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Who's Doing Business with Cuba, Despite Embargo

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By: Daniel Bukzspan

Despite an economic embargo against Cuba that has existed for a half century, Americans and citizens of US allies routinely conduct business with the country, including trade and tourism.



Grant Faint | Photographer's Choice | Getty Images
Women carrying Cuban flag through Havana streets.

In 1960, the Castro regime seized all American property and industry in Cuba. In response, the United States imposed an embargo against the nation. No American citizens could travel there and no American companies could do business there.

Known to Cubans as “el bloqueo” (“the blockade”), these restrictions were written into US law decades later, as the Cuban Democracy Act, passed by Congress and signed by President Bush in 1992. The goal of the law was to promote “a peaceful transition to democracy in Cuba through the application of sanctions.”

At the time, normalized trade with the US might have been a valuable incentive for compliance with the 1992 law. The Soviet Union, Cuba's primary backer, had collapsed one year earlier, devastating the tiny nation's supplies of medicine, food and oil.

Had Cuba satisfied the law's conditions and adopted a free-market, democratic system, the embargo would have been lifted and essential goods could have been imported from the US, just 90 miles away. But the Castro regime wouldn't budge, and the ban remains in effect.



The consensus among a wide range of journalists and politicians is that the embargo has not achieved its objectives. The fact that it still stands, 50 years later, would seem to support that belief. But while the Castro regime's devotion to Communism has kept the embargo in place, there are other actors offering ways around it.

Many of the provisions of the embargo are bypassed with the help of countries that do business with Cuba, despite their own close ties to the United States. The Netherlands and Canada are Cuba's primary trading partners, and Canadian and European tourists have been regular visitors since the late 1990s.

The Cuban government has been only too happy to help this situation along by allowing direct acceptance of the euro in tourist areas and by waiving conversion surcharges against British pounds and Canadian dollars. As a result, tourism has boomed and America's allies have helped it thrive.

The Cuban-American community also plays a role in the embargo's lackluster results. Despite almost uniform anti-Castro sentiment, **many Cuban-Americans still send money to family** members back home, a practice that has persisted for years.

This activity has been so widespread that in 1993, the Cuban government made the U.S. dollar legal tender. This status was rescinded in 2004, and a 20 percent surcharge is now levied on all US currency conversions. But despite the fees and despite the law, the money keeps getting sent anyway.

Most of these remittances are made through third parties, including money transfer services such as Western Union and **"mules" who hand carry the cash** to Cuba, taking a cut of the money for themselves.



Sven Creutzmann | Mambo
Photo | Getty Images

The embargo still has its true believers, such as **Representative Mario Diaz-Balart**, Republican of Florida, who was born in Havana. "Since the military controls all tourism-related business ventures in Cuba, lifting the U.S. travel embargo would put at least \$5 billion to \$6 billion directly into Castro's hands every year," the Congressman **said in a 2004 op-ed article**.

He added, "To lift sanctions would not only reward Castro's injustices against the Cuban people but also it would further strengthen this dying dictatorship and prevent Cuba from much needed democratic change."

Many people believe that the time has come to abandon the embargo—many of them from Diaz-Balart's own party. George Shultz, who served as Secretary of State under Ronald Reagan believes the embargo should be lifted. And the Cato Institute's Daniel Griswold stated in a June 2009 issue of the Guardian that the embargo "has been a failure by every measure. It has not changed the course or nature of the Cuban government. It has not liberated a single Cuban citizen. In fact, the embargo has made the Cuban people a bit more impoverished, without making them one bit more free."

After a 2006 illness, Cuban president Fidel Castro stepped down and transferred power to his brother Raul, who ushered in some welcome reforms. Electronic devices such as DVD players, computers and cellular phones, all of which were restricted under Fidel Castro, became available for the first time.

In April 2009, President Obama relaxed the embargo, the first time such a change had occurred in nearly a half century. American telecommunications companies are now allowed to operate in Cuba, although the Cuban government has not yet granted them access.

More importantly, prohibitions have been lifted that stopped American citizens from visiting their Cuban relatives. These changes **were harshly criticized by Representative Lincoln Diaz-Balart** (Mario's brother, also from Florida), who characterized the relaxation of restrictions as a "serious mistake [that] provides the dictatorship with critical financial support." However, the changes have gone largely unopposed and they appear unlikely to be revoked.

The embargo against Cuba stays in place after 50 years, but it is observed by the United States alone and

becomes more dubious as the Cold War fades from memory and passes into history. However, it is likely to remain until the Castro regime ends, and is succeeded by a government more open to democracy and free-market principles. When that time comes, the icy relationship between the two nations may finally begin to thaw.

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