



White Paper

February 15, 2000

The Cuban Economic Embargo: Time for a New Approach? by Thomas J. Donohue

Thomas J. Donohue is President and CEO of the U.S. Chamber of Commerce.

Introduction

- Thank you, Dan (Griswold), for that kind introduction.
- Good afternoon, ladies and gentlemen. It's a great pleasure for me to be here today.
- Today I'd like to talk about why the American business community believes that it is important to lift unilateral economic sanctions against Cuba.
- The embargo hurts those American businesses, workers, and farmers, who would benefit from trading with Cuba.
- It hurts the Cuban people - the embargo provides the perfect excuse for Fidel Castro to explain away his failed centralized economic policy.
- And, the embargo shuts off a critical valve that would help fan the spark of private enterprise that is present in Cuba.
- Finally, unilateral economic sanctions are an affront to the free trade policies that have brought our country and its citizens so much prosperity.

What I Learned

Preface

- As many of you know, I led a delegation of business owners to Cuba last summer.
- So, first I'd like to spend a few moments sharing with you what I learned from that trip, and why the U.S. Chamber is taking a leadership role in the fight to remove America's unilateral trade sanctions and expand free trade worldwide.

- I spent three days in Havana, Cuba in early July of 1999 discussing Cuba's future with a wide range of voices: street vendors, shopkeepers, religious leaders, university students, and President Fidel Castro himself.
- My goals were simple and clear:
- To learn about Cuba's economic condition, and whether a small private sector really does exist;
- To determine what role, if any, the U.S. Chamber of Commerce can play to spur the growth of enterprise in Cuba; and
- To assess the role that American firms could someday play in the economic development of Cuba.
- It was an exciting and illuminating trip. Here's what I learned.

1. Time for a New Relationship

- The first, and most fundamental, thing I learned was this: it's time for the U.S. to begin a new relationship with Cuba.
- Starting a new relationship with Cuba does not mean we withdraw our serious and valid disapproval of the political, economic, and human rights policies of the Cuban government.
- In fact, I expressed our disapproval repeatedly in Cuba.
- But it's our responsibility to nurture the strong entrepreneurial spark that is spreading there. We should work hard to fan that flame. Increasing contact now will speed positive developments in the future.
- But what about Castro, you ask. How will he allow a free market economy - or even a limited one - to flourish?
- I had an illuminating six hour meeting with Castro.
- He has not softened his communist views in the least, and he retains an iron grip on the country.
- But all the same, he acknowledges that there are sectors of his economy that are better handled by the private sector, and this is why he has not yet snuffed out the entrepreneurial spirit.
- So we have to seize this window of opportunity to help Cuba move forward.
- You might ask, why is the Chamber the appropriate institution to undertake this effort? Because we are non-governmental, voluntary, and private sector.
- We have a well-established track record with our 87 AmChams around the world.
- When I was in Cuba, the authorities wanted me to sign an agreement with the Cuban Chamber of Commerce.
- I have nothing against the Cuban Chamber - on the contrary, they are a well-intentioned group. But they represent only the public sector.

- Instead, I made it very clear that it would be our goal to create a working group that would both work with government-owned companies, and foster the budding private sector.
- We reached an verbal understanding. The U.S. Chamber will help provide training and development programs to nurture the Cuban private sector and help Cuban businesspeople, both private and public, succeed.
- Why put so much emphasis on Cuba's tiny private sector? Because change is a two-way street.
- As much as I would like to do away with the embargo, I know our chances are slim if Cuba does not do its share in changing the relationship.
- One thing Cuba must do is allow its private sector to grow. This would help open Cuban society and help the Cuban economy.
- We want to be the catalyst for this change.
- For that reason, we hope Congress will give us a hand and support legislation to exempt food and medical sales from unilateral sanctions as soon as possible.

2. It's Time To Lift the Embargo

- The second thing I learned was that it's time to lift the embargo.
- It's a tragedy that during one of the most exciting and dynamic periods of global economic expansion and technological innovation, the Cuban people have been left out.
- Castro blames the U.S. embargo. No doubt the embargo has contributed to hardship - but it is the lack of private enterprise more than any other factor that has played the greatest role in holding Cuba back.
- When it comes to the Cuban economy, Castro has a perfect excuse - it's the embargo's fault. In fact, Castro needs the embargo as a scapegoat for the abysmally poor Cuban economy.
- Lifting the embargo on Cuba would not only remove Castro's excuse for economic failure, but would also help the Cuban people by providing more economic opportunity and freedom.
- Even just exempting food and medicine from all restrictions on sales to Cuba would be an improvement.
- [Havana Jews and lack of kosher food]
- It would also help American businesses, American farmers, and American workers.
- When Castro finally passes from the scene, and Cuba finally opens up, European and Latin American companies that have already gained a foothold there will be positioned to grow.
- American companies will have missed a great opportunity.
- And let's face the facts: unilateral sanctions almost never work.
- The story is the same all around the world. Time and time again, the U.S. imposes unilateral sanctions that only end up hurting our own people - while providing ammunition to unfriendly regimes.

- Right now, America imposes unilateral sanctions on more than 70 countries across the world, covering almost 70% of the world's population.
- America has imposed unilateral sanctions more than 120 times in the past 80 years, with over half in just the last six years.
- And there are currently over two dozen proposals pending in Congress that would clamp more restrictions on American companies trading abroad.
- This is a failed policy.
- Study after study has shown that unilateral sanctions hurt American workers and do nothing to help achieve American foreign policy goals.
- That's why the U.S. Chamber of Commerce is committed to leading the fight to remove unilateral trade sanctions.
- We understand that change isn't going to be a sprint - it's going to be a marathon.
- But that's even more reason to keep the pressure on, and that's exactly what we're going to do.

3. Trade Education Is Critical

- Finally, the situation in Cuba reminded us how critical education efforts are in promoting and expanding free trade.
- Unfortunately - for a variety of reasons - many people are unwilling or unable to recognize the tremendous benefits brought by free and fair trade.
- It's our responsibility to educate them, and the sooner the better.
- The forces of isolationism and protectionism are gaining ground.
- That's why we are kicking our trade education program - called "TradeRoots" - into high gear:
- We're building free trade coalitions in 66 Congressional districts in 27 states,
- Developing a campaign to use pro-trade governors as spokesmen,
- Establishing a pro-trade information center at the Chamber and at certain state chambers,
- Developing a "grasstops" program in those 27 districts; and
- Arming local media with local and state pro-trade statistics and facts.
- Our trade education program is just one of many aggressive activities the Chamber is engaged in to promote free trade and open new markets.

Conclusion: Join with Us

- In sum I would say this: when it comes to expanding international trade, the U.S. Chamber of Commerce is looking after the future needs of American business - and the needs of people around the world whose standards of living will certainly be raised by more trade.
- When it comes to Cuba in particular, we know that Chamber and American business involvement will bring about positive change over time.
- The century long debate of freedom versus state control is ending, and freedom is winning. Even countries with systems more like Cuba's have added market elements to their economies - like China, Russia, and Vietnam.
- But we have to nourish these efforts, or they will die.
- Throughout the years, the ability for American companies to trade freely with companies in other countries, for American consumers to benefit from the extra choices and lower inflation that trade brings, and for American workers to participate in a dynamic market has made our country the freest and most prosperous in the world.
- The freedom to trade is a fundamental freedom - and we ought to treat it as such.
- That's why we invite you to work together with us so that we may spread freedom, opportunity, and dynamism not only to Cuba, but to everywhere else in the world that it is in short supply.
- Ladies and gentlemen, thank you very much.