights concerns about Cuba, but to advance them in a more constructive way.

Other Countries' Approaches to Cuba

The approach that I have outlined here – one of engagement – is the strategy employed by the rest of the world. Cuba has normal trade and diplomatic relations with all of Europe, with all of Latin America (the last two countries to normalize relations – Costa Rica and El Salvador – have done so in recent months), with Israel and most of the Middle East, and with Africa and Asia.

Some countries, of course, engage in trade and investment without any human rights dialogue. Venezuela, Cuba's leading trade partner, has never been reported to engage in human

rights or democracy discussions with Cuba. China, Cuba's second-largest trade partner, with bilateral trade topping $2.6 billion a year, is unlikely to dialogue about human rights.

But a number of countries, especially Spain and Brazil, have expanded trade and investment relations with Cuba in recent years, and raise human rights concerns in the context of their developing relationships. Last January, Brazilian President Luiz Inácio Lula da Silva visited Cuba and offered $1 billion in credit for food, road building, nickel mining and other development projects. President Lula is also widely reported to have talked with Cuban leaders about the release of political prisoners and other human rights issues. Spain, which has led the thaw in European Union relations with Cuba, and expanded trade and investment on the island, has an ongoing human rights dialogue with the Cuban government. As noted above, the human rights discussions which Brazil, Spain, and some other governments, carry on with the Cuban government and their engagement with Cuban society, will not transform Cuba overnight; however, they may produce some movement on political prisoners, and they open opportunities for dialogue, and for more robust relations with Cuban society. They also lay the groundwork for relationships in the future, as Cuba evolves. Spain, Brazil, and other countries involved in dialogue with Cuba may not see change immediately. At least, though, they are in the debate, while we stand on the sidelines.

U.S. Trade and Other Interests in Cuba

I have argued above that engagement, including open travel and normal trade relations, will more likely further U.S. objectives related to human rights and democratization in Cuba. Engagement would also serve other U.S. objectives, notably U.S. trade and economic objectives. Before I turn to the opportunities for trade and investment which we are forgoing, and which are of special interest to the subcommittee, let me briefly mention other U.S. national interests in more normal relations with Cuba. From a military and security perspective, Cuba has long-ceased to be a security threat to the United States. Indeed, John. J. "Jack" Sheehan, former Supreme Allied Commander Atlantic for NATO and a retired U.S. Marine Cops general has said, "Cuba ceased being a security threat to the United States over a decade ago. The rest of the world has changed during that decade. Yet, U.S. policymakers remain wedded to a series of dated policies that cry out for a fresh approach." This opinion was recently echoed by a group of retired military leaders including General James T. Hill, former commander of the United States Southern Command, in a letter to President Obama which stated, "The current policy of isolating Cuba has failed, patently, to achieve our ends. Cuba ceased to be a military threat decades ago." Instead of allowing U.S. policy to be guided by outdated threat calculations, we should concentrate on security issues of common interest, such as migration. US-Cuba migration cooperation could lead to a more effective response to any future outflow of refugees from Cuba, and joint law-enforcement efforts to combat human smuggling across the Florida Straits has the potential so save human lives. Engagement with Cuba on migration questions, and other common security issues, such as drug trafficking in the Caribbean, would be in our interest.

Diplomatically, the embargo is a Cold War anachronism, viewed by our Latin American neighbors and allies as a symbol of the past. Last December, the Rio Group, which includes every country in Latin America, unanimously called on the United States to end its embargo on Cuba. At the recent Summit of the Americas in Trinidad, Latin American leaders repeatedly urged President Obama to change our policy. According to a White House spokesperson, about 20 percent of the time President Obama spent in a private meeting with the Presidents of South America was devoted to discussing Cuba policy. It would improve our standing in Latin America, and serve our interests, to move in a new direction in our Cuba policy.

My colleagues, Adrean Rothkopf from the Chamber of Commerce, and Kirby Jones from Alamar Associates, will lay out in some detail the economic and trade opportunities in Cuba, opportunities that we are ceding to Europe, Latin America, and Asia, at a time when our own economy is suffering, and when we ought to pursue every legitimate opportunity to expand trade and investment. I will only sketch out the kinds of opportunities that are available, and that we are denying ourselves in the name of a foolish and counter-productive trade embargo.

Cuba is a small and relatively poor country. It has some 12 million inhabitants, and is not going to become a large consumer market anytime soon. Nonetheless, there are real trade and investment opportunities that we are forgoing for no good reason.

Agricultural and Related Sales

The 2000 Trade Sanctions Reform and Export Enhancement Act (TSRA) permitted agricultural and related sales to Cuba. Because of shortcomings in Cuban domestic agriculture, and because of Cuba's proximity to efficient, low cost U.S. agricultural producers and U.S. ports and shipping facilities, Cuba is purchasing in the range of $500 million in agricultural goods from our farmers, food processors, and exporters every year. These include bulk commodities, such as rice, wheat, and a range of other goods, including fresh fruits and vegetables, potatoes; milk powder, processed foods; and certain meats (poultry, beef, and pork). A 2000 report by the Stern Group, which accurately predicted that Cuba could purchase over $400 million in agricultural goods from the United States under partial liberalization, also predicted that completely unrestricted trade might result in $1 billion a year in agricultural sales. If all travel restrictions were ended, the demand created by U.S travelers to Cuba for imported food and related agricultural products, would increase dramatically.

Medical sales and investment opportunities

The Trade Sanctions Reform and Export Enhancement Act also permitted medical and pharmaceutical sales to Cuba, but onerous "end user" restrictions and reporting requirements have severely restricted this market opportunity. Cuba is interested in specialized purchases (anti-cancer drugs for juveniles, spare parts for dialysis, etc.) and in the purchase of raw materials for pharmaceutical use. Without these restrictions, these sales might well take place, benefiting the American medical and pharmaceutical communities, and the sick in Cuba who need these items.

An end to sales and investment restrictions might also permit U.S. pharmaceutical companies to further develop, test and market Cuban bio-technology projects, including cancer medications, meningitis and hepatitis vaccines, anti-cholesterol drugs and other products.

Transportation and Tourism

An economic analysis done by The Brattle Group in 2002 suggests that, with the end of travel restrictions, American travel to Cuba could reach about 3 million people a year. These numbers would have ripple effects across the tourism industry, the cruise ship industry, and related services. The same report also found that U.S. air and cruise travels would add $1.18 billion to $1.61 billion to U.S. economic output, over time. This expansion would create additional jobs in the United States, with estimates ranging from about 17,000 to about 23,000 jobs.

Energy

A number of Latin American and European companies are involved in oil drilling and exploration in Cuban territorial waters. Though there is no certainty about the size or quality of Cuban oil reserves, and the exploration by oil companies is moving slowly, this is a potential area of interest for the U.S. energy sector, from which it is currently barred.

This summarizes the Cuban situation. The U.S. embargo, rather than isolating Cuba, has isolated the United States. We have cut ourselves off from trade opportunities, shortchanged

national interests, and decreased our ability to do anything meaningful about the human rights situation in Cuba. To make a difference, we need to engage.

We ought to end the trade ban, open exports, move toward ending the trade embargo, overturning Helms-Burton, and normalizing relations. These steps will benefit our interests, economically, in security terms, and diplomatically. In this context, we can and should raise our continuing concerns about human rights issues, and this will, in the end, benefit our moral commitment to effective extension of human rights.

We are pleased that President Obama recently took initial steps to reorient our Cuba policy, by issuing an Executive order ending the ban on Cuban-American family travel, and by announcing, at the recent Summit of the Americas meeting in Trinidad that "[t]he United States seeks a new beginning with Cuba." Chairman Rush visited Cuba recently, and has spoken of the possibilities of dialogue and diplomacy between the United States and Cuba. I hope Rep. Rush and the other Members who took that trip can encourage the President to move ahead on that new beginning, urging the Administration to take the next step in reaching out diplomatically. I also hope the House of Representatives will act on H.R. 874, the Freedom to Travel to Cuba Act, which already has more than 125 co-sponsors, and would lift the ban on travel to Cuba for all those Americans who remain outside the jurisdiction of the President's Executive order.

Mr. RUSH. The Chair now recognizes Mr. Jones for 5 minutes.

STATEMENT OF KIRBY JONES

Mr. JONES. Mr. Chairman, members of the committee, thank you. I appreciate the opportunity to be here, as well.

The last 47 years the cornerstone of U.S. policy toward Cuba has been the embargo. But if one looks at the original and subsequent reasons for this policy, it is hard, if not impossible, to point to a single success that this policy has had in achieving any of its objectives.

The embargo has achieved, in fact, the exact opposite of what was originally intended and is not serving the interest of the United States Government nor of United States citizens. No other country in the world has an embargo on Cuba.

I have been traveling back and forth to Cuba for 35 years, and I have seen a lot of changes in those years. It may be that the U.S. policy has been stuck for 47 years, but Cuba has not. A new trade and investment economy has emerged in Cuba in the last 15 years, a mix of capitalism and socialism, and not just a little dose of capitalism. Every sector in Cuba now has a foreign private investor. This includes mining, energy, hotels, beer, bottled water, port management, cosmetics, biotechnology, real estate, agribusiness and telecommunications, just to name a few.

Cuba has removed subsidies from almost all its former state enterprises and merged or eliminated ministries. To undertake its foreign business Cuba has created dozens of freestanding holding companies. Where once totally dependent on sugar, Cuba has greatly diversified its source of revenues now to include nickel exports, personal services, tourism, foreign remittances, citrus and seafood exports, worldwide sales of rum and cigars and exports of biotechnology products. Whatever adjectives serve those who continue to want us to believe that Cuba is on the brink of economic collapse, the reality is otherwise.

Having said that, like all developing countries, Cuba does have many problems: major foreign debt obligations, foreign currency exchange regulations are shifting, domestic pricing policies for imported consumer food products have inhibited market growth, labor regulations need improvement, transparency regarding foreign investment is a longstanding concern and limits our place on entrepreneurial expansion.

But Cuba is also the largest country in the Caribbean with a size comparable to Pennsylvania. According to both the CIA and the Economist Intelligence Unit, Cuba had growth rates of 10.2 percent annually from 2005 to 2007. This has fallen to 4.4 percent in 2008 due to the worldwide recession and devastating hurricanes. Largely unknown is that Cuba has the third largest deposits of nickel in the world and is the ninth largest tourist destination in the Americas without any Americans.

I first met Fidel Castro in 1974. I have known him now for 35 years. All of these changes in the way Cuba now does business were initiated under Fidel Castro, but are now not dependent on him or Raul Castro, for they have already implemented much of the very transition that some still say would come only after Castro no longer heads Cuba.

To wait to lift the embargo for some so-called "post-Castro era," as if all will change and somehow be different, is not at all a productive business plan nor, quite frankly, is it a productive political strategy either.

After 40 years of no trade and just over—a bit over 7 years, the U.S. now supplies, as has been mentioned several times, more food to Cuba than any other country. In 2008, U.S. companies received $718 million from the sale of agricultural products to Cuba. In aggregates, since this trade began, contracts for more than 11 million metric tons worth over $3.6 billion, including shipping and services, have been signed, comprising 300 different products including wheat, rice, corn, soybeans, tomato sauce, eggs, chicken, cookies, apples, wine, ground turkey, chewing gum, utility poles, live cattle, organic fertilizer and rice. These have been bought from 157 different companies from 37 States; 23 different ports have been used for more than 1,100 ship journeys of which 73.5 percent have been made with U.S.-owned or chartered vessels.

But U.S. companies are forced to operate under a serious disadvantage in comparison to companies from other countries. The rulings in 2005 by the previous administration have caused Cuba to cut back on some imports from the United States. Most important in preventing U.S. companies from the full realization of their current trade has been and is the inability to offer private credits. There are some who argue that this restriction should be maintained because they feel Cuba is a bad credit risk; but whether or not to extend private credit to Cuba should be a decision taken by each company, not by the U.S. Government. If these restrictions, unique in international commerce, were lifted, Pedro Alvarez, Chairman and CEO of Alimport, which imports all U.S. Agricultural products to Cuba, has stated that U.S. firms could provide over 50 percent of Cuba's food needs which annually reach almost $2 billion, which would be an increase of several hundred million dollars a year over current levels. There have been studies that indicate that U.S. firms have lost over $100 billion since the early '60s because of the embargo and that the annual cost now could be as high as $4 billion a year.

In my opinion, the key to starting a process of business with Cuba which will benefit American workers and the U.S. economy will be for Congress to pass and for the President to sign H.R. 874 and S. 428, which will allow all Americans to travel to Cuba. Two million Americans are projected to visit Cuba in the first 2 years of open travel. Studies have shown that this in turn will result in an injection of $1.6 billion into the U.S. travel and support service industry, and most of that helping the small- to medium-size travel agents, airlines, additional food exports to feed the U.S. visitors and advertising in promotional programs.

Virtually anything that Cuba now purchases might very well be purchased from the United States. In this list of potential products, I am including fertilizers and pesticides, pharmaceutical products, textiles and apparel, steel, farm machinery and construction equipment, power generation machinery, electronics, plastics, tires and sporting goods; services such as air transportation, maritime transportation, construction service, telecommunications and travel and

tourism, and of course, a growth in the importation of U.S. agriculture.

Mr. RUSH. Mr. Jones, would you please summarize your statement.

Mr. JONES. U.S. Firms will be able to offer what companies from Europe, Canada and Latin America can never provide.

And finally, in addition to sales, there will be several opportunities for investment: agribusiness, hotels, marinas, golf resorts, housing and building renovation, telecommunications and overall infrastructure. These are just some of the opportunities that will be open.

I'll be glad to take any questions. Thank you, Mr. Chairman.

Mr. RUSH. Thank you very much.

[The prepared statement of Mr. Jones follows:]

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TESTIMONY

PRESENTED
BY

KIRBY JONES

PRESIDENT, U.S.-CUBA TRADE ASSOCIATION
PRESIDENT, ALAMAR ASSOCIATES

before

U.S. House of Representsatives

Subcommittee on Commerce, Trade, and Consumer Protection

April 27, 2009

Mr. Chairman and members of the committee, I very much appreciate the opportunity to appear before you this morning to present testimony concerning the U.S. embargo on Cuba.

On February 3, 1962, President John Kennedy announced an embargo on Cuba. For the following 47+ years, this policy of embargo has been the cornerstone of U.S. policy toward Cuba. If one looks at the original and subsequent reasons for this policy, it is hard – if not impossible – to point to a signal success that this policy has had in achieving any objectives.

Despite its design to bring down the Cuban government, a Castro has been and remains the Head of State of Cuba for 50 years; designed to isolate Cuba, the United Nations last year voted 86-3 to condemn U.S. policy and Cuba now has diplomatic relations with 183 countries including all of Latin America and trades with 160 of those; in Cuba today there are 500 companies from around the world with offices or representatives in Havana; and many of those have invested several billion dollars in the Cuban economy.

It could be argued that this policy of embargo has achieved, in fact, the exact opposite of what was originally intended. Now the United States finds itself on the outside looking in and finds itself at odds with the rest of the world.

For the first time since 1962, a President of the United States has publicly recognized this reality. In his press conference in Trinidad held on Sunday, April 19, President Obama stated that, "...the policy that we've had in place for 50 years hasn't worked..." He backed this up with his announcement to remove restrictions on travel to Cuba by Cuban-Americans, by removing restrictions on family remittances, and by opening up business with Cuba in the telecom sector.

The U.S. Congress has moved farther. It was Congress which passed in 2000 the Trade Sanctions Reform Act to allow the sale of agricultural products to Cuba and this year there has been the introduction of bills in both the Senate and the House to open up travel to Cuba for all Americans. HR 874 with 127 cosponsors and S 428 with 22 cosponsors including many Senate committee chairpersons demonstrate Congressional recognition that it is time for a new policy. This legislation is supported by a wide range of companies, organizations, and institutions (see appendix at end of testimony).

The American people and even the Cuban-American community has moved still even farther. Last October, 2008, a Zogby poll revealed that 68% believe all Americans should be able to travel to Cuba and 62% believe U.S. companies should be able to trade with Cuba. In December, 2008, Florida International University and in April, 2009, Sergio Bendixen released almost identical polls among just Cuban Americans which

showed that 67% support lifting all restrictions for all Americans to travel to Cuba, 65% support full diplomatic relations, and a majority in both polls showed Cuban-Americans support for lifting the trade embargo itself.

It is ever more evident that there is a greater recognition that a policy designed to meet the conditions of the 1960s has no place and is irrelevant to the conditions faced in 2009 and has not and is not serving the interests of the United States government nor of the United States citizens.

As we look ahead and decide what new policy would best serve the interests of the people and government of the United States , it is helpful to look back and analyze the reality of Cuba. The Cuba of the 1960s bears no comparison to the Cuba of 2009.

I have been traveling back and forth to Cuba for 35 years. My first trip was in 1974 as a Special Correspondent for CBS News to participate in an interview with President Fidel Castro. Since that time I have worked as a consultant to U.S. firms interested in doing business in this market. In total, I have taken to Cuba representatives of more than 500 US companies.

I have seen a lot of changes in Cuba in these years and I believe these changes to be profound and deep.

Those who maintain that Cuba is but an out-of-date left over country which fanatically is clinging to a rigid and static state controlled economy are either simply misinformed, are wrong, or are purposely misrepresenting the economic reality in Cuba to promote and to achieve their own political agenda.

This does not mean that Cuba is without its economic and financial problems. It has plenty. But Cuba has instead proven itself --more than once--to be willing to implement radical changes in the manner in which it manages its economy in order to adapt to a new world economic order.

HISTORY: 1960-1990

The first example of these changes occurred in the early 1960s when the US severed relations with Cuba. Up to that time, the Cuban economy had been captured by, and was largely controlled by U.S. interests and the Mafia which owned its utilities and telecommunications, much of its land, its main sources of sugar production, its mines and natural resources, and its tourism facilities. In other words, the U.S. largely controlled and owned the Cuban economy.

When the U.S. pulled out, Cuba was left high and dry. As is well known, Cuba turned to another patron and for the next thirty plus years was tied closely with the Soviet Union and COMECON.

In the mid to late 1970s, I took to Cuba several hundred U.S. business executives to meet with those Cuban officials who were then responsible for particular products and services. President Carter had lifted the ban on travel and had allowed foreign subsidiaries of US firms to do business with Cuba. At that time in Cuba, everything was centrally controlled by the government with a system of state enterprises with annual quotas of production. There was little if any flexibility. While these state officials were well informed about their products, they were unable to undertake purchases outside of the state mandated quantities.

It was frustrating for Americans. Even if the Cuban officials wanted to do something different or new, they were unable to do so because they were boxed in by their state plans or bi-lateral trade agreements with COMECON.

From the 1960s to the early 1990s there was a Cuba with no private sector at all, the holding of U.S. dollars and other hard currencies was illegal, subsidies supported every aspect of economic life, 85% of all trade was carried out within a closed economic community, no foreign businesses were present, no advertising was allowed, no street vendors or markets existed, no foreign tourism of any significance existed, no U.S. products were to seen, and the skyline of Havana barely changed from year to year because there was no real construction

But then in the early 90s the Soviet Union collapsed and yet once again Cuba faced an economic crisis. But this time there was no patron waiting in the wings to enter the vacuum; in fact quite the reverse.

Cuba's economy fell by 35% and it was all alone to cope with what was nothing short of an economic disaster. But it was worse than even that. Unlike the Republics of the former Soviet Union, Cuba had no access to emergency financial support from international financial institutions and the most powerful economic and political power in the world was using every measure to undermine the Cuban economic system.

A NEW ECONOMY

But now short of 20 years later, there is essentially still another Cuban economy – a third economic version, different from the previous two. But this time it is one that is not dominated by one single country as it was by the United States until 1959 nor dependent on one economic system as it was on the Soviet Union until the early 90s.

Rather it is a mix of capitalism and socialism – and not just a little dose of capitalism.

Influences from the U.S. are evident throughout Cuba. More than 150,000 Americans had been visiting Cuba each year until the severe travel restrictions were enacted in summer, 2004 – and many more will visit once again under new regulations. Since the end of 2001 Cuba has purchased or signed contracts for more than $ 3 billion of agricultural and food products from the United States.

Hard currencies (in the form of Cuban convertible pesos) have been spent by Cubans in shopping malls to buy food, cell phones, television sets, VCRs, and other appliances - and they get much of the dollars and other hard currencies from United States in the form of more than $800 million a year sent by Cuban-Americans to their families. One now sees billboards advertising commercial products; beach resorts; cell phones; e-mail connections to almost all businesses and Government offices; DHL delivery service; CNN, the Disney Channel, and ESPN on hotel television; *Prison Break, The Sopranos,* and *Grey's Anatomy* on TV in homes; hotel construction by Sol Melia, Barcelo, Iberostar, and Novotel; car dealerships selling Peugot and Saab cars; Benneton stores; condominiums; business centers and new offices; open air markets; private bed and breakfasts; small private restaurants; American Eagle and Gulfstream International charters; Western Union; and Miami radio can be heard on Cuban taxis.

Cuba has over the last 15 years undertaken what could be called a substantial program of privatization. Cuban officials and others are loathe to use that term, but if one defines privatization as the selling of state assets to private investors, then Cuba is a highly privatized economy. Foreign private investors are involved in virtually every sector except education and medical services. And some foreign investors have enjoyed 100% ownership of their investment under a BOT agreement.

The following table lists the country source for some of the foreign investment partners.

Telecommunications	Italy
Mining	Canada, Russia
Oil Exploration	India, China, Canada, Norway, Spain, Malaysia, Vietnam, Brazil
Oil Refining	Venezuela
Hotels	Spain, U.K., Netherlands, Germany, France
Beer	Canada
Bottled Water	Switzerland
Port Management	Spain
Freight Forwarding	Germany
Accounting Services	U.K.
Financial Services	Netherlands, Spain, France, Canada
Insurance	U.K.
Cigars	Spain
Rum	France
Cosmetics	France
Biotechnology	Brazil, Iran, China, India
Construction	Spain
Real Estate	Israel
Agribusiness	Israel
Car Dealerships	Korea, France
Airports	Canada

Cuba has removed subsidies from almost all its former state enterprises which now must succeed on their own or go out of business and merged or eliminated ministries. Sugar, which had been the backbone of the Cuban economy for centuries, has been cut way back with hundreds of sugar mills closed because of inefficiency. At the same time, Cuba is spending millions of dollars to develop a software industry and assume a greater role in the rapidly emerging service-oriented business world.

Cuba has created dozens of free-standing holding companies. CIMEX is the largest and most powerful with annual revenues of about $1 billion and operates dozens of companies and joint ventures. Others include Cubalse, Cubanacan, Habaguanex, Gaviota, ITH, TRD Caribe, and Caracol. Many of these compete against each other for business.

These entities operate free from day-to-day Government control and oversight and resemble any private sector firm in any country in the world. Some borrow on the international financial markets for their own account, many are audited by leading Western accounting firms, and they are flexible to undertake any business deal they want.

But they only have one shareholder: the Government of Cuba. If they make their profit targets and operate with acceptable margins, they keep going. If they do not, people are fired, new management is inserted, and changes are made. What could be more capitalistic than this?

This is what the U.S business community will find as it conducts business in Cuba, what some U.S. firms now are learning, and what hundreds more non-U.S. firms already know.

FIDEL AND (NOW) RAUL CASTRO

No discussion about Cuba can be complete without addressing one additional aspect of Cuba: its leader (until February 24, 2008), President Fidel Castro. I first met Fidel Castro in 1974: I have known him now for 35 years.

Make no mistake: all the changes that I have outlined above were accomplished under the guidance of Fidel Castro. Far from being dogmatic and inflexible about the economy, he has rather shown a remarkable flexibility and adaptability.

But it is not just the changes in economic policy and management of the economy that are important. While the new government under Raul Castro is still led by several long-time officials, it is also true that throughout the government, there has been an influx of a new generation of Ministers, Vice Ministers, and middle level officials and managers.

Sixty percent of the members of the new National Assembly, for example, are under 50 and the specialists from Alimport who sit across the table to negotiate with U.S. company executives form a team of mostly young men and women in their 20s.

This is the new generation and these individuals will last for many years to come.

These changes in Cuba are profound and deep. The role of the foreign investor is established and its tentacles reach into virtually every aspect of Cuban economic and social life; the use of the hard currency based convertible peso as every-day currency is established; the growth of the Cuban holding companies is well founded; and there are procedures and policies which are also well established and codified.

All of this -- initiated under Fidel Castro – is now not dependent on Fidel or Raul Castro. We have seen the so-called post Fidel era developing before our eyes for the last 2 ½ years and now can better view the future business environment.

To wait for some so-called post-Castro era, as if all will change and be somehow different, is not at all a productive business plan. Nor quite frankly is it a productive political strategy either. For Fidel and Raul Castro have already implemented much of the very transition that some still say would come only after he no longer leads Cuba.

U.S.-CUBA BUSINESS

In no way has there been greater change than in the trade that has developed between the United States and Cuba since the end of 2001 and today. After 40 years of no trade and in just a bit over seven years, the U.S. now supplies more food to Cuba than any other. Until recently Cuba has ranked in the top ten of the largest export markets for U.S. rice and for U.S. poultry and has been the top export market, for example, for North Dakota's export of beans.

Since this trade began, contracts for more than 11 million MT worth over $3.6 billion (including shipping and services) have been signed comprising 300 different items including wheat, rice, corn, soybeans, tomato sauce, eggs, chicken, apples, ground turkey, chewing gum, utility poles, live cattle, wine, organic fertilizer, and rice. These have been bought from 157 different companies from 37 states.

While approximately 90% of total dollar sales have involved grains and commodities sold by a relatively few number of companies, most of the exporters have been small to medium sized firms to which the Cuba business has become very significant.

Twenty-three different U.S. ports have been used for 1163 ship journeys of which over 73.5 % have been with U.S. owned or chartered vessels.

The rulings in early 2005 by the previous Administration that payments by Cuba must be made to U.S. firms before shipping has, however, complicated an already cumbersome process and has caused Cuba to cut back on some imports from the US. Until these restrictions are lifted and corrected, there will likely be a leveling off of trade and perhaps a decrease in the amount of products exported to Cuba. Even while the value of U.S. agricultural exports to Cuba may have increased over the years, such an increase has been due, unfortunately, not to an increase in tonnage but by rising commodity costs and shipping costs.

Cuban officials have repeatedly stated that they have been impressed by the professionalism and efficiency of the U.S. companies with which they have dealt. But they also have come to realize that these companies operate within a business regulatory environment which is unpredictable and subject to change at the whim of any one of many U.S. officials, especially within the Office of Foreign Assets Control (OFAC) of the Department of Treasury. These officials under the previous administration have changed the rules and stopped several deals for what appear to be capricious and unilateral rulings and decisions. This has resulted in a situation of distrust in the U.S. system among Cuban officials who have cut back on products bought from U.S. firms in order to protect themselves against such unpredictable procedures.

Because of these restrictions, U.S. companies are forced to operate under a serious disadvantage in comparison to companies from other countries. Most important in preventing U.S. companies from realizing their full trade potential has been and is the inability to offer private credits.

There are some who argue that this restriction should be maintained because they feel Cuba is a bad credit risk. But this should be a decision for each individual company. The U.S. Government should not interfere in the business of any American company in this way. Whether to extend private credit to Cuba or not should be left to each company's own risk analysis.

But this one-way trade will continue and there is no end in sight: thus far, over 1400 companies from 45 states have been in contact with Cuban officials. If these restrictions – unique in international commerce – were lifted Pedro Alvarez, Chairman and CEO of Alimport, which imports all U.S. agricultural products for Cuba, has stated that U.S. firms could provide over 50% of Cuba's agricultural needs which annually reach almost $ 2 billon which would be an increase of several hundred million dollars a year over current levels.

COST TO, AND OPPORTUNITY FOR, THE UNITED STATES

If the embargo were to be lifted and there be normalized commercial relations between the United States and Cuba, what would this mean for U.S. companies and what benefits would accrue to Americans? What sort of marketplace is and will Cuba be?

We all have often heard Cuba described as an "economic basket place" or as "one step from disaster." I am not an economist, but even I can understand that such descriptions are hardly terms of art or science.

Having said that, it has to be remembered that Cuba is a developing country. It is still relatively new to capitalistic practices, it still is in a learning process, and the mechanisms of doing business within the private sector (so familiar to U.S. executives) do not have years of development in Cuba.

Just like any other country, Cuba has its own – sometimes frustrating – bureaucracy: it can be slow, can change its mind, seem unwilling at times to do what seems to an outsider to make good business sense, and can still be slow in accepting new ideas.

Like all developing countries, Cuba has major foreign debt obligations; foreign currency exchange regulations are shifting; domestic pricing policies for imported consumer food products have inhibited market growth; transparency regarding foreign investment is a long-standing concern; while legalization of the use of hard currencies has solved some problems, it also has created other serious long-term financial and social concerns; adequate housing is still lacking; and limits are placed on entrepreneurial expansion.

But having said all of that, one can not argue with statistics and facts: Cuba is the largest country in the Caribbean, has a population of 11.4 million people, a land mass of 110,860 sq km – making it approximately the size of Pennsylvania, and a growth rate in 2008 of 4.4% according to both the CIA and the Economist Intelligence Unit. Largely unknown is that Cuba has the third largest deposits of nickel in the world and is the 9th largest tourism destination in the Americas – and this is without any U.S. visitors.

Once totally dependent on sugar for foreign currency, Cuba has greatly diversified its source of revenues now to include export of nickel, personal services, tourism, foreign remittances, worldwide sales of rum and cigars, and exports of biotechnology products.

Whatever adjectives serve those who continue to want us to believe that Cuba is on the brink of economic collapse, the reality is otherwise. Cuba represents not a large market when compared to many other countries, but at the same time does represent a largely untapped good market for American business.

This is and will be particularly true for small to medium sized U.S. firms. While Cuba does significant agriculture trade now with a few large U.S. firms, Cuban trade officials have told me repeatedly that they understand that Cuba is a relatively small market and because of that its potential business for a large U.S. company may not be all that important. But at the same time, they realize that it is a far more important and significant market to smaller and medium sized firms and because of that, in certain cases, they receive better servicing and attention from such smaller companies.

Over the years, every sector of the U.S. business community has lost money by virtue of not being able to trade with Cuba. And today with the U.S. economy so desperate to create jobs through any means possible, one clear opportunity would be to open up a new export market for American business and thereby create new jobs.

There have been several studies that indicate that U.S. firms have lost billions of dollars because of the embargo. The numbers of lost business range from $2-4 billion per year.

In addition, the embargo has deprived U.S. citizens of some of Cuba's medical breakthroughs such as vaccines for meningitis B; cures for retinitis pigmentosa; a preservative for un-refrigerated milk; and PPG, a cholesterol reducing drug.

In my opinion, the key to starting this process will be for Congress to pass and for the President to sign HR 874 and S 428 which will allow all Americans to travel to Cuba. Apart from the civil libertarian argument that the U.S. Government should not limit the right and freedom of any American citizen to travel anywhere he or she wants, there also is the reality that changing such a policy would be of great benefit to a U.S. travel industry which is hurting under the current economic crisis.

The American Association of Travel Agents (ASTA) has estimated that in the first two years of open travel to Cuba, 2 million Americans could visit Cuba. This, in turn, would result in an injection of $1.6 billion into the U.S. travel and support service industry – and most of that helping the small to medium sized travel agents, airlines and cruise ships, additional food exports to feed the U.S. visitors, and advertising and promotional programs.

As I have already described, in the business vacuum created by the U.S. deciding to cut itself off from the Cuban market for 47 years, hundreds of other firms have moved in. While U.S. companies are already late to the business party in Cuba, this does not mean there are not many opportunities for U.S. firms. The U.S. will always enjoy the benefits of geographical proximity – closer than virtually every other supplier to Cuba.

U.S. firms will be able to offer what companies from Europe, Canada, Latin America, and Asia can never provide to Cuba: ready and convenient servicing of equipment and spare parts just a few hours away. Given competitive pricing, U.S. firms will be in a very advantageous position.

Virtually anything that Cuba now purchases might very well be purchased from U.S. firms. In this list of potential products I am including such intermediate and manufactured goods as fertilizers and pesticides, pharmaceutical products, textiles and apparel, steel, machinery and construction equipment, power generation machinery, electronics, plastics, tires, and sporting goods; such services as air transportation, maritime transportation, construction services, telecommunications, and travel and tourism; and of course, a growth in the importation of U.S. agricultural products - especially branded U.S. food products for the American traveler to Cuba.

In addition to sales to Cuba, there would be several opportunities for investment in such areas as agribusiness; hotels, marinas, golf resorts, and transportation to serve the travel industry; biotechnology; housing and building renovation; telecommunications; and overall infrastructure.

Then there are the two 800 pound gorillas knocking at the door: energy and mining. The U.S. Geological Survey estimates that in the North Cuban Basin of Cuba's Exclusive Economic Zone (EEZ) in the Gulf of Mexico there are up to 9 billion barrels of oil and 10 trillion cubic feet of natural gas. Of the 59 blocks in this EEZ, 21 have been taken up by international firms from Canada, India, Norway, Spain, Venezuela, Vietnam, and Brazil.

There are indications that a consortium of companies from Russia may soon sign agreements for several more.

In mining, Cuba has the third largest deposits of nickel in the world and is the world's sixth largest producer. Cuba also produces 10% of the global cobalt supply.

Cuba has made clear that they are open to U.S. company involvement in both of these sectors.

While it may be true that in these two areas particularly, this new business will benefit some large U.S. firms, it also will mean new exports for equipment firms and all other companies which could provide the support services and products.

Taking all of this into account and under normalized trading relations, benefits will accrue to an increase in jobs and business for many medium and smaller companies. At no time in recent U.S. history has such a new opportunity been of more importance than it is today.

It will up to Congress to lift the embargo. The issue is complicated by the maze of conditions placed on such actions by the 1996 Helms-Burton Act. But we are reminded in an excellent recent report written by Anya Landau French of the Lexington Institute that "...the President still retains the authority to license certain import and export transactions." It was under this authority that the Administration announced this month that U. S. telecom firms would now be allowed to do business in Cuba. So too could the President license U.S. companies in the energy sector so that the U.S. might share in the exploration of oil in Cuban waters just 53 miles off the coast of Florida or issue licenses for U.S. imports from Cuba such as the nickel and medical products previously mentioned.

For too long the embargo has been framed by a small number in mostly southern Florida who look at this issue totally through the narrow prism of their obsession with Fidel and now Raul Castro.

It simply is time now to look at Cuba from the point of view of what is in the interest of the United States. Cuba policy and the lifting of the embargo should be framed for what it could mean to the United States. In so doing it then properly becomes not only a foreign policy issue but also an opportunity to increase jobs and help the U.S. economy when such help is so badly needed.

From my own experience in taking to Cuba representatives of over 500 U.S. companies, there is no question that American firms have been and are today ready to do business with Cuba. Similarly from my own experiences talking with Cuban officials at every level for the past 35 years, they also have been and are ready to do business with American companies.

APPENDIX:

Partial list of support for HR 874 and S 428 to remove restrictions on travel to Cuba.

TRAVEL INDUSTRY

ABC Charters – *Florida*
Alabama Association of Convention and Visitors Bureaus
Alabama House Tourism and Travel Committee
Alabama Travel Council
Gulfstream Air Charters - *Florida*
Interplanner Cuba Travel – *Washington, D.C.*
Marazul Charters – *New Jersey*
National Tour Association - NTA
PWN Exhibicon International - *Connecticut*
STATS Tours - *Georgia*
United Motorcoach Association
U.S. Tour Operators Association - USTOA

BUSINESS AND AGRICULTURAL SUPPORT

A.R. Savage & Son, Inc. - *Florida*
Alabama Department of Agriculture and Industries
American Farm Bureau
Business Roundtable
Cargill, Incorporated - *Minnesota*
Caterpillar - *Illinois*
Coalition for Employment through Exports
Elof Hansson Company – *New York*
Grocery Manufacturers Association
Maybank Industries – *South Carolina*
National Association of State Departments of Agriculture
National Foreign Trade Council
National Milk Producers Federation
National Retail Federation
North Dakota Agriculture Commissioner –Roger Johnson
Organization for international Investment
Perfected Foods - *Texas*
Port of Corpus Christi - *Texas*
Tait Communications, LLC - *Nevada*
United Americas Shipping - *Florida*
U.S. Chamber of Commerce
U.S. Council for International Business
U.S.- Cuba Trade Association
U.S. Dairy Export Council
U.S. Rice Producers Association
U.S. Wheat Associates
USA*Engage
USA Rice Federation

RELIGIOUS INSTITUTIONS:

Alliance of Baptists...American Baptist Churches (USA)...American Friends Service Committee, Latin America and Caribbean Programs ... Catholic Relief Services ...Christian Church (Disciples of Christ).. Christian Reformed Church ... Church of the Brethren, Washington Office ... Church Women United, Executive Council ... Church World Service ... Episcopal Church, Office of Government Relations ... Evangelical Lutheran Church in America ... Friends Committee on National Legislation ... Maryknoll Missioners ... Mennonite Central Committee ... National Council of the Churches of Christ in the USA ... Presbyterian Church (USA) ...Progressive Nat'l. Baptist Conv...Presbyterian Church (USA)...Reformed Church in America... United Church of Christ ... United Methodist Church... General Board of Church in Society ... United Methodist Church, General Board of Global Ministries ... United States Conference of Catholic Bishops ... Unitarian Universalist Service Committee

CUBAN AMERICAN GROUPS which have called for an end to all travel restrictions or a lifting of the embargo:

Cuba Study Group
Cuban American Alliance Education Fund - CAAEF
Cuban American Commission for Family Rights
Cuban Committee for Democracy – CCD
Emergency Network of Cuban American Scholars and Artists for Change in US-Cuba Policy – ENCASA
Foundation for Normalization of Relations – FORNORM
Puentes Cubanos

NEWSPAPERS (partial list) which have called for end of travel restrictions and/or change in Cuba policy:

Boston Globe – Oct. 29, 2007...**Chicago Tribune** – July 16, 2005...**Christian Science Monitor** – Oct. 9, 2008... **Dallas Morning News** – Oct. 30, 2007; Feb. 20, 2008...**Eugene, OR Register-General** – Nov. 5, 2007...**Florida Today,** Jan.24, 2008...**Houston Chronicle** – Aug. 17, 2007...**LA Times** – Feb. 20, 2008; Oct. 29, 2008...**Miami Herald** – Nov. 7, 2007...**New York Times** – Oct. 27, 2007; Feb. 20, 2008; Sept.12, 2008; Nov. 28, 2008...**Orlando Sentinel** – Aug. 15, 2008; Nov. 1, 2007...**The Palm Beach Post** – March 2, 2008; Oct. 29, 2008...**USA TODAY** – Sept. 29, 2008...**Washington Times** – October 10, 2008

EDUCATIONAL INSTITUTIONS which have called for repeal of travel restrictions, especially for academic travel:

American Association of State Colleges and Universities
Association of International Educators – NAFSA
Latin America Studies Association
Social Science Research Council

Mr. RUSH. The Chair now recognizes Ambassador Cason.

Ambassador Cason, you're recognized for 5 minutes more or less.

STATEMENT OF AMBASSADOR JAMES C. CASON

Mr. CASON. Mr. Chairman, members of the committee, thank you very much for the opportunity to appear before you today to discuss this topic of great importance. Until very recently I was a career Foreign Service officer with 38 years' experience, mostly in Latin America. One of my postings was to Cuba where I was Chief of Mission from late 2002 to late 2005.

I am speaking here today as President of the Center for a Free Cuba, a nonpartisan NGO and a 501(c)(3) organization; and therefore, nothing I say here today supports or opposes any bill before Congress, and we administer a USAID grant.

We at the Center for a Free Cuba provide humanitarian assistance to the people of Cuba and assist civil society and democratic activists there. We send uncensored information in shortwave radios, among other things, to Cuba. The Center favors licensing measures announced by the President that will allow U.S. firms to attempt to enter the Cuban telecommunications market. Havana limits its citizens access to the Internet, cell phones and other information or media out of its control. If Cuba expands the speed and availability of the Internet, lowers the exorbitant cost of Internet cafes, Cubans will communicate faster and more easily among each other and with the wider world. Greater access to and use of the Internet by average Cubans, especially the young, will promote civil society in a democratic process there.

We support Cuban-American travel to the island on humanitarian grounds and travel by researchers, academics and others who make a serious effort to discover for themselves Cuba's reality. We are opposed to tourist travel by American citizens with no relatives on the island because such travel will only provide funds to the Cuban security apparatus which owns the tourist infrastructure. Such "bathing suit tourism" will do nothing for Cubans nor will it in any way help promote democracy.

Mr. Chairman, I would like now to ask that a recent paper I wrote, entitled The Case Against Travel to Cuba, be entered into the record.

Mr. RUSH. Hearing no objection so ordered.

[The information was unavailable at the time of printing.]

Mr. CASON. Thank you very much.

Just as we oppose unprincipled tourist travel to Cuba, we do not feel that a unilateral ending of what remains of the embargo now will promote greater economic or political freedom in Cuba or great benefit to American companies.

Lech Walesa and Havel told the Center recently that nowhere in the world have authoritarian regimes changed their ways because of trade or tourism. It has been international solidarity, constant pressure and tangible and moral support for democratic freedom fighters that have made the difference.

When the Castros are gone, the embargo will serve as leverage in helping the military owners of hotels realize it is in their interest to support a democratic opening, for if they do, we can provide millions of tourist dollars and trade opportunities. As the Wash-

ington Post has recently editorialized, giving away what little leverage we have for nothing now will gain us nothing and will harm those fighting for change on the island. Please note that all the rest of the world trades and allows travel to Cuba, but that has not made any difference in the totalitarian nature of the regime.

As long as Cuba refuses to allow independent labor unions the right to exist, we oppose U.S. businesses entering into joint venture arrangements with the Cuban Government. Havana exploits workers and takes 95 percent of what joint venture partners pay the government for labor. Strikes are not permitted and many independent labor organizers have been given long prison sentences. To invest in Cuba today is to participate in the exploitation of defenseless Cuban workers; and I would not be surprised if, after freedom comes to Cuba, there is a backlash against Canadian, Spanish and other investors who have taken advantage of docile Cuban labor to make a fast buck.

American farmers are privileged in their dealings with Cuba. They get cash and take no credit risk. As we've heard, we are the largest food provider to Cuba. Why would any agribusiness exporter want to give credit to Cuba? Why would American citizens support such a measure when Cuba is an international deadbeat? It has defaulted many times and owes foreign creditors over $25 billion, not to mention another $22 billion of unpaid Cold War era debt. Its economy is moribund, and it is in arrears everywhere. Per capita, Cuba owes $4,000 each; its debt equals 86 percent of GDP. It is the tenth most indebted country in the world, and its Moody's credit rating is Caa1, speculative grade, very poor. Dunn & Bradstreet rate Cuba as one of the riskiest economies in the world.

I would note that Cuban's average monthly wage is around $20. The average Cuban lacks money for most necessities. U.S. food goes largely to the tourist industry or is marked up 256 percent and sold to those who receive remittances in dollar stores. There is no consumer demand for our products and no prospects in sight for this to change until the regime begins to pursue free market economic policies.

There are no Cuban entrepreneurs, no free market policies, no economic opportunity and no purchasing power. There is just the regime, which resists change in a panicky attempt to maintain total power for the nomenclature.

Reuters reported last week that there is a severe cash crunch in Cuba and foreign businessmen feared Cuba could be near insolvency. The liquidity crisis has become critical. Small foreign businesses are reportedly desperate and are not being paid, state companies have been ordered to stop all imports, prices and demand for all Cuban exports are down and nothing suggests Cuba's economy will get any better soon.

Now, recent polls conducted in Cuba reveal that only 6 percent, there, of the citizens see the embargo as a problem. What they most want is for the government to give them a better life, a decent job, hope for the future. They said they want change, democracy and economic freedom. They want elections, they want to join the world, they want to be able to travel and run their own businesses in Cuba. Whether the U.S. trades more with Cuba is irrelevant to their lives.

The Center for a Free Cuba opposes any loosening of restrictions on commerce with Cuba now for the following five reasons:

Trade and tourism will not hasten a democratic transition there;

Cuba is a terrible credit risk and cannot pay most of its bills;

It exploits its workers shamelessly;

It's an insignificant market for U.S. Consumer and other goods, and only the government, not the people, benefits from trade with us;

There are no Cuban exporters or entrepreneurs.

Mr. Chairman, only if and when a new Cuban leadership demonstrates through deeds, not words, as the President has said, that it is moving toward democracy and market freedoms, then we will be among the first to say, let's deal.

Thank you very much for allowing me to testify here today.

Mr. RUSH. The Chair thanks the gentleman.

[The prepared statement of Mr. Cason follows:]

Please check against delivery

TESTIMONY OF AMBASSADOR JAMES C. CASON
President
Center for a Free Cuba

April 27, 2009

Before
The Subcommittee on Commerce, Trade and Consumer Protection
Committee on Energy and Commerce
2123 Rayburn House Office Building
Washington DC

freecuba@cubacenter.org

Thank you very much for the opportunity to appear before you today to discuss a topic of t importance. Until very recently, I was a career Foreign Service Officer with 38 years experience, mostly in Latin America. One of my postings was to Cuba, where I was Chief of Mission from 2003-2006. I am speaking today as President of the Center for a Free Cuba, a non-partisan NGO and a 501C3 organization, and therefore, nothing that I say here today, supports or opposes any bill before Congress. We administer a USAID grant.

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Just as we oppose unprincipled tourist travel to Cuba, we do not feel that a unilateral ending of what remains of the embargo now will promote greater economic or political freedom in Cuba or great benefits to American companies. Havel and Walesa told the Center that nowhere in the world have authoritarian regimes changed their ways because of trade or tourism. It has been international solidarity, constant pressure, and tangible and moral support for democratic freedom fighters that have made the difference. When the Castros are gone, the embargo will serve as leverage in helping the military owners of hotels realize it is in their interest to support a democratic opening, for if they do, we can provide millions of tourist dollars and trade opportunities. As the Washington Post has recently editorialized, giving away what little leverage we have for nothing now will gain us nothing and will harm those fighting for change on the island. Please note that all the rest of the world trades and allows travel to Cuba, but that has not made any difference in the totalitarian nature of the regime.

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have been given long prison sentences. To invest in Cuba today is to participate in the exploitation of defenseless Cuban workers. I would not be surprised if, after freedom comes to Cuba, there is a backlash against Canadian, Spanish and other investors who have taken advantage of "docile" Cuban labor to make a fast buck.

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1. Trade and tourism will not hasten a democratic transition there;
2. Cuba is a terrible credit risk and cannot pay most of its bill
3. It exploits its workers shamelessly;
4. It is an insignificant market for US consumer and other goods;
5. Only the government, not the people, benefits from trade with us. There are no Cuban exporters or entrepreneurs;

> Mr. Chairman, only, if and when a new Cuban leadership demonstrates through deeds, not words, that it is moving towards democracy and market freedoms, we will be among the first to say, let's deal.

Thank you very much for allowing me to testify here today.

Mr. RUSH. The Chair recognizes himself for 5 minutes for questioning.

The U.S. has a long history of trading with numerous nations with poor records on human rights and shoddy business and credit relationships. The list is very, very long. We import considerable amounts of oil from Nigeria, from Venezuela, despite their shoddy records on human rights and political freedom.

Pakistan itself is the recipient of billions of dollars in American aid despite Islamabad's long history of repressing political freedom. Indeed, at one point, the United States traded with Iraq, even during the height of Saddam Hussein's brutality against insurgents in Shiite communities.

Yet, despite all our long and continued history of doing business with nations with questionable or even poor records on human rights—and I might add China is a glaring example of this—this nation of Cuba has been singled out for a trade embargo because of its human rights issues and problems.

Is there a double standard and why is there a double standard? Ms. Rothkopf, would you please respond to my question.

Ms. ROTHKOPF. Yes. Thank you very much.

Yes, you're absolutely right, the U.S. does have a history of engaging with many countries around the world in which human rights problems exist or political prisoners are unjustly deprived of their freedoms. And we have chosen another path, engagement. From China to Saudi Arabia, from North Korea to Afghanistan, we choose to engage to help advocate for those who have been abused by their systems. Engaging brings more of these stories to light; engagement brings countries more fully into the international community where established systems and multilateral mechanisms can work on behalf of the victims.

I think we have to acknowledge that the embargo has failed to help the political prisoners in Cuba, and it's actually hurt the average Cuban by damaging the economy. But it hasn't damaged it enough to change things in the mind of the government, it's just damaged it to hurt the innocents in the country.

So I do say, yes, we have had a double standard.

Mr. RUSH. Mr. Thale, should we subject some of these other countries to similar embargoes? Should we stop importing oil from Venezuela and Nigeria or even Saudi Arabia? Should we issue a trade embargo with China, and what would the effect of that be to the economy of our Nation?

Mr. THALE. Thank you, Mr. Chairman. I think that's actually a really good question. I think it's a good question because it underscores the extent to which we ought to strive to have a single standard in how we approach trade and human rights and diplomacy issues around the world.

I think our view is that there are limited selective occasions where sanctions do make sense. I think, by and large, sanctions have been effective forms of coercion against governments with whom we have disagreements. I think Cuba is one of the clearest examples of that; and I think the message is, we ought to engage with countries and, as part of that engagement, have human rights on the explicit agenda. We ought to do that with Cuba, we ought to do it with China, and we ought to do it around the world.

Mr. RUSH. Thank you.

Mr. Jones, can you give us a perspective on the possibility of the President's recent pronouncement as it relates to the telecommunications industry? How do you foresee that from two vantage points—one, from the vantage point of the American corporations, and two, from the vantage point of the human people.

Mr. JONES. First, just a minor point: American cell phones won't work in Cuba. So we can send all the cell phones we want, but it's not going to do any good. I mean, it ignores the fact that Cuba has a 12-year now joint venture with Italy which is in the process of redoing the whole telecommunication system in Cuba. They've launched a cell phone system; it doesn't cover the entire country, it covers the major population centers. There have been installations of public phones and an upgrade of telephone communications hardware.

So U.S. companies are going into a market where there already is a foreign investor. Sometimes we tend to think if we're not there, nobody is there, but that's not the case in Cuba.

Having said that, I have talked to Cuban officials who recognize that, were 1 million Americans to come to Cuba in free travel, they're going to have to make changes so that they can service Americans and their cell phones, which will mean a joint venture between some American company and Stet, the Italian company, there to widen the cell phone coverage, to engage in a business agreement and finances going back and forth for the expansion of that coverage, and to install a system where U.S. cell phones will work.

But, again, American companies will be going into a situation that has been working for 12 years.

Mr. RUSH. My time is up. I want to recognize the ranking member for 5 minutes.

Mr. RADANOVICH. Thank you, Mr. Chairman.

Mr. Cason, welcome to you and everybody else here to the committee. I do have a question regarding your testimony.

You mentioned in your testimony a Reuters report that Cuba may be in a fiscal crisis and near insolvency, on top of the fact that it already has $25 billion in unpaid debt and owes an additional $22 billion in Cold War era unpaid debts.

Why are other countries still doing business, like this Italian company, with Cuba if they're not being repaid, if that's indeed the case?

Mr. CASON. Well, what Cuba has been doing—even when I was there, we saw it all the time—they will take products from foreign countries, they will wait as long as they can to pay them and pay them a little bit to try to restructure the debt.

They did that with Mexico, for example. It's a constant sort of kiting in the sense that they have so much debt and so little productivity and so little of what they export that's not already being sold, that they don't have the money they need to provide for all these great markets that people have been talking about.

The fact is, they are tremendously indebted. There is no consumer demand because the average Cuban has no money, can barely survive, so it all depends on the whims of the government. And Fidel buys on political grounds, particularly from the United

States, because he's trying to influence votes in Congress, or what he buys depends on a lot of calculations he made where he's going to get the main bang for the buck.

Mr. RADANOVICH. Thank you, Mr. Cason.

If American business, including agribusiness, were not required to accept cash-only terms of business and, instead, started giving credit to Cuba, what do you see happening in that—under that scenario?

Mr. CASON. Well, I think any company that would want to not take cash before they even ship the goods when all these other countries are having great difficulty getting money would be nuts. I mean, they have the best deal going.

I think that what would happen is, we will start running up huge debts with Cuba, and they may or may not pay us, depending on—like they do with the rest of the world.

Mr. RADANOVICH. Can you tell me whether there would be more than credit risks involved if cash was not required for purchases of goods?

Mr. CASON. The real risk is, this is not a market that is making decisions. This is Fidel and Raul who decides who gets paid, who gets booted out.

When I was there, there was a move after many years to dissuade Spanish small and medium businesses from remaining. That's why, in those figures we heard earlier, there is a large number of companies that have left. And it's because they have decided that it's time for them to go, they've changed their mind.

Mr. RADANOVICH. Thank you, Mr. Cason.

You have mentioned also in your testimony a point which I would like you to elaborate on, if you would, please; and that is that to invest in Cuba today is to participate in the exploitation of defenseless Cuban workers and that there would be a backlash against Canadian, Spanish and other investors, who have taken advantage of the docile Cuban labor to make a fast buck.

Could you expand on that, please?

Mr. CASON. I talked to a lot of people in Cuba when I was there, and since then, who tell me that when the day comes and when there's freedom in Cuba, the fact that the United States, on principle, did not exploit Cuban labor the way I mentioned it, will be seen as a favorable development for American companies; but that the Spanish and others who have taken advantage—that you can't strike, that you can't have labor organizations—are going to not have the sympathy of the general public afterwards. And how that plays out, we'll have to see.

And I would remind you also that Lech Walesa has written a letter to the President recently saying, please don't forget the situation of labor rights in Cuba when you talk about changing your policy toward Cuba. And I think that's very important.

Mr. RADANOVICH. OK. Thank you, Mr. Cason.

Ms. Rothkopf, I couldn't help but notice in your testimony on the Chamber's desire to do business in Cuba that you would want to be able to do business.

A couple of minor things to get out of the way: That would be that—there's a long list here—the Cuban Government will have to provide certain guarantees and safeguards to U.S. business in the

areas of rule of law, the environmental protection, infrastructure for travel requirements, intellectual property protection and incentives for innovation and labor rights, also important considerations regarding financing.

That's quite a long list. I mean, do you care to comment on that? That's a pretty high barrier to overcome.

Ms. ROTHKOPF. Sure.

I think the reason that that was included in my testimony was to make the point that we think that opening trade with Cuba is going to bring political and economic change to the island, but just because we were to open and make that option available, that doesn't mean that everybody is going to rush in and automatically do business.

And I think that the important thing is to say that we don't place that limit on other countries, on businesses. Businesses will make a smart decision based on business decisions and whether it makes sense for their company.

A company that doesn't have the safety requirements that they need, they're going to stop operating. If they're not getting the intellectual property protection that they need, then they're not going to continue to do business with that country. If infrastructure isn't there for the travel requirements, they're not going to go in.

So basically what we're saying is, U.S. businesses are successful because they take a smart look at the business opportunities. And my point is that they are going to continue to take a smart look at the opportunities and they're going to make a smart decision based on what the Cuban Government decides to do or not to do.

Mr. RADANOVICH. Thank you very much.

Thank you, Mr. Chairman.

Mr. RUSH. The Chair thanks the gentleman.

The Chair now recognizes the gentlelady from Florida, Ms. Castor, for 5 minutes.

Ms. CASTOR. Thank you, Mr. Chairman.

Thank you all very much for being here today.

Following President Obama's announcement that lifting of the restriction on Cuban-American families and their ability to travel to Cuba, it's been met at home with great enthusiasm. And I wanted to give you one example of a newspaper headline that followed within the week. It's from the Tampa Tribune, but it had a similar message in many other papers: Thirst for Cuba Trade and Travel.

And I think folks at home, they're very hopeful for the economic opportunity that modernization of the relationship will bring eventually—great potential in the ports in Florida, ag products, all products, the cruise industry, et cetera. But I think, because of the family ties and historic ties, that we have folks who do not want economic opportunity to come at the expense of progress and change on the island, especially on human rights.

So now where are we? President Obama appeared at the Summit of the Americas and made another overture, met rather surprisingly with a response from the Cuban President that said everything is on the table, followed up by brother Fidel Castro who said, well, wait a minute.

If you all are advising the Obama administration and the Congress now on how to proceed, what is the plan? It's unlikely that

it's going to come by just a lifting of the embargo. That may not practically happen. So what is the plan? What are we going to be seeking on human rights improvement, and where can we make progress?

And if you all can each take about 45 seconds to answer.

Mr. CASON. Well, I think the embargo has always been a tool. And both President Bush and, I think, reiterated by President Obama have said that if we see evidence that the Cuban Government is serious about engaging—it takes two to tango, give us a sign—and begins moving in the direction of where we want to see Cuba, which is greater freedom and economic prosperity for the Cuban people, then everything is open for discussion.

But Hillary Clinton said a couple of days ago in a hearing that she has seen no response yet from Cuba, and Fidel keeps undercutting his little brother by saying he didn't mean that, he's still in control. And I think he's made it clear from day one of his administration that he—he said, when this war is over, I'll start a longer and bigger war of my own; the war I'm going to fight against them, I realize that will be my true destiny.

He, Fidel, will continue to do everything he can to sabotage, I think, a closer engagement between the two countries.

Ms. ROTHKOPF. I completely agree with you. We don't want the economic opportunities to come at the expense of the possibilities of democracy. But we actually believe that broadening economic engagement with the island through additional commercial and people-to-people contacts will promote the transition to democracy and to full civil liberties.

We very much hope to see an end to the embargo. Absent a full end to the embargo, there are some steps that can be taken, for example, removing the restrictions on financing, allowing the ability to travel for the purpose of establishing commercial relationships, allowing visits from Cuban officials to confer with U.S. suppliers, inspect facilities and discuss sanitary and phytosanitary issues. All of these would have a positive effect.

Mr. THALE. Similarly, I don't expect that the process of political opening in Cuba is going to be a tit-for-tat series of movements by the United States and the Cuban Government back and forth.

My view is, we will see political change there and political openings to relaxation as the U.S. moves forward in its relationship. I think we ought to move forward pursuing our own interests which have to do with maintaining human rights as a concern of ours and being very clear and public about that; pursuing some common interests around migration, drug cooperation and environmental concerns; and moving forward in pursuit of our economic interests.

And I think in that process, we will see change beginning in Cuba. But I don't think we will see a back-and-forth, tit-for-tat kind of process.

Mr. JONES. Can I just add a couple of comments?

If there are preconditions, if we are going to say to Cuba, we're not going to do this until you do that, that means two things. That means, one, we have put into Cuba's hands how we conduct our foreign policy, because we're letting them set the conditions.

Secondly, it's a nonstarter. Cuba will not respond to any preconditions and has said so repeatedly. President Obama did some-

thing that no other President since John Kennedy has done, which is to say publicly that the policy over 50 years has been a failure. In response to that, Raul Castro said everything is on the table, something that no Cuban President has said for 50 years. Raul Castro is President of Cuba; he has an older brother who has no official office in managing the government.

I think it would be a mistake to take an editorial or a column—and grandma—and interpret that as being the final word on Cuban Government policy. I think we ought to take them up on their word. I think there's a way to begin in terms of talking about resurrecting the bilateral talks that the previous administration stopped on immigration and drug interdiction, on the environment, all to our interest; and we ought to begin the process of talking in the same way that Ronald Reagan, in calling the Soviet Union the "Evil Empire," still kept on talking.

Ms. CASTOR. Thank you.

Mr. RUSH. The gentlelady's time is up.

The chairman now recognizes the gentleman from Georgia, Dr. Gingrey, for 5 minutes.

Dr. GINGREY. Mr. Chairman, thank you. And I want to thank all the witnesses of this second panel.

I happen to disagree with Ms. Rothkopf, Mr. Thale and Mr. Jones, and do completely agree with Ambassador Cason. But that's the way life is; you have your opinion and you feel very strongly about it, and we have to go on.

I do want to commend Ambassador Cason for 38 years' experience in the Foreign Service, mostly in Latin America, and some time in Cuba as Chief of Mission from 2003 to 2006. I think that gives him a pretty darn good insight into what's going on, I think—his comments about labor and the problem in regard to labor violations in Cuba.

I made the analogy in regard to why we didn't ratify the free trade agreement, bilateral trade agreement with Colombia. And that's the Democratic majority, Mr. Chairman; it keeps blocking that just mainly over labor issues. So it seems a little disingenuous that we would be wanting to open up trade with Cuba when their labor record is deplorable, abhorrent.

I want to specifically ask Ambassador Cason, though: What do you think the current creditworthiness of Cuba is and what is on the horizon that will give us faith that Cuba can afford to pay its debts?

If you could quickly, in about 30 seconds, answer that, I would appreciate it.

Mr. CASON. I think the credit rating is terrible, it couldn't get lower, and I don't think there is anything on the horizon that is going to bring the big bucks that will allow us to have Cuba the natural trading partner that some day it will be when Cuba is free and has the right economic policies that allow for growth and human ingenuity and entrepreneurs that are repressed there.

But right now there's nothing. And so I think that it's wishful thinking that the money will just appear, and we will all get paid.

I would like to say that I used to run trade promotion for the U.S. Government in southern Europe. I worked for 3 years as the

head of trade promotion, so I'm all in favor of businesses making a buck.

I'm also interested in them getting paid and not giving up human rights in the process just to make a buck on a market that's extremely small, is shrinking and is not going to grow other than by some miracle that I don't know where that's going to come from.

Dr. GINGREY. Absolutely.

Well, let me just say this too. I think the other three witnesses are talking about that—basically, what it sounds like to me is, the end justifies the means and that sanctions haven't worked. And I would suggest to them that sanctions do work when they're implied across the board. And maybe the people that are out of step are the other people of the Western Hemisphere and Europe that were not willing, did not have the intestinal fortitude to apply the sanctions.

Mr. Jones, you referenced John Fitzgerald Kennedy. You and I are probably about the same age. We were probably in our early 20s when Fidel Castro allowed Nikita Krushchev to put those ballistic missiles on that island 90 miles from our shore and aiming right at us. So I think the courage was, of course, on the part of President Kennedy, who is probably spinning in his grave today listening to some of this testimony.

I'm not specifically asking you a question, but if you want to respond in just a second, I will let you. Let me go on to Mr. Thale, though.

There is something in your testimony, Mr. Thale, that really, really bothered me. You said a reference in a United States State Department human rights report. In your written testimony, it says, "Although that report criticizes Cuba's treatment of prisoners, the State Department human rights report does not allege that the Cuban Government engages in torture," and then in parentheses you have, "an issue with which we are grappling here in the United States."

And in your verbal testimony—and if you don't recall it, we can, Mr. Chairman, have the transcriber read it back to us—you reference Guantanamo Bay.

Were you suggesting, Mr. Thale, that in the previous administration, that President Bush or anybody a part of that was endorsing torture, that we were torturing people? Is that what you were suggesting?

Mr. THALE. Well, I was suggesting, Mr. Gingrey, that there is a debate going on in the United States about the documents that have just been released. There is the whole Abu Ghraib debate, and this is an issue that is clearly under discussion in the United States.

I think the general thrust of my testimony was that, if you look at the human rights situation in Cuba, you see a set of serious problems which have to do, as I said, with freedom of association, freedom of the press, free expression, political prisoners, but that there is a set of—in the universe of human rights issues that are under debate in the world today, there are some——

Dr. GINGREY. Well, reclaiming my time, I just want to say in conclusion, Mr. Chairman, that I'm getting a little weary of people that represent this government going around the country talking

about what we do and how we are guilty of human rights violations and apologizing for the previous administration. I think it is entirely inappropriate.

And I yield back.

Mr. RUSH. Would the gentleman yield?

Dr. GINGREY. Of course I will yield to the chairman.

Mr. RUSH. Dr. Gingrey, you're a good friend of mine, but I just want to bring your attention to a matter in my home State of Illinois where there is a fellow by the name of John Burge, who is a former police commander. And he has recently been indicted after about 30 years for torturing American citizens and forcing them to confess to crimes. And some have served for many years on death row.

Your friend, a Republican governor, George Ryan, who is also convicted now, is a friend of mine. But one of the things that he did that I really admired him for it, he freed all the prisoners on death row, because a lot of them were there because of torture.

So this does occur in all countries and so—and even in our own country. And right now there is a current real issue in my own State of Illinois, the city of Chicago. You're probably not mindful of that, but I just for the record wanted to reflect that.

Thank you so much. I yield back.

The time of the gentleman has expired, and now we will recognize the gentleman who just joined us, Mr. Scalise, who has joined us from Louisiana.

Mr. Scalise, you are recognized for 5 minutes for questioning.

Mr. SCALISE. Thank you, Mr. Chairman.

I would first ask—the comment that Mr. Jones made a few minutes ago about who is calling the shots, I guess, in Cuba. Do you really suggest that Fidel Castro is not in some way in control of the Government of Cuba?

Mr. JONES. I am suggesting that he remains as head of the Communist Party but he is not President of Cuba. There has been a whole new wave of people brought in. Does that mean Raul Castro does not consult his older brother? Absolutely, I'm sure he does. But I think it would be a mistake to take his writings in Granma as necessarily reflecting the absolute position of the Cuban Government.

And I think, just as President Obama did not take the statements of Mr. Gibbs and Mr. Restrepo, which were fairly hardline, but he put forth a different view of what his view was in terms of the relationship with Cuba, and I think we should wait, the U.S. Government should wait for the official response from Raul Castro or his ministers in terms of how they want to proceed.

Mr. SCALISE. You know, I would still doubt that Fidel is removed from giving orders or having a direct say in how the government is running. But I do think, as we look at and debate this proposal to change U.S. policy, a policy that has been in effect for decades, I think we need to look at a broad range of issues, not just the economic issues but the political issues, and also the impact it would have on Americans who live here today who were literally run out of Cuba, who still have very vivid memories of their property being taken, their families being threatened, in some cases detained, and in all of the things that they escaped and what this would mean

to them, the people that are contributing to our economy, who are active citizens in their communities, who are business owners, and who have taken offense and many have expressed very publicly the offense they would have to assisting this Castro government. Whether it is Fidel or Raul, it is still the Castro government that is running and keeping the reins over the citizens there.

I don't know if any of you all have consulted the different Cuban-American communities throughout our country to——

Mr. JONES. The only thing we know, the only thing those people know——

Mr. SCALISE. Which people? Which people?

Mr. JONES. The people who are concerned about their property being confiscated and families and the problems of the early '60s.

The only thing we know, after 50 years almost, is that none of those problems have been solved with the current policy.

The confiscation of property, for example: First, not a single trademark has been confiscated. There are 5,000 registered trademarks of U.S. brands in Cuba that are maintained today. And I have taken companies down to the Cuban Chamber of Commerce and other places——

Mr. SCALISE. I apologize to cut you off. My time is running out. Ambassador Cason has had his hand up.

Did you have something you——

Mr. CASON. Yes, I think the embargo was put in place, of course, originally because of confiscation of U.S. properties. Mr. Jones mentioned nickel. That was one of the properties that was seized from the American Government at the time.

I would like to make the point that nobody's policies have been able to budge Fidel Castro from the course that he has been on. For 50 years, the rest of the world, except us, has pursued a policy of engagement in trade and tourism. My question is, where is the beef? They've been doing this for 50 years; we are the only ones that haven't. And people say, now, we should do something different, and Castro will change. We don't have magic pixie dust to make that happen. It's because this is the nature of this guy.

It's too bad that nobody's policy has worked. But I think when they are gone, what is left of the embargo will be a leverage on the military, because it is a military dictatorship. Those guys will see their vested interest in moving the country in the right direction so that we can liberate the hordes of American tourists that we would like to see go there.

Mr. SCALISE. And for Mr. Thale and Ms. Rothkopf, I know China, Venezuela, other countries are doing business in Cuba today. We've heard testimony about the average per capita income. If you can address that, as well, and what types of consumers are in the country that we could even be doing business with if we went down that road.

What types of products do China, Venezuela, other countries provide that aren't available, or what are they not providing where there even would be a role for America to play? And then, what type of consumer base is out there?

Ms. ROTHKOPF. I think the first thing that we have to think about, in terms of what the U.S. can provide that isn't being provided by other countries, is to think about our proximity. And in

my testimony I identified a number of areas, including agriculture, for example. Cuba has the potential to be the top foreign market for U.S. rice, for example. We've discussed tourism, machinery, oil. I think we talked about biotechnology.

There is a whole host of products that we can provide, including agricultural products and consumer products, simply because we are closer, which will give us a competitive edge over——

Mr. SCALISE. What is the average per capita income?

Ms. ROTHKOPF. Was that in your testimony? It was not in mine.

Mr. THALE. Mr. Scalise, the average—I believe the average per capita income is about one-fifth of that of the United States. So the per capital income of the United States is about $40,000, and that in Cuba is about $8,000, $8,500.

So there is no question, consumer demand is not what's going to drive trade between the United States and Cuba. What's going to drive demand is infrastructure, wholesale commodities and so on. And the U.S. has—it's less about filling holes. I think there are some holes, but it's less about filling holes than it is about the comparative advantage we have because of the reduced shipping costs. And I think rice is the single most dramatic example that——

Mr. RUSH. The gentleman's time has expired.

Ms. ROTHKOPF. Right. And just to add to that, the additional tourist arrivals, just for example, from the increased tourist demand for food will boost domestic demand for U.S. products, as well.

Mr. SCALISE. I yield back.

Mr. RUSH. I thank the gentleman.

If the witnesses will indulge us, we will go into a second round of questioning. And we will ask the members of the committee to restrict their questions to 2 minutes.

And the Chair recognizes himself.

Ambassador Cason, I see that you served in Venezuela and Bolivia during your career, outstanding public service. And have these two nations engaged in any form of nationalization of companies and other business entities?

Mr. CASON. Yes, Bolivia most recently.

Mr. RUSH. Would you suggest that we create a trade embargo around these two nations?

Mr. CASON. No. I think that, you know, if you were starting today and said, would the trade embargo—if we were to launch it today, would it change Cuba's behavior, I think the answer would be no. And I think we've seen——

Mr. RUSH. Why would you suggest that we continue the trade embargo against Cuba and——

Mr. CASON. Well, first of all——

Mr. RUSH. Let me ask the question, please.

And, also, why wouldn't we also have a similar practice as it relates to other countries that have significant human rights violations, extraordinary human rights violations in some instances?

Mr. CASON. As I said originally, the embargo was originally designed as a reaction to confiscation of American properties in Cuba, and it has evolved over the years. I think if you were to say, with what we know about the embargo today, if you started it fresh, would it induce somebody like Fidel Castro to bring democracy, like

every other policy in the world of every variation that anybody else has tried, it hasn't.

So, to think that ending the embargo now would somehow induce Fidel Castro at this late stage in his life to become a democrat or do any of the things that we say are our endgame for Cuba, it is just not going to happen.

Mr. RUSH. Thank you. The Chair's time is up.

The Chair now recognizes the ranking member, Mr. Radanovich, for 2 minutes.

Mr. RADANOVICH. Thank you, Mr. Chairman.

Mr. Jones, I do have a question for you. You testified that there are about 500 international companies represented in Cuba, with substantial investment there. But according to the State Department, the business environment is so unfriendly that the number of joint ventures dropped from 540 in 1982 to 287 in 2005.

Because of the government's recentralization efforts, it is estimated that one joint venture and two small cooperative production ventures have closed each week since the year 2000. And foreign direct investment dropped from $448 million in the year 2000 to $39 million in 2001 and to zero in the year 2002.

Are these 500 international companies independently owned, or are they joint ventures? And if they are joint ventures, why the difference between the State Department figures and your testimony? Can you help bridge that?

Mr. JONES. Yes, I will try.

First, the joint ventures have actually fallen even further, down to about 237 now. And there is a reason for that. Cuba, when it started into the joint venture business, which was in '94, '95, they were in a learning process. There hadn't been a single joint venture in Cuba between 1959 and 1994. They were learning how to do this. And things change over the times, and they learned what they wanted, what the country needed, which joint ventures contributed to national economy, which they wanted to do and didn't do. And over the course of time, they began closing and not renewing and not entertaining small- to medium-sized joint ventures, with a concentration on larger joint ventures of a much more strategic and nationally important basis. For that reason, many were closed, many ended, and the people left.

Those 500 companies—I haven't got the breakdown as to which are representatives, which are sales agents, which are real estate partners. All I know is that there are offices there of non-U.S. Companies for a variety of business reasons.

Mr. RADANOVICH. So you're saying that Castro now permits wholly owned private international businesses to operate without taking a cut?

Mr. JONES. Joint ventures are generally on a 50–50 basis. There have been some 100 percent foreign-owned joint ventures, particularly in the power generation area.

Most of them, as I said, are 50-50, with a joint venture partner. And the Cuban enterprise with which it has a contract forms a board, develops a business plan, sets up a business, joint venture. The foreign partner can take its profits after taxes out of the country. And many, particularly in the oil, mining, and some of the areas that I mentioned earlier, are functioning very well.

Mr. RADANOVICH. Thank you, Mr. Chairman.

Mr. RUSH. The gentleman's time has expired.

The Chair now recognizes the gentlelady from Florida, Ms. Castor, for 2 minutes.

Ms. CASTOR. Thank you, Mr. Chairman.

Mr. Thale, in your testimony, you state that some of the countries that currently trade with Cuba use their engagement to promote human rights. Provide an example for us, or a few examples, of what other countries that are currently trading with Cuba are doing to promote human rights in Cuba?

Mr. THALE. Thank you for the question.

The two most dramatic, I think, and most high-visibility examples are Brazil and Spain.

And in the case of Brazil, the President of Brazil visited Cuba last January. He pledged a billion dollars in credit for trade and investment. And it is widely believed, including by U.S. Government officials, that he began a dialogue with the Cuban political leadership about the release of political prisoners and about long-term political relaxation in Cuba itself. And I think it is generally believed that President Lula has continued to raise those issues in all of his and his government's subsequent interactions with Cuba. So, again, I don't think Lula is expecting all 200 political prisoners to be released tomorrow. But I think that is an issue on the table for the Brazilians.

It think Spain, as it's led the European Union's policy shift and re-engagement with Cuba, has had that issue on the table, as well. And I think it's fairly clear that the release of political prisoners for Zapatero and the Spanish Government is an important question. Again, I don't think they are going to have, sort of, "We'll add a new trade deal; you'll release four political prisoners" kind of thing, but I do think you've seen movement on this.

And I think the historic example here, Congresswoman, is that if you look at the period in the year around the Pope's visit to Cuba, when Vatican diplomacy focused on the political prisoner question, there was never any explicit deal made at all, but in that period, the number of political prisoners in prison in Cuba was reduced by about a third.

Similarly, if you look at the period around when President Carter reopened the U.S. Interest Section in Havana, the number of Cuban political prisoners dropped significantly.

So I think the evidence is that you do see movement on these kinds of issues when there is consistent engagement, when there is real interaction, and when you're not looking for, sort of, a precondition or tit-for-tat kind of concessions.

Ms. CASTOR. Thank you.

Mr. RUSH. Thank you.

Ambassador Cason and the other witnesses, I really appreciate your testimony. I must say that I spent 4 hours in meetings with President Raul Castro, an hour and a half at the home of Fidel Castro, and had some extensive conversations with him. And I must agree with your other witnesses, Ms. Rothkopf, Mr. Thale and Mr. Jones—I certainly disagree with you—about the mind of the Cuban people and the mind of Fidel Castro and the mind of Raul Castro as it relates to normalization. I want to just say that,

in conclusion, it was very informative for me, a first-time visitor to Cuba.

With that, the hearing is now concluded. I want to thank the witnesses for your presence. Thank you for appearing before us. And this hearing is now adjourned.

[Whereupon, at 4:26 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

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Statement of Rep. Frank Pallone
House Subcommittee on Commerce, Trade, and Consumer Protection Hearing

Hearing on: Examining the Status of U.S. Trade with Cuba and its Impact on Economic Growth
Monday, April 27, 2009

Thank you Mr. Chairman, for holding this important hearing on U.S. trade with Cuba. My home state of New Jersey has the second highest population of Cuban Americans in the country with more than 80,000 residents.

As Congress moves forward on a strategy for Cuba, I think it's important to note that just 90 miles from our shores, extraordinary men and women are struggling daily against a brutal 50-year-old dictatorship and look to our great nation for solidarity. This committee has an extraordinary opportunity to assist the Cuban people in finally achieving their freedom.

However, I do have some concerns about moving too quickly toward lifting Cuban trade restrictions. The goal of freedom for the Cuban people has long been a U.S. policy of state, supported by Administrations and Congresses of both political parties. This U.S. policy becomes more important each day with the serious illness of Fidel Castro. Bipartisan Administrations and Congresses in the past have insisted that before the U.S. makes any concessions to the Cuban regime, all political prisoners must be freed; all political parties, the free press and labor unions must be legalized; and internationally supervised elections must be scheduled.

Any easing of trade sanctions, without any concessions lessening the oppression of the people by the regime, will serve to strengthen the dictatorship and demoralize the Cuban people.

The government of Cuba does not allow labor to organize and collectively bargain. To change our trade policy with Cuba would be an affront to organized labor. The U.S. would be participating in the exploitation of defenseless Cuban workers. In my view, any discussion of trade should start with strong core labor standards.

Also, it is important that we continue to bring to light the inhuman conditions suffered by Cuba's political prisoners and to call for their unconditional release. This subcommittee has a tremendous opportunity to send a strong message of support to these prisoners. We cannot reward the Cuban government for imprisoning people who are brave enough to fight for democracy. These prisoners are an inspiration, not only for the hundreds of

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thousands of patriots who have been incarcerated for their beliefs, but for the entire Cuban nation.

I look forward to working with the subcommittee on this important issue.

Thank you, Mr. Chairman.

House Energy and Commerce Committee
Subcommittee on Commerce, Trade, and Consumer Protection
"Examining the Status of U.S. Trade with Cuba and its Impact on Economic Growth"
Rep. Jim Matheson – Opening Statement
April 24, 2009

Thank you, Mr. Chairman, for holding this hearing on trade and travel policy between the U.S. and Cuba.

On this issue, I have long held that trade, economic engagement, and cultural exchange are the most effective methods to bring Cuba into the 21st Century, end the Cuban government's grip on its people, and further economic growth here in America.

I have consistently opposed tightened travel restrictions between the US and Cuba, and I am heartened by recent efforts to roll back these onerous regulations.

In this Congress, the recently passed FY2009 Omnibus Appropriations bill provided a number of provisions which go a long way to ease some of the restrictions on travel and trade, but not all.

And, most recently, the Administration announced several significant measures to further ease economic sanctions on Cuba.

Both of these actions go a long way to normalize international relations by lifting restrictions on family travel, re-instating the ability of Americans to send money to family members in Cuba, increasing telecommunications links between Cuba and the US, and expanding the scope of eligible humanitarian actions.

In the past, increasingly stringent restrictions have served to hurt American economic and political interests, rather than hastening the end of the last Communist regime in the Western Hemisphere.

As such, I welcome further stimulation of trade and travel between our nations which will help enable Cuba to become an open, transparent, and active member of the community of nations, while also contributing to the growth of the American economy. Mr. Chairman, I am hopeful that these hearings will build upon recent successes in this area and create progress towards this goal. Thank you.

Statement of the Honorable Joe Barton
Ranking Member, Committee on Energy and Commerce
CT&CP Hearing on "Trade Relation with Cuba and the Effect on Our Economy"
April 27, 2009

Thank you Mr. Chairman for holding this hearing on trade policy with Cuba. I applaud your efforts to assert this Committee's jurisdiction over international trade, and I appreciate the attention that you've been giving to these issues. Given the slow transfer of power from Fidel to Raul Castro and the proposals put forth by the Obama Administration to relax our travel restrictions and our policy on remittance payments—among other changes—this hearing is particularly timely.

I want to say at the beginning that I support our embargo on trade with Cuba, and that it is due not to stubbornness, as some have said, but to the Castro regime that has ignored the rights of the Cuban people. I simply don't believe we should be making money from a country that holds over 200 of its own citizens in

prison for purely political reasons. We do allow humanitarian trade, such as food and medicine, because our quarrel is with the regime and its poor track record, not with the people of our island neighbor. It would be a mistake to fully allow trade with Cuba until the regime commits to allowing the benefits to flow to the people and not to the central government.

The people of Cuba must be free. If and when that time comes, I would welcome their participation in the global economic marketplace as a partner. It has often been said that nothing has done more to lift up the poor and liberalize societies than free trade, but Cuba breaks an otherwise reliable rule. The level of official oppression in Cuba is such that it has been open to other international investment for 50 years without any significant change. The lesson here is that the Castro brothers have an iron grip on their country and will not allow its people to prosper and live as they would like. In order for our policy toward the country to change, the regime must change. We must not give a benefit to

the Cuban government without that government reciprocating with freedom for its people. To go enrich Cuba with expanded trade just now is really to revitalize the Castro government and empower it to further suppress its own people, not to mention that it would be an absolute insult to those Cubans who are in prison for speaking their minds and those who have died at the hands of the tyrannical government.

With all that said, I believe this is an important discussion, and as I said, I applaud your efforts here, Mr. Chairman. My hope is that this discussion focuses not simply on economics and dollars and cents, but on fundamental principles of freedom: the God-given rights of life, liberty and the pursuit of happiness.

Thank you to our witnesses for being here, and thank you again, Mr. Chairman. I yield back.

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