



## U.S. – CUBA : ONE YEAR LATER

DECEMBER 2015

### CONTEXT

Thursday, December 17, will mark the one-year anniversary of President Barack Obama's announcement of a new policy to normalize relations with Cuba after 56 years of enmity.

Over the course of the last twelve months the administration has amended regulations to ease certain restrictions on U.S. persons or businesses traveling to or operating in Cuba. This change has created an opportunity for companies in certain sectors to explore ways to engage with a nation located just 90 miles from the U.S.

"Real progress in U.S.-Cuba relations has been made in the last year," said Secretary Carlos M. Gutierrez, a chair of Albright Stonebridge Group. "Cuba has shown a willingness to engage with the U.S. government and the private sector to explore opportunities and discuss issues that were off the table in the past. The speed of change is not as fast as everyone would like. However, there is no question that Cuba is changing."

Albright Stonebridge Group summarizes the key developments of this year.

### TEN KEY DEVELOPMENTS SINCE DECEMBER 17, 2014

Since the President's announcement, the two countries have made steady, if gradual, progress in expanding and restoring diplomatic relations. While certain political tensions remain, including staunch opposition from certain members of Congress and general skepticism from each side over the other's intentions, improvements in the bilateral relationship have continued to progress. Some key developments have included:

1. In January and September, the Obama administration announced a number of loosened restrictions related to travel, financial, and export activities in Cuba. This series of changes has enabled a number of U.S. companies to engage and sign new agreements with the Cuban government.

### ABOUT ASG

As the premier global strategic advisory firm, Albright Stonebridge Group (ASG) helps our clients succeed in international markets. We assess and manage risks, identify and seize opportunities, and solve commercial, political, and regulatory challenges.

ASG's worldwide team of commercial diplomats has served clients in more than 100 countries and across all major industries.

[ALBRIGHTSTONEBRIDGE.COM](http://ALBRIGHTSTONEBRIDGE.COM)

2. Presidents Obama and Raúl Castro of Cuba have met twice this year: at the [Summit of the Americas](#) in April and at the [United Nations](#) in September. Previously, leaders of the two countries had not met for more than half a century.
3. On May 29, [Cuba was removed from the U.S. list of State Sponsors of Terrorism](#), facilitating the administration's efforts to restore diplomatic relations by removing a major sticking point in the relationship.
4. This summer, [the two countries officially restored full diplomatic relations](#) and reopened their embassies. While largely a symbolic milestone, the move gives diplomats in both countries wider latitude to operate and should increase their abilities to serve citizens and businesses of their respective countries.
5. A number of U.S. Government delegations have traveled to Cuba to explore ways to advance the commercial relationship. Three U.S. cabinet members have traveled to Cuba thus far: [Secretary of State John Kerry](#), [Secretary of Commerce Penny Pritzker](#), and [Secretary of Agriculture Thomas Vilsack](#). A number of congressional and gubernatorial delegations have visited Cuba as well.
6. The U.S. Department of State and the Cuban Foreign Ministry established a Bilateral Commission to discuss key issues in the relationship. They have met twice this year, in [September](#) and [November](#), and will meet again in early 2016.
7. On October 27, the United States [voted against](#) the annual United Nations resolution urging an end to the embargo. While the vote highlighted that political challenges remain in the relationship, it did not come as a surprise to the Cubans and has not impacted developments towards normalization.
8. On November 18, the United States and Cuba signed their [first environmental agreement](#) to foster conservation and marine protection.
9. On December 7, a U.S. delegation led by the Department of State traveled to Havana to hold the first government to government discussion on outstanding property claims, one of the key issues affecting the bilateral relationship.
10. On December 11, both sides announced the restoration of direct postal services between the two countries. And on December 17, Cuba and the U.S. agreed to resume commercial flights.

Update: On December 16, 2015, the United States and Cuba [reached an agreement to resume direct commercial flights](#) between the two countries for the first time in five decades.



## WHAT BARRIERS STILL REMAIN FOR U.S. BUSINESSES HOPING TO ENTER THE CUBAN MARKET?

Despite the recent executive actions and improved bilateral relations, Cuba remains heavily sanctioned and U.S. companies will continue to be limited in their Cuba-related activities. The various pieces of legislations that comprise the U.S. embargo on Cuba place strict limits on commercial, economic, and financial activity by U.S. companies. The lifting of the overall embargo against Cuba will remain dependent on Congress.

Additional barriers also exist on the Cuban side – the Cuban government remains suspicious of the U.S. and continues to be laden with cumbersome bureaucracy and red tape. The Cuban economy is underdeveloped and dominated by state-run enterprises, especially in strategic and capital-intensive sectors such as telecommunications. The Cuban government is slow and cautious, and decisions today are made only at the top levels. Only a few U.S. companies, like Sprint, have reached agreements in the last year. The government has nevertheless shown an interest in modernizing its infrastructure and systems.

While support for a thaw in relations has grown in Congress, opposition remains from some in both political parties. Nevertheless, some Cuban Americans traditionally associated with the embargo policy have been moving away from this status quo. More than 25 pieces of legislation introduced this year related to Cuba, as well as several failed attempts to amend provisions that restrict relations with Cuba. It is unclear at this point whether these bills will gain traction. Many of these bills are seen on the Hill as “message bills” – designed demonstrate member support or opposition on various aspects of Cuba relations.

While the Cuban market has been closed off to the U.S., companies from other markets have been operating in Cuba for years. U.S. investors traveling to Cuba will find that European, Latin American, Chinese and other multinational companies have already established a presence in Cuba, creating an additional barrier for American companies who hold the disadvantage of strict restrictions on their activities. Since the bilateral thaw began, more foreign companies have focused on Cuba, creating additional competition in this small but influential market. Despite this existing activity, Cuba’s economy is in severe need of further development, and Cuban officials have expressed interest in reviewing proposals from all countries.

## OUTLOOK

As the Obama administration enters its final year, it is likely to look for ways to further ease restrictions on Cuba. The administration will focus on areas that will allow Cubans to communicate better with each other and internationally, as well as ways to help support the nascent private sector. In the coming months, U.S. government officials will continue to engage with their counterparts to discuss the implementation of the new agreements mentioned above, with senior officials likely to travel to Havana to continue dialogue. President Obama has indicated that he would very much like to visit Cuba before the end of his term if sufficient progress is made.



For its part, the Cuban government will also look to make gradual political changes in 2016. The Seventh Congress of the Cuban Communist Party will meet on February 24, where officials are expected to discuss political and decentralizing reforms, as well as amendments to existing regulations.

Additional easing of restrictions and growing interest by the U.S. private sector will lead to increased commercial activity in the coming months. While there will be little immediate return on investments, U.S. companies are strategically positioning themselves to enter a market that has been closed off for fifty years.

