U.S. Dairy Export Council

BACKGROUNDER

Trade with Cuba

Background: In 2000, the Trade Sanctions Reform and Export Enhancement Act (TSRA) authorized agricultural exports to Cuba with payment of cash in advance or third-country bank letters of credit. Such cash-based sales were working well until February 2005 when the Treasury Department’s Office of Foreign Assets Control (OFAC) issued a rule that defined “payment of cash in advance” as payment prior to shipment of goods. This interpretation brought all cash-based sales to a halt, making the cash in advance provision useless and undermining Congress’s earlier intent to facilitate agricultural sales to Cuba.

The omnibus appropriations bill enacted in March 2009 contained a provision designed to reverse that OFAC decision and free up cash sales again. However, in order to gain needed support for the bill from a handful of Senators -- who oppose freer trade with Cuba -- the Administration promised them that the provision would be interpreted such that no real change would occur. An announcement to that effect was issued by OFAC on March 11. Subsequently, a group of Senators sent a letter to Treasury Secretary Geithner expressing concern that Treasury's decision will continue to severely limit sales of U.S. agricultural products to Cuba in clear contradiction of congressional intent.

The U.S. International Trade Commission found that removing U.S. export restrictions would increase the annual U.S. share of Cuba's agriculture imports to as much as nearly 70 percent. This represents an annual boost of over $300 million in U.S. agriculture sales, according to the ITC.

USDEC Position: USDEC supports agricultural trade with Cuba and has worked to encourage the Treasury Department to abide by the Congressional intent in TSRA rather than creating unneccesary barriers to U.S. agricultural exports.

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