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Cuba: U.S. Policy Overview

Since the early 1960s, when the United States imposed a trade embargo on Cuba, the centerpiece of U.S. policy toward Cuba has consisted of economic sanctions aimed at isolating the Cuban government.

In 2014, the Obama Administration initiated a policy shift away from sanctions and toward engagement and the normalization of relations. Changes included the rescission of Cuba's designation as a state sponsor of international terrorism (May 2015); the restoration of diplomatic relations (July 2015); and an easing of restrictions on travel, remittances, trade, telecommunications, and banking and financial services (2015 and 2016), accomplished through amendments to the Cuban Assets Control Regulations, administered by the Treasury Department, and the Export Administration Regulations, administered by the Commerce Department. The restoration of relations led to increased government-to-government engagement, with over 20 bilateral agreements and numerous dialogues.

President Trump unveiled his Administration's Cuba policy in 2017, introducing new sanctions and rolling back efforts to normalize relations. By 2019, the Administration had largely abandoned engagement and, from 2019 to January 2021, significantly increased sanctions (see discussion below)—especially on travel and remittances—to pressure the Cuban government on human rights and for its support of the Venezuelan government of Nicolás Maduro.

Although many observers expect the Biden Administration to shift U.S. policy to focus again on engagement, sanctions imposed under the Trump Administration remain in place. During the U.S. election campaign, Biden said he would reverse Trump Administration policies that harmed the Cuban people without advancing democracy and human rights. The White House press secretary said on March 9 that although a Cuba policy shift was not among the President's top priorities, the Administration was "committed to making human rights a core pillar" of policy and "committed to carefully reviewing policy decisions made in the prior administration, including the decision to designate Cuba as a state sponsor of terrorism."

Cuban Political and Economic Developments. In April 2018, Vice President Miguel Díaz-Canel succeeded Raúl Castro as president. Castro continued to head the Cuban Communist Party (PCC) but is scheduled to step down at the next party congress, scheduled for April 16-19, 2021. The selection of Díaz-Canel, now 60 years old, reflected the generational change in Cuban leadership that began several years ago and marked the first time since the 1959 Cuban revolution that a Castro was not in charge of the government. While in power from 2006 to 2018, Raúl Castro began to implement significant economic policy changes, moving toward a more mixed economy with a

stronger private sector; his government's slow, gradualist approach did not produce major economic improvements.

In 2019, Cuba adopted a new constitution that introduced some political and market-oriented economic reforms but continued the state's dominance over the economy and the Communist Party's predominant political role.

The Cuban economy is being hard-hit by Venezuela's economic crisis, which has reduced Venezuelan financial support; increased U.S. economic sanctions, which have hurt Cuba's nascent private sector; and the economic decline associated with the Coronavirus Disease 2019 (COVID-19) pandemic. The Cuban government reports the economy contracted 11% in 2020. On January 1, 2021, Cuba eliminated its dual currency system, a major reform that was long debated. Economists maintain the currency reform will have high costs initially but should boost productivity and development over the longer term.

Cuba's public health response to the pandemic initially kept cases and deaths low, but both began to increase in late 2020. As of March 25, 2021, the country reported 408 deaths and almost 70,000 cases. Cuba has been conducting final trials for two vaccine candidates that it developed, but some critics maintain the government should have acquired vaccines from abroad while developing its own vaccines.

Cuba has a poor record on human rights, with the government sharply restricting freedoms of expression and other basic rights. As of March 1, 2021, the human rights group Cuban Prisoners Defenders reported 135 political prisoners, with 69 imprisoned for reasons of conscience. A November 2020 government crackdown on the San Isidro Movement, a civil society group opposed to restrictions on artistic expression, spurred a protest by several hundred Cubans, many young artists, and focused international attention on the poor human rights situation.

Trump Administration Sanctions. President Trump issued a national security presidential memorandum in June 2017 that introduced new sanctions, including restrictions on transactions with companies controlled by the Cuban military. The State Department issued a list of "restricted entities" in 2017, which was updated several times, most recently January 8, 2021. The "Cuba restricted list" includes 231 entities and subentities (ministries, holding companies, hotels, stores, and a wide variety of companies). The Administration imposed a series of sanctions, discussed below, and initiated a campaign highlighting allegations of coercive labor practices in Cuba's medical missions abroad.

- **Efforts to Stop Venezuelan Oil Exports to Cuba.** Since April 2019, the Treasury Department has imposed sanctions on several shipping companies and vessels

that transported Venezuelan oil to Cuba. In July 2019, it sanctioned Cuba's state-run oil import/export company.

- **Lawsuits Related to Confiscated Property.** Effective May 2, 2019, the Administration allowed the right to file lawsuits against those trafficking in confiscated property in Cuba pursuant to Title III of the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996 (P.L. 104-114). Lawsuits can be brought by any U.S. national, including those who were not U.S. nationals at the time of the confiscation. Previous Administrations had suspended, at six-month intervals, the right to file such lawsuits. To date, 36 lawsuits have been filed against U.S. and foreign companies, including cruise ship operators, airlines, travel booking companies, and hotels; several lawsuits have been dismissed.
- **Restrictions on Travel and Remittances.** In June 2019, the Treasury Department eliminated people-to-people educational travel and the Commerce Department generally prohibited cruise ships, private and corporate aircraft, sailboats, and fishing boats from going to Cuba. The Transportation Department suspended commercial flights to cities other than Havana in December 2019; charter flights to cities other than Havana in January 2020; and private charter flights to Havana in October 2020. In September 2020, Treasury prohibited U.S. travelers from staying at over 400 hotels and privately owned residences identified by the State Department as owned or controlled by the Cuban government or by a prohibited government official or PCC Party member (or close relative).

In September 2019, Treasury capped family remittances to \$1,000 per quarter per Cuban national and eliminated the category of donative remittances. In 2020, the State Department added to its "Cuba restricted list" two Cuban companies that facilitate the processing of remittances. In November 2020, Treasury prohibited the processing of remittances through entities on the "Cuba restricted list." This resulted in Western Union—the major financial services company used for transmitting remittances to Cuba—to cease its operations in Cuba.

- **Other Trade and Financial Sanctions.** In September 2019, Treasury ended the use of *U-turn transactions* that had allowed banking institutions to process funds transfers originating and terminating outside the United States. In October 2019, the Commerce Department restricted Cuba's access to leased commercial aircraft; reimposed a 10% de minimis rule (from 25%) requiring a third country-based company exporting goods to Cuba with more than 10% U.S.-origin content to apply for a license; and imposed licensing requirements for exporting certain donated items to organizations controlled by the Cuban government or PCC and items for telecommunications infrastructure.
- **Targeted Human Rights Sanctions.** The State Department imposed visa restrictions on Raúl Castro in September 2019 for human rights violations in Cuba and Venezuela. Further visa restrictions were imposed on Cuba's Interior Minister in November 2019 (until his death in 2020) and Cuba's defense minister in January

2020 for human rights violations. Treasury imposed financial sanctions on the head of GAESA, a military holding company, in September 2020 and on the Ministry of the Interior and its minister in January 2021.

- **Terrorism Designations.** In May 2020, the Secretary of State (pursuant to Section 40A of the Arms Export Control Act) added Cuba to the annual list of countries certified as *not cooperating fully* with U.S. antiterrorism efforts, the first time since 2015. On January 11, 2021, the Secretary designated the Cuban government a state sponsor of international terrorism (the previous such designation was rescinded in 2015). He cited Cuba's harboring of several U.S. fugitives since the 1970s and of 10 leaders of Colombia's National Liberation Army (a U.S.-designated foreign terrorist organization), who had traveled to Cuba in 2017 to engage in peace talks with the Colombian government. The economic sanctions associated with the terrorism designation are, in large part, redundant to other U.S. sanctions already in effect. Nevertheless, a terrorism designation, requires the Commerce Department to place Cuba on its most restrictive export licensing list, which could impede transactions related to technology. Some sectors, seeking to avoid any perception of sanctions violations, may become more risk averse in transactions with Cuba.

Injuries of U.S. Embassy Personnel. Between late 2016 and May 2018, 26 U.S. Embassy Havana community members suffered a series of unexplained injuries, including hearing loss and cognitive issues. The State Department maintains the investigation into the injuries has not reached a conclusion regarding the cause or source. On December 5, 2020, the National Academies of Sciences, Engineering, and Medicine released a report concluding the most plausible mechanism for the source of the health symptoms was directed pulsed radio frequency energy.

117th Congress. The Senate Foreign Relations Committee reported two human rights resolutions on March 24, 2021: S.Res. 37 would express solidarity with the San Isidro Movement, condemn attacks against artistic freedoms, and call for the repeal of laws that violate freedom of expression and the release of arbitrarily detained artists, journalist, and activists; and S.Res. 81 would honor *Las Damas de Blanco*, a woman-led nonviolent human rights group, and call for the release of all political prisoners in Cuba.

Other bills introduced to date are H.R. 287 and S. 689, which would prohibit the rescission of Cuba's designation as a state sponsor terrorism list until Cuba satisfies certain conditions in the LIBERTAD Act (P.L. 104-114); S. 249, which would lift sanctions and call for negotiations on property claims and human rights; and H.R. 198, which would waive certain prohibitions with respect to Cuban nationals coming to the United States to play organized professional baseball.

Also see CRS Insight IN11611, *Cuba: Challenges for U.S. Policymakers in 2021*; CRS Report R45657, *Cuba: U.S. Policy in the 116th Congress and Through the Trump Administration*; and CRS Report RL31139, *Cuba: U.S. Restrictions on Travel and Remittances*.

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