

The new frontier

New relations with Cuba could mean opportunity for American businesses

INTERVIEWED BY MARK SCOTT

The recent White House announcement of a new course in Cuba relations sparked much discussion and it would be wise for American business owners to pay attention to what happens next, says Luis M. Alcalde, Of Counsel at Kegler, Brown, Hill + Ritter.

“Only Congress can end the embargo, but the new regulations published on Jan. 15 by the Office of Foreign Assets Control greatly ease travel to Cuba and create new business opportunities for the U.S.” Alcalde says. “Businesses should take a look at these new opportunities to see how Cuba might fit into their short- or long-term objectives.”

Cuba has a population of 11.2 million people about 100 miles from the Florida coast. “Even with the embargo in place, Cuba gets about 2 million tourists a year,” says Alcalde. “Tourism could easily double if the embargo is lifted and development takes place there.”

Smart Business spoke with Alcalde about the impact the new policy could have for American businesses.

What type of U.S. commerce exists in Cuba today?

Today there is very little U.S. commerce with Cuba, with the exception of agricultural sales, which have been permitted for a number of years. U.S. agricultural sales to Cuba peaked in 2008 at around \$700 million but recently dropped to about \$350 million. The new regulations ease payment issues with Cuba somewhat and there is hope it will lead Cuba to buy more U.S. food products. An end to the embargo would lead to more trade between both countries, improving the Cuban economy and growing Cuba’s purchasing power for all types of U.S. goods and services. The new regulations significantly raise the permissible



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remittances that can be sent to Cubans in Cuba and allow other financing for private entrepreneurs. All of these steps should lead to increased commerce.

How will the new regulations affect America’s relationship with Cuba?

Americans will now find it much easier to travel to Cuba to market, negotiate, deliver and sell agricultural products, telecommunications services and equipment, as well as other services and goods to small entrepreneurs.

They will also be able to do professional research, attend professional meetings, put on performances and athletic events, and participate in educational and humanitarian projects in Cuba. Americans will also be able to spend more money while in Cuba. When other business and regulatory matters are worked out, Americans will be able to use credit and debit cards in Cuba, and fly to Cuba on regular airlines as opposed to charters.

For the first time since the 1960s, certain products produced by independent Cuban entrepreneurs will be exportable for sale in the U.S.

Travelers returning to the U.S. will be allowed to bring back up to \$400 worth of Cuban goods including \$100 worth of rum and cigars.

How might the new policy affect telecommunications and financial companies?

The new policy allows American companies to sell telecommunications equipment, software and services to Cuba. Cuba greatly needs better mobile and internet communications. From the perspective of American business, it could be a good market. Cuba needs to vastly improve its communications and the market can only go up from practically nothing to getting 11 million people on the internet and wireless devices.

The U.S. announcement may not seem so benign in Cuba. Politics are involved in terms of empowering the Cuban people. Concerns about spying and subversion may slow a process that is clearly needed to improve commerce and trade. On the new financial openings, U.S. banks and credit card companies are going to study the new regulations very carefully. Moreover, they are going to want assurances from the U.S. government that they are not going to get into a compliance morass by allowing American credit and debit card usage in Cuba. If the compliance side is too burdensome, they will avoid Cuba completely even if some transactions are authorized. Regardless, another new market has just opened for U.S. banks in the Caribbean. ●