

# **The EU to the Rescue of the Cuban Economy? the Political Dialogue and Cooperation Agreement (PDCA) and the State of Cuba-EU Economic Relations**

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## **1. Introduction.**

Despite an American embargo with various degrees of bite since the 1960s, European states have continued to do business with Cuba, and often served as that marginal additional source of trade especially when Cuba experienced substantial financial and political challenges. In 2017, even as the United States retreated from direct economic connections with Cuba, the European Union sought to step into the space left by the American action. That strategic initiative, the [Political Dialogue and Cooperation Agreement \(PDCA\)](#) took final form accelerated in the wake of the prior U.S. Administration's policy of opening up.

Negotiations for the [Political Dialogue and Cooperation Agreement \(PDCA\)](#) were launched in April 2014 and [concluded on 11 March 2016](#). After the approval by the Council of the European Union, it was [officially signed on 12 December 2016](#). In parallel, the agreement was submitted to the EU Member States' national parliaments and the Cuban National Assembly for ratification. [The European Parliament gave its consent on 5 July 2017](#). Most parts of the agreement start to be provisionally applied as of 1 November 2017. ([here](#))

The Europeans view this as the marker of a new and more intensely profitable relationship with the Cuban state--though one not without its costs to Cuba. PDCA is the successor policy to the EU's Common Position which was repealed 12 December 2016 ([repeal of the Common Position](#)). As is traditional, the EU-Cuba relationship is driven by Spain, and Spain remains a significant long term investor, though by no means the only one, within Europe.

The finalization of the PDCA was capped off by an official visit to Cuba of Federica Mogherini, then the E.U. High Representative for Foreign Affairs and Security Policy. The [EU's Press Release](#) announced the visit this way:

The High Representative/Vice President Federica Mogherini will travel to Cuba on 3-4 January, reconfirming the strong EU-Cuban relationship. During her visit, she will meet with government representatives, with a view to an ambitious

and swift joint implementation of the Political Dialogue and Cooperation Agreement (PDCA) between the EU and Cuba. Together with Cuban Foreign Minister Bruno Rodríguez Parrilla she will also prepare for the first EU-Cuba Joint Council meeting at ministerial level within the framework of the PDCA.

The object was to negotiate implementation of the PDCA, but also to celebrate it as a model of E.U. relations with states whose political and economic systems were in some ways incompatible with those of Europe. Critically important, in that sense, and the core component of system bridging at the heart of the PDCA was the structuring of the Joint Council established by PDCA to oversee the fulfillment of the agreement (PDCA art. 81) and the Joint Committee (Art. 82) charged with the actual implementation of the PDCA (Art. 82). Some factions of the Cuban independent and dissident communities were highly critical of this endeavor generally and the visit more specifically ([Democracy Part 41: The E.U. in Cuba: Reflections From the Cuban Independent Sector](#)).

The PDCA remains an important milestone for European foreign policy. It has become the template for European engagement with states and a means of projecting European values (either in the form of capacity building or continuous dialogue through trade and structural elements) in trade. Its importance was underlined by the late 2020 negotiations of a similar pact, a “Comprehensive Agreement on Investment,” with the People’s Republic of China ([China and EU advance on trade deal in spite of human rights abuses](#)). It was designed, in imitation of the PDCA, to force the hand of the United States and drive relations between the liberal democratic and socialist camps, during that moment between American Administrations ([China scores an EU investment deal before Biden takes office — and it wants to do more](#); ). And, indeed, the value of these agreements as a means of resisting American moves against these trading partners has proven useful ( [Feeding a "Spiral of Legal Actions"--The EU and Canada Respond to the New US Initiatives on Cuba and the Caribbean](#)).

It makes sense, then, to consider the form and substance of Cuba-EU trade through the lens of the PDCA, and that is the object of this paper. The paper is divided into two parts, the first examines the PDCA in detail. In that context it seeks to extract the core bargain the Europe has been willing to strike as the foundation of its trade relationships with states the conduct of which are incompatible with European values and its human rights law. Most interesting is the possibility that in return for stronger ties the EU might have effectively waived the application of its strong business and human rights measures to EU Cuba bilateral relations. The E.U. appears to be willing to pay for its influence--from supporting the realization of

Cuba's sector driven 2030 Economic Plan, to the E.U.'s help in avoiding or weakening the effects of the Cuban Embargo. Part two then examines the state of trade relations through 2020, and in the shadow of the global pandemic. What appears here is that despite the transformation of driving trade principles, the state of actual trade and investment remains little affected. That, in part, may be driven by the realities that Cuba has little to offer other than its strategic place in the world order.

## **2. The PDCA.**

The Political Dialogue and Cooperation Agreement (PDCA) emerged within a context of international trade and politics that had long been in the making. It represented a fortuitous convergence of the external relations templates of Cuba and the EU at a moment when both were relatively flexible and both saw an opportunity for movement as the U.S. policy moved from engagement to confrontation with the start of the Trump Administration.

Cuba's external relations template was rigid but also provided some room for flexibility at the margins. Since the 1959 Revolution Cuba has created a pattern of economic and political relations that has changed very little. First it is driven by opposition to and from the United States. That relationship, in turn, is functionally dysfunctional based on mutual antipathy and substantial integration in trade, migration and the like. Second Cuban external relations are based on a strong (though sometimes contentious) relation with a principal patron. These included most importantly first the Soviet Union (strong patron) and then Venezuela (patron-colleague-partner). Third it includes a secondary group of important partners. These included a long standing relationship with a moving target of what can best be called an anti-US Bloc: currently including Iran; North Korea, China, and Russia. It also includes a regional integration bloc, which has included CARICOM; ALBA; sympathetic states. Lastly, and for our purposes most importantly, it includes those states that serve a mediating role. These consist principally of Vietnam, and the European Union (and first among these Spain, then Italy, France, Germany and the Netherlands).

Europe has occupied a space between Cuba and the United States almost from the start of the current political system in Cuba. European policy is driven by Spain, but other states also pursue their own objectives. It tends to be grounded in political calculation: reflecting the state of EU-US relations, and European engagement policies generally with developing states. It also reflects the substantial changes in European approaches to trade and international relations, which have been moving from state based, to multilateral to European values-based internationalism tied to the system of public

international institutions. Its ideologies have moved decisively from the transition-oriented EU Common Position on Cuba of 1996 to the 2017 Political Dialogue and Cooperation Agreement (PDCA). Most importantly, It may now serve as a new template for European economic relations, for example in the 2020 agreement with China

PDCA entered into provisional application on 1 November 2017. This landmark agreement – the first ever between the EU and Cuba – constitutes the new legal framework for EU-Cuba relations. It foresees an enhanced political dialogue, improved bilateral cooperation and the development of joint action in multilateral fora. It marked a strong break with the EU's Common Position ([EU Common Position 96/697/CFSP](#)), as well as with the fundamental position of the United States. That position was to view economic relations with Cuba as a function of the overall objective to contribute to the transition of Cuban political institutions from Caribbean style Marxist-Leninism to a markets based and more liberal democratic friendly economic-political model. “The objective of the European Union in its relations with Cuba is to encourage a process of transition to pluralist democracy and respect for human rights and fundamental freedoms , as well as a sustainable recovery and improvement in the living standards of the Cuban people” (Ibid, ¶1).

The impact of that change in basic focus cannot be underestimated. It was meant at once to align EU-Cuban economic interests against those of the United States, to further declare European independence from dominance by or accommodation to US Cuban policies, and on a more personal level it marked the antipathy of European elites to the new Trump administration, its rhetoric, methods, and objectives. More importantly, perhaps, the rejection of the fundamental driving principles of the 1996 Common Position could be attributed to three principal factors:

First, the basis of multilateralism had changed dramatically since 1996. European states now championed the notion of international law-norm supremacy over the more narrow Soviet era objectives of transition to liberal democratic market oriented political regimes. That movement then refocused European efforts from transition to conformity to international law and principles. Second, the Europeans sought to control or at least drive the interpretation and implementation of these international principles, through dialogue and by the development of key partnerships with elite civil society and the press. In this way they might control the narrative of international law and norms in ways that might prove more effective than through traditional methods of state to state relations. Lastly, European states may have assumed that soft power methods—grants, engagements with Cuban civil society, and other measures—would have more effect on the embedding of Cuba within the emerging

structures of international norms, and on its economic (as well as political) practices. This had been the view of the Obama administration to some extent, but ran opposite from the policy and methods of the US after 2016. In this last respect, the PDCA carried over and augmented the objective of the 1996 EU Common Position “to carry out focused economic cooperation actions in support of the economic opening being implemented.” (EU Common Position, *supra*, ¶3(f)).

The PDCA binds the EU other than potentially the UK and or Ireland (PDCA, CU/EU/en 9). The General Principles (Article 1) reaffirm general commitments to a set of ambiguous concepts: multilateralism, respect for international law and the principles of the U.N. Charter, the principles of equality, reciprocity and mutual respect, and to the promotion of sustainable development. (Art. 1 ¶¶1-2, 4). Of course these are likely understood in almost diametrically different ways by the EU and Cuba but it provides sufficient cover for moving forward along pragmatic lines without losing face. That fig leaf is made clear by the agreement that implementation of PDCA would be undertaken “in accordance with their respective constitutional principles, legal frameworks, legislation, norms and regulations, as well as the applicable international instruments to which they are parties.” (Art. 1 ¶ 3).

Complicating these initial principles are declarations of “respect for and the promotion of democratic principles, respect for all human rights and fundamental freedoms laid down in the Universal Declaration of Human Rights and in the core international human-rights instruments and their optional protocols which are applicable to the Parties, and respect for the rule of law.” (Art. 1 ¶5). But this is limited both by the provisions of ¶¶ 1-2 as well as by the provisions of ¶ 6 in which both sides “recognise that all peoples have the right to freely determine their political system and to freely pursue their economic, social and cultural development.” (Art. 1, ¶ 6). Taken together these Principles balance nicely the political needs of the EU and Cuba in a way that recognizes both but permits each to ignore the contradictions of their respective positions applied to the condition of the other.

Article 2 specifies the objectives of the PDCA. These are both straightforward and general. It is meant to help Cuba update its economy and society (Art. 2 ¶ (b)) through dialogue and cooperation (*Ibid*, ¶¶ (a), (g) ), promote mutual trade (*Ibid* ¶ (e)), and the achievement of the 2030 Agenda for Sustainable Development (*Ibid*, ¶ (d)). Most interesting is the objective of enhancing regional trade in the Caribbean and Latin America (*Ibid* ¶ (f)).

To those ends, Part II of PDCA speaks to the contours of political dialogue. These touch on the usual: promoting exchanges, enable broad exchanges of views, center exchanges on the UN system, and promote strategic partnerships between the EU and the Community of Latin American and Caribbean States (CELAC) created in 2010 (Ibid., Art 3). The latter is particularly useful to Cuba, which has had long term ambitions to lead at least Caribbean regional trade and political framework (see, e.g., [here](#)). All of this cooperation is to be undertaken at the state to state level--no people to people focus here (Ibid., Art. 4). That approach serves as the heart of an open ended and vague provision respecting human rights. Article 5 provides in its entirety:

Within the framework of the overall political dialogue, the Parties agree to establish a human rights dialogue, with a view to enhancing practical cooperation between the Parties at both multilateral and bilateral level. The agenda for each dialogue session shall be agreed by the parties, reflect their respective interests and take care to address in a balanced fashion civil and political rights and economic, social and cultural rights.

The key is in the last sentence. The Cubans will emphasize economic, social and cultural rights while the Europeans will push civil and political rights. To some extent this serves U.S. interest as well--to the extent that the EU can be used as a proxy for pushing for political reform acceptable to the Americans. The Cubans, anticipating this, will likely negotiate hard.

In addition, PDCA covers illicit trade in small arms and light weapons (Art. 6); disarmament and nonproliferation of weapons of mass destruction (Art. 7); anti-terrorism measures (art. 8); international criminality (art. 9); and unilateral coercive measures (art. 10). Additional areas of cooperation include combating trafficking in persons and migrant smuggling (Art. 11); trade in illicit drugs (Art. 12); and combating race discrimination, xenophobia and relate intolerance (art. 13). With respect to the latter the focus is on exchanging best practices. Lastly Article 14 focuses on sustainable development, mostly through the exchange of views.

Article 10, of course, is the most interesting to the extent that the specter of the U.S. embargo hangs over it. But much more important is the potential effect of Article 10 on the ability of the EU to export its increasingly effective extraterritorial regime for the promotion of human rights. It is not clear from PDCA *whether this provision is meant to prohibit the application of new measures--the Modern Slavery Act and the French Supply Chain Due Diligence Law in relations*

*between the EU and Cuba, where ever they might manifest.* The EU will resist that reading by emphasizing the language "that are contrary to international law and commonly accepted rules of international trade." (Art. 10 ¶ 1). The Cubans, on the other hand, would emphasize the language: "which are used as a means of political and economic pressure against States and affect the sovereignty of other States." (Ibid). How this will be decided remains to be seen--but for the moment it is clear that both sides believe they have protected their respective principles and thus creating a contradiction that will manifest itself the first time a human rights related charge is brought against enterprises operating in or through Cuba or its SOEs. Expect to see this potentially through the OCED Guidelines for Multinational Enterprise [NCP mechanisms](#).

Part III gets to the root of things, the provisions on Cooperation and sector-policy dialogue. These touch on the core areas of development set out in the Cuban 2030 Plan (see [here](#))(discussed [HERE](#)). In particular, Part III, Title VI then deals with sector specific economic development at ties EU Cuba cooperation to the focal points of the [Cuban 2030 Economic Plan](#). These touch on agriculture (Art. 50); tourism (Art. 51); science, technology and innovation (Art. 52); technology transfer (Art. 53); energy production (Art. 54); and transport (Art. 55).

However, Title I on cooperation sectors (Art. 20) that follow an EU pattern: "(a) sustainable development, (b) human rights and good governance, (c) environmental sustainability, (d) disaster prevention, (e)gender perspective, (f) persons in a situation of vulnerability, (g) building national capacities, and (h) knowledge management." The objectives (Art. 15) emphasize focus on Cuban economic development goals within the sustainable development framework. The principles (Ar. 16) focus on cooperation through which each sides makes the best deal it can ( echoing ironically enough the recasting of trade policy by the Trump Administration (see, e.g. [here](#)). Sector policy dialogue (Art. 17) is centered on information sharing, the harmonization of standards, and capacity building through best practices sharing. Implementation of dialogue (Art. 18, Cooperation modalities and procedures) is meant ot be enhanced by EU money (Art. 18 ¶1((a) ("technical and financial assistance")), and by coordination that furthers and complements Cuba's development strategies and policies." (Art. 18 ¶1((b)).

Also interesting is the focus on the EU's help in securing financing for Cuban economic ambitions (Art. 18 ¶1((g) ("innovative cooperation and financing modalities and instruments in order to improve the effectiveness of cooperation")). Cuba for its part agrees not to use cooperation as a means of enhancing its revenues and not impede travel by officials(Art. 18 ¶5). Article 19 then identifies relevant

actors covered by the cooperation arrangements. In addition to the usual international public actors, Art. 19 ¶ (e) also identifies "civil society, including scientific, technical, cultural, artistic, sports, friendship and solidarity associations, social organisations, trade unions and cooperatives." Again, the provision is vague enough to give Cuba the authority to ban civil society groups that it deems politically threatening, while the EU might take the position that all such organizations come within the umbrella of this provision. Expect some friction here. Some clarity, however, is attempted in Article 36:

The Parties recognise the potential contribution of civil society, including academia, think tanks and media, to the fulfilment of the objectives of this Agreement. They agree to promote actions in support of greater civil-society participation in the formulation and implementation of relevant development and sectoral cooperation activities, including through capacity-building.

It would be expected that the Cubans might read this narrowly (academics, think tanks and credentialed media). Expect some friction as well in the context of the anti-fraud and corruption provisions of Article 21.

Part III, Title II deals specifically with the EU's great concern--democracy, human rights and good governance. These provisions give the EU some leeway in tying economic benefits to political reform, but the potential hidden in those provisions may require substantial work for their realization--at least as the EU might see things. Article 22 touches on human rights. Its first paragraph nicely evidences the mishmash resulting from an attempt to push together two very different views of human rights

Mindful that the protection and promotion of human rights and fundamental freedoms is the first responsibility of governments, bearing in mind the significance of national and regional particularities and of various historical, cultural and religious backgrounds and acknowledging that it is their duty to protect all human rights and fundamental freedoms regardless of their political, economic and cultural systems, the Parties agree to cooperate in the area of democracy and human rights.

Note the tensions in the provisions, the balancing of distinct approaches that will be difficult to untangle and that provides neither side with an advantage. The likely result will be little beyond the usual rhetoric and claims to victory by both sides as their respective enterprise seek to make money. Article 23 (good governance) and

Article 25 (modernization of public administration) provides the Cuban with necessary capacity building that aligns with the focus of the Cuban *Lineamientos* on the development of governance in furtherance of their economic model. It is not clear in what direction Article 24 (rule of law) will develop. It is likely that this will be used to ensure a measure of protection of investors from the EU operating in Cuba through agreements negotiate under the umbrella of PDCA, something to which Article 26 (prevention and resolution of conflicts) is also devoted.

Part III, title II then focuses on issues of justice, citizen security and migration. These include issues around the protection of personal data (Art. 27), an issue quite dear to the EU and less so to the Cubans. It also touches on trade in illicit drugs (Art. 28); money laundering (Art. 29); organized crime (Art. 30); anti-corruption measures (Art. 31); illicit trade in small arms (Art. 32); anti-terrorism (Art. 33); migration (Art. 34); and consular protection (Art. 35). Part III, Title IV then touches on social development and social cohesion. This furthers basic Cuban policy elaborated in the 7th Cuban Communist Party Congress' *Conceptualización del Modelo Económico y Social Cubano de Desarrollo Socialista* (2017) (discussed [HERE](#)).

Article 37 essentially summarizes the Cuban position on the integration of socialist economic and social development from its 7th PCC principles. Article 38 may be more problematic for Cuba, aligning cooperation around ILO standards. Article 39 speaks to educational cooperation, Article 40 to public health, and Article 41, tersely, with consumer protection. There is a wide scope of agreement possible with respect to a number of related areas of cooperation: culture and heritage (Art. 42); protection of vulnerable persons (Art. 43); a focus on gender (Art. 44); interaction of youth (Art. 45); and local community development (Art. 46 with respect to which Cuba has a long history especially with EU based NGO).

Part III, Title V focuses on environment, disaster risk management, and climate change. These are areas in which cooperation is likely to produce a substantial amount of positive effects. The principal focus (Art. 47 ¶ 4) includes conservation and sustainable development, protection of fresh and marine waters, and climate change issues generally. Disaster risk management (Art. 48) of critical importance to Cuba, looks to "common commitment to improving prevention, mitigation, preparedness, response and recovery measures in order to increase the resilience of their societies and infrastructure, and to cooperate, where appropriate, at bilateral and multilateral political level to improve disaster-risk-management outcomes." Water sanitation (Art. 49) has also been a concern of Cuban planning as its infrastructure, especially in the older portions of its major cities, has

been deteriorating. This also aligns with Cuban central planning goals for 2030.

Beyond its focus on the sectoral development of the Cuban economy that aligns with the Cuban 2030 Economic and Social Plan, Part III, Title VI touches on modernization of the economic and social model. But this modernization is narrowly tailored to avoid the complications of political repercussions or back door regime change strategies. Art. 56 ¶ 1 focuses on strengthening Cuban public administration and the development of Cuban cooperatives and enterprises. This is somewhat sensitive in light of recent efforts by the Cuban state to stop licensing cooperatives and to better control the private sector (see [here](#)). Art. 56 ¶ 3 makes the "helpful but not threatening" approach explicit.

The Parties agree to promote and encourage cooperation between institutions, including sector-based institutions, that promote instruments to support SMEs, particularly those whose efforts are aimed at improving competitiveness, technological innovation, integration in value chains, access to credit and training as well as strengthening the institutional capacity and institutional framework. They also agree to promote contacts between companies from both Parties to support their insertion into international markets, investments and technology transfer.

Lastly issues of good governance in taxation (Art. 58) and statistics and data production (Art. 57) are covered. The last is particularly important as regulation moves from command to big data management systems. It encourages "including the exchange of scientists; the development of improved and consistent methods of data collection, disaggregation, analysis and interpretation; and the organisation of seminars, working groups or programmes complementing statistical capacities."

Part IV then turns to trade and trade cooperation. Article 60's objectives include the usual. There are some more interesting and points to the unequal element in the cooperation deal that the PDCA represents. Cuba has a need that the EU does not--to be integrated into the world economy (Art. 60 ¶ (b)). That means not merely integration into economic globalization, but also avoidance of the U.S. trade sanctions in place since the 1960s. That is a tall order, especially as the U.S. moves from global embargoes to precision blacklists. This is especially likely with expanded use of [Global Magnitsky Act sanctions](#). The EU has also adopted this approach. (see [The List as Law: CARICOM, Cuba and the EU's Tax Haven List](#) for its effects on Caribbean economies and potentially against Cuba). As important, Europe is seen as an important target zone for the exploitation of a

key area of sectoral development in Cuba under its 2030 Plan--pharmaceuticals (See Art. 60 ¶(f)).

Part IV Title I focuses on trade and the outlines of bilateral investment (BIT) terms. It is meant to be developed to reduce trade barriers (fiscal and otherwise; Art. 61 ¶1), and to be grounded on "rule-based multilateral trading system under which the Parties are responsible for maintaining the primacy of rules and their effective, fair and balanced implementation" (Ibid ¶ 2). The parties pledge to accord most favored nations treatment to each other with the usual exception in accordance with WTO agreements (Art. 62) as well as to each accord national treatment to the goods of the other (Art. 63). There are affirmances of transparency of trade measures (Art. 64) and of mutual commitment to the [WTO Trade Facilitation Agreement](#) (Art. 65) and the WTO [Agreement on Technical Barriers to Trade](#) (Art. 66) along with standards agreements (Art. 67), trade defense (Art. 68), and of existing obligations under Article XX of GATT (Art. 70), all subject to mutually agreed revision (Art. 69).

Part IV Title II, then focuses on trade related cooperation. These include customs (Art. 71), and administrative measures around trade facilitation (Art. 72). These later commitments will pose something of a challenge for both the rules rigid EU and the sometimes heavy handed administrative control cultures of Cuba. But it is the thought that counts and many of these measures are written as inspirational goals rather than as implementable measures. Protection of intellectual property is the focus of Article 73, which itself can pose problems given the messiness on that score that was generated after the 1959 Revolution. Going forward deals, on the other hand may be easier. Capacity building is an important focus on measures regarding cooperation on technical barriers to trade (Art. 74) and trade defense (Art. 78).

Increasing trade in agricultural products is the core of the provisions around food safety and animals welfare (Art. 75) with a similar objective for trade in traditional and artisanal goods--from both sides (Art. 76) though in the absence of strong consumer markets in Cuba it is hard to see how this flows any way but out of Cuba and into the hands of wealthy European consumers. A sustainable development chapeau is also provided (Art. 76). The EU secured recognition of the importance (to it) of protection of rules of origin (Art. 79) and both parties pledged greater and better coordinated mutual investment (Art. 80).

All of these aspirations have to be institutionalized somehow and Part V serves to memorialize these new institutional structures. Given the heavily bureaucratized cultures of the EU and of Cuba it comes as no surprise that

A Joint Council is hereby established. It shall oversee the fulfilment of the objectives of this Agreement and supervise its implementation. It shall meet at ministerial level at regular intervals, not exceeding a period of two years, and extraordinarily whenever circumstances so require, if the Parties so agree. (Art. 81 ¶ 1)

Beyond the policy and direction of the Joint Council, a working directorate--the Joint Committee is established to actually attempt implementation (Art. 82). It meets once a year. It is unlikely to have much control of the day to day movement on the agreement which suggests that the driving force will be elsewhere within the EU and Cuban bureaucracies. These may be augmented by the various sub-committees that may be established under the Joint Committee (Art. 83), though these too meet infrequently though regularly.

Taken together, the PDCA appears to give both parties what they want most. For the Cubans that is a counterweight to both their friends (the Russians and Chinese) and their frenemies (the Americans). It provides a more solid basis for the fulfillment of key areas of the 2030 Economic Plan through entry into lucrative European markets--but only if the Cubans can deliver. And that may take a bit of financial help from either the Europeans (intimated in the PDCA) or from their friends. Even better, the PDCA might help Cuba avoid the effects of the U.S: embargo--especially those aspects targeting the economic drivers of the Cuban economy that have been targeted by the latest round of U.S. sanctions. For the Europeans it appears to broaden their influence abroad. It also appears to provide a wedge in to reform on two levels. The first is with respect to human rights related reforms on the political level. The second, and much more achievable in part is the opening to human rights and sustainability based business conduct.

But Cuba and the Europeans have been down this road before. It is far too early to determine whether this time there will be greater success over the long term than in the past. Given the potential instability of the beginning of the transition era, it is likely that success will have to target very long term targets.

### **3. The State of Cuba-EU Trade Relations.**

The PDCA framework has provided at least a loose framework within which Cuba-EU trade relations have developed since 2018. The application of PDCA provisions has met with mixed results.

### ***A. The PDA Joint Council.***

One of the more potent areas of development has been in the aggregation of trade and human rights issues—that is on the alignment of trade and politics—from the European side certainly. Thus for example, in November 2018, the European Parliament approved a resolution condemning Cuban human rights violations against political dissidents and, among other actions, “Calls on VP/HR Frederica Mogherini to recognise the existence of a political opposition to the Cuban Government and to support its inclusion in the political dialogue between the EU and Cuba” ([The human rights situation in Cuba](#), European Parliament resolution of 15 November 2018 on the human rights situation in Cuba (2018/2926(RSP)), ¶15). Indeed by July 2019, civil society organizations were attempting to pressure the EU to include independent civil society in the PDCA (e.g., Civil Rights Defenders, [Letters From Cuba to the European Union](#)). Also by 2019, European civil society also began to express frustration at the ability of the Cuban state to use PDCA not to advance but to block a wider participation of civil society in the dialogue mandated by its provisions ([The EU needs to drive for democracy in Cuba openly](#)).

The first EU-Cuba Joint Council meeting took place in early September 2019 in Cuba followed by a second meeting in Europe. Neither produced much to report. It was able to announce that all sides were engaged in a dialogue on the broad range of issues contemplated under the PDCA, but beyond that there was very little ([EU-Cuba Joint Council, 9 September 2019](#)). The exclusion of civil society from these discussions did not sit well either, especially with civil society. Ms. Mogherini provided a breezy summary of her travels (Frederica Mogherini blog, [“Back to Latin America: Cuba, Mexico and Colombia”](#) (15 Sept. 2019)). The video of her remarks were posted online ([here](#)). And as expected, while the Europeans focused on the advancement of discussion of its values embedded within trade, the Cuban delegation focused on sovereign rights and the local context, especially the effects of US sanctions.

"Cuba has full relations with the EU on the basis of mutual respect," said on Twitter Bruno Rodríguez Parrilla, Minister of Foreign Affairs. "In the Joint Council we will exchange on the implementation of the PDCA, cooperation and future dialogue on sectoral policy, trade and investment, including the Helms-Burton Law and its extraterritorial effects," said Rodríguez. ([Cuba and European Union prepare for their 2nd Joint Council meeting](#)).

By the time of the third Joint Committee meeting in December 2020, this template was well established. As reported by the Cuban Ministry for External Commerce (MINCEX):

Hemos constatado que, a pesar de los obstáculos impuestos por la COVID-19, se ha avanzado en la implementación de los tres sectores del Programa Indicativo Multianual 2014-2020, lo que constituye una muestra del impacto que ha tenido la aplicación provisional del Acuerdo de Diálogo Político y de Cooperación en la profundización de nuestras relaciones bilaterales. ([Discurso de clausura del Tercer Subcomité de Cooperación Cuba-UE](#)).

And, indeed, what appears to be driving the dialogue are the usual subjects of trade and capacity building. “Cuba’s Foreign Ministry said such a cooperation gives priority to food safety and adaptation to climate change, renewable energies, modern economy, culture and also to the preservation of heritage.” ([Havana: Political will for Cuba-EU relations](#)). And again the US loomed in the background—with the possibility of suing European Companies for trafficking in expropriated property, the EU Cuba relationship has become more complicated for business in 2020 ([US sanctions against Cuba keep Europe puzzled; Companies caught in EU-US sanctions crossfire](#)). The effort went mostly toward the protection of the significant investments of Spanish companies in Cuba ([The EU Stands Up For Spanish Companies In Cuba Against Trump’s Sanctions](#)).

The EU supported Cuba against the potential problems of the US sanctions regime in the context of meeting the challenges of COVID-19 in 2020 ([Sanctions should not impede coronavirus fight, EU diplomat says](#) (“The EU would apply humanitarian exceptions to ensure that sanctions currently in place would not hamper any efforts to fight the disease, [Josep Borrell, the EU’s high representative for foreign affairs] said, that it “also encourages other jurisdictions to provide the necessary clarifications to ensure that their respective sanctions are no obstacle to the global fight against the pandemic.”)). It also welcomed the arrival of Cuban doctors ([‘Doctor diplomacy’: Cuba seeks to make its mark in Europe amid Covid-19 crisis](#)).

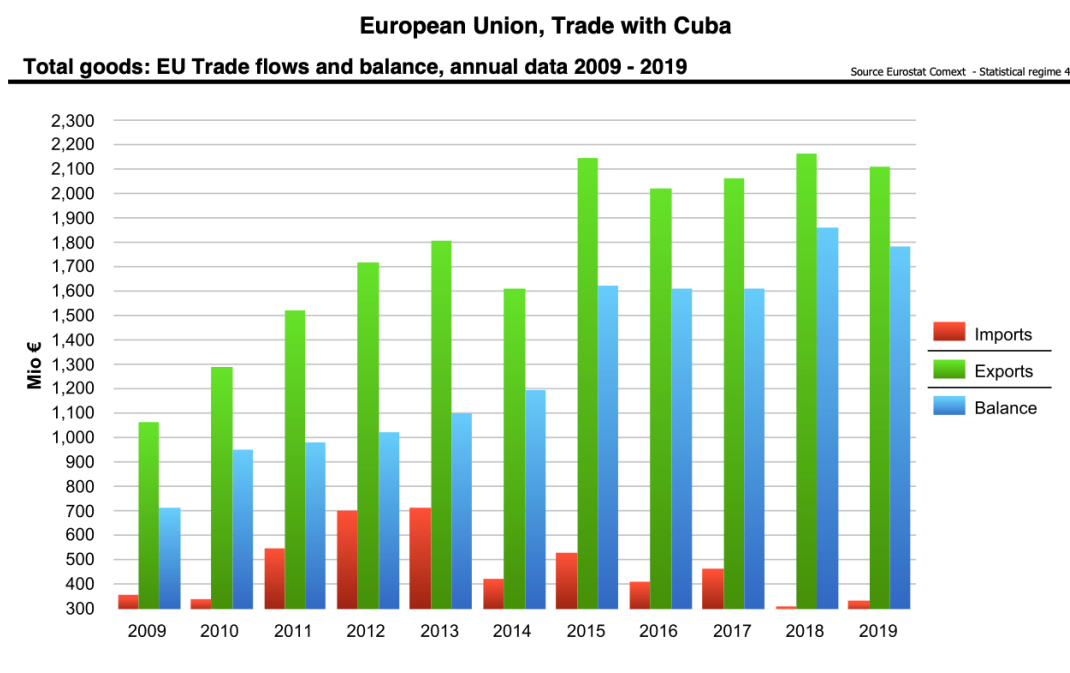
### ***B. The extent of trade.***

EU trade with Cuba is not unexpected. It indicates a strong imbalance with the rate of exports to Cuba far exceeding Cuban exports to the EU. Cuban exports have remains fairly stable; EU exports have shown some cyclidity. Cuba’s main imports are machinery, food and fuel products, while its major exports are refined fuels, sugar, tobacco, nickel and pharmaceuticals. (EU Parliament—[EU Trade With Cuba at a Glance](#) (2015) (“Cuba runs a large deficit in merchandise trade.

Exports are highly concentrated on a small range of products: 82% of exports fall under seven product categories, while imports are more diversified. Cuba imports machinery, fuel and manufactured goods in particular, but also has to import cereals and processed foodstuffs”). Deficits, to the extent they can be made up, are financed through the export of services, principally tourism, medical personnel, and nationals working abroad. Additional financing is derived from remittances from Cubans living abroad. Most importantly, and especially before the death of Hugo Chavez, of substantial subsidies from patron states—Venezuela in the early part of the 21<sup>st</sup> century.

There is a reason Spain tends to drive EU trade policy. Of the EU Member States, Spain accounts for about 20% of EU trade, followed by Italy, Germany, France and the Netherlands in descending order, each accounting for roughly 6 down to 3% of the EU total ([OEC 2018](#)).

The specifics were reported for 2019 by the European Union Directorate-General for Trade:



### European Union, Trade with Cuba

#### Key Figures

Indicator	Unit	Period	Imports	Exports	Total trade	Balance
Last year	Mio euros	2019	327	2,109	2,436	1,783
Rank as EU partner		2019	108	68	82	
Share in EU trade	%	2019	0.0	0.1	0.1	
Annual growth rate	%	2018 - 2019	7.3	-2.3		
Annual average growth rate	%	2015 - 2019	-11.1	-0.4		

## Imports 2019

## Exports 2019

### AMA/NAMA product Groups

Product	Value Mio €	% Total	Product	Value Mio €	% Total
Agricultural products (WTO AoA)	188	57.4	Agricultural products (WTO AoA)	414	19.6
Fishery products	24	7.3	Fishery products	8	0.4
Industrial products	115	35.3	Industrial products	1,687	80.0
Total	327	100.0	Total	2,109	100.0

### SITC product Groups

Product	Value Mio €	% Total	Product	Value Mio €	% Total
Primary products	295	90.3	Primary products	468	22.2
Manufactures	9	2.7	Manufactures	1,605	76.1
Other products	9	2.7	Other products	11	0.5
Other	14	4.3	Other	25	1.2

### Top 5 - HS sections

Product	Value Mio €	% Total	Product	Value Mio €	% Total
IV Foodstuffs, beverages, tobacco	171	52.3	XVI Machinery and appliances	683	32.4
I Live animals; animal products	38	11.5	VI Products of the chemical or allied industries	215	10.2
V Mineral products	34	10.5	XV Base metals and articles thereof	209	9.9
IX Wood, charcoal and cork and articles thereof	30	9.1	II Vegetable products	169	8.0
XV Base metals and articles thereof	19	5.9	IV Foodstuffs, beverages, tobacco	142	6.7

**Total goods: EU Trade flows and balance**

Source Eurostat Comext - Statistical regime 4

Period	Imports			Exports			Balance	Total trade
	Value Mio €	% Growth	% Extra-EU	Value Mio €	% Growth	% Extra-EU	Value Mio €	Value Mio €
2009	351		0.0	1,059		0.1	707	1,410
2010	337	-4.0	0.0	1,284	21.3	0.1	946	1,621
2011	543	61.1	0.0	1,518	18.3	0.1	975	2,062
2012	696	28.1	0.0	1,713	12.9	0.1	1,017	2,409
2013	708	1.7	0.0	1,805	5.4	0.1	1,098	2,513
2014	416	-41.3	0.0	1,609	-10.9	0.1	1,193	2,024
2015	523	26.0	0.0	2,140	33.0	0.1	1,616	2,663
2016	405	-22.6	0.0	2,015	-5.8	0.1	1,610	2,420
2017	457	12.9	0.0	2,062	2.3	0.1	1,604	2,519
2018	305	-33.4	0.0	2,160	4.7	0.1	1,855	2,464
2019	327	7.3	0.0	2,109	-2.3	0.1	1,783	2,436

% Growth: relative variation between current and previous period

% Extra-EU: imports/exports as % of all EU partners i.e. excluding trade between EU Member States

**European Union, Trade with Cuba****Trade flows by SITC section 2019**

Source Eurostat Comext - Statistical regime 4

	Imports				Exports			
	Value Mio €	% Total	% Extra-EU	% Growth	Value Mio €	% Total	% Extra-EU	% Growth
Total	327	100.0	0.0	7.3	2,109	100.0	0.1	-2.3
0 Food and live animals	101	30.9	0.1	0.1	358	17.0	0.3	15.0
1 Beverages and tobacco	110	33.7	1.1	-8.4	51	2.4	0.1	7.5
2 Crude materials, inedible, except fuels	49	15.0	0.1	12.3	14	0.7	0.0	-13.0
3 Mineral fuels, lubricants and related materials	33	10.1	0.0	595.1	22	1.0	0.0	8.0
4 Animal and vegetable oils, fats and waxes	0	0.0	0.0	-96.0	6	0.3	0.1	-22.6
5 Chemicals and related prod, n.e.s.	1	0.3	0.0	-69.1	292	13.8	0.1	-4.7
6 Manufactured goods classified chiefly by material	2	0.6	0.0	-29.3	343	16.3	0.2	-12.1
7 Machinery and transport equipment	5	1.6	0.0	-10.8	828	39.2	0.1	0.7
8 Miscellaneous manufactured articles	3	0.8	0.0	216.8	161	7.6	0.1	-14.6
9 Commodities and transactions n.c.e.	9	2.7	0.0	-10.0	11	0.5	0.0	29.3
Other	14	4.3	n.a.	n.a.	25	1.2	n.a.	n.a.

**Cuba, Trade with World****Total Goods: Trade flows and balance**

Source IMF

Period	Imports		Exports		Balance		Total trade	
	Value Mio €	% Growth	Value Mio €	% Growth	Value Mio €	% Growth	Value Mio €	% Growth
2009	4,071		740		-3,331		4,811	
2010	4,774	17.3	830	12.2	-3,944	18.4	5,605	16.5
2011	5,298	11.0	1,172	41.2	-4,126	4.6	6,470	15.4
2012	6,018	13.6	1,251	6.8	-4,767	15.5	7,269	12.4
2013	6,243	3.7	1,518	21.3	-4,725	-0.9	7,761	6.8
2014	5,458	-12.6	1,470	-3.2	-3,988	-15.6	6,928	-10.7
2015	7,561	38.5	1,462	-0.5	-6,099	52.9	9,023	30.3
2016	7,370	-2.5	1,221	-16.5	-6,150	0.8	8,591	-4.8
2017	7,020	-4.8	1,266	3.7	-5,754	-6.4	8,286	-3.6
2018	6,790	-3.3	1,025	-19.0	-5,764	0.2	7,815	-5.7
2019	6,289	-7.4	1,000	-2.5	-5,288	-8.3	7,289	-6.7

**C. Investment.**

Foreign investment in Cuba has remained relatively stable, and is the subject of substantial speculation. Before 2020, the rate of inbound investment—counted as the present value of deals struck at around \$2.0 billion, but that was a historic high.

The COVID-19 pandemic has brought challenge and opportunity. The challenge is the substantial effect of the pandemic on traditional sources of inbound investment—usually linked to tourism or infrastructure. Both of these sectors have been significantly affected by COVID-19. But there is opportunity here as well. The first focuses on pharmaceuticals. The second is by a limited sort of liberalization in inbound investment. As part of its package of economic reforms, the Cuban government announced a liberalization of investment ownership rules. Beyond a number of sectors critical to the public economy, the state will allow foreign investors to own a majority interest in certain enterprises. No details yet. And it is not clear how hard or easy it will be to manage this given the traditions of bureaucratic control in Cuba. And yet, it—like the elimination of dual currency—may be a start. For the moment, however, little has changed.

Among European countries, it is Spain that drives investment. And the character of that support had become to intensify even before the pandemic. In 2019, and as a counter to Trump Administration measures, the Spanish government announced:

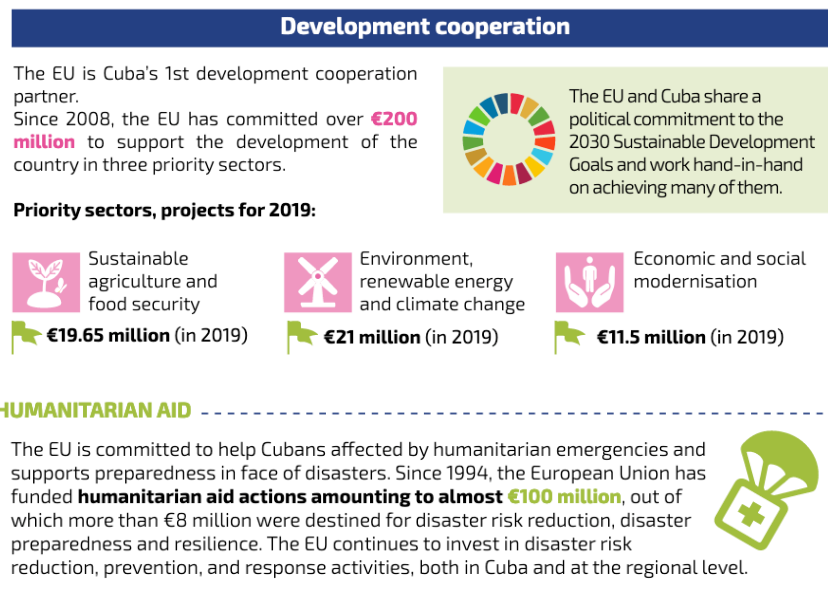
that it would convert some 375 million euros (420 million dollars) of Cuban debt owed to Spain into investments in the island, reported dpa news. The announcement came less than a week after the US reactivated a law allowing its citizens to sue foreign companies and individuals utilizing property confiscated in Cuba by the government. “[The new fund] is good news,” said Reyes Maroto, the Spanish minister of industry, trade and tourism, in Havana. “It will allow us to continue to develop investments of Spanish companies in Cuba and strengthen ties,” she added. The money will be given to Spanish companies, without the need to refund it, to cover the expenses of investment in projects which the Madrid and Havana governments consider priorities for the Cuban economy. ([Spain to Turn Cuban Debt into Investment to Counter US Measures](#))

The effect, of course, is a hybrid investment. That is to say, investment is actually the end product of state indirect aid to Cuba in the form of subsidies to private Spanish investors, many of them in the tourist sector. And that underlines an important element of the investment relationship with Cuba—much of it is either subsidized, guaranteed or otherwise supported by states. In effect it may be difficult to characterize it as direct investment or perhaps more like public foreign aid in privatized forms. In 2019, Spain was also the biggest participant in the Havana International Trade Fair held in November ([Spain again the protagonist of the largest trade fair in Cuba](#)).

2020 saw some growth in the Mariel Special Zone—in the form of seven new businesses ([Cuba's industrial zone closes 2020 with seven new businesses](#) (“In total, there are 55 projects approved to be installed in the ZEDM, eight of them with Cuban capital, 30 with 100 percent foreign investment, 15 are mixed ventures and two are international economic associations”)). Yet in terms of Cuba’s needs, that is hardly sufficient except perhaps over a very long term. The approval process has been streamlined, though its operation has yet to be assessed (Spotlight: Cuba seeks to promote foreign investment amid COVID-19 (“Earlier, as a new step to draw business people, the Caribbean nation launched a "single-window" service for foreign trade, an online platform that will expedite import and export processes for local and foreign investors.”))).

In addition, trade figures would be incomplete without considering the trade in aid numbers. These would include the amounts contributed by the EU and EU Member States to Cuba directly or indirectly through grants to civil society and other actors operating projects in Cuba, that fall within the cooperation and capacity building objectives of PDCA. The value to the EU is important—it is the means through which it can project its soft power to inculcate, to the extent it is possible, its values within Cuban society, through its “missionary” work.

A recent report (EU, EEAS, EU-Cuba Relations [Fact Sheet](#)) suggests the scope of the state to state portion of that that trade in aid.



Unfortunately the figures for indirect trade in aid are harder to come by. But this gives a sense. Not a tremendous amount of money but it suggests at least some significant contribution that indicates the value that Europe places on the soft power cooperation elements of PDCA. It also increases the imbalance in the transfers between Cuba and the EU.

#### **4. Conclusion.**

The state of economic relations with the EU remains stable. The template, the PDCA, has provided the framework within which EU states can arrange their economic relations with Cuba, but one that continues to silo trade, investment, and the concerns about the furthering of European values through trade. The result is, to some extent, complicity with Cuban politics, even as the EU decries them, theoretically, when it focuses (generally) on issues of values, including human rights and corruption. The balance of investment and trade remain lopsided.

That suggests that trade and investment are understood as political rather than as points of economic advantage. Part, of course, continues the European pattern of state responsibility (or at least interest) in former colonial territories. But part, as well appears to take the long view that a constant stream of help and encourage—engagement in both economic activity, in government to government exchanges, and the like, will eventually provide it leverage to project European values into Cuba. The Cubans, of course, view this differently. For them, principles of state to state engagement—those well developed in the principles of ALBA (Backer and Molina, [Cuba and the Construction of Alternative Global Trade Systems: ALBA and Free Trade in the Americas](#), *University of Pennsylvania Journal of International Law* 31:679-752 (2014))—permit a permanent state of unequal trade and the exploitation of local populations for the implementation of national policy goals. It is in the meeting of these two approaches that EU-Cuba trade and investment will continue to develop.

It is this disjunction that continues to frame European approaches to trade and investment relations with Marxist Leninist State. This is one of developing deeper interlinkages with the expectation that this will permit them to use various for a to instruct, or at least engage, their trading partners in European values. That model, the Cuba PDCA model, is evident in the 2020 agreement with China as well. ([The European Union, CAI, and the abyss](#) (“we are not convinced by the European Commission President, Ursula von der Leyen’s, claim that the “Agreement will uphold our interests and promotes our core values. It provides us a lever to eradicate forced labour.” The clauses,

at least as they are reported in the EU's Press release, are weak. ") .  
The PDCA was a dry run for what will be the agreement with China.  
And what PDCA teaches is that such agreement pay lip service to  
European values while seeking access to markets or territories where  
Europe has an interest.