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**ECONOMIC SANCTIONS: AN HISTORICAL  
AND CONCEPTUAL ANALYSIS**

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## US/OAS SANCTIONS ON CUBA\* (1962-Present)

### Background to the Sanctions

Almost from the day Castro took power in January 1959, Havana and Washington embarked on courses of action that inevitably led to conflict. The United States was first shocked by the circus-like executions of Batista supporters and then alarmed at Cuban provocations directed against US citizens, property, and policies. The antagonism grew as Cuba became viewed as the vehicle for Soviet encroachment into the hemisphere. [redacted]

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The turning point came with the visit to Cuba of Soviet First Deputy Premier Anastas Mikoyan, who signed a trade agreement with the Cubans on February 15, 1960. The agreement was the first of a series of political, military, and economic understandings that tied Cuba to the USSR. Furthermore, it began the basic reorientation of Cuba away from its traditional US relationship. On May 7, 1960 Cuba and the USSR re-established full diplomatic relations. [redacted]

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With these actions and the attacks against US property and interests, US policymakers decided to impose economic sanctions. A contingency order had already been given in March 1960 for Cuban refugees to be organized, trained, and equipped for possible action.

- o In June, in consultation with high-level US Government officials, the American and British-owned oil refineries in Cuba refused to process crude oil sent from the Soviet Union. (Cuba retaliated by seizing the installations.)
- o In July, President Eisenhower suspended the remainder of the Cuban sugar quota for 1960, which amounted to 900,000 tons out of a total of

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\*The application of economic sanctions was only one set of measures used by Washington in its relationship with the Castro regime. Other measures included military action, covert activities, political pressure, and propaganda, which are not addressed in this paper. [redacted]

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3.1 million tons, worth approximately \$92 million. (The Cubans reacted by confiscating properties of US citizens and companies.)

- o During the same two-month period a coordinated decision was made by the government and US companies to remove key personnel from American plants in Cuba, a measure designed to put the squeeze on Cuba's productive capacity and output. (Despite disruptions, this technical manpower gap was filled by Cubans or foreign specialists. By August, the Castro regime had seized all American properties on the island.) [redacted]

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Following the unsuccessful Bay of Pigs invasion in April 1961, US policy toward Cuba entered a new phase.

- o On February 3, 1962 the Kennedy administration imposed a total prohibition on exports to Cuba except for "foodstuffs, medicines, and medical equipment for humanitarian reasons."
- o On March 23, Washington prohibited imports of merchandise made or derived in whole or part of products of Cuban origin. [redacted]

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Under the Johnson administration, the anti-Cuban measures already instituted by the United States were multilateralized through hemispheric approval and support. In July 1964, the Organization of American States (OAS) voted to establish the following sanctions against Cuba:

- o The severing of diplomatic and commercial relations.
- o The suspension of all trade, direct and indirect, except for foodstuffs, medicines, and medical equipment.
- o The suspension of all sea and air service to and from Cuba.
- o The establishment of passport restrictions on travel to and from Cuba. [redacted]

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Additional sanctions were imposed by the OAS in 1967:

- o The recommendation that government-owned or financed cargoes not be shipped on vessels sailing to Cuba.
- o The general call to Western allies to restrict their trade and financial ties with Cuba.\*

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Most OAS members adopted the sanctions, but many did not rigorously enforce them. [redacted]

\*See Annex for a listing of the specific sanctions imposed. [redacted]

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Objectives of the Sanctions

The initial primary objective of the US sanctions was to remove Castro from power, demonstrated most visibly by the abortive Bay of Pigs invasion. Subsequently, US policy shifted to a combination of economic and political pressures designed to at least neutralize Castro and, at best, cause his downfall. The 1962 missile crisis did not change this thrust. US officials publicly and privately stated their belief that Cuba posed a potentially grave security threat to the United States, directly because of its ties with the international Communist movement and indirectly because of its support for subversive groups elsewhere in Latin America. [redacted]

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The basic structure of the Eisenhower-Kennedy Cuban policy changed little during the Johnson administration. The Johnson administration followed the example of its predecessors by treating the Castro regime as temporary. The United States publicly portrayed the overall goal of its policies to be the establishment of "a truly free and independent Cuba which, under a government democratically chosen by the people, will live in peace with its neighbors."\* US officials also publicly identified four specific goals, indicating that US objectives had become more diverse over time: (1) to weaken the Castro regime; (2) to discredit the Cuban economic model and make Cuba pay a high economic price for its conduct; (3) to contain the spread of Castroism; and (4) to make Soviet support of the Castro regime so costly in political and economic terms that the Soviets would realize the futility of continuing their burdensome commitment there or of assuming similar commitments elsewhere in the hemisphere. [redacted]

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US policy goals toward Cuba did not change significantly during the Nixon

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\* Robert M. Sayre, Deputy Assistant Secretary of State for Inter-American Affairs, "Review of Movement of Cuban Refugees and Hemispheric Policy Toward Cuba," Department of State Bulletin, May 3, 1966, p. 712. [redacted]

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administration.\* Nevertheless, enforcement of the economic sanctions became increasingly difficult. The onset of the Vietnam war had revised Washington's foreign policy priorities and efforts to enforce the embargo became less aggressive over time. The Castro regime not only had demonstrated its staying power but had gradually abandoned its support for revolutionary movement in the hemisphere. Indeed, Havana launched a broad campaign to normalize its economic and political relations with other nations in the hemisphere as well as in Africa, Asia, and Europe. Moreover, the Nixon administration launched its overture to China. [redacted]

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As a result of these events, pressures began to build against continuation of the policy of isolation. In the early 1970s, a number of US Congressmen began urging normalized relations with Cuba. In 1972 five hemispheric nations recognized Cuba, in the face of the OAS ban on relations. In 1974, the United States agreed to permit the first major exception to US embargo regulations by permitting sales to Cuba by US subsidiaries in third countries. Other exceptions followed. [redacted]

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By the mid-1970s, therefore, it had become apparent that the broad application of economic sanctions and other measures aimed at the isolation of Cuba was no longer possible. In August 1975, the OAS passed a resolution that allowed each member to determine for itself the nature of its economic and diplomatic relations with Cuba. The United States voted in favor of the resolution. [redacted]

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#### Economic Impact of the Sanctions

In our judgment, the Cuban embargo, in its early years, was significantly damaging to Cuba's growth and general development. Prior to the embargo, Havana was extremely

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\* See Congressional testimony by administration spokesmen in: U.S. Congress, House of Representatives, Cuba and the Caribbean Hearings Before the Sub-Committee on Inter-American Affairs, Committee on Foreign Affairs (Washington, D. C.: Government Printing Office, 1970); U. S. Congress, House of Representatives, Soviet Naval Activities, Hearings Before the Sub-Committee on Inter-American Affairs, Committee on Foreign Affairs (Washington, D. C.: Government Printing Office, 1971); U. S. Congress, Senate, United States Policy Towards Cuba, Hearing Before the Committee on Foreign Relations (Washington, D. C.: Government Printing Office, 1971). [redacted]

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dependent on trade with the United States (see Figure 1). The loss of this natural trading partner caused serious dislocations throughout the economy. [redacted] 25X1

Havana's hard currency earnings suffered greatly from the loss of the US market for sugar—its major export. Since most large sugar importers had long-established contracts with sugar producing nations, Cuba could not make sizable sales to other hard currency purchasers. With low export revenues from its major crop, Cuba was forced to reduce drastically its imports from the West. Havana turned to the socialist bloc for trade, and by 1965 this group of countries accounted for 76 percent of Cuban trade, up from less than 3 percent in 1957 (see Figure 2). [redacted] 25X1

The rapid shift in the direction of trade caused a multitude of domestic production problems. Probably the single most damaging effect of the embargo was Cuba's inability to obtain the needed spare parts and raw material inputs for its almost entirely (90 percent) US-produced capital stock. Other problems emanated from a lack of complementarity between Cuba's import needs and Bloc export capabilities. Often the kinds of machinery and raw material imports that Cuba needed most were in short supply within the Bloc. Not infrequently, the quality of Bloc imports was unsuitable, either due to poor production processes or because products were unsuitable to the Cuban climate, technological orientations, or methods of use. Hundreds of pieces of Soviet farm equipment were junked because they were designed for continental crops planted in rows of different widths than the Cubans used. [redacted] 25X1

While it is not possible to quantify the cost of the embargo to Cuba, we believe it was at least partially responsible for the decreases in production experienced by Havana during the 1960s (see Table 1).\* Other factors included irrational and inefficient planning systems and the flight of skilled technicians. In addition, the embargo had a significant impact on the Cuban lifestyle since the Cuban people were overwhelmingly dependent on

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\* Recently Cuba has publicly claimed that the embargo has caused total losses to its economy of \$9 billion. [redacted] 25X1

Figure 1  
Cuban Trade with the US

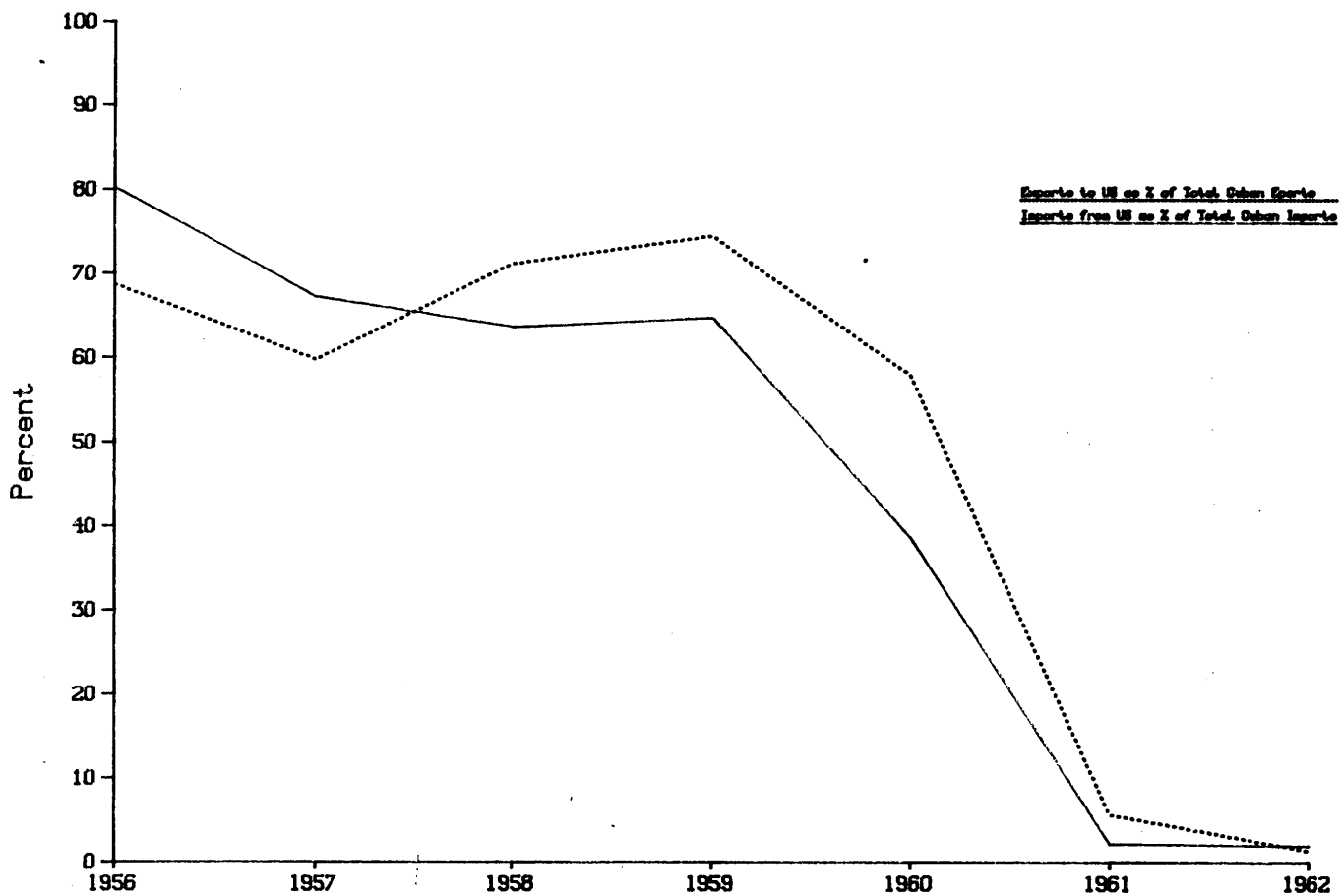


Figure 2  
Total Trade by Major Area

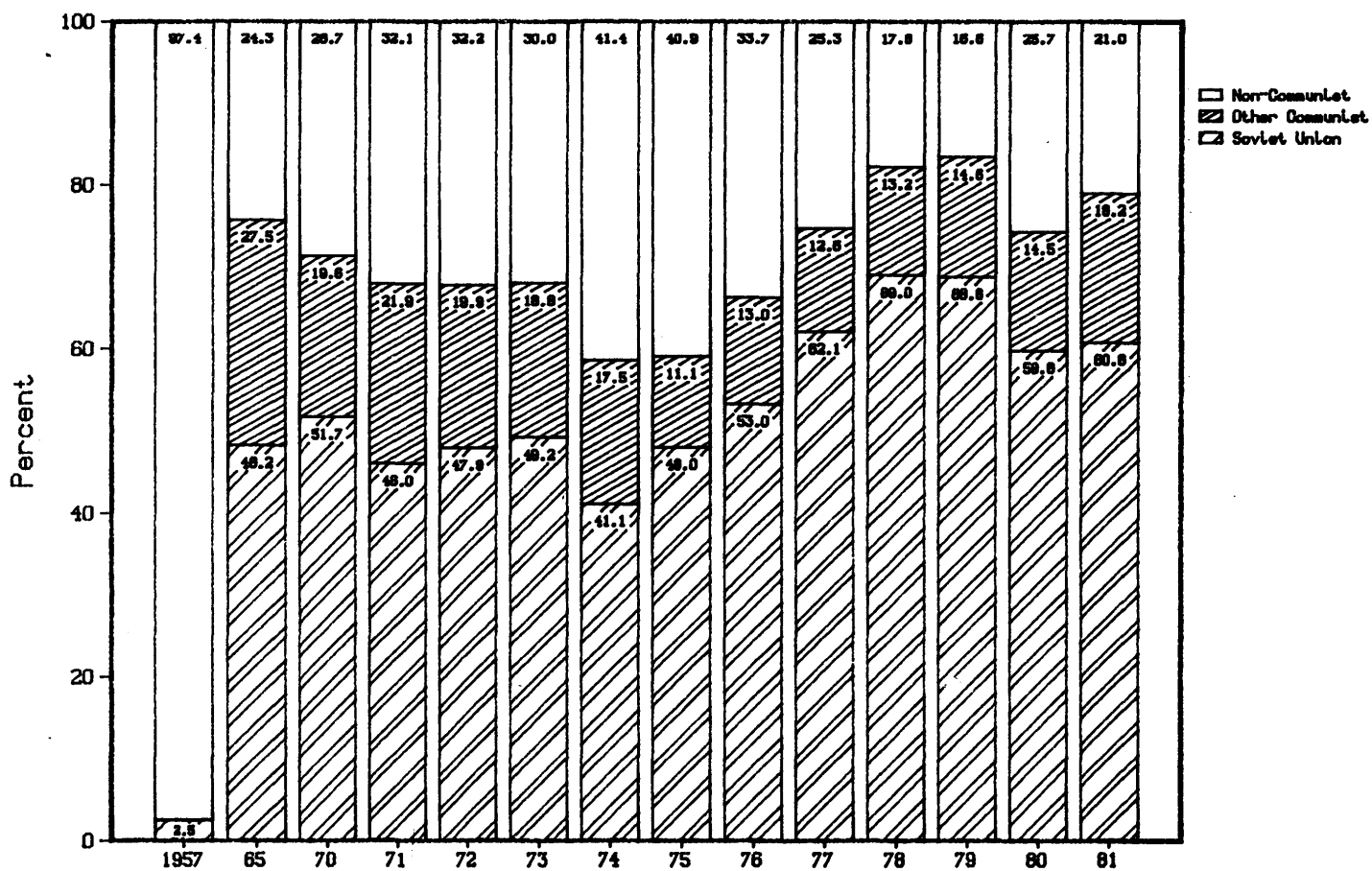




TABLE 1**Cuba: Production of Major Agricultural and Industrial Products**Indices, adjusted for population growth  
1957=100

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Sugar	111.0	77.8	60.4	68.7	93.2
Rice	76.3	72.9	70.3	41.3	16.3
Beans	169.8	156.2	89.6	71.9	55.0
Citrus	47.2	59.8	65.7	69.2	65.7
Beef and Veal	98.1	49.5	54.7	64.6	69.4
Whole Milk	83.6	70.4	68.9	72.7	64.3
Pork	33.2	26.2	25.6	33.2	36.4
Cigars	40.3	70.5	80.8	131.4	136.6
Leather Footwear	21.5	49.3	82.7	87.3	71.9
Detergents	93.1	119.7	89.6	120.8	78.5
Cotton Textiles	155.2	179.3	112.0	156.3	114.7
Paper and Cardboard	217.2	226.4	214.0	227.8	200.8
Cement	124.6	109.6	111.8	108.0	104.6
Nickel	60.9	112.7	96.5	110.7	134.1

US consumer goods and foodstuffs. Domestic production was oriented toward export goods and after the implementation of the embargo imports of consumer goods were severely limited due to reduced foreign exchange earnings. [redacted]

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The effects of the embargo have diminished considerably over time, however. Cuba's capital base now consists largely of Soviet, East and West European, and Japanese machinery and equipment. Consumer goods are more readily available from both the East and from improved domestic production capabilities. In addition, Havana has opened several front companies which enable it to obtain various types of US products, particularly consumer goods. Industrial, agricultural, and transportation activities are all now relatively unaffected by the disruptions and diversions of resources originally associated with the embargo. [redacted]

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The costs of the embargo to the United States were minimal. Washington readily obtained alternate suppliers for Cuban sugar. In addition, US exports to Cuba were small—2.8 percent of total US exports in 1957. [redacted]

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#### Political Impact of the Sanctions

The imposition of sanctions in the 1960s did little to weaken then-Prime Minister Castro's internal political position. Indeed, the benefits probably outweighed the disadvantages. Sanctions implied a grave external threat, which Castro exploited to carry out the radicalization of all Cuban political, economic, and social institutions. In an atmosphere of national peril, most Cubans were ready to accept radical change in a spirit of sacrifice. [redacted]

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Those on whom the economic weight of the sanctions would ordinarily fall directly were no longer of economic or political importance—having either fled the country or been discredited and forced from active political life—or had cast their lot with the revolutionary government and supported its policies. Long after the sanctions had lost their economic impact, the Castro regime continued to extract political capital by blaming virtually every economic problem on them. Even today, Cuba is attributing its

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need for debt rescheduling to the economic damage allegedly wrought by the US sanctions. [redacted]

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Results of the Sanctions

In our judgment, the US and OAS economic sanctions, by themselves or in conjunction with other measures, have not met any of their objectives. We also believe that Western economic sanctions have almost no chance of compelling the present Cuban leadership—mostly guerrilla warfare veterans in power since the late 1970s—to abandon its policy of exporting revolution. Not only are these veterans deeply committed to armed struggle, but they also see revolution abroad as protective of Cuba by redirecting US attention toward regional "hot spots." This is the basis for Che Guevara's theory of "creating many Vietnams." [redacted]

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We believe the current Cuban leadership reacts to sanctions and other external pressures not by reducing foreign subversive adventures but by stepping up such activity. Unless Western pressures coincide with Soviet pressures on Havana, sanctions are not likely to have the desired limiting effect on Cuban policy until the "guerrilla elite" now in control in Havana passes from the scene. [redacted]

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Conclusions

The outcome of the US economic sanctions against Cuba in many ways parallels that of the USSR's sanctions against China.

- o The Castro regime was so committed to its revolutionary policies that it was willing to bear the considerable economic cost of the sanctions.
- o The sanctions provided Castro with a scapegoat for all kinds of domestic problems; in fact, he exploited the threat they posed to gain acceptance of radical changes in all aspects of Cuban society.
- o Cuban adjustment to the impact of the sanctions left the United States with limited economic means to influence Havana's behavior. [redacted]

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In addition:

- o OAS participation in the sanctions did not change the results because their additional economic impact was minimal and enforcement became increasingly lax.

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- o The economic cost to the Soviets of backstopping Cuba were great but not great enough to force their withdrawal of support for Castro.

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[REDACTED]

ANNEX-Economic Sanctions Applied Against Cuba as of 1975

1. The OAS Sanctions (None of these has effect by itself; all need support by laws and regulations of the individual states:)

- Member states are called upon to suspend all trade with Cuba, except for foodstuffs, medicines, and medical equipment; and to suspend all sea transportation between their countries and Cuba except that necessary for humanitarian reasons (under Authority of the Rio Treaty, Resolution 3 of the Ninth Meeting of Consultation of Ministers of Foreign Affairs 1964).
- Recommendation is made that OAS member states deny bunkers and government cargoes to ships in the Cuba trade (under OAS charter, Resolution III 10 of the Twelfth Meeting of Consultation of Ministers of Foreign Affairs, 1967).
- Recommendation is made that friendly non-member governments restrict their commercial and financial operations with Cuba, as well as sea and air transport with that country, especially transactions and transport conducted by state entities (recommendation under OAS charter, Resolution III 2 of The Twelfth Meeting of Consultation of Ministers of Foreign Affairs, 1967).

2. Restrictions on US Citizens and Entities

- Section 620(a) of the Foreign Assistance Act of 1961, as amended, authorizes the President to "establish and maintain a total embargo upon all trade between the United States and Cuba." Although in actual practice provision is made for exceptions for humanitarian purposes, a near-total embargo on such trade is maintained under regulations which include:
- Export Control Regulations. Issued under the authority contained in the Export Administration Act of 1969 (previously the Export control of 1949) and other laws, these regulations prohibit any unlicensed direct or indirect export from the United States to Cuba except for humanitarian shipments of certain foodstuffs, medical supplies and inexpensive gift parcels. This includes parts and components exported from the United States for use in the manufacture of a product for export to Cuba. Licenses are normally not issued.
- Cuban Assets Control Regulations. Issued under the authority contained in Section 5 (b) of the 1917 Trading with the Enemy Act and other laws, these regulations:
- Prohibit the direct or indirect import or export of any property in which Cuba or a Cuban national has any interest.

- Prohibit, without a license from the US Treasury, any vessel under the control of US citizens or their foreign subsidiaries from engaging in the Cuba trade.
- Prohibit American companies that own foreign petroleum installations in their own name from bunkering or having any dealing with vessels registered in or under charter or lease to Cuba.
- Block Cuban assets in the United States, prevent use of US financial facilities by Cuba or Cuban nationals, and prohibit Americans, including those who are officers and directors of foreign subsidiaries of US companies, from engaging in any financial or commercial transaction with Cuba without Treasury license.
- Where there are no American officers and directors, the American company is asked to support US foreign policy by preventing its foreign subsidiary from engaging in such transactions. This "moral suasion" has been successful.
- Transportation Order T-1. Issued under the authority contained in the Defense Production Act, this order prohibits US registered vessels and aircraft from carrying to Cuba any commodity on the United States Positive List, the United States Munitions List, or under the control of the Atomic Energy Commission without appropriate authorization.

### 3. Restrictions on Foreign Citizens and Entities

- Under Section 620 (a) (1) of the Foreign Assistance Act of 1961, as amended: US assistance under the Act is prohibited to the present Government of Cuba and to countries that furnish assistance to that Government. This can be waived if the President determines such assistance is in the national interest.
- Under Section 620 (a) (3) of the Foreign Assistance Act of 1961, as amended: US assistance under the Act shall be terminated to countries that fail to take appropriate steps to prevent ships or aircraft under their registry from carrying any goods to or from Cuba. This can be waived if the President determines it important to national interests.
- Under the Mutual Defense Assistance Control Act of 1951 (The Battle Act): US assistance is prohibited to any country that permits strategic exports to any nation threatening the security of the United States. Cuba was included within the terms of the Battle Act as of November 1962.
- Under Section 103 of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480): US sales of agricultural commodities under Title I of the Act are prohibited to countries that sell, furnish, or permit their ships or aircraft to carry any equipment, materials or commodities to or from Cuba, except that with respect to the selling, furnishing, or transporting of medical supplies, non-strategic raw materials for agriculture and non-strategic agricultural or food commodities, sales agreements may be entered into if the President finds with respect to each such country that such

sale is in the national interest, informs the Congress of his reasons for such finding, and publishes his reasons and findings in the Federal Register.

- Under NSAM-220: Shipments owned or financed by the US Government should not be shipped from US ports on a foreign flag vessel that has called in Cuba since January 1, 1963 unless the persons controlling the vessel give satisfactory assurance that no ships under their control will, henceforth, be employed in the Cuba trade so long as it remains the policy of the US Government to discourage such trade.
- Under the Export Administration Act of 1969: Department of Commerce regulations issued under the authority contained in this Act, prohibit the unlicensed bunkering or servicing in US ports of vessels of Communist countries, including Cuba, or vessels that have been denied access to US Government cargoes by reason of their having been engaged in the Cuba trade since January 1, 1963. In accordance with the recommendation of the Twelfth Meeting of Consultation of Foreign Ministers of the American States, licenses for bunkers are denied to ships that have called in Cuba since September 24, 1967. Additionally, resale by foreign firms of US commodities (including ship stores, plane stores, and bunkers) to Cuba is prohibited unless specifically authorized by the Department of Commerce.

4. The Following is Related to Cuba Directly

- No aid shall be given under the Foreign Assistance Act or any sugar quota given to any government of Cuba except as deemed necessary by the President in the interest of the United States until Cuba pays compensation for expropriated American property.
- Under Section 301 (b) of the Foreign Assistance Act of 1961, as amended: The President shall seek to assure that no US contribution to the United Nations Development Program shall be used for projects for economic or technical assistance to Cuba as long as it is governed by the Castro regime.
- US assistance to Cuba is also restricted under Section 620 (f) of the Foreign Assistance Act of 1961, as amended, which circumscribes aid to Communist countries (specifically including Cuba) unless the President finds and reports to Congress that, 1) such assistance is vital to US security, 2) the country is not controlled by the international Communist conspiracy, and 3) such assistance will promote the recipient country's independence from international Communism. [redacted]

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