

MEXICO-CUBA COMMERCIAL RELATIONS IN THE 1990s

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Cuba and Mexico share many characteristics. Historically, both were Spanish colonies and are now both post-revolutionary countries. Geographically, the countries are close neighbours within Latin America and they are situated next to the United States. While Mexico and the United States maintain friendly relations, relations between Cuba and the United States are severely strained. This fact alone exerts the greatest deal of influence on Mexico-Cuba commercial and diplomatic relations.

The core principle of Mexico's foreign policy is "non-intervention" in the affairs of other states. Mexico has stood by this principle regarding Cuba (Covarrubias, 1996). For instance, Mexico was the only Organization of American States (OAS) member not to break diplomatic ties with Cuba after the 1964 resolution to isolate Cuba. Mexico has also strongly protested the use of the Helms-Burton law to deter commercial relations with Cuba. By basing its relationship with Cuba on the principle of non-intervention, Mexico has maintained an amicable commercial and diplomatic involvement with the island, throughout the Castro regime. Although Cuba-Mexico bilateral trade has never been strong, it increased in the 1990s, until 1995. However, in 1996 and 1997, the value of Mexico's exports to the island, especially in oil and related products, dropped significantly. Likewise, although Mexican companies participated in some important joint ventures on the

island in the early 1990s, they are not currently playing a large investment role in Cuba.

The first section of this study will review Mexican-Cuban relations from the Cuban revolution to the end of the 1980s. It will include an overview of the limited commercial history between Mexico and Cuba, until the breakup of the Soviet Bloc, an event which shook the economy of Cuba and forced the government to search for non-traditional commercial partners. The second section of the study will examine the impact on Mexico of Cuba's re-orientation in the international sector. This section will also put into perspective the influence of the U.S. government on this relationship by examining negotiations between Mexico and the United States regarding the North American Free Trade Agreement (NAFTA), as well as the Mexican Peso Crisis and the implementation of the Helms-Burton Law. The third section of the study will document Mexican investment in Cuba, which reached a peak in the early 1990s. Finally, the paper will review the strategic advantages and disadvantages of Mexican companies exporting to the Cuban market.

The research for this study included both secondary and primary sources. An extensive literature review of Mexican, Cuban and U.S. sources was conducted. This research was complemented by interviews conducted with Mexican government officials, academics and business professionals, during the Spring of 1998. Due to the sensitive nature of trade and invest-

1. Tsoutouras would like to thank St. Mary's University for generous financial support to be able to present this paper at the Eighth Annual meeting of the Association for the Study of the Cuban Economy.

ment with Cuba, very little statistical information was made available by either government or private sources. Although interviewed company names have been kept confidential, a list of government agencies interviewed is provided in the Appendix.

EARLY RELATIONS (1959-1988)

Mexico and Castro's Cuba have shared the last 39 years of economic and diplomatic relations based on a single principle: non-intervention. As succinctly put by the Mexican Ministry of Foreign Affairs (SRE):

The guidelines of international policy are few, clear and simple. They only proclaim: That all countries are equal; they should mutually and scrupulously respect institutions, their laws and their sovereignty; that no country should interfere in any manner and under any motive in the internal affairs of another. All should strictly and with no exception submit themselves to the universal principle of non-intervention (Mexico, SRE in Covarrubias, 1994 p. 51).

Mexico and Canada were the only countries in the Americas that never broke relations with the Castro government. In return, Cuba adopted a similar non-interventionist policy regarding Mexico. While Castro has supported revolutionary movements in other parts of the world, he has never directly supported movements in Mexico, though he may have had opportunities to do so.²

Another factor which facilitated relations between both countries immediately following the Cuban revolution was that Mexico, itself, was a post-revolutionary country. Thus Mexican officials and the general public, tended to sympathize with Cuba's position (Covarrubias, 1994). Although this sympathy generally dried up after Castro confirmed his communist intentions for the island, the Mexican government continued to disagree with the use of force against Cuba, as well as the imposition of economic and political sanctions and diplomatic isola-

tion used and promoted by the United States (CEPAL, 1995). While Mexico has not supported these U.S. policies against Cuba, it has been careful to state that Mexico's policy on Cuba is based more on principle than on actual support for the Castro regime.³

In terms of commercial relations, there was little Mexico-Cuba bilateral trade between 1959 and 1973. Cuba's involvement with the Soviet Bloc and its COMECON market meant that most of Cuba's trading needs were fulfilled through special relations with these countries. A turn around in economic relations between Mexico and Cuba began during the government of Mexican president Echeverría (1970-1976), which corresponded with an increase in interest between Mexico and Cuba for improved trade and cultural co-operation. For example, in 1974, two important joint agreements were signed, one regarding culture and education and the other regarding scientific and technical co-operation (Cornelis & Sierra, 1989 in Covarrubias, 1994). During a visit to Cuba, in 1975, and throughout that year, the Echeverría and Castro governments signed several additional cultural and commercial treaties. These treaties covered areas as diverse as industrial and economical collaboration, collaboration in the sugar industry, and exchanges in television and radio broadcasting. Although trade began to increase in the 1970s, the numbers were still low in comparison with each country's respective total trade figures. In other words, economic relations were not significant because both countries had more important trading partners in industrialized countries (Covarrubias, 1994).

It was during the presidency of López Portillo (1976-1982) that Cuba and Mexico shared their closest political relations (Covarrubias, 1994). Collaboration during this period was very strong and marked by rumors of unofficial loans to Cuba and trade in oil (Covarrubias, 1994), which had been strongly dis-

2. Mexican Presidents Echeverría and López Portillo strongly and openly supported diplomatic relations with Cuba (Covarrubias, 1994 p. 327).

3. There have been reports of Cuba's involvement in the 1968 clash between student and police, which began on July 26th at a rally celebrating the Cuban Revolution in Mexico City.

couraged by the United States since the 1960s.⁴ Among the points of collaboration between Mexico and Cuba during the López Portillo presidency was the establishment of the General Intergovernmental Joint Commission in 1978. The Commission's aim was to review work on all other commissions, treaties and groups and to propose methods or projects for the continued development of relations between Mexico and Cuba.

De la Madrid's presidency (1982- 1988) coincided with the collapse of the Soviet Bloc and a change in Mexico's trade strategy to one of export promotion. During this presidency, the economic relationship between Mexico and Cuba continued to grow, but diplomatic relations began to cool. Two important factors under the de la Madrid presidency helped to streamline the trading process between Mexico and Cuba. First, a Limited Scope Agreement was signed in 1985, which finally allowed Mexico and Cuba to trade basic and manufactured products with reduced or zero tariffs (Covarrubias,1994). Second, lines of credit were established between the Mexican Bank for Foreign Trade (Bancomext) and the Cuban National Bank.

RELATIONS IN THE 1990s

By 1989, the collapse of the Soviet Bloc was almost complete and Cuba was once again alone and isolated without the traditional trade partners it had become accustomed to. While the countries of Eastern Europe changed their economies from within, Cuba was forced to reform its economy in response to external factors (ECLAC, 1997). The breakdown of the Soviet Bloc put an end to the Cuban system of guaranteed full-time employment and lack of concern over productivity. This period of 1989 to 1993 marked a decrease in Cuban GDP of more than 30% (ECLAC, 1997). The Cuban government's response to this crisis included a search for alternative sources of trade and investment.

The Salinas government (1988-1994) witnessed very complicated relations between Mexico and Cuba.

While both countries were interested in Mexican investment in Cuba, Salinas was also strengthening ties to the United States. Although publicly stating that Mexico would help however possible to improve the situation in Cuba, in 1992 Salinas began meeting with members of the Cuban exile community in Miami (Covarrubias,1994). Around the same time, Salinas also received additional pressure during the NAFTA negotiations from members of the U.S. Senate, who sent him a letter expressing their concern about Mexico's policy on Cuba (Epoca, 1992 in Covarrubias,1994). Both actions were seen as pressure tactics to force the Salinas government into adopting a harder line on Cuba.

The Zedillo government (1994-2000?) has weathered even more strain. His government was compelled to accept an aid package (with a series of political demands, reportedly, attached to it), from the U.S. government following the 1994 Peso Crisis. Not long afterwards, the Mexican government was once again forced to re-examine the importance of its commercial relationship with Cuba under the threat of the Helms-Burton legislation.

The implementation of the Helms-Burton law by the United States government has been strongly opposed by Mexico. Like most other countries, the Mexican government is of the opinion that the extraterritorial nature of the Helms-Burton Law violates the basic principles of international law. The two main groups within the Mexican government opposing the Helms-Burton law—the Ministry of Foreign Affairs and the Ministry of Trade and Industrial Promotion—point out that the law violates NAFTA, as well as, Mexico's foreign policy of non-intervention (Covarrubias, 1997). The Mexican Congress has also stated its opposition to the law and its solidarity with the people of Cuba (Covarrubias, 1997). During the August 1996 visit to Mexico of Stuart Einzenstat, U.S. Special Envoy for Cuba, the Mexican government stated that Mexico supports basic human rights, as well as the policies of passive rela-

4. Since there was extensive U.S.-Mexican trade in oil products, there was a threat for the Mexican government if they exported oil to Cuba.

tions between states, self-determination and non-intervention. In addition, at the 28th General Assembly of the OAS in June 1997, Mexico reaffirmed its position that open dialogue and communication with Cuba were better alternatives for change than isolation, embargoes and sanctions (SRE, 1998).

In October of 1996, in expressing its intention to use all legal means possible to limit the effect of the Helms-Burton Law, the Mexican government enacted a foreign extraterritorial measures law. The law prohibits Mexican companies from obeying foreign legislation and may impose fines of up to \$ 300,000 USD on Mexican companies or citizens. In addition, the law states that Mexican courts will not recognize any U.S. claims under Title III of the Helms-Burton Law. If a Mexican company is sued, it can counter sue the U.S. company in a Mexican court for the same amount of damages. If the U.S. company refuses to pay, the Mexican company could have a legal claim to the U.S. company's assets in Mexico.

Overall, the Zedillo government's stance on Cuba has been a very divided one. While continuing its non-intervention policy in regards to Cuba, the PRI government has distanced itself from Castro. This cooling in diplomatic relations has been best illustrated in the cancellation of Castro's proposed visit to Mexico in 1996 and statements made by President Zedillo that he will not defend antidemocratic governments (Covarrubias, 1997).

Nonetheless, Mexico continues to support Cuba's re-integration into the Americas and continues to work with Cuba on several joint economic commissions (CEPAL, 1997). For instance, in June 1998, the 10th session of the Joint Commission of the Intergovernmental Working Group on Economic and Industrial Collaboration met once again to review the general state of economic relations between the two countries. Mexican officials stated that considering the process of economic transformation occurring within Cuba, it was important that Mexico continue to strengthen economic and commercial relations with the island (SRE, 1998).

INVESTMENT IN THE 1990s

The growth of Mexican foreign investment in Cuba was facilitated by a 1991 agreement between Bancomext (Mexican Bank for Foreign Trade) and the government of Cuba which allowed for non-traditional restructuring of Cuba's debt. This agreement paved the way for Mexico-Cuba debt for equity swaps which financed several Mexican investments on the island. In these swaps, Bancomext gave credits to Mexican companies to invest in or trade with Cuba as a form of repaying Cuba's debt to Mexico (CEPAL, 1995).

One of the first Mexico-Cuba joint ventures initiatives joined Cubanacán (a Cuban tourism parastatal) and Mexican company DSC (Desarrollo de Servicios Constructivos) to construct a 4-star hotel in Varadero, Cuba. The project was completed in 1991. DSC contributed \$15 million USD with approved financing through Bancomext in a debt for equity swap (CEPAL, 1995).

Shortly thereafter, in 1993, Grupo Danta of Monterrey formed a joint venture with Unión Textil of Cuba. The two entered into a 20-year contract and became partners in a new company, the International Textile Corporation. In this deal, Danta contributed capital for buying the raw materials and financing repairs while Unión Textil contributed the industrial capacity and qualified labour force. The Unión Textil had the use of 33 plants valued at \$2.5 billion USD and 37, 000 workers (CEPAL, 1995).

In another debt-equity swap, Cemex of Monterrey, the world's third largest cement producer, joined with Unión de Empresas de Cemento to create Empresa Mixta Cementos Curacao NV (EMCC). The project was a 50-50 joint venture which allowed for the sale of a cement plant in Mariel, Cuba, to EMCC (Babún, 1997). Cemex was able to export cement from the Mariel plant and from Cuba's other 5 plants. A victim of the Helms-Burton legislation, Cemex decided to sacrifice its operations in Cuba to protect larger interests (including 4 plants) in the United States. In May 1996, Cemex notified the U.S. government that it had withdrawn from its operations in Cuba. The notice was given just before Cemex's top executive was to receive a warning from

the U.S. government that he might be violating Helms-Burton (Cuba Net, 1996a). The Helms-Burton claim against Cemex was based, in part, on the fact that one of the plants Cemex was using in Cuba was believed to have been confiscated by the Cuban government from Lone Star Industries of Stamford, Connecticut (Cuba Net, 1996b).

Perhaps one of the best known (and largest) joint ventures to this point between a Mexican company and Cuba began in 1994. Grupo Domos entered into a joint venture deal through a 55-year contract with EmtelCuba, the Cuban state enterprise that operates the telephone service. For \$750 million USD, Domos bought a 49% stake in the newly formed company, ETECSA. Domos did not have substantial assets going into the deal but secured the transaction through help from Bancomext in the form of an equity swap of \$300 million USD of Cuban debt (CEPAL, 1995).

ETECSA planned to spend about \$1.4 billion USD to modernize Cuba's telecommunications infrastructure, with both partners contributing half the expenses. ETECSA's goal was to expand Cuba's telephone system from 2.5 lines/100 inhabitants to 20/100 by the year 2000. However, after the peso crisis in December of 1994, Domos began having problems contributing to its share of the investment (de Córdoba, 1996). In 1995, Domos was forced to divest 25% of its stock in ETECSA at lower than market value.

The stock was sold to STET of Italy for \$291 million USD (de Córdoba, 1996). Domos contributed \$320 million USD of the planned investment and was left with 37% of ETECSA. By the end of 1996, ETECSA had installed 37,000 digital lines and 900 international output circuits. International calls skyrocketed from 400 calls to 60,000 a day (Tamayo, 1996).

In August of 1996, Domos received a letter from the U.S. State Department giving it 45 days to end operations in Cuba (Moore, 1996). The president of Domos, Javier Garza Calderón, and several top executives were told to resign or to break off ties with Cuba or they and their families would not be allowed to enter the United States. Although Domos did not leave the island in response to Helms-Burton, the law

did make it difficult for the company, which was already having financial difficulties, to secure the financing required to continue their Cuban operations. Late in 1996, Domos was forced to leave Cuba after it was unable to secure continued financing for the project. Interestingly, Domos was singled out by the Helms-Burton legislation even though ITT, which ran the phone system before repatriation, had never given any indication that it planned to sue Domos (Moore, 1996). In 1997, within the provisions of Helms-Burton, STET finalized an agreement with ITT to use its properties in Cuba for 10 years. The agreement released STET from Helms-Burton sanctions.

In sum, planned joint ventures in the mid 1990s faced many challenges, especially in strategic areas, such as oil and gas. Any planned joint venture would, of course, face pressure from the U.S. government and would, to some degree, need Mexican government backing (at least financially) to be secure. As mentioned before, 1992 brought about new pressures for the Salinas government from the U.S. Senate and the Cuban exile community, both of which were strongly against foreign investment in Cuba. Additionally, Mexican companies received a harsh blow with the fall out from the 1994 Peso Crisis, which caused severe financing problems and sent interest rates in Mexico soaring. It is rumored that some members of the U.S. Congress tried to link the U.S. financial aid package after the peso crisis for a stricter policy on Cuba (La Jornada, 1995 in Covarrubias, 1997). So although many other countries found investing in Cuba "risky," U.S. pressure on Mexico's government combined with high interest rates, made continued or new investing in Cuba nearly impossible for Mexican companies.

The barriers were even greater for Mexican state-owned companies, such as Telmex and Pemex. These companies would have been natural complements to Cuban state-owned agencies attempting to remedy Cuba's deficiencies in communications and petroleum. For a state-owned company, such as to Pemex, to form a joint venture in a strategic area such as petroleum, would surely have had a profound impact on Mexico-U.S. relations.

While Mexican investment in Cuba came on strong in the early 1990s, supported by debt-equity swaps from Bancomext, Mexican investors now play a significantly smaller role in Cuba. Mexican investment has dropped noticeably from 1995, when Mexican companies made up, arguably, the largest share of investments (dollar-wise) in Cuba, reportedly approximately \$1.5 billion USD (Enfoque, 1996).⁵

A few Mexican companies are still involved in joint ventures on the island. For instance, Telecomunicaciones Internacionales de Mexico (TIMSA), is a partner, along with Cuban government operated UTISA and Sherritt International Communications, in Cubacel. Cubacel provides analog and digital cellular service on the island. TIMSA originally held 50% of Cubacel but in 1998, it sold 75% of its shares in Cubacel to Sherritt (Economic Eye on Cuba, 1998b).

In addition, Mexico's Banamex is involved in a project to process receivables and issue consumer credit and charge cards within Cuba (Economic Eye on Cuba, 1997). While strong financing is a great concern for most Mexican companies (interest rates above 20% are common in Mexico), as Mexico's largest bank, Banamex has a definite advantage. Banamex has also signed an agreement with Banco Popular de Cuba (Popular Bank of Cuba) to facilitate wire transfers, and letters of credit between Mexico and Cuba (Wall Street Journal, 1998).

Although Banamex appears to be enjoying its position in Cuba, most Mexican companies have found the barriers to investment in Cuba too great. By examining the survival of Banamex's joint venture in Cuba, and the demise of those of Domos (due to financing complication) and Cemex (a large company with important interests in the U.S.), it can be surmised that Mexican companies can succeed in Cuban joint ventures if they are large, independent of the United States and have strong financing.

TRADE IN THE 1990s

Although investment has weakened, many Mexican companies are continuing to export to Cuba, filling the void for imported, and in some instances American-made, products. With its close location and historical ties and common language, Mexico is a natural trading partner for Cuba. Exports to Cuba have grown to the point that by 1997, Cuba had become the 6th most important destination for Mexican exports (CubaNews, 1997). Attracted by the largest population in the Caribbean and a steady stream of tourists, Mexican exporters have tapped into the growth markets within Cuba of telecommunication, construction, petroleum and consumer goods. Mexicans are exporting products such as souvenirs, spare parts for telephones, food, tourism inputs, primary materials, materials for specialized construction and petroleum. The top five product groups exported from Mexico to Cuba in 1997 were: (1) mineral fuels and oil, (2) soaps, (3) plastics, (4) machines and apparatus and (5) nuclear reactor components (see Table 1). Interestingly, exports of mineral fuels and oil, which were significant in 1995, dropped in 1996 and 1997, from exports of \$141 million USD in 1995 to \$31 million USD in 1997 (see Table 1). Another interesting fact is that nuclear reactor components have been among the top exports to Cuba for the last 3 years.

Many Mexican exporters began trading with Cuba after being contacted by the Cuban government, through Bancomext. In some cases, Bancomext introduced exporters to Cuban representatives in Mexico, such as MERCOC (Cuban trade officials). In the early 1990s, if a company was interested in exporting to Cuba, they would receive strong support from MERCOC. MERCOC was staffed by Cubans who promoted Cuban trading interests in Mexico. They would buy Mexican products from Mexican companies who were not ready to export and over time, they would teach companies how to export for them-

5. In the early 1990s Mexico was listed as a main investor in Cuba (CEPAL, 1995) but by 1998 (Economic Eye on Cuba, 1998a) Mexico was listed as a minor investor. Although actual foreign investment figures in Cuba are difficult to obtain, the June 15-21, 1998 edition of *Economic Eye on Cuba*, reports that France, Spain, UK and Italy make up 50% of investment in Cuba, Canada makes up 20% and Mexico, Venezuela, Argentina and Chile make up 18%.

Table 1. Mexican Exports (\$US) to Cuba by Product, 1995-1997

	1995	1996	1997
Mineral Fuels and Oil	141 674 970	45 437 528	31 416 334
Soap and Related Products	22 342 293	17 884 864	21 747 947
Plastic and Related Products	10 043 700	16 934 432	20 468 358
Fertilizer	17 909 273	6 983 732	11 387 460
Nuclear Reactors	11 736 515	13 833 672	13 190 143
Chemicals and Inorganic Products	11 702 017	9 742 898	8 732 5603
Rubber and Related Products	11 279 168	18 509 932	10 810 208
Autos, Tractors	11 074 762	11 426 718	2 670 736
Animal and Vegetable Oils and Fats	10 708 406	7 988 859	8 656 139
Cotton	10 547 732	15 731 394	10 491 192
Machines and Apparatus	9 100567	22 145 919	17 932 808
Manufactured Metals	7 910 599	12 677 540	11 738 901
Steel and Iron Work	6 914 567	11 263 090	3 606 373
Paper and Carton	4 215 340	9 194 476	9 372 192

Source: Bancomext.

selves. Unfortunately for Mexican exporters, MERCOCO stopped operations in Mexico shortly after the peso crisis.

Mexican exporters to Cuba interviewed for this study mention that another commercial challenge for them has been the change in Bancomext's attitude toward trading with Cuba. Once very helpful, Bancomext now shows little interest in promoting trade and investment with Cuba, most likely due to its ties with the United States. Bancomext's about-face *vis-a-vis* Cuba may explain, in part, the decrease in both investment and trade since 1995. For instance, while exports to the United States have increased over 40% and exports to Spain have risen 18% between 1995 and 1997, exports to Cuba have dropped over 26% during the same period (see Table 2). Despite the fact that Mexico has become one of Cuba's top trading partners, exports to the island dropped in 1996 and 1997, as compared to 1995 (see Table 3).

Another factor in Mexico's diminished presence in the Cuban market is that competition in Cuba is fierce, especially in Mexico's weakest area, financing. Several countries, including Italy, Spain and Panama, offer very attractive financing to Cuban importers, which the Mexicans cannot match. Mexican companies find it difficult to provide long term financing due to high interest rates in Mexico. Additionally, most Mexican companies do not have the capital necessary to wait 60 days for payment from the Cubans.

Table 2. Mexican Exports (Thousand \$US) by Country, 1995-1997

	1995	1996	1997
Cuba	394 505	318 227	290 121
United States	66 272 736	80 343 750	93 979 183
Costa Rica	141 898	187 974	225 134
Spain	796 876	919 507	941 313

Source: Bancomext.

Table 3. Mexico-Cuba Bilateral Trade (Thousands \$US), 1994-1997

	1994	1995	1996	1997
Mexican Exports to Cuba	173 742	355 096	318 227	290 120
Mexican Exports (minus Oil)	144 853	279 671	278 418	NA
Mexican Imports from Cuba	11 716	6 234	22 850	34 223
Trade Balance for Mexico	162 026	348 862	295 337	255 897

Source: Bancomext.

Note: Bancomext officials were unable to explain the discrepancies between the data in Tables 2 and 3.

While Mexican exporters find it difficult to compete on the basis of financing, Mexico's competitive advantage is speed of delivery. Located only three days away by sea, Mexico can deliver a shipment to Cuba five times faster than European countries can. When a Cuban importer needs a product immediately, Mexico is the best option. Mexican companies, especially manufacturers who export to Cuba, can also compete on price. The Cuban market is still very price sensitive, so Mexican manufacturers that can

offer a low price usually have an advantage. The lower cost of labour and shipping can also be factored into Mexican prices.

Of course, the advantages for Mexican companies mentioned above are based on the fact that the U.S. embargo against Cuba provides Mexicans with a window of opportunity that will not exist if the embargo is lifted. Mexico has benefited greatly from the inability of Americans to service the Cuban market. However, many Mexican exporters mention that they will not be able to compete against American products and financing or the pull of Cuba's closest market and potentially largest trading partner, the United States.

CONCLUSION

While Mexico's relationship with Cuba has been based on non-intervention, there has been great pressure on Mexico from the United States to limit diplomatic and economic relations with the island. Mexico has had to walk a tightrope with regards to its policy on Cuba: maintaining its anti-interventionist principles and defending its commercial sovereignty, while not endangering its relationship with the United States. It is in Mexico's best interests to assert its support for non-intervention⁶ since its human rights records are also subject to assessment by the US and international organizations (Covarrubias, 1994).

Prior to 1989, Mexico and Cuba favored industrialized countries as trading partners. However, trade and investment between Cuba and Mexico became significant after the fall of the Soviet Bloc, when Cuba began looking at alternative commercial partners. In the early 1990s, several Mexican companies began trading and investing in Cuba with the aid of Bancomext. This was Mexico's "Golden Age" of investment in Cuba, with ventures in tourism, construction and telecommunications. However, the United States was able to exert pressure on the Mexican government during negotiation of NAFTA and, more importantly, with the relief package that followed the peso crisis. Sometime between the peso

crisis and the enactment of the Helms-Burton law, Bancomext gave up much of its interest in Cuba, with detrimental consequences for Mexican interests in Cuba.

Interest in trade with Cuba is continuing to grow. Many manufacturers, agents and other exporters have taken advantage of Mexico's proximity to the Cuban market, low wages and their similar climates and common language. While export figures have dropped since 1995, the basket of products exported to Cuba has diversified. Mexicans face disadvantages in the Cuban market such as high domestic interest rates, unavailability of financing and lack of support from Bancomext. Nevertheless, Mexican companies continue to benefit from the absence of Americans in Cuba. The best opportunities for trade with Cuba belong to Mexican low cost manufacturers that can export directly to Cuba. These companies can tap Cuba's cost-sensitive market and take advantage of relatively low transportation costs.

With the lifting of the U.S. embargo, Mexican companies would lose some of their competitive edge in the Cuban market. While no one is certain what could be the outcome of open U.S. trade with Cuba, one thing is sure: there will be a sharp increase in competition. Future prospects for Mexican companies interested in investing in Cuba, after the lifting of the embargo, could include using their knowledge of the Cuban market and low cost manufacturing capabilities to form strategic alliances with American companies. Mexican service providers could also leverage their knowledge of the Cuban market in post-embargo bidding for international aid projects. Of course, for Mexican exporters, any future improvement in the Cuban economy will increase potential exports to the country. In conclusion, Mexican companies interested in Cuba are faced with a difficult decision: either make their move now while they still maintain their competitive advantage or wait and plan a way to integrate their strategies with those of powerful U.S. companies once the embargo is lifted.

6. A recent example of Mexico itself being a victim of U.S. intervention is the recent banking scandal, where the U.S. government conducted an undercover investigation of Mexico's banks and money laundering without the Mexican government's consent or knowledge.

Appendix
LIST OF MEETINGS (ACADEMIC AND GOVERNMENT)

1. El Colegio de México
Dr. Ana Covarrubias, Professor. Specialist in the area of Mexico-Cuba political relations
Miguel García Reyes, Researcher in the area of Mexico's petroleum industry (phone discussion)
2. Secretaría de Relaciones Exteriores (Ministry of Foreign Affairs)
Lic. Ricardo Domínguez Guadarrama, Head of Caribbean Department
3. CEPAL (Comisión Económica para América Latina y el Caribe)
Dr. Jesús M. García Molina, Economic Affairs
4. Bancomext (Mexican Bank for Foreign Trade)
Lourdes Jiménez, Advisor in Caribbean and Central America Department
Veronica Marina, Head of Caribbean and Central America Department (phone discussion)

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