

Cuba Update: Potential Business Opportunities Remain

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Much has happened since we first reported earlier this year on the loosening of trade and travel restrictions with Cuba—and the possible business opportunities for North Carolina companies that may come along with those policy and regulatory changes.

Here are some of the noteworthy events: In April, President Obama and Cuban President Raul Castro shook hands at the Summit of the Americas in Panama, marking the first meeting of the countries' heads of state since before the Cuban Missile Crisis more than a half-century ago.

In May, the United States removed Cuba from its list of state sponsors of terrorism, a list that Cuba had been on since the early 1980s.

Over the summer, the U.S. and Cuba formally restored diplomatic ties—symbolic flag-raising ceremonies took place both at the Cuban embassy in Washington and at the U.S. embassy in Havana.

Such events evidence the Obama Administration's continued push to normalize economic and diplomatic relations with Cuba, and come on the heels of the regulatory changes that took effect in January designed to make travel to and trade with Cuba easier.

At a high level, those changes – formally coming through amendments to the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") – accomplish the following:

- Allow certain commercial sales and exports from the U.S. to Cuba, as well as limited imports.
- Relax restrictions on non-U.S. affiliates and subsidiaries of U.S. companies.
- Facilitate authorized financial transactions and payments between the U.S. and Cuba.
- Pave the way for the construction of improved telecommunications systems in Cuba.
- Expand and make travel easier to Cuba.

Various reports suggest that the easing of restrictions have had an impact. Travel to Cuba is reportedly up 35% since January. Many U.S. companies are exploring commercial ventures in Cuba, and U.S. firms appear interested in assisting Cuba in growing its Internet and telecommunications systems.

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All indications are that President Obama seeks to do more, aiming to use his executive authority to loosen restrictions between the U.S. and Cuba without having to go to Congress to have the long-standing embargoes on trade and travel—which do remain in effect—lifted. Most recently, for example, the White House revealed it is hoping to reach a deal with Cuba that would allow travelers to take scheduled commercial flights between the countries by year's end.

The policy and regulatory changes—both those that are already in effect and those on the horizon—may provide North Carolina companies with business opportunities in Cuba. Along with those opportunities, however, come risks, including legal ones; this is particularly true in light of the fact that the overall embargo on trade with Cuba remains in place. Companies wishing to do business involving Cuba or Cuban nationals should use caution and be sure to comply with applicable laws and regulations, including Treasury and Commerce Department rules.

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