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APPROVED FOR RELEASE  
DATE: AUG 2007

12 April 1977

EO 12958  
3.3(b)(6)>25Yrs  
(C)

SUBJECT: Political and Economic Impact on the US of Delay in  
Normalization of Relations with Cuba

1. We do not believe that a delay in normalizing our relations with Havana would have any significant effect on US political or economic interests. Many of our friends [redacted] would be concerned and disappointed, and some would join Third World leaders in public expressions of disapprobation. In Latin America, the Cuban issue has declined in significance since the OAS decided in July 1975 to allow all member states freedom of action in establishing relations with the Castro Government. Now Cuba is well on its way to reintegration in regional affairs, and the Latin Americans are focusing on their bilateral problems with Washington -- they are not overly concerned about our relations with Havana. Some of the more conservative military governments in South and Central America would be pleased to see us maintain the status quo toward Cuba. [redacted]

2. The Cubans would respond to a delay in normalizing relations by stepping up their propaganda campaign against the US; they would press hard on the Puerto Rico independence issue in the UN and other international fora, and they might choose to mount a major public campaign against the US presence in Guantanamo. If the SR-71 missions were resumed, the Cubans would most likely harass the flights. Havana would not, however, revoke agreements which are in its interests -- such as a maritime boundary settlement or a renewed hijacking treaty. It would require a major incident -- such as the bombing of the Cubana aircraft last October -- to cause Havana to annul or suspend these agreements.

3. On the economic side, even with normalization, Havana's hard currency balance-of-payments problems and its reluctance to become dependent on the US will restrict commerce. Annual US sales to Havana through 1980 would be limited to \$300-\$400 million at most -- less than three percent of total US exports to Latin America and roughly equivalent to US markets in Ecuador, Guatemala, or Panama. US foodstuff producers and small manufacturers would have to forego this small new market, but multinationals could continue trading with Havana through their foreign subsidiaries. Failure to gain access to Cuban sugar would have little impact on US consumers, since competing exporters will absorb most of Cuba's transportation advantage as long as there is a sugar surplus on the world market. While transportation differentials could be important for US nickel consumers, most current Cuban production is committed, and new capacity will not come on line until the 1980s.

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