

Possible Impact of Early Biden Administration Cuba Policy on U.S. Agriculture

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In 2016, former President Barack Obama attempted to reset U.S. policy towards Cuba, moving away from isolation and embargo towards engagement and influence. This policy led to a short-lived but dramatic increase in contacts between Americans and Cubans, both through the opening of direct air service and the promulgation of 12 broad categories of permissible visits. The Trump Administration later sought to reverse these efforts, and air service has been drastically reduced and visiting Cuba by U.S. citizens has been curtailed. Already subject to a comprehensive embargo, the limited U.S. business activity with Cuba that had been associated with increased travel also declined precipitously during the past few years. And as a parting shot, President Trump on January 11 redesignated Cuba as a state sponsor of terrorism, thereby reversing one of President Obama's most significant acts that had been aimed at improving relations between the two countries. This redesignation could hinder commercial deals with third countries Cuba relies on to import essential goods, deter foreign investment in Cuba's vital tourism industry and eliminate the availability of a sovereign immunity defense in instances where Cuba is sued in U.S. courts for terrorism-related claims.

One area of commerce between the United States and Cuba that has always been exempt from the overall trade embargo and which, therefore, may nonetheless be ripe for some improvement during the early days of the Biden presidency, even if there are no major changes in U.S. policy towards Cuba, is agricultural trade. Cuba imports about \$2 billion of food each year (80% of its needs), but the exception to the U.S. embargo for food and medicine notwithstanding, Cuba imports only about \$200 million in agricultural products annually from the United States, and nearly all of that is poultry – and, to a much lesser extent, corn and soybeans.

It has been suggested that the U.S. regulations requiring cash payment in advance, sent via third country banks, serve as the principal impediment to the United States garnering a larger share of the Cuban agricultural market. According to Cynthia Thomas, President of Tri-Dimension Strategies¹ and a long-time, leading participant in U.S.-Cuba agricultural trade, however, that is not necessarily the case. Ms. Thomas believes that with the implosion of the Venezuelan economy and the inability of Venezuela to provide petroleum products to Cuba, there is a lot of pressure on Cuba to keep its other creditors and benefactors such as China happy, and so Cuba directs much of its food purchases to them. Moreover, some small U.S. exporters actually find comfort and protection in the government-mandated tight credit terms, since they create a more level playing field vis-a-vis the large companies (including large U.S. companies) in the sector that are more easily able to extend credit. Ms. Thomas contends that even without changes in U.S. credit and payment terms, a modest relaxation of U.S. travel restrictions and the resulting increase in people-to-people relationships will begin to wean Cuba away from its dependence on China, Vietnam and other distant food supplies and inexorably bring about an increase in the export to Cuba of U.S. agricultural products.

A modest relaxation is, nevertheless, all that most observers expect in the near term, as President Biden likely will not want to expend limited political capital early in his tenure on a dramatic return to

Obama Administration Cuba policies. With his poor showing in Miami-Dade County, Florida in the recent election, much has been written suggesting that Mr. Biden is not in a position politically to rescind President Trump's restrictive Cuba policies, with the possible exceptions of allowing greater remittances and family visits, as these ties are favored even by the most staunch anti-communist Cuban Americans.

This analysis might not, however, be totally accurate, according to Paul Johnson and Phil Peters, co-founders of FocusCuba², a firm that has been working with U.S. businesses in Cuba for more than twenty years. They point out that President Obama, after all, won in Florida in both 2008 and 2012, and Hillary Clinton carried Miami-Dade by 30 percent in 2016. Arguably, the poor showing of the Democrats in 2020 in South Florida can be attributed less to opposition to Obama Administration Cuba policy and more to other factors such as a failure to respond to a barrage of Spanish language radio and television ads characterizing Democrats as socialists. Victory for the Democrats in the Georgia Senate run-off elections may have further accelerated the process by bringing about a change in Senate committee leadership. In the view of Johnson and Peters, the Biden Administration may conclude that the risks for rolling back the Trump Administration's restrictions are not as great as some perceive, and in the best case President Biden may return U.S. regulations to where they were in January 2017, before the beginning of the Trump Administration. That would include once again removing the state sponsor of terrorism designation and suspending Title III of the Helms Burton Act, which allows U.S. owners of property in Cuba prior to the Revolution to sue U.S. and third country persons who "traffic" in expropriated property. Still, legislation would be required to relax substantially or eliminate the overall U.S. embargo on trade with Cuba, and that is unlikely, at least for the first year or two of the Biden presidency.

An easy, below-the-radar but still important first step would be for both sides to improve diplomatic and consular facilities. A non-Cuban source of the health issues of U.S. embassy personnel in Havana has reportedly been identified and eliminated, and a return to normal operations of the consular section of the U.S. Embassy would make it a lot less complicated for Cubans to obtain visas to travel to the United States. U.S. persons, including representatives of the agricultural industry, would also be able to travel more easily to Cuba and thus to rebuild the personal relationships on which much business is predicated. By quietly getting their respective diplomatic facilities up to speed and by easing remittances and family visits, and perhaps following with a return to more permissive terms for people-to-people visits, the Biden Administration may succeed in organically creating more favorable conditions for U.S. agriculture to find an increasing number of willing customers in Cuba.

¹ http://www.tristrategies.com/about_us.html

² www.focus-cuba.com