

Opportunities exist with Cuba

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On Dec. 17, President Obama, to the surprise of many, announced a relaxation of the almost 60-year-old U.S. embargo of Cuba.

On Jan. 15, the Treasury Department's Office of Foreign Assets Control and the Commerce Department's Bureau of Industry and Security published amendments to their regulations implementing the embargo.

On April 14, the president submitted a formal report to Congress advising of his plans to remove the designation of Cuba as a terrorist state.

Although these changes reflect what may turn out to be a historic change in U.S. foreign policy toward Cuba, what some have termed the "irrational exuberance" of the U.S. trade community in terms of its hopes for opening new markets may be a bit premature.

Critical questions remain: Will this liberalization open up new trade markets for the Virginia trade community? And, will Virginia businesses, particularly those involved with port management and/or infrastructure development, be able to take advantage of this slightly open door to Cuba?

While there is legitimate reason for optimism, it may be some time before Cuba is awash in Virginia goods and services.

At the outset, it should be noted that the embargo still stands and will stay in place until Congress acts to terminate our sanctions regime. Potential exporters/importers and commercial travelers must remain vigilant in their compliance with the ongoing regulations issued by OFAC and BIS.

While the amendments do provide the U.S. trade community with greater flexibility in its dealings with Cuba, it is not yet time to shred the section of its compliance plans dealing with trade to the island.

The focus of the liberalization centers on: the easing of regulations with regard to the installation and maintenance of telecommunication systems and facilities, including fiber-optic and satellite installations; the easing of a wide-range of banking/finance restrictions that has long-hampered the ability of banks and companies, including non-U.S. companies, from engaging in legitimate,

licensed business dealings with Cuba; and a broadening of an exception to ship commercially sold or donated construction material for use by Cuba's small but growing private commercial and agricultural enterprises.

Virginia's agricultural community will not necessarily see much in the way of change as license exceptions already have been put in place for the sale of agricultural products sold for humanitarian purposes.

Perhaps the most important factor that might curb the trade community's enthusiasm is the fact that while Cuba, a nation of approximately 11 million people, may be a virgin market for American businesses, it is not a new market for the rest of the world. While a good portion of the world has participated in the boycotts of Burma and Iran, for example, the 50-year-long embargo with Cuba finds the U.S. virtually standing alone. U.S. businesses seeking to open up new markets should not be surprised to find they have to wait in line behind Canadian, European and Asian companies who have been doing business there for years.

This is not to say there aren't opportunities. For example, the Port of Virginia can play a critical role here in a way that will benefit not just the port but every Virginia and regional company that ships through the Port of Virginia. The port and the companies that service the port have world-renowned expertise in port development, management, cargo and terminal operations that would make a venture between the ports of Havana and Virginia a very real possibility.

Creating a strong maritime relationship that would result in a first-in/last-out sailing schedule could make the Port of Virginia a key hub in any growing trade between Cuba and the U.S. A rising tide of cargo to and from Cuba to Virginia could indeed float a lot of economic development - not just in Hampton Roads but throughout the commonwealth.

The liberalization of U.S.-Cuban relations may eventually be thought of as more of a political event than an economic driver. But opportunities exist, and hopefully the trade community of Virginia will see this as a long-term business opportunity. As long as OFAC and BIS regulations remain in place, no matter how relaxed, trade with Cuba will be fraught with some regulatory hurdles.

Compliance is essential, but with these relaxed regulations, the cost of compliance may be exceeded by potential economic benefits.

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