

THE ODD COUPLE: HOW JAPAN HELPS CUBA UNDERMINE U.S. POLICY

At the center of the United States policy toward Latin America for over two decades has been the attempt to isolate Cuba. This is in response to Havana's unceasing efforts to threaten vital American political and security interests around the world. The U.S. has relied mainly on economic sanctions, which not only pressure Cuban leader Fidel Castro but also raise the cost to the Soviet Union of maintaining a military base 90 miles from American shores. In overcoming U.S. sanctions, Cuba is receiving help from a strange source: Japan, one of America's closest allies.

In recent years, Japan has been Cuba's leading Free World trading partner. In 1986, for example, Japanese exports to Cuba totalled about \$300 million, nearly triple the the 1983 level. Machinery and spare parts accounted for about 25 percent of the Japanese goods shipped to Cuba, while electrical equipment and vehicles represented 12.7 percent and 9.7 percent, respectively.

During that same period, Cuban exports to Japan increased from \$92.1 million in 1983 to about \$115 million last year. Nearly all of Havana's sales to Japan involved Cuba's two major export commodities: sugar and seafood.

Over the last three years alone, Cuba's cumulative trade deficit with Japan has reached nearly \$600 million. This, however, is no worry to Havana. Japan and Cuba conduct business on essentially a barter basis. This means that Cuba's trade deficit with Japan represents goods purchased on credit and thus amounts to a massive loan from Tokyo. Total Cuban indebtedness to the Japanese is estimated be nearly \$1 billion. In effect, therefore, part of the huge U.S. trade deficit with Japan is used by Tokyo to underwrite Japanese sales to Cuba that undermine the U.S. sanctions against Castro.

Havana's foreign debt has become a serious problem for the Castro regime. Cuba's convertible currency debt with the Free World stands

at \$3.7 billion, with Japan as its leading creditor. Recent Cuban attempts to reschedule payments on these loans have met with little success, revealing a widespread lack of confidence in Havana's ability to service its debt. This comes at a time when the Soviet Union, Cuba's main source of economic assistance, has scaled down its support. Even so, Moscow is spending over \$4 billion annually to keep Cuba's economy afloat.

Havana's international economic woes reached crisis proportions last year. Since April 1986, Cuba has not made any payments toward its debt with Free World nations. As a result, since around June 1986, Japan's credit corporations have refused to grant insurance coverage to Japanese cargo bound for Cuba. The effect has been the virtual cessation of Cuban-Japanese trade.

While the insurance problems may reduce Cuban-Japanese trade for the moment, Tokyo gives no indication that the trade would not resume. By conducting this trade, however, and by extending Cuba such huge credits, Japan deliberately is opposing an important element of U.S. foreign policy. While Japan's leading import from Cuba has been sugar, this commodity is readily available from the emerging democracies of the Caribbean Basin and Central America. It would cost the Japanese no more to purchase sugar from these nations. And by so doing, the Japanese would be giving a boost to Ronald Reagan's Caribbean Basin Initiative.

Japan is an important member of the Free World defense alliance and, as such, should recognize its responsibilities. For political and security reasons rather than economic considerations, Japan should avoid resumption of economic ties with the Castro regime. Tokyo's trade with Havana has already damaged U.S. interests in Africa and Latin America by supplying Castro with hard currency needed to support his sponsorship of terrorist activities and anti-Western movements in Angola, Ethiopia, Nicaragua, and Colombia. As it is, moreover, the U.S. already shoulders a huge share of the costs of providing a security umbrella for Japan. Tokyo's policies, which help fund Cuba's destabilizing activities around the world, thus further increase America's defense burden. It is time for Japan to stop being Cuba's best Free World friend.

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For further information:

Howard Banks, "A Friend in Tokyo," Forbes, November 3, 1986, p. 38.

Timothy Ashby, "A Nine-Point Strategy for Dealing With Castro," Heritage Foundation
Backgrounder No. 472, November 21, 1985.