



Statement of the U.S. Chamber of Commerce

ON: “U.S.-Cuba Policy”

TO: United States House of Representatives Committee on Ways and Means, Subcommittee on Trade

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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 the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

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 113 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 Tanner, Ranking Member Brady, and members of the Committee on Ways and Means Subcommittee on Trade. I greatly appreciate the opportunity to speak to the Committee on “U.S.-Cuba Policy.” My name is Myron Brilliant, and I am Senior Vice President for International Affairs at the U.S. Chamber of Commerce. The U.S. Chamber of Commerce is the world’s largest business federation, representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

We applaud recent efforts to ease restrictions on U.S. exports and travel to Cuba as a first step toward a policy more likely to bring positive change to Cuba and the Cuban people. We commend members in both the House and Senate for introducing bills ranging in scope from lifting the travel ban and facilitating the sale of agricultural products to allowing investment in Cuba’s oil fields or definitively lifting the embargo.

Getting U.S.-Cuba policy right matters, first, because our response will send a signal to the wider world about American values and how we help neighbors who have suffered oppression and poverty under a callous dictator. It matters in terms of the refugee crisis that could follow an economic meltdown 90 miles south of Key West.

From the business community’s viewpoint, U.S. policy toward Cuba is an anachronism. The U.S. embargo began in October 1960. Implemented to pressure Castro to democratize, the embargo made a martyr out of a tyrant and actually has helped prop up the Cuban regime. Cuba’s poverty is the direct result of a half century of Marxist mismanagement, but the embargo allows the regime to blame it on Washington. No one seriously argues that the Cuban dictatorship could have withstood five decades of free trade, free markets, and free enterprise, powered by its own entrepreneurial citizens.

Political and economic freedoms 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.” It is on the basis of these values, first, that we support closer economic engagement with Cuba. We are convinced that additional commercial and people-to-people contacts would facilitate a transition to democracy and full civil liberties.

Public opinion has shifted in favor of increased trade and travel to Cuba. Recent polls by Bendixen & Associates indicate an unprecedented turn in the tide in public opinion among Cuban Americans: 59% of the Cuban-American community approves of lifting the travel ban for all Americans and 41% support lifting the embargo. The Cuban-American community also welcomed moves by the Obama administration in early 2009 to ease the embargo.

The Obstacles

The U.S. embargo on Cuba was codified in 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.

In 2000, the embargo was partly eased. Under the Trade Sanctions Reform and Export Enhancement Act (TSRA), the sale of 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 the four years after TSRA, U.S. exports to Cuba rose from less than \$1 million to \$392 million in 2004, and U.S. agricultural products captured 42% of the Cuban market.

In 2005, the Bush administration tightened TSRA's term of cash-in-advance payment to require payment before the goods departed a U.S. port. Subsequently, U.S. agricultural sales to the island decreased by nearly 15%.

As currently interpreted, exporters to Cuba cannot take advantage of private U.S. financing of their sales, direct payments by Cuban banks are prohibited, and all payments must be routed through third-country banks. Given these restrictions, the majority of current agricultural trade with Cuba is done by 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. Indeed, cash-in-advance payment rules leave small and medium-sized enterprises (SMEs) out in the cold when it comes to exporting to Cuba. SMEs generally lack and are reluctant to create relationships with foreign banks, so these requirements create an additional impediment for sales of U.S. products to Cuba.

More broadly, 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 and provide SMEs with access to a much needed market in these difficult economic times.

The Opportunities

U.S. exporters are missing out on significant opportunities. While the Cuban economy is small and underdeveloped, firms from third countries today operate freely on an island that is only 90 miles from our shores and is a natural market for U.S. goods and services. 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 agricultural products.

The embargo forced Cuba to seek out new sources for its domestic consumption. The U.S. International Trade Commission estimated in 2001 that the Cuba embargo costs American exporters up to \$1.2 billion annually in lost sales. This sum has likely grown over the past nine years, a period in which U.S. global exports rose sharply.

Venezuela is now Cuba's main trading partner cornering a quarter of Cuba's total trade; the European Union is a close second with \$2.9 billion in bilateral trade in 2008; China is Cuba's third-largest trading partner, with the two sides generating \$2.1 billion; and 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.

Recent congressional efforts to ease restrictions on agricultural trade to Cuba represent an important first step toward restoring the competitive advantage of U.S. goods and enabling U.S. exporters to recover lost markets. In particular, easing the terms of already legal trade with Cuba — in particular, by applying the commercial term of cash-in-advance payments to require cash on delivery and eliminating the need to go through third-country banks — will have a demonstrable impact on the ability of America's small exporters to access the Cuban market.

The Travel Ban

Cuba is the only country in the world where the U.S. government restricts travel by American citizens, who are able to travel freely even to Iran and North Korea. There is a strong case to be made that additional people-to-people contacts, such as those encouraged by the U.S. government in Eastern Europe during the Cold War, will lead to Cuba becoming more open and democratic. Greater engagement with U.S. citizens, school and church groups, and cultural institutions will benefit many Cubans.

Restrictions on the ability to travel for the purpose of establishing commercial relationships also significantly impacts the ability of U.S. firms to export to 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.

The opportunities for growth and job creation in the travel industry are real for both U.S. business and Cuba. 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. citizens traveling to the island would create a demand for more and higher quality American food products for tourists.

Lifting the travel ban could help thousands of Cubans to improve their standard of living and their economic independence from the state. Cuba's hospitality sector pays significantly higher wages than other sectors. Growth in the job market, higher wages, and increased access to hard currency for the Cuban people in the forms of tips and direct payments from tourists will improve the quality of life of many Cubans.

Additionally, Cuba's small entrepreneurs, artists, taxi drivers, family restaurants, and people who rent rooms in their homes will benefit from an influx of American visitors. These self-employed Cubans, who are licensed by the state, are evidence of the Cuban people's resourcefulness and desire to create a better life for themselves. Lifting the travel ban will allow the American people the opportunity to serve as ambassadors of democracy and freedom and American businesses to spread the values of entrepreneurship and free enterprise.

Conclusion

As proposed by HR 4645, "Travel Restriction Reform and Export Enhancement Act," easing restrictions on agricultural exports to Cuba and lifting the travel ban could result in up to \$365 million in additional sales of U.S. goods, according to a March 2010 study by Texas A&M University. Making it easier for U.S. citizens to travel to the island will result in increased sales of U.S. agricultural products in Cuba as American tourists demand high-quality products and recognized U.S. brands.

Moreover, the Texas A&M study indicates the \$365 million increase in sales would have a total economic impact of \$1.1 billion and create 6,000 new jobs in the United States. Increased agricultural sales to Cuba will benefit not only U.S. agricultural producers, but also agribusiness firms, food processors, business services suppliers, the financial sector, real estate, health care, oil, gas and petroleum suppliers, transportation companies, trade facilitators, and port authorities across the United States.

As noted above, Cuba's poverty is the direct result of a half century of Marxist mismanagement, but the embargo allows the regime to blame it on Washington. It's time to eliminate this pretext for the Cuban government's resistance to positive change. In addition, as the administration seeks new initiatives to increase U.S. exports, easing the terms for agricultural sales represents a no-cost measure that will help create thousands of American jobs.

Business executives understand that real change is often incremental, as with these simple proposals. But in the end, commerce has the power to transform societies. The best path forward would be to lift the embargo, but these simple measures are well worth taking. The journey of a thousand miles begins with a single step.

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