

# As U.S.-Cuba relationship warms up, trade possibilities are bubbling

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A sugarcane worker rests at the end of his lunch break under a mural of Cuba's late revolutionary hero, Ernesto "Che" Guevara, at the steam plant that's part of the 30 November Sugar Center. After President Barack Obama's December 2014 announcement that he was loosening the embargo on Cuba, change appears likely to come fastest in agriculture. AP/Ramon Espinosa

The U.S. government is making it easier for Cuban entrepreneurs to sell their products to American customers. The State Department recently announced that private entrepreneurs in Cuba would be allowed to export certain products to the United States.

U.S. government officials published a list of products that could not be traded between the countries. That left many people wondering how much the new policy would actually affect the economies in Cuba and the United States.

One Miami attorney saw an opportunity in the confusing regulations, which are called the U.S. Harmonized Tariff Schedule. Lenny Feldman decided to make a clear list of the products that could be exported from Cuba under the new rules. He calls this his "yes" list. It includes the specific goods that self-employed workers from Cuba are now permitted to sell to the United States.

## **Embargo Began In 1960 After Cuban Revolution**

The U.S. government first placed a trade embargo against Cuba in 1960, after Fidel Castro's Communist government came to power in a revolution. The embargo made it illegal for Americans to trade with Cuba. The embargo has remained in place for decades. This year, President Barack Obama announced that the United States would normalize relations with Cuba. The two countries have begun to make peace after years as enemies. Making exceptions to the embargo is part of that process.

Feldman's list catalogs which items are exceptions and can now be sold under the U.S. Harmonized Tariff Schedule.

It turns out that the list is pretty long. There are more products that can be imported than many people originally thought. This is good news for the more than 480,000 Cuban cuentapropistas — the Cuban word for entrepreneur.

The State Department hopes the new rules will make it easier for these private entrepreneurs to be able to develop products and sell them.

## **Live Animals And Animal Products Prohibited**

The U.S. Harmonized Tariff Schedule prohibits the export from Cuba of all live animals and animal products. It does allow raw hides, skins, leather, furs, saddles and harnesses, handbags and travel goods to be sold.

Paper products, plastics and rubber, ceramics, glass, pieces of stone, plaster and cement, footwear, hats, umbrellas, toys and games, artificial flowers and feathers are allowed as well.

Also permitted are soap, cosmetics, candles, waxes, polishes, perfume, and photography goods made by independent entrepreneurs. Jewelry-makers were given the green light too.

Cuentapropistas can also export some home goods, watches and musical instruments to the United States.

While some more sophisticated products are allowed too, it is not clear how many independent entrepreneurs or private companies are actually making these in Cuba right now.

## **New Policies Intended To Support Cuban Entrepreneurs**

While the State Department is permitting many items, it has said no to many others, such as sugar, prepared food and beverages, and aircraft.

Many of the items on the "no" list are produced by government-owned companies, according to Ted Piccone, an economics researcher.

The purpose of the new policies, he said, is to support Cuba's private workers and companies. Currently, the Cuban government controls almost the entire Cuban economy. That can make supporting private businesses a challenge.

The new policies take into account the fact that the government produces many products. It attempts to include only products the government does not manufacture. That may explain why some items are on "yes" list while others are not, even though the products are sometimes very similar. Feldman admitted it can get tricky.

While wool and cotton are not allowed to be exported, many other fabrics are permitted. The policy allows knitted and woven clothes, lace, embroidery, carpets and other floor coverings, and textiles made from felt, twine, rope, vegetable fibers and man-made materials.

### **Trade Still Won't Be Easy**

The State Department said the import list should help independent Cuban entrepreneurs do more business, improve their lives, and create positive change within their communities.

Even though the policies create a more open and trade-friendly economy, it does not mean that exchanges with small private Cuban businesses and entrepreneurs will be easy.

Piccone said that some of the laws within Cuba may need to be reformed. He said Cuban officials are not yet ready to regulate, control and tax the products that might be entering the country.

The State Department said it "cannot predict what the Cuban government will or will not allow" even with the U.S. Harmonized Tariff Schedule in place. Officials hope Cuban officials adopt the ideas and continue to provide opportunities to private-sector workers.

Another challenge is that there is currently no direct mail service between Cuba and the U.S. That could make shipping goods between the countries difficult. Currently, products that are sent to Cuba from the United States go by ship.

### **Making Trade Happen With Suitcase Commerce**

At first, the countries might need to exchange goods using a system called suitcase commerce. Suitcase commerce depends on travelers carrying permitted goods in their luggage and transporting materials that way.

Another factor that might make adopting the new rules complicated is Cuba's currency system. The country has a dual currency system, using both Cuban pesos and Cuban convertible pesos (CUC). Pesos are used for most salaries and everyday purchases and the value of one CUC is approximately 25 pesos. CUC are used by state companies and in the public sector; one CUC is worth one American dollar.

There are still many questions about how the new policies will impact the economy in Cuba. Piconne said nobody knows how the country will handle payments and the new products that might be traded.

**Quiz**

- 1 Each sentence explains one reason developing trade between the United States and Cuba will be challenging EXCEPT:
- (A) Officials hope Cuban officials adopt the ideas and continue to provide opportunities to private-sector workers.
  - (B) Another challenge is that there is currently no direct mail service between Cuba and the United States.
  - (C) Another factor that might make adopting the new rules complicated is Cuba's currency system.
  - (D) Piconne said nobody knows how the country will handle payments and the new products that might be traded.
- 2 Select the paragraph from the section "Live Animals And Animal Products Prohibited" that explains why some goods may not get traded, even if they are allowed.
- 3 Read the first paragraph of the article.

*The U.S. government is making it easier for Cuban entrepreneurs to sell their products to American customers. The State Department recently announced that private entrepreneurs in Cuba would be allowed to export certain products to the United States.*

Which answer option BEST explains the structure of the paragraph and the role it plays in developing the article?

- (A) It makes a comparison between two countries.
- (B) It develops a central hypothesis.
- (C) It summarizes the article as a whole.
- (D) It predicts the importance of an event.

- 4 Read the first paragraph of the section "Trade Still Won't Be Easy."

*The State Department said the import list should help independent Cuban entrepreneurs do more business, improve their lives, and create positive change within their communities.*

How does this paragraph contribute to the development of the article?

- (A) It explains why the U.S. government originally banned trade.
- (B) It explains the intent of the U.S. government's new rules.
- (C) It describes what objects can be traded under the new rules.
- (D) It describes the biggest problem of the new rules.