

POSSIBLE STEPS TO IMPROVE RELATIONS WITH CUBA

Steps

- 1) Show a warmer attitude here toward the Cuban Interests Section (Need be cleared only in principle with the Secretary) --

We have certainly treated the Cuban Interests Section here courteously and correctly, but, deliberately, there has been a chill. Sally Shelton, for example, was the highest-ranking representative of the Executive Branch at the Cuban reception in May for Alicia Alonso and the Cuban National Ballet; Sanchez-Parodi has been only infrequently received in the Department by anyone above the Office Director level. We could easily alter this state of affairs. It would cost us nothing but would be perceived by the Cubans as a positive gesture on our part.

- 2) Have Fabian Chavez, Assistant Secretary of Commerce for Tourism, visit Cuba (Secretary's clearance) --

The Cubans have several times requested that Chavez visit there. In the final analysis, it is to our advantage that he do so; we wish to emphasize that tourism should be a two-way street, that there should be a flow of Cuban visitors to the U.S. as well as American tourists to Cuba. Chavez would like to make the trip but has been discouraged by State. As in point 1, his visit would cost us nothing but would be perceived by the Cubans as a positive gesture.

- 3) Initiate a new round of Coast Guard talks or talks on co-operation in drug enforcement, or both (NSC approval indicated) --

The Havana round of Coast Guard talks on co-operation in search and rescue in the waters between us was successful. The Cuban side has suggested a second round, and there are, indeed, several aspects of the problem we could profitably discuss again with the Cubans (such as seizure of American vessels). In addition, concomitantly with or rather than Coast Guard talks, it would be interesting to get our DEA people together with the Cuban border guards to discuss ways in which we might co-operate in curbing drug traffic (Cuba lies athwart the main routes from Colombia and Venezuela). DEA is enthusiastic. Further, this strikes me as an initiative to which only the Mafia could object strongly.

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4) Improved telecommunications links (Treasury license required) --

ITT-ATT would like to upgrade their system to Cuba. We have approved small increments - nothing so far over \$100,000 - but ITT-ATT has in mind, at a maximum, a capital investment of some \$20 million. An improved telecommunications link between the two countries is very much in our interests as well as Cuba's. Approval of the remittance of such a sum would be perceived by the Cubans as a warming signal.

5) Baseball exhibition game (Secretary's approval and possibly a Treasury license) --

Fanatic baseball fans that they are, the Cuban public would probably be more interested in an exhibition game, or games, with a big-league U.S. team than in any other aspect of normalization. Symbolically, there would be more bang for the buck in this than in anything else we might do. Further, such an event would tend to emphasize the affinities between our two countries in a way which would serve our long-term objectives (the Soviet Union does not play baseball).

Bowie Kuhn, the Commissioner, has so far rejected the idea of an exhibition game; he has done so by and large, however, because of the lukewarm official attitude. A small nudge from us, through Bill Rogers, would probably change his mind. A Treasury license might or might not be required, depending upon the terms under which the game was played; if needed, a license could certainly be granted.

6) More relaxed view of indirect trade (Administrative action) --

Since 1975, U.S. subsidiaries have been authorized to trade with Cuba so long as not more than twenty per cent of the value of the component parts of the exported product originate in the U.S. The latter ratio is one decided upon informally within the Executive; it is, in short, an in-house rule of thumb. If the political decision were made to do so, we could reach agreement with Treasury and Commerce to take a more relaxed view, to look at each case on its own merits, and possibly to license deals involving considerably more than twenty per cent U.S. origin components.

- 7) Resumption of regularly scheduled air service between the U.S. and Cuba (NSC approval and a routine amendment to the general license for charter flights under the Foreign Assets Control regulations) --

Clearly, this would be seen by the Cubans as an important gesture on our side, yet it could be portrayed here as a simple upgrading from charter to regularly scheduled service for the convenience of American travelers. The idea of again being linked to the U.S. would have an important psychological impact in Cuba of a favorable nature. Further, if people are going to travel, American carriers may as well get in on the business as well as Mexicana or Air Canada.

The amendment to the existing license would be routine once the political decision was made.

- 8) Maritime Links (NSC approval and amendment of the Foreign Assets Control regulations) --

U.S. flag vessels cannot call in Cuban ports. Since there is no trade and we no longer have ocean liners, there has been little pressure to do so. Allowing them to resume calling in Cuba would have symbolic value, however; there might be occasions, moreover, when an American freighter would lift cargo between Cuban ports and those of a third country.

As the reverse side of the coin, we would probably permit Cuban vessels to resume calling in U.S. ports and picking up U.S. cargo for third-country ports.

We could amend the regulations to permit sea links in the same way they were amended to permit a general license for air charters.

- 9) Cultural Exchanges (Secretary's approval) --

The Cuban National Ballet and other cultural groups have performed here. No equivalent American group has performed in Cuba; it would have to be subsidized and, as of April, the Secretary did not think the time was right to use official funds for a cultural exchange program with Cuba.

It might now make sense to consider one. Such a program could be very small, perhaps limited to only two or three groups during the year; this certainly should include a prominent American dance company. For fifteen years Cuba has looked to the Soviet Union for ballet themes and innovations; it is time we gave them a look at something new and different.

10) Lifting the embargo on medicines (A Presidential directive would be required) --

Many consider the embargo on the sale of medicines unconscionable, irrespective of the state of our bilateral relations. Raising it could be presented in terms of human rights considerations. It would be well received by the Cubans and at the same time would rob them of a propaganda instrument to use against us. Further, while we would not wish to put it forward as a strict quid pro quo, we could suggest to the Cubans that we would expect release of some or all of our political prisoners in return.

In this, as in any other step to open direct trade, we must bear in mind that the Beard Amendment to the State Appropriations Bill prohibits the use of any funds to negotiate or conduct trade with Cuba. How binding that is and how much it would restrict is to be determined by L.

11) Lifting embargo on various foodstuffs or other items on an ad hoc basis (Executive Action--see discussion below--and Beard Amendment to be taken into account) --

Removing the ban on sale of medicines to Cuba could be presented as a discrete move motivated by humanitarian concerns. A piecemeal lifting on other products would be more difficult to contain and implement equitably. To throw the door open to importation of any Cuban foodstuff would be to include sugar - and that is the real guts of the embargo. But if we sold rice, why not other specific products; if we imported cigars, what would be our justification for excluding other products?

Further, Castro has stated publicly that Cuba would not buy even an aspirin from the U.S. unless it were

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allowed to sell also; otherwise, he stated, Cuba would not have sufficient foreign exchange to buy anything. Even so, one might suspect that if Cuba could buy, say, rice from Louisiana at considerably less cost than elsewhere, it might quietly do so, with or without export rights to the U.S.

U.S. cash sales to Cuba could be made possible by Executive action. Exceptions to the financial provisions of the Cuban Assets Control Regulations could also be made by Executive action, which would allow private U.S. financing of sales to Cuba. There are legislative restrictions, however, on U.S. government financing of sales to Cuba through CCC or Eximbank (the Jackson-Vanik Amendment to the Trade Reform Act of 1974 precludes such for nations which do not allow their populations to emigrate freely).

Should Cuba ask for reciprocal sales to the U.S., these could also come about by Executive action. Most-favored-nation treatment (there is no tariff difference for sugar or seafood but MFN makes substantial tariff differences for tobacco or rum) would not be possible under Section 620 of the Foreign Assistance Act, or without a bilateral trade treaty. Cuban products entering the U.S. without good-faith negotiations having begun on the expropriations could possibly lead to court actions against the goods by U.S. claimants.

Assuming that we wished to lift on a piecemeal basis, some of the most likely products to be involved are indicated below:

Exports

a) rice - Cuba used to buy most of its imported rice from Louisiana. It still imports about one-third of its consumption, or about 180,000 tons annually. The Soviet Union is a net importer and because of Cuba's strained political relations with the PRC it would probably rather buy elsewhere. Annual exports of some 100,000 tons of rice would represent about \$28 million for the U.S. balance of payments.

b) Black beans, corn, barley, and soybean meal - Cuba imports more than 100,000 tons of beans annually, much of it from the West. Given U.S. freight advantages, a U.S. share of some 50,000 tons would not be unreasonable.

Cuban trade officials have also indicated to U.S. businessmen that they would like to buy about 50,000 tons of barley annually.

They now buy some 300,000 tons of corn each year from Argentina. Given the greater proximity of U.S. ports, some U.S. share of the market could be assumed - though Argentina has the advantage of a trade agreement.

Soybean meal is another feed grain in which the Cubans are interested and in which U.S. producers have a clear advantage.

c) Processed foods - The Canadian subsidiary of Gerbers now sells baby food and formulas to Cuba. These could be supplied from the U.S. on a competitive basis. To the extent the Cuban government is willing to expend scarce foreign exchange on processed foods, there could be substantial sales of these and other processed items from the U.S. Dietetic and other specialty foods would definitely have a small market.

d) Spare parts - By and large, Cuba has made the transition to Soviet and other non-U.S. equipment. Spare parts no longer represent a major difficulty for Cuba. Even so, access to spare parts for the few U.S. systems still operating would be appreciated by them. Some elevators, air-conditioning systems, generators, etc., of U.S. manufacture are still going strong after twenty years.

e) Technology inputs - At present, these can be made only through a U.S. subsidiary and cannot constitute, at a maximum, more than twenty per cent of the total value of the export or installation. We could change that to make it possible for American companies to deal directly with Cuba in this regard. If Cuba wished an American firm to help design and/or build a factory, the latter could do so, including the provision of new technology. This could be closely monitored through the Treasury license system to make certain strategic technology was not involved.

#### Imports

a) Tobacco and products - Few, save U.S. cigar makers, would object to the importation of fine Cuban cigars.

b) Shellfish - Cuba does a thriving export in shrimp, lobster, crabs, and other shellfish. It is most interested in access to the U.S. market and is well set up to provide first-class service. U.S. importers are already interested.