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Havana Lacks Hard Currency

# Financing a Big Problem In Any U.S.-Cuba Trade

Reuter

CHICAGO—A shortage of hard currency will be the biggest stumbling block to Cuban-U.S. trade once the American embargo is lifted, according to businessmen who visited the island recently.

In a Reuter survey, a number of the 42 corporate executives who made the trip agreed with Robert A. Schoellhorn, president of Abbott Laboratories, that "Cuba is as interested in finding ways to sell to the U.S. as it is in buying from the U.S."

Frank J. Merrill, vice president-international for Barber-Greene Co., remarked that the Cubans "told us they don't have big vaults or hard currency around just to buy products."

"They have a very acute hard currency problem and owe the West about \$1.3 billion," added William Harper of International Harvester Co., the big farm machinery firm.

Trade with Cuba has been barred to Americans since the two countries broke off relations in 1961. But earlier this year, Havana and Washington agreed to exchange low-level diplomats in each other's capitals to work on mutual problems.

Some observers believe the U.S. trade embargo with Cuba may be lifted soon, but among the thorny issues to be resolved first, in the view of the businessmen surveyed, are immigration and emigration, Cuba's involvement in Africa and, most important, about \$1.8 billion of American assets seized 17 years ago and never paid for. Inflation and interest have nearly doubled that figure, according to Richard Higgins of Bell and Howell.

Heading the list of possible exports is sugar, followed by rum and cigars, nickel, copper and seafood, including shrimp and lobster much praised by the returning U.S. executives.

They said that high on Cuba's shopping list once trade resumes are industrial and agricultural equipment and technology and equipment for their metals industry. The Cubans

also will seek car and truck parts, computers, health care products and photographic equipment, among many others.

Cuba's trade with non-Communist countries, such as Canada, the Netherlands, Argentina, and Japan, is about 30 to 33 per cent of the total, with the rest going to the East European and Soviet bloc. The U.S. executives were told by Cuban officials that trade with non-Communist countries will never be more than one-third of the total.

But, the Americans surveyed were confident that once the embargo is lifted, Cuba will actively seek U.S.-made products and American firms will be able to capture as much as 50 per cent of Cuba's non-Communist trade.

Given American companies' natural advantages of proximity and past product inroads, financing looms as the major problem in resumed trade.

Much of Cuba's trade with Soviet bloc is based on special pricing relationships such as the Soviet Union's agreement to buy sugar from Cuba at about 30 cents a pound, well above the current 8-cent-a-pound world price. The Soviets also sell oil to Cuba at about half the world price.

In many cases, this trade is done on a barter basis with no money actually changing hands, the executives said.

With a debt of more than \$5 billion to the Soviet Union, "Cuba is really handcuffed by its present trade agreements" said Higgins of Bell and Howell. But, he said, "I am convinced they want to trade outside the Communist bloc."

Most of the U.S. businessmen said they were interested only in hard currency payments. But the Cubans had proposed financing through an "unconfirmed letter of credit"—a kind of moral obligation that would be deposited in a U.S. bank and backed by the National Bank of Cuba.

Several executives took a dim view of this idea and questioned whether American banks would accept such a document or give it its full value.