

Cuba Series, Part 2: US Sanctions On Cuba?



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In “Cuba Series, Part 1: The Bay of Pigs” (<https://www.cumber.com/market-commentary/cuba-series-part-1-bay-pigs>), I discussed our GIC delegation’s recent visit to the Bay of Pigs Museum in Cuba. I also mentioned the impact of US sanctions. Let’s use this commentary for some deeper details about sanctions.

Sanctions against Cuba were imposed almost immediately after the revolution led by Fidel Castro succeeded in toppling the then existing Cuban government. A young American president, John F. Kennedy, confronted this

regime change. And during the early Castro years he also faced the Cuban-Russian missile crisis, the US blockade/embargo against Cuba, and the Bay of Pigs invasion attempt. At the end of this missive is a resource reading list to help those interested in this history.

Distance measured in years instead of miles has prevailed in the relations between the two proximate countries of Cuba and the United States. At closest distance they are only 90 miles apart.

Many Cubans fled after the Fidel Castro-led revolution. The Cuban American population grew and is now multigenerational. Miami became its epicenter and remains so. All you need is a short visit to see the evidence.

Cuban Americans have succeeded in the US in business and in diverse professional careers. They have flourished in politics. Senator Marco Rubio (R-FL) is an example of a well-known national political person of Cuban heritage. He still uses his anti-Castro political messaging as part of his political style.



As time has passed, a generation of younger Cuban American politicians has evolved. Miami Mayor Francis Suarez is one of them. He has been my guest at the annual gathering in Maine. I recall when he told us how he made his first political ad when he was a young child and sat on his father's knee and said, "Please vote for my papa."

Carlos Curbelo has also joined us in Maine. He served with distinction on the US House of Representatives Ways and Means Committee during his political career. He is an active businessman in Miami.

I have Cuban American friends among the "next generation," which I will describe as the generation after Castro came to power. We have multiple business relationships with Cuban Americans. And I have a personal history of experiences with professional colleagues and friends who fled Cuba as small children. They faced uprooting and distress. Their parents lost nearly everything. They found their way to the US under various conditions of duress. And they remember the experience. I recall a fraternity brother at UPenn in the early 1960s. His family escaped with the clothes on their backs. With him and other fraternity brother friends, we would delve deeply into the details of those events in conversations on Philadelphia's Locust Street in the Phi Kappa Psi Fraternity House.

Segue.

During the stormy period from the Castro victory until the 1990s, the stance of US policy was adversarial. At the same time, Cubans who could get to the US were welcome and many were granted political asylum. Many tried and failed to get to the US, and stories of Cubans drowning in the Florida Straits were not uncommon.

The rules of engagement changed in 1992 with the Cuba Democracy Act, also known as the Torricelli Act or the Torricelli-Graham Bill. It was a bill introduced and sponsored by US Congressman Robert Torricelli and aimed at tightening the US embargo on Cuba (https://en.wikipedia.org/wiki/Cuban_Democracy_Act (https://en.wikipedia.org/wiki/Cuban_Democracy_Act)). It was enhanced and expanded with the 1996 passage of the Helms Burton Act (https://en.wikipedia.org/wiki/Helms%E2%80%93Burton_Act (https://en.wikipedia.org/wiki/Helms%E2%80%93Burton_Act)). Here's a link to the actual text of the act: <https://1997-2001.state.gov/regions/wha/cuba/helms-burton-act.html> (<https://1997-2001.state.gov/regions/wha/cuba/helms-burton-act.html>). As Wikipedia explains, "It extended the territorial application of the initial embargo to apply to foreign companies trading with Cuba, and penalized foreign

companies allegedly 'trafficking' in property formerly owned by U.S. citizens but confiscated by Cuba after the Cuban revolution."

Segue.

Let's do a "fast-forward." On this recent trip to Cuba (January 2024), I again witnessed the results of these ongoing sanctions. Helms-Burton Act provisions were initially a powerful force against Cuba. And in some ways, they still are. That was very visible to this observer. There are many very poor people among the 11 million Cubans still living on the island. About 500,000 have left Cuba in the last few years. In Cuba, the very poor have little money nor access to the process by which to leave. The demographics of Cuba are now an aging population and low birth rate.

But the US sanctions have not changed the governing regime in Cuba. Cuba is still a one-political-party, communist-style, socialist-type government. It is like others of the same governing style. An example is Vietnam, which also fought a war with the US. When you visit the monument to Che Guevara in Cuba or the monument to Ho Chi Min in Hanoi, the temperature inside the mausoleum is equally cold. The guards are equally stern looking, and the rules are the same: no hats on, no photos, no disrespect.



But we have a very different arrangement between the US and Vietnam than with the US and Cuba. So, why can't our relationship with Cuba be like the one the US has with Vietnam? We asked this among ourselves in our GIC delegation discussions.

The difference is that there is no Helms-Burton sanction system with Vietnam. Instead, there is an entrepreneurial system in Vietnam, and the country maintains a peaceful status with its neighbors while it remains a one-party communist-style government with a socialist agenda. Americans and Vietnamese do a lot of business with each other, and both countries benefit.

Here's a question for those who want to keep this Helms-Burton regime in place forever or until the Cuba government is either deposed from within (that seems very unlikely after three decades) or voluntarily changes itself (with the power center at the top of the government, that, too, is not likely). My question is "What is the outcome when the Helms-Burton approach starts failing and no longer accomplishes your goals?" When does one admit that this is an antiquated approach and that there is a need for a newer, better one? Or does one just persist and persist as long as the politics in the US empower you to continue without any attempt for some settlement or resolution? Example: There is no active congressional committee I can find that is involved in the process of negotiation of monetary claims. There are unresolved legal issues that seem to be left hanging like a Sword of Damocles over any effort to change things. Why not start a dialogue? What's to lose when your beginning point is at zero?

And has anyone looked at the terms of the "perpetual" Guantanamo lease?

(https://en.wikipedia.org/wiki/Guantanamo_Bay_Naval_Base

(https://en.wikipedia.org/wiki/Guantanamo_Bay_Naval_Base)) I recommend a reading of this history to gain more understanding of the US-Cuba relationship. Note that since Castro came to power, the Cuban government has not cashed the checks for the annual rent according to what we were told by a Cuba government representative in Havana.

Meanwhile, the sanctions under Helms-Burton, including the most recently reimposed designation of Cuba as a

State Sponsor of Terrorism, by the Trump administration six days before Trump left office and initiated under then-Secretary of State Pompeo, have worsened things for ordinary Cubans and have opened the door to Cuba for business opportunities for non-Americans, both our friendly allies and our adversaries. Remember, Obama had lifted this sanction level in 2015. Trump put it back, and Biden has eased only parts of sanction items.

Let's offer more examples of outcomes.

Here's the website of a new resort hotel complex near Trinidad, Cuba: <https://www.melia.com/en/hotels/cuba/trinidad/melia-trinidad-peninsula> (<https://www.melia.com/en/hotels/cuba/trinidad/melia-trinidad-peninsula>). The owner-operators have hotels throughout the world. I've stayed in them; they are well-managed and comfortable 4- or 5-star properties. Our GIC delegation group could not stay at this one; we could not eat there. Our trip to Cuba was under US sanctions rules and involved a "people-to-people" permission. But that did not include the people at this resort. Here's the Meliá Hotels plan for additional hotels in Cuba: <https://www.hotelnewsresource.com/article126232.html> (<https://www.hotelnewsresource.com/article126232.html>). And here's the report of Meliá's CEO being sanctioned by the US: <https://www.reuters.com/article/idUSL8N2A5505/> (<https://www.reuters.com/article/idUSL8N2A5505/>). Readers may conclude for themselves how well the sanctions are working. BTW, you can do this same exercise for many countries with business involvements in Cuba. I stayed at a lovely Canadian-owned resort on a prior Cuba trip. Note that Americans who get to Cuba via another country can be seen at these resorts and as tourists. Cuba doesn't stamp your passport and doesn't report who enters the country to any American agency.



Segue.

Anti-Cuban government forces in the US articulate lots of negatives about the Cuban regime. You will see them frequently. Few of the positives are mentioned. Example: There is a memorandum of understanding (MOU) between the US and Cuba regarding hurricanes. The US can overfly Cuban air space with hurricane hunter planes as part of a joint effort to combat the risk of severe storm damage. Somehow, I find it absurd that Cuba is in the same category as North Korea or Syria when it comes to sanctions. I find it hard to imagine North Korea giving America permission to overfly its air space for any reason. And I see North Korean missiles being fired over Japan, but I don't see any Cuban missiles flying over Florida.

Instead, I see regular flights between Miami or Tampa to Havana and I see flights between Miami and Santa Clara. I have taken both.

But I also see many other flights landing in Cuba, and not just from Canada or Western Europe.

Here's a photo of the luggage carousel when we arrived at the international airport in Havana. There were two flights actively unloading passengers, clearing them through customs, and transferring luggage. Readers may recognize the American Airlines flight easily. The other is a 13-hour non-stop from Moscow on Rossiya Airlines, operated by Conviasa on either Airbus 340 or Boeing 777-300ER aircraft. A round-trip coach ticket costs about 700 euros. The passengers were mostly going to Cuban resorts.

(https://mcusercontent.com/d6f020f3bd6a1e2c4eb254e6c/_compressed/c91d2b91-0ee2-921c-9172-49600fba4079.jpg)

Cubans use the Russian MIR payments system as one of their alternatives since they are frozen out of the US dollar SWIFT payment system. They declined to answer specific questions about the amounts involved in MIR. But you don't see much in the way of rubles in Cuba. When asked privately, Cuban entrepreneurs don't trust the Russian currency; they prefer dollars. When the Cubans deal with Russians, they want euros, not rubles.

Here's a photo of the price for a bottle of (Chinese) Tsingtao Seaweed Soda Water. The photo was taken at a privately operated, entrepreneurial bird sanctuary famous for the tiny hummingbirds one can see there. Because it's a private business, we were allowed to visit. Note that the water is listed with only two prices, in English at \$1 a bottle and in Russian at 1 euro a bottle. A small group was arriving as our group was leaving. The language I heard sounded like Russian.

(https://mcusercontent.com/d6f020f3bd6a1e2c4eb254e6c/_compressed/f4f3e527-97af-11c4-f96d-9b8dc6f2aa17.jpg)



Go to one of the privately owned *paladares* restaurants for what may surprise you as a really excellent meal. That is permitted. Want a cold sparkling water? I did. No Coca-Cola product being sold here. Nor Pepsi. But the Chinese brand is available.

(<https://mcusercontent.com/d6f020f3bd6a1e2c4eb254e6c/images/6d6c921d-081e-96d0-6982-fd5ea75c802f.jpg>)

Cuban entrepreneurs have even formed a chamber of commerce-type organization. They use it to lobby the government bureaucracy to ease restrictions. We were told that the private-sector, entrepreneurial part of the Cuban economy is up to 15% of GDP and growing constantly. One function at a time, the entrepreneurs are replacing the government-owned enterprises, which cannot compete for all the reasons we know. The Cuban government won't say that state-owned enterprises are failing to keep up with the new entrepreneurial competition, but the same government is expanding the private sector system to allow for more and more private competition.

My takeaway is that there is huge business opportunity here for American public companies and American private business operators of all types. But the sanctions are in the way. Furthermore, the Cuban American business community has an advantage if it seizes it. A mutual language and familial relationships still exist, and some are quite strong. Family connections between Cuban Americans in Miami and family members in Havana are often quite solid economically. I saw several examples with my own eyes.

Can the old guard who are still fighting the Bay of Pigs allow the younger generation to change things? I have no idea. But the opportunity is there. And the Trump sanctions are in the way.

Meanwhile, the rest of the world is taking advantage of the vacuum America has created.

Resource Reading List

Our Woman in Havana: A Diplomat's Chronicle of America's Long Struggle with Castro's Cuba

(<https://www.amazon.com/Our-Woman-Havana-Diplomats-Chronicle/dp/146831579X>), by Ambassador Vicki Huddleston, 2018

The Bay of Pigs: The Untold Story (<https://www.amazon.com/Bay-Pigs-Untold-Story/dp/0671254138>), by Peter Wyden, 1979

Cuba: Between Reform and Revolution (<https://www.amazon.com/Cuba-Between-Revolution-Louis-P%C3%A9rez/dp/0199301441>), by Louis A. Pérez Jr., 2014

Bacardi and the Long Fight for Cuba: The Biography of a Cause (https://www.amazon.com/Bacardi-Long-Fight-Cuba-Biography-ebook/dp/B001E8OW7E/ref=sr_1_1), by Tom Gjelten, 2008

Havana Nocturne: How the Mob Owned Cuba and Then Lost It to the Revolution (<https://www.amazon.com/Havana-Nocturne-Owned-Cuba-Revolution/dp/0061712744>), by T.J. English, 2009

"Cuban Revolution (https://en.wikipedia.org/wiki/Cuban_Revolution)," Wikipedia



"Bay of Pigs Invasion (https://en.wikipedia.org/wiki/Bay_of_Pigs_Invasion)," Wikipedia

"Cuban Missile Crisis (https://en.wikipedia.org/wiki/Cuban_Missile_Crisis)," Wikipedia

One reader's comment on my earlier Cuba, Part 1 missive fits here. Jack wrote:

"Eisenhower was the first US President to start this idiotic policy toward the Cuban government following the overthrow of Batista, after first correctly recognizing the new government. Kennedy had the right philosophy toward the new government, recognizing that Eisenhower was wrong in its policy toward Cuba by viewing our relations and actions only through the eyes of US commercial interests. (But, hey, doesn't that sum up most of our history with Latin America?) However, Kennedy then blew it by failing to follow through with air cover for Bay of Pigs invasion. All this almost brought the US, of course, to World War III.

"Obama correctly understood it's idiotic to have relations with Russia and China, for example, but not with Cuba. Trump idiotically reversed this policy with the risk that one of our enemies will once again make Cuba a military base. If we learned one thing from the Cold War and Eastern (Communist) Europe, it is that light and economic relations are the best disinfectant for authoritarian regimes. Let the light shine in and let's establish normal diplomatic, commercial, and people-to-people relations with Cuba."

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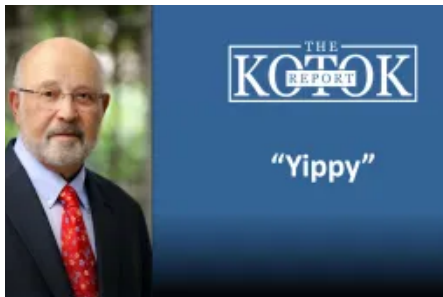
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(<https://kotokreport.com/yippy/>)

“Yippy” (<https://Kotokreport.Com/Yippy/>)

Did Trump pause tariffs announced on April 4 because people were “getting a little bit yippy” or because miscalculations spelled disaster?



(<https://kotokreport.com/tariffs-damn-the-torpedoes/>)

Tariffs — Damn The Torpedoes! (<https://Kotokreport.Com/Tariffs-Damn-The-Torpedoes/>)

On April 4, Jack Farley and I discussed the Trump 2.0 tariffs in depth, and I held nothing back.



(<https://kotokreport.com/trump-tariff-outcome/>)

Trump Tariff Outcome? (<https://Kotokreport.Com/Trump-Tariff-Outcome/>)

Does the Trump bear market bring the S&P 500 Index down to 4000? Does it result in a drop of S&P earnings (2025–2026) down to the \$200–\$220 range?



(<https://kotokreport.com/dt-2-0-tariffs/>)

DT 2.0 Tariffs (<https://Kotokreport.Com/Dt-2-0-Tariffs/>)

I asked expert David Blond why Trump and Co. selected a bizarre and discredited approach to create its trade deficit formula.

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