

2017

US-Cuba Trade and the Challenge of Diversifying a Sugar Economy, 1902-1962

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Recommended Citation

Deere, Carmen Diana (2017) "US-Cuba Trade and the Challenge of Diversifying a Sugar Economy, 1902-1962," *Florida Journal of International Law*: Vol. 29 : Iss. 1 , Article 9.

Available at: <http://scholarship.law.ufl.edu/fjl/vol29/iss1/9>

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**U.S.-CUBA TRADE AND THE CHALLENGE OF
DIVERSIFYING A SUGAR ECONOMY, 1902–1962***

*Carmen Diana Deere***

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I. INTRODUCTION

Prior to the Cuban Revolution of 1959, Cuban exports to the United States held a privileged position in the U.S. market. Many of Cuba’s exports received at least 20% less in duties than competitors and after 1934, Cuba’s main export—sugar—had a guaranteed quota in the U.S. market. Yet Cuban and U.S. scholars alike criticize these trade agreements—specifically the Reciprocity Convention of 1902¹ and the Reciprocal Trade Agreement of 1934²—as having condemned Cuba to a monoculture economy. For example, Zanetti argues that as a result of the Reciprocity Convention, “the monoculture nature of the Cuban economy was accentuated to the point that it was deformed.”³ Steward, referring to

* Paper presented to the University of Florida and University of Havana Conference on Law and Policy in the Americas, May 9–10, 2016, Havana, Cuba.

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1. Commercial Convention Between the United States and Cuba, Cuba-U.S., art. II, Dec. 11, 1902, 33 Stat. 2136, 2137 [hereinafter 1902 Reciprocity Convention].

2. Reciprocal Trade Agreement between the United States of America and Cuba, Cuba-U.S., Aug. 24, 1934, E.A.S. 67 [hereinafter Reciprocal Trade Agreement of 1934]; *see also* U.S. DEP’T OF AGRIC., FOREIGN AGRIC. BULL. NO. 2, THE AGRICULTURE OF CUBA 39 (1942) [hereinafter AGRICULTURE OF CUBA].

3. OSCAR ZANETTI, LOS CAUTIVOS DE LA RECIPROCIDAD 89 (2003).

the 1934 Treaty, concludes “monoculture, not viability was the chief result of the treaty.”⁴

Moreover, critics contend that the treaties led to U.S. capital dominating Cuba’s sugar industry, and that U.S investors in Cuba, along with mainland sugar refineries, gained the most from the treaties. In addition, the treaties did little to diversify the Cuban economy, instead maintaining the country’s food dependence while discouraging its industrial development. Further, what little export diversification was achieved, such as the development of non-traditional agricultural exports, was insignificant and provided few benefits to Cubans.

This paper considers the latter charge—the extent to which these trade agreements facilitated the development of non-traditional agricultural exports and whether that development only benefitted U.S. interests. A considerable literature has examined the first two issues.⁵ But the question of export diversification has not yet been examined in much depth. I do so here by undertaking a detailed analysis of Cuba’s non-sugar and tobacco exports (NST) to the United States, focusing on the development of non-traditional exports of fruits and vegetables.

I show that in response to the favorable duty treatment provided by the 1902 Reciprocity Convention, non-traditional agricultural exports grew rapidly and that this increase was largely the initiative of American colonists in Cuba. However, by the 1930s, the colonies were in demise, and the export of these crops had largely passed to Cuban producers. Moreover, after the 1934 treaty granted Cuban fruits and vegetables exports further duty-free treatment, Cuba became the main foreign supplier of a variety of vegetables to the United States, complementing its already-existing dominance in grapefruits and pineapples. In addition, Cuba developed its fruit and vegetable processing industry during this period, which also contributed to it further diversifying its exports. Nonetheless, over this period, Cuban exports of NST fresh and processed agricultural products never amounted to more than 4% of Cuba’s total exports, largely because of the continued dominance of sugar exports.

The next Part presents an overview of the two trade treaties. After this overview, I analyze the development of fruit and vegetable exports to the United States up until the early 1920s as well as the rise and decline of the American colonies in Cuba. The subsequent section considers the

4. DICK STEWARD, *TRADE AND HEMISPHERE: THE GOOD NEIGHBOR POLICY AND RECIPROCAL TRADE* 111 (1975).

5. See, e.g., LELAND HAMILTON JENKS, *OUR CUBAN COLONY: A STUDY IN SUGAR* (Arno Press 1970) (1928); ARTHUR MACEWAN, *REVOLUTION AND ECONOMIC DEVELOPMENT IN CUBA* (1981).

impact of the 1934 Reciprocal Trade Agreement, the development of Cuba's processing industry, and the trajectory of non-traditional exports until the U.S. embargo on Cuba was imposed. The concluding section considers why the trade agreements alone did not have a broader impact on the diversification of Cuban exports.

II. THE RECIPROCITY TREATIES

The 1902 Reciprocity Convention between the United States and Cuba was a quid pro quo for Cuba's agreement to include the infamous Platt Amendment in its 1902 Constitution. The Platt Amendment spelled out eight conditions deemed necessary to withdraw U.S. military forces from the island after the Cuban-Spanish-American War and to transfer sovereignty to the Cuban people.⁶ Among them was the right of the United States "to intervene in Cuban affairs in order to defend Cuban independence and to maintain 'a government adequate for the protection of life, property, and individual liberty.'"⁷ Notwithstanding considerable opposition, the Cuban Constitutional Convention acquiesced when the McKinley administration "promised them a trade treaty that would guarantee Cuban sugar exports access to the U.S. market."⁸

The 1902 Reciprocity Convention maintained duty free access to the U.S. market for those products that at the time were being imported from Cuba free of duty; and it granted Cuba a special 20% reduction on the duty rates provided for in the 1897 U.S. Tariff Act.⁹ In return, Cuba ceded to the United States a similar guarantee to maintain existing provisions for duty free access for certain items, and duty reductions of 25% to 40% on a range of products that Cuba imported at the time.¹⁰

The main Cuban agricultural exports that entered the U.S. duty free at this time were cacao, coffee, bananas and plantains, and coconuts.¹¹ For a brief period in the early 1890s, sugar and molasses had been on the

6. Act of Mar. 2, 1901, 31 Stat. 895, 897.

7. *The United States, Cuba, and the Platt Amendment, 1901*, U.S. DEP'T OF STATE, <https://2001-2009.state.gov/r/pa/ho/time/ip/86557.htm> [<https://perma.cc/BK78-P2JV>] (last visited July 27, 2017) (quoting Act of Mar. 2).

8. *Id.* See also ZANETTI, *supra* note 3, for a detailed treatment of those in favor and against the Platt Amendment and the Reciprocity Convention both in Cuba and in the United States.

9. 1902 Reciprocity Convention, *supra* note 1, at art. II.

10. *Id.* at art. IV, scheds. A–D.

11. U.S. DEP'T OF COMMERCE & LABOR, ANALYSIS OF THE FOREIGN COMMERCE OF THE UNITED STATES, SHOWING THE PRINCIPAL ARTICLES FORMING THE TRADE OF THE UNITED STATES WITH THE VARIOUS COUNTRIES OF THE WORLD IN EACH YEAR FROM 1895 TO 1905, at 76–77 (1906).

free list, but the 1894 Wilson-Gorman Tariff Act rescinded this status.¹² Thus, the primary immediate benefit to Cuba from the 1902 Reciprocity Convention was the 20% reduction on the duty on sugar, which allowed Cuba's main export to gain market share. Cuba's share of U.S. sugar imports increased from 35% in 1900–03, to 91% a decade later, and to 98% by 1922–25.¹³ The European sugar beet industry and the Dutch East Indies and British West Indies cane sugar exporters suffered most of the loss.¹⁴

The 1913 Underwood-Simmons Tariff Act sharply lowered U.S. tariffs across the board, and provided an additional incentive for production and export of non-traditional commodities from Cuba.¹⁵ However, this potential stimulus was relatively short-lived. The Fordney-McCumber Tariff Act of 1922 raised the average duty on all U.S. imports to 14% from the 9.1% that had prevailed under the Underwood-Simmons Tariff Act.¹⁶ Then, the Smoot-Hawley Tariff Act of 1930 increased duties to the levels prevailing at the beginning of the century, with the average duty reaching 19.6% in 1932.¹⁷ As partial cause and consequence of the Great Depression, trade between the United States and Cuba as well as global trade subsequently contracted severely.

The 1934 Reciprocal Agreement between the United States and Cuba was one of eleven reciprocal agreements with Latin American countries (out of a total 16 such agreements) that the United States negotiated between 1934 and 1940 with the explicit aim of increasing U.S. exports.¹⁸ Although not the initial intent, these reciprocal agreements have come to be seen as the economic arm of Roosevelt's Good Neighbor policy in the hemisphere, a policy initiative that provided many Latin American countries with a potential way out of the Great Depression through increased trade. The rationale responded as much to the deteriorating U.S. trade position in the region as to Latin America's falling purchasing power.¹⁹

12. ALFRED E. ECKES, JR., *OPENING AMERICA'S MARKET: U.S. FOREIGN TRADE POLICY SINCE 1776*, at 74 (1995); *see also* Tariff of 1894, 28 Stat. 509, sched. E.

13. U.S. TARIFF COMM'N, *THE EFFECTS OF THE CUBAN RECIPROCITY TREATY OF 1902* tbl.12 (1929).

14. *See, e.g., id.* at tbl.13. Cuba also supplied a growing share of U.S. domestic consumption requirements. While sugar imports from Cuba more than doubled between 1910–13 and 1922–25, supplies from the non-contiguous territories of Hawaii, Puerto Rico, the Virgin Islands and the Philippines grew by only 42% over this period. *See id.* at tbl.12.

15. ECKES, *supra* note 12, at 85.

16. *Id.* at 88, 107 tbl.4.1.

17. *Id.* at 107 tbl.4.1.

18. STEWARD, *supra* note 4.

19. *See id.* at 21. Between 1929 and 1932 the value of U.S. exports to the region declined

The reciprocal agreement with Cuba was the first that went into effect and it differed from others negotiated in this period in that it maintained Cuba's special trading relationship with the United States and it did not include most-favored-nation treatment. Hence, the negotiations for the Cuban agreement did not have the objective of promoting freer world trade as did the other agreements, but rather, the Cuban agreement focused specifically on bilateral concessions aimed at containing economic and political instability.²⁰ As a monoculture economy dependent on sugar exports for foreign exchange, the Great Depression and the associated fall in the price and volume of sugar exported hit Cuba particularly hard. Whereas in 1924 Cuba had been the United States' sixth largest export market, by 1933 it ranked sixteenth.²¹ Moreover, U.S. investments in Cuba were exceeded only by U.S. investments in Canada.²² As Steward argues, "The United States was well aware that Cuba needed stability and prosperity to safeguard U.S. investments in Cuba."²³

Negotiations over the trade agreement took place as the U.S. Congress was once again revising U.S. sugar policy. The May 1934 Jones-Costigan Act assured Cuba a fixed quota of 1.9 million short tons of sugar in the U.S. market and reduced the duty for Cuban sugar from that stipulated in Smoot-Hawley of 2 cents to 1.5 cents per pound.²⁴ The final U.S.-Cuba Reciprocal Trade Agreement of September 1934 included a further concession on sugar, reducing the duty to 0.9 cents per pound.²⁵

Besides reaffirming Cuba's 20% duty preference granted in the 1902 Reciprocity Convention, the 1934 treaty gave many Cuban fruit and vegetable exports even greater preferential treatment during the U.S. winter season, providing minimum concessions of from 40% to 50%.²⁶ A few products received an additional duty concession year-round, such as

by 78%, while imports from Latin America declined by 68%. Besides the decline in the absolute volume of trade, the sharp fall in price of many Latin American export commodities also eroded its purchasing power. *Id.*

20. *Id.*

21. *Id.* at 89.

22. *Id.* at 93.

23. *Id.*

24. *Id.* at 107.

25. *Id.* at 108.

26. Reciprocal Trade Agreement of 1934, *supra* note 2, at sched. II. Cuba's vegetables could be planted earlier than in Florida and Texas, thus provisioning the U.S. market when domestic supplies were low. This pattern had already developed prior to the Reciprocal Trade Agreement. Roberta P. Wakefield, *Some Factors in Cuba's Foreign Trade*, 13 *ECON. GEOGRAPHY* 109, 109-125 (1937).

the 40% reduction on Cuban pineapples and a 50% reduction on processed fruit.²⁷

Cuban concessions to the United States included a reduction in the duty on food items such as meat, lard, vegetable oils, wheat flour, rice and potatoes.²⁸ According to Steward,²⁹ Cubans thought Cuba gave up too much, since the agreement stood to ruin its lard and oil industries, and because the negotiators failed to regain a quota on Cuban tobacco in the U.S. market.³⁰

The U.S. Sugar Act of 1937 for the first time created a fixed quota system based on total U.S. consumption requirements, and it allotted Cuba allotted 28.6% of the U.S. market.³¹ According to Steward,³² this quota amounted to about the same share of Cuban raw sugar but slightly less of its processed sugar exports. The Cuban government then lobbied for a further reduction in the sugar duty and a restoration of the tobacco quota that it had failed to gain in 1934.³³ These negotiations resulted in two additional amendments to the 1934 Reciprocal Trade Agreement, in 1939 and 1941, which further lowered the duty on Cuban raw sugar and provided some concessions on tobacco; these amendments also gave further duty reductions to some U.S. exports to Cuba.³⁴

In the post-World War II period, one of the main U.S. objectives was to achieve a general liberalization of global trade through the General Agreement on Trade and Tariffs (GATT), negotiated by 23 countries in 1947.³⁵ Cuba understandably worried that it would lose its special preferences in the U.S. market. As a condition of its joining GATT, Cuba negotiated an exclusive 1947 agreement with the United States that supplemented GATT maintaining most of its preferences, and that even reduced duties further on raw sugar and a number of other items.³⁶ Through the Torquay Trade Agreement of 1951, which was linked to meeting the provisions of GATT, Cuba benefited from a lowering of U.S.

27. Reciprocal Trade Agreement of 1934, *supra* note 2, at sched. II.

28. *Id.* at sched. I.

29. STEWARD, *supra* note 4.

30. See ZANETTI, *supra* note 3, for a similar criticism and a more detailed analysis of the impact on Cuba of the U.S. sugar policy.

31. ROBERT F. SMITH, THE UNITED STATES AND CUBA: BUSINESS AND DIPLOMACY, 1917–1960, at 168 (1960).

32. STEWARD, *supra* note 4, at 115.

33. *Id.* at 115–22.

34. Reciprocal Trade: Second Supplementary Agreement and an Exchange of Notes Between the United States of America and Cuba, Dec. 23, 1941, E.A.S. 229; Reciprocal Trade: Supplementary Agreement and an Accompanying Protocol Between the United States of America and Cuba, Dec. 18, 1939, E.A.S. 165, at 8–10.

35. General Agreement on Tariffs and Trade, Oct. 30, 1947, 61 Stat. A-11.

36. SMITH, *supra* note 31, at 168.

tariffs on many of its exports and modifications of tariff concessions it had previously granted the United States.³⁷

Another important change in the post-WWII period was in the method of calculating the U.S. sugar quota allocation. The U.S. Sugar Act of 1948 provided for fixed annual quotas for U.S. domestic producers and territories then allocated the remaining amount of projected U.S. consumption according to percentage quotas.³⁸ Cuba received 98.6% of this remainder, subject to a guaranteed floor of 28.6% of total U.S. consumption requirements.³⁹ Congress renewed this system in 1952 and 1956, thus continuing to favor Cuba above other global producers until July 1960, when President Eisenhower eliminated Cuba's sugar quota for the remainder of that year.⁴⁰ Then in October 1960 the United States declared an embargo of Cuba (except for food and medicine),⁴¹ and in January 1961 cut diplomatic relations with the island. The United States formally rescinded the 1902 Reciprocity Convention in August 1963.⁴²

III. THE DEVELOPMENT OF CUBA'S NON-TRADITIONAL AGRICULTURAL EXPORTS

American colonists in Cuba largely initiated production of citrus, pineapple, and winter vegetables for the U.S. market.⁴³ Spurred by the political stability promised by the Platt Amendment and the economic incentives of the Reciprocity Treaty, and facilitated by the great number of U.S. land companies that rushed to buy land in Cuba during the U.S. occupation,⁴⁴ by the end of the teens there were around 80 American colonies in Cuba.⁴⁵ While citrus producers largely concentrated in the

37. *Id.*

38. *Id.*

39. *Id.* at 169.

40. *Id.*

41. 25 Fed. Reg. 10,006–13. Congress authorized a complete embargo of trade with Cuba in September 1961, 75 Stat. 444 (1961), and by February 1962 almost all imports from Cuba had ceased, 76 Stat. 1446, Pres. Proc. No. 3447.

42. 6 CHARLES I. BEVANS, *Reciprocal Trade, in TREATIES AND OTHER INTERNATIONAL AGREEMENTS OF THE UNITED STATES OF AMERICA 1776–1949*, at 1198 (1968).

43. See, e.g., LEIDA FERNÁNDEZ PRIETO, *CUBA AGRÍCOLA: MITO Y TRADICIÓN, 1878–1920*, at 263–64, 295–96 (2005). The colonies are referred to in the literature as the “American colonies,” because the majority were made up of U.S. emigrants, but they also included Canadian, British, German, and Scandinavian settlers. See also GEORGE RENO, *CUBA: WHAT SHE HAS TO OFFER TO THE INVESTOR OR THE HOMESEAKER* (1915).

44. See JENKS, *supra* note 5, at 141–74; see generally Michael E. Neagle, “*That Magnificent Land of Sunshine, Health, and Wealth*”: *How U.S. Entrepreneurs Sold Cuba's Isle of Pines*, 11 J. GILDED AGE & PROGRESSIVE ERA 575 (2012).

45. Carmen Diana Deere, *Here Come the Yankees! The Rise and Decline of United States*

relatively undeveloped eastern end of the island and on the Isle of Pines, truck gardening for export principally developed in the western provinces of Havana and Pinar del Rio, which had rail access to the port of Havana.⁴⁶

Table 1 presents a detailed breakdown of Cuba's NST agricultural exports during the period of the U.S. occupation (1900–02), immediately after the implementation of the Reciprocity Convention (1903–05)⁴⁷ and post-WWI (1919–21).⁴⁸ During these decades relatively low U.S. import duties prevailed and a number of tropical agricultural products entered the U.S. duty free. Of the latter, only the value of Cuban exports of bananas and plantains was of substantial magnitude in 1903-05 and made up a significant share of U.S. imports. The latter fell from 15% to 4% in the aftermath of World War I. The Cuban market share of fresh coconuts also fell precipitously over this period, as did that of cacao.

Cuban cacao production fell after World War I primarily due to the expansion of sugar cane production.⁴⁹ During the “Dance of the Millions,” when sugar prices reached unprecedented heights, cacao trees were uprooted to make way for cane, and a similar fate may also have affected coconut groves. Citrus groves in Oriente were uprooted as well, and even coffee production, which tended to be located in the more mountainous regions, suffered from the fever to use more land for sugar production.⁵⁰ While Cuban coffee exports to the United States show a slight recovery post-WWI, the value of coffee exports remained quite low

Colonies in Cuba, 1898–1930, 78 HISP. AM. HIST. REV. 729, 730–31 (1998).

46. FERNÁNDEZ PRIETO, *supra* note 43, at 66–67. The establishment of Cuba's first modern agricultural experiment station in 1904, the Estación Central Agronómica, in Santiago de Las Vegas, in Havana province facilitated these latter efforts. U.S. professionals largely staffed the station up through the teens, and carried out many of the field trials on the farms of colonists in this region. *Id.* at 274.

47. Note that the Reciprocity Convention did not go into effect until late December 1903. That was also the first full year that Cuba was an independent republic and the year by which Cuban exports had recovered from the War of Independence and even surpassed 1895 export levels. Cuba's second War of Independence ran from 1895 to 1898, with the United States intervening only in 1898, which quickly concluded the war. Reconstruction under U.S. military rule was a slow process, given the level of destruction in the countryside. Louis A. Pérez, *Insurrection, Intervention, and the Transformation of Land Tenure Systems in Cuba, 1895–1902*, 65 HISP. AM. HIST. REV., 229, 234–35 (1985).

48. This three-year average has the advantage of smoothing out any potential impact of the 1919 “Dance of the Millions” when world sugar prices reached unprecedented heights, as well as the depression of 1920, when sugar prices crashed. JENKS, *supra* note 5, at 206.

49. FRANCES ADAMS TRUSLOW, REPORT ON CUBA: FINDINGS AND RECOMMENDATIONS OF AN ECONOMIC AND TECHNICAL MISSION ORGANIZED BY THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT IN COLLABORATION WITH THE GOVERNMENT OF CUBA IN 1950, at 823 (1951).

50. Deere, *supra* note 45, at 755–56.

and the country never regained market share from its main Latin American competitors.

The positive impact of the Reciprocity Convention can be seen in terms of the performance of those fruits and vegetables that paid duties and gained the 20% tariff reduction (shown as ‘dutied’ in Table 1). The value of ‘all other fruits,’ principally pineapples and grapefruit, almost tripled from 1903–05 to 1918–21. In the early post-WWI period, Cuba supplied 99% of U.S. imports of pineapples and 95% of grapefruit. The value of Cuban exports of vegetables also grew spectacularly, although the magnitude of pineapple exports dwarfed it. In this period, Cuba supplied 12% of U.S. imports of ‘other vegetables,’ principally winter truck-garden crops; nonetheless, U.S. imports from Mexico and Canada dominated this rubric.⁵¹

Overall, in 1903–05 some 70% of Cuban agricultural exports other than sugar and tobacco consisted of duty free traditional products, with those subject to duties comprising 30%. Post-WWI the decline of traditional NTS agricultural exports combined with the incentive provided by a duty differential of 20% reversed this relationship: of the total annual average of exports to the U.S. market of these products, \$3.1 million, traditional NST exports constituted only 30%, and non-traditional exports made up 70%. Thus, one of the beneficial impacts of the Reciprocity Convention in its initial decades was to broaden and diversify Cuba’s agricultural exports.

The 1922 Fordney-McCumber Act ushered in a period of higher U.S. tariffs, which peaked with the Smoot-Hawley Act of 1930. Cuba, with its automatic 20% reduction on U.S. tariffs, should have been somewhat buffered from the full effect of U.S. protectionism as compared to other foreign suppliers. However, the higher U.S. tariffs of the 1920s disadvantaged Cuba with respect to domestic producers of similar commodities, such as Cuba’s budding fresh fruit and vegetable industry.

Duty free items, which consisted of tropical products the United States did not produce, were the least likely to be affected by rising U.S. protectionism. Taken together, imports of these traditional NST commodities from Cuba show steady growth over the decade of the 1920s, led by imports of bananas, with only modest increases in imports of other duty free fruit, principally avocados.⁵² Nonetheless, Cuba did

51. Unfortunately, disaggregated import data on these ‘other vegetables’ is only provided from 1934 on.

52. Carmen Diana Deere, *The ‘Special Relationship’ and the Challenge of Diversifying a Sugar Economy: Cuban Exports of Fruits and Vegetables to the United States, 1902 to 1962*, tbl.5 (Cuba-U.S. Agric. Research Working Paper Series, Working Paper No. 1, June 2015), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2694831 [<https://perma.cc/S3PX-GVBN>].

not manage to significantly increase its market share of these products over this decade.⁵³

Turning to dutied commodities, while the value of imports of ‘all other fruits’ increased from an average \$1.7 million in 1918–21 to a peak of \$3.2 million in 1922–25; thereafter it declined steadily until the late 1930s.⁵⁴ This trend mirrors that of fresh pineapple imports from Cuba, which was the island’s most important non-traditional agricultural export.⁵⁵ Grapefruit imports also show a steady decline in the average value of imports over the decade of the twenties.⁵⁶ Since Cuba remained the United States’ main source of foreign imports of these commodities, this suggests that higher tariffs and more intense domestic competition most adversely affected these two products in the 1920s. U.S. domestic production of grapefruit doubled between the early 1920s and 1930s, so Cuba provided only a negligible share of total U.S. consumption.⁵⁷

In the 1920s, winter vegetables provided the most spectacular increase in Cuba’s non-traditional exports to the United States, as their value more than tripled from 1918–21 to the end of that decade, reaching an average \$1.6 million, with tomatoes accounting for almost half of the latter value.⁵⁸ By the late 1920s Cuba supplied 18% of U.S. tomato imports and 23% of other winter vegetables, principally cucumbers, eggplant, peppers and okra.⁵⁹ It was the leading foreign supplier of these other truck crops, surpassed by Mexico only with respect to tomato exports.⁶⁰

Due in part to the impact of higher tariffs—as well as of periodic quarantines the United States placed on Cuban fruit after the black fruit fly appeared on the island—many American colonies, particularly those focused solely on citrus production, went into decline after World War I.⁶¹ Across the island, different factors also contributed to the decline of the colonies: ferocious hurricanes that particularly affected citrus production on the Isle of Pines, the 1917 Liberal uprising that led to some destruction in the colonies of eastern Cuba, the departure of many young U.S. citizens to fight in World War I, and the rise in land prices during the Dance of the Millions.

53. *Id.* at tbl.6.

54. *Id.* at tbls.4, 5.

55. *Id.* at tbl.5.

56. *Id.*

57. AGRICULTURE OF CUBA, *supra* note 1.

58. Deere, *supra* note 52, at tbls.4, 5.

59. *Id.* at tbl.6.

60. *Id.* at 8.

61. *Id.* at 18.

In 1930, the *Times of Cuba* provided a list of the main fruit and vegetable producers who exported their produce to the United States. It included only 104 citrus growers, 133 vegetable growers, and 17 mixed growers. Some 80% of the remaining citrus growers had English surnames and concentrated on increasingly larger holdings in the Isles of Pines. Spanish surnames were more prominent among the vegetable growers, constituting 44% (along with 9% with Japanese surnames who may also have been Cuban citizens), and these exporters were more geographically dispersed. Pineapple production, generally based on medium-size plantations, had also passed to mainly Cuban growers by this time.

The contraction in U.S. aggregate demand as a result of the Great Depression led to a fall in the value of Cuba's exports of fruits and vegetables to the United States from an annual average of \$5.6 million in the late 1920s to \$4.6 million in the early 1930s.⁶² Interestingly, non-traditional exports suffered greater losses than traditional NST exports, principally because U.S. banana imports remained relatively stable while coffee and avocado imports from Cuba increased substantially.⁶³ The increase in coffee imports from Cuba stems from the growth of Cuban domestic production in response to the import-substitution policies that the country adopted in 1927.⁶⁴ Cuba's share of the U.S. coffee market, nonetheless, remained negligible, while that of bananas increased marginally.⁶⁵

Among non-traditional fruit and vegetable exports, fresh pineapple declined particularly steeply, reflecting both the expansion of U.S. domestic production and the development of Cuba's pineapple canning industry in this period; Cuba also began to export processed fruit.⁶⁶ The fall in grapefruit imports may partly reflect other internal factors, such as declining production from the now aging citrus groves on the Isle of Pines, which had been planted at the beginning of the century.⁶⁷ Foreign competition was not a major factor, since Cuba continued to supply almost all of U.S. imports of pineapples and grapefruit in the early 1930s.⁶⁸ In contrast, winter vegetables lost some market share and overall, the decreased U.S. demand most likely affected those products,

62. *Id.* at tbl.5.

63. *Id.*

64. U.S. DEP'T OF COMMERCE, BUREAU OF FOREIGN COMMERCE, INVESTMENT IN CUBA: BASIC INFORMATION FOR UNITED STATES BUSINESSMEN 40-41 (1956).

65. Deere, *supra* note 52, at tbl.5.

66. AGRICULTURE OF CUBA, *supra* note 1, at 61.

67. *Id.*

68. Deere, *supra* note 52, at tbl.5.

in addition to Cuba's two main traditional exports, sugar and tobacco.⁶⁹

IV. FROM THE 1934 RECIPROCITY TREATY TO THE 1959 REVOLUTION

The severity of the depression in Cuba was one of the reasons President Roosevelt urged speedy approval of the 1934 Reciprocal Trade Agreement.⁷⁰ The Agreement entered into effect in September of that year, in time to encourage a spurt in winter vegetable production during late 1934.⁷¹ Recall that this treaty gave Cuba substantial duty reductions on vegetables and certain fruits during the U.S. off-season.

As Table 2 shows, one of the Treaty's positive immediate effects was making Cuba the most important foreign supplier of a broad range of vegetables, and maintaining its dominance in U.S. grapefruit and pineapple imports. However, because of continuing stagnant demand for fresh produce in the United States as the Depression ran its course, the total average annual value of imports of non-traditional agricultural exports from Cuba continued to fall in the 1934–37 period and did not reach its 1922–25 peak again until the post-WWII period.

Another factor that affected the total value of Cuba's non-traditional exports was competition from both U.S. domestic producers and Mexico. U.S. production of fresh fruits and vegetables expanded rapidly from the 1940s on, making Cuba competitive primarily during the off-season in California, Arizona and Florida, which coincided with the months when it had special duty concessions. The concentration of these Cuban exports in a few months of the year also caused marketing problems. The winter vegetable crop was usually auctioned as a boatload in the New York City market, often depressing prices below the Cuban wholesale price. In contrast, U.S. domestic competitors had more stable operations, since they could sell smaller quantities throughout the growing season and had more diverse markets.⁷² The declining Cuban share of foreign imports such as tomatoes, cucumbers, eggplant, and pineapple, shown in Table 2, is primarily due to competition from Mexico.

Graph 1 presents the long-term view of U.S. imports of fresh fruit, vegetables, and tree crops from Cuba, from 1903 to 1962, in constant prices. It shows that the most important period of growth of non-

69. *Id.*

70. STEWARD, *supra* note 4, at 92–93.

71. The data for 1934 reported in Foreign Commerce and Navigation of the United States is already broken down to reflect imports from Cuba which came in under the special treaty rates versus the normal 20% duty reduction, demonstrating the immediate impact of the 1934 Treaty.

72. TRUSLOW, *supra* note 49, at 866.

traditional agricultural exports was in the first decades of the twentieth century. After peaking in 1922–25, the contribution of non-traditional exports stagnated, and then fell after 1959. Traditional NST exports show a different trend. After falling abruptly in the early decades, they recovered through the Great Depression, to subsequently fall again through the early 1950s. The abrupt increase in the mid-1950s was primarily due to a surge in coffee exports, production that had been increasing in Cuba since the late 1920s.

The growth of Cuba's fruit and vegetable processing industry from the 1930s on provide the bright spot in this story, especially as an industry that was largely developed by Cubans. Cuba's first modern pineapple canning factory dedicated to the export market dates from 1928, and two others began operations in 1937 and 1939.⁷³ From this period on, processed pineapple exports to the United States began to gain ground on fresh pineapple exports. Tomatoes were the main processed vegetable, with modest volumes of canned tomatoes exported to the United States when domestic surpluses warranted it.

From 1947 to 1962, the combined value of Cuban exports of processed fruits, nuts, and vegetables to the United States almost rivaled that of fresh products.⁷⁴ With the exception of the early 1950s, the average annual value of Cuban exports of processed fruits to the United States exceeded that of fresh fruits, with the dominant product being prepared and canned pineapple. Moreover, Cuban exports of processed fruit captured a larger share of the U.S. import market than did fresh fruit, assisted by the preferential duty reduction of the 1934 Treaty.⁷⁵

While the fruit and vegetable sub-sector both expanded, diversified, and generated forward linkages to agro-industrial processing in the post-World War II period, this sub-sector never constituted more than 4% of total Cuban exports to the United States, and generally much less. Sugar and sugar-based products continued to dominate exports, representing from 81% to 85% of Cuban exports to the United States from 1947 to 1952, and then from 75% to 79% from 1953 to 1960. Tobacco and cigars followed, constituting between 6% and 9% from 1947 to 1960.⁷⁶

The relative decline of sugar exports in total Cuban exports to the United States after 1953 is partly related to the development of new agricultural and agro-industrial exports in the 1950s, as well as to the

73. JOHN WILLIAM LLOYD, PAN AMERICAN TRADE WITH SPECIAL REFERENCE TO FRUITS AND VEGETABLES (1942).

74. Deere, *supra* note 52, at tbl.10.

75. *Id.*

76. *Id.* at tbl.11.

growth of non-agricultural exports related to mining and manufacturing activities. The new agricultural sector exports of the 1950s consisted primarily of livestock by-products and shellfish. However, while rivaling the fruit and vegetable sub-sector, these new exports never exceeded much more than 2% of total Cuban imports to the United States.⁷⁷

The total value of U.S. imports from Cuba reached a historic high of \$518 million in 1958, only slightly exceeding the previous 1947 peak, though it represented a significant decline in constant 1960 dollars (from \$682 million to \$531 million).⁷⁸ The agricultural and agro-industrial sector's share of total Cuban exports to the United States, from the late 1940s to the late 1950s, declined; this share, however, never dropped below 87% (in 1957), illustrating some of the broader diversification of the Cuban economy that took place in this period.⁷⁹

The continuing importance of sugar in the Cuban economy became starkly apparent in 1960 when the United States cut Cuba's sugar import quota, and the value of total Cuban exports to the United States plummeted to \$35 million in 1961 compared to \$342 million the previous year.⁸⁰ The last imports into the United States from Cuba, during 1963, were tobacco products that entered the United States prior to the embargo and were released from custom warehouses later that year.⁸¹

V. CONCLUSION

The dominance of sugar in the Cuban economy obscures the considerable diversification in Cuban agricultural exports to the United States that took place in the early decades of the 20th century and later, in the post-World War II period. The 20% discount on U.S. duties provided by the 1902 Reciprocity Convention served as an important incentive for both American and Cuban growers to experiment with new crops and develop non-traditional exports geared to the U.S. market.

As Figure 1 showed, Cuba's non-traditional agricultural exports to the United States grew rapidly through the mid-1920s, led by pineapple and grapefruit exports, commodities in which Cuba became almost the sole foreign supplier. The growth of U.S. protectionism appears to have cut short the potential dynamism of these non-traditional fresh fruit and vegetable exports, combined with the Great Depression, which severely

77. *Id.*

78. *Id.*

79. *Id.*

80. *Id.*

81. *Id.*

constricted external demand throughout the decade of the 1930s, and increasing competition from U.S. domestic producers.

Compared with the 1902 Reciprocity Convention, the 1934 Reciprocity Agreement had a smaller positive effect on the production and export of non-traditional fresh fruit and vegetable exports. Cuba's recovery from the Great Depression is more closely associated with the better performance of the traditional NST exports, such as bananas and avocados, particularly due to the more favorable terms that sugar acquired in the U.S. market. While the treaty, which concentrated Cuban exports in the U.S. winter season, initially created an almost exclusive market for some vegetable exports, such as cucumbers, eggplants and okra, Cuba's share of U.S. imports vacillated considerably, usually because of competition from Mexico. This particularly impacted the most important crop in export volume, tomatoes. While Cuban tomato exports reached a high of 43% of U.S. imports in 1938–1941, after World War II they never represented more than 9%, irrespective of their privileged U.S. duty treatment.

The rather flat trajectory depicted in Figure 1 of Cuban non-traditional fresh fruit and vegetable exports from the mid-1920s to the years immediately preceding the 1959 Revolution raises the question of why the favorable treatment ceded to Cuban products in the U.S. market did not create more diversification in Cuban agricultural exports. A number of factors—both external and internal—explain the overall underwhelming performance of this sub-sector in terms of the value of exports achieved.

Among the external factors was vacillating U.S. trade policy over these sixty years. During periods of high protectionism, Cuba's special relationship to the United States somewhat buffered it from foreign competition. However, increases in U.S. tariff levels made Cuba less competitive against U.S. domestic producers. In addition, U.S. production of fruits and vegetables expanded rapidly over this period, as did the California, Texas, and Florida fruit and vegetable industry lobby. Moreover, as scientific understanding of fruit and vegetable pests and diseases improved, the United States implemented new sanitary and phytosanitary regulations that continually raised the bar on the quality of imports. These explanations, however, do not shed much light on why Mexico gained U.S. market share on Cuba in these commodities, a topic that needs to be explored in more depth.

Internal Cuban policies and dynamics also contributed to the relatively weak performance of this sub-sector. The policies focused on creating the conditions for profitable sugar production and exports, and

to a lesser extent, for tobacco, the second major export. Cuba's other traditional agricultural export products, such as coffee, cacao, coconuts, and bananas, often languished, suffering from neglect. Since these commodities, along with those from every other country, entered the United States duty free, Cuba's exports had to be internationally competitive to gain market share. Only avocados performed well, primarily because during most of this period they had exclusive duty free access to the U.S. market during the off-season for U.S. domestic production, and eventually would become the star performer of the traditional NST agricultural exports in the post-World War II period.

The concentration of land, labor, capital, and agricultural research on sugar stymied diversification in multiple ways.⁸² In most periods, the price sugar exports could command in the United States likely made growing sugar cane more profitable than any other agricultural activity. Growing cane may also have been less risky than fresh fruit and vegetable production, providing growers with little incentive to diversify. In addition, both traditional NST and non-traditional agricultural exports suffered directly from "sugar mania" as they were displaced whenever high sugar prices prevailed. Rising sugar prices at various times resulted in the uprooting of tree crops such as cacao, coffee, coconuts, and citrus, as well as the conversion of lands in banana and vegetable production to sugar cane production. These factors partly explain why, even under favorable tariff concessions for fruits and vegetables, Cuba often lost U.S. market share to foreign competitors such as Mexico throughout these sixty years.

From an economic development point of view, the bright spot in the otherwise discouraging trajectory of non-traditional fresh fruit and vegetable exports was the backward and forward linkages that these products generated in the Cuban economy. The value of exports of processed fruit in the post-World War II period came to rival that of fresh fruits, while the growth of the domestic vegetable and fruit canning industry contributed somewhat, if insufficiently, to decrease Cuba's dependence on food imports.

Among the lessons that can be drawn from this analysis of Cuba's special relationship with the United States from 1903 to 1960 is that preferential tariffs can be a powerful stimulus, yet by themselves may not be sufficient to transform a country's export profile. A number of other factors need to be in place in order to both develop and sustain the growth of non-traditional exports, such as agricultural research, and financing and marketing channels, to mention a few.

82. See generally FERNÁNDEZ PRIETO, *supra* note 43.

Looking forward to the eventual normalization of U.S.-Cuban trade, the world is a much different place than in 1959. U.S. tariff levels have fallen to historic lows and trade agreements have proliferated globally. In the hemisphere, the United States now has free trade agreements with Mexico and Canada (NAFTA), Central America and the Dominican Republic (CAFTA), Chile, Panama, and Colombia. This means that once the U.S. embargo is lifted, and full U.S.-Cuba trade can resume, Cuba may find itself in the position of being among the few Latin American countries facing full tariffs for its products in the U.S. market. Given the historical record of trade reviewed in this paper, the current privileged position of Mexico in the U.S. market for fresh and processed fruits and vegetables may disadvantage Cuba. Whether Cuba will attempt to once again compete with Mexico in this sub-sector, or focus its efforts on sugar and sugar by-products, or on non-agricultural sectors in which it holds a potential comparative advantage, remains the big question.

Table 1. U.S. Imports of Fresh Fruit, Vegetables and Tree Crops from Cuba by Duty Status, 1900 to Early 1920s (Current \$)⁸³

Product	1900–1902 (av. annual)	Cuban share of U.S. imports	1903–1905 (av. annual)	Cuban share of U.S. imports	1918–1921 (av. annual)	Cuban share of U.S. imports
Free of duty						
Coffee	4,994	negl	6,159	negl	28,199	negl
Cacao	292,347	5.2% ^f	197,709	3.9%	84,110	negl
Coconuts	153,127	22.9% ^f	233,491	23.6%	55,952	1.7%
Bananas & plantains	386,316	7.2% ^f	1,299,584	14.9%	683,002	3.9%
Other fruit ^a	13,664	3.9% ^f	19,060	4.3%	93,666	3.8%
<i>Sub-total, free</i>	<i>850,448</i>		<i>1,756,003</i>		<i>944,929</i>	
Dutied						
All other fruits	239,581		657,923		1,740,204	
Of which:						
Pineapples	n.a.	n.a.	n.a.	n.a.	1,213,071	99.3%
Grapefruit	n.a.	n.a.	n.a.	n.a.	477,200	95.3%
Other citrus ^b	1,391 ^f	negl	3,007	negl	7,006	negl
Other ^c	238,190	18.7% ^f	654,916	29.3%	42,927 ^c	2.1%
All vegetables	51,632		99,057		419,214	
Of which:						
Beans ^d	2,866 ^f	negl ^f	6,048	negl	105,211	1.0%
Peas	-	-	-	-	7,833	negl
Onions & garlic	25,437	6.8%	27,252	3.6%	11,421	negl
Potatoes	6,915 ^f	negl ^f	5,444	negl	49	negl
Other ^e	16,414	5.4%	60,313	9.4%	294,700	12.2%
<i>Sub-total, dutied</i>	<i>291,213</i>		<i>756,980</i>		<i>2,159,418</i>	
Total	1,141,661		2,512,983		3,104,347	

Notes:

“negl” = negligible, less than 1%

^a Other fruit refers largely to avocados which were mostly imported duty free.

^b Oranges, limes and lemons.

^c Primarily avocados on which duty was charged.

^d For 1903, includes dried beans and peas; for 1918–21, dried beans and lentils.

^e Includes tomatoes, cucumbers, eggplant, peppers, & other fresh vegetables which are not reported separately until later years.

^f Two-year averages since data for 1900 not available either for imports from Cuba or for total U.S. imports for that category.

⁸³ Deere, *supra* note 52, at tbl.4; compiled from U.S. DEP’T OF COMMERCE, FOREIGN COMMERCE AND NAVIGATION OF THE UNITED STATES (1906–1946) (from General Imports, in multiple volumes).

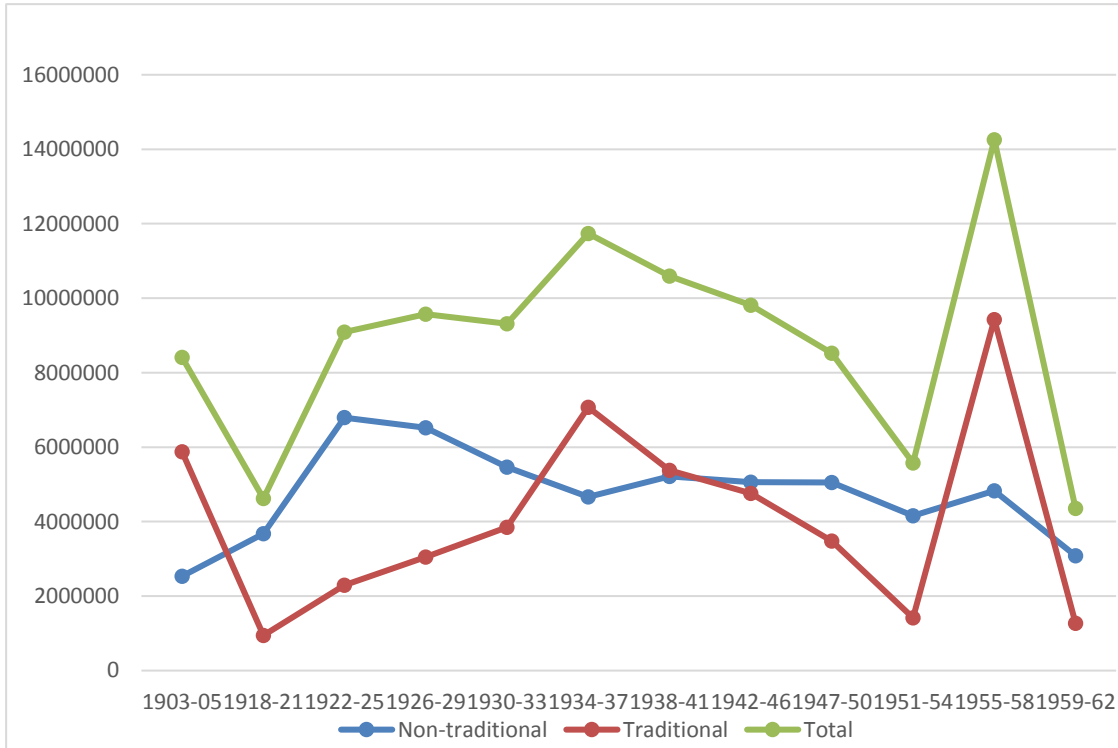
Table 2. Cuban Share of U.S. Imports of Fresh Fruit and Vegetables, 1926–1958⁸⁴

Product	1926– 1929	1934– 1937	1942– 1946	1951– 1954	1955– 1958
Pineapple	98.5%	89.6%	62.4%	77.5%	83.9%
Grapefruit	97.0%	99.3%	99.9%	93.9%	96.5%
Beans	negl.	7.0%	15.5%	0.6%	0.2%
Tomatoes	17.6%	39.8%	9.2%	6.4%	8.7%
Cucumber	n.a.*	98.3%	79.8%	90.3%	75.7%
Eggplant	n.a.*	94.1%	53.4%	85.8%	53.7%
Okra	n.a.*	99.5%	99.9%	99.5%	99.5%

*: Listed in “other vegetables” of which Cuba supplied 23.3% of U.S. imports in 1926–1929.

⁸⁴ Compiled from Deere, *supra* note 52, at tbls. 6, 9.

Graph 1: Value of U.S. Imports of Fresh Fruit, Vegetables and Tree Crops from Cuba, 1903–1962 (in Constant 1960 \$)⁸⁵



Note: Traditional imports are those that traditionally entered the United States duty-free; non-traditional are those that paid duty and were subject to preferential tariffs.

⁸⁵ *Id.*

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