

CLIENT ALERT

New Easing of Restrictions on Trade Dissected

New regulations, which took effect on January 27th, build on other sets of U.S. commercial and travel rules released since the United States and Cuba announced on Dec. 17, 2014 that they were working to normalize relations. The new announcement removes major impediments by lifting restrictions on American financing of exports to the island nation and relaxing limits on the shipping of an array of products, from tractors to art supplies.

The new rules include a variety of new business opportunities:

- ✓ Allows U.S. banks to provide direct financing for exports. U.S. firms can now offer Cuban buyers credit on sales of non-agricultural goods, addressing one of the biggest impediments to direct trade.
- ✓ Creates an opening for U.S. citizens to organize a variety of events on the island, from research conferences to sports competitions. Under previous rules, U.S. citizens were only allowed to attend such events.
- ✓ Makes it easier for U.S. business representatives to visit the island on fact-finding trips to explore business opportunities.
- ✓ Makes it easier for U.S. airlines to work with their Cuban counterparts to expand commercial flights between the countries by allowing blocked space, code-sharing and leasing arrangements with Cuban airlines. Regularly scheduled flights could bring hundreds of thousands more U.S. travelers to Cuba every year.
- ✓ Allows U.S. companies on a case-by-case basis to be involved in the construction of infrastructure deemed as directly beneficial to the Cuban people. A Treasury Department statement mentions water treatment and supplying energy as examples.
- ✓ Allows business to sell directly to Cuba's state-run companies.

The rules build on three rounds of regulatory changes that the Obama administration has enacted since Presidents Obama and Raúl Castro announced in December 2014 that their countries would reverse over a half-century of official hostility. Since then, American and Cuban officials have struck a number of agreements including, re-establishing diplomatic relations and reopening of embassies.

Under the new rules, U.S. companies can sell to government agencies that help the Cuban people, including those in the fields of agricultural production, education, food processing, disaster preparedness, public health, sanitation, residential construction, public transportation, energy production and water supplies.

The Obama administration has been very careful about preventing members of Cuba's leadership, including communists who run the government and military personnel who control many state-run enterprises, would not be the main beneficiaries of the new economic opportunities. But it's proven difficult to get money and materials directly into the hands of Cuban entrepreneurs and civil society leaders, prompting the change.

President Obama seems to be pushing to do as much as possible to normalize relations with Cuba before he leaves office next year. He would like to travel to Cuba before his term ends, a visit that senior officials said would "highlight progress" in the relationship.