U.S.-CUBA BUSINESS RELATIONS UNDER THE OBAMA ADMINISTRATION AND PROSPECTS UNDER THE TRUMP ADMINISTRATION

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On December 17, 2014 (17D), Barack Obama and Raúl Castro announced in simultaneous televised speeches the beginning of a historic process toward the normalization of relations between the United States and Cuba after more than a half-century of unremitting hostility. The U.S. and Cuban presidents unveiled the decision to restore full diplomatic relations between their countries with the reopening of embassies and hailed a landmark exchange of prisoners accused and convicted of spying. Obama also announced a series of measures aimed at facilitating travel to the island from the United States and fostering economic ties with Cuba, and urged Congress to start working to end the long-standing U.S. embargo against Cuba.

Progress since 17D has been substantial. Along with notable diplomatic achievements, Obama's measures fueled a sizable growth in U.S. visitors to Cuba, producing tangible economic benefits for the island and creating business opportunities for U.S. companies, even if relatively few commercial deals were completed. However, embargo restrictions that are codified into law remain a powerful stumbling block to greater economic interaction between the United States and Cuba. For its part, Cuba did agree to business deals with U.S. firms that bring more revenues to the government, but it has done little to enhance the United States' ability to engage with the Cuban private sector. Besides, Cuba needs to iron out problems in its struggling socialist economy whose woes are being amplified by a profound crisis in the country's key benefactor, Venezuela. Arguably the "strongest pragmatist cycle" of economic reforms since the revolutionary takeover in early 1959 (Mesa-Lago and Pérez-López 2013, 3), the market-oriented reform process in Cuba under the leadership of Raúl Castro that begun a decade ago, has come to a virtual standstill as Cuban authorities are preparing the terrain for the post-Castro era (Raúl vowed to step down from the presidency in February 2018) and managing a backlash over low state wages, soaring consumer prices, and growing income inequality.[1] And to further complicate things, the Havana-Washington rapprochement was partially rolled back in mid-2017 when President Donald Trump announced tighter restrictions on U.S. travel to and business dealings with Cuba.

This study begins with a comprehensive review of the regulatory changes that the Obama administration introduced after 17D to chip away at the embargo and expand engagement with Cuba. Then, and most importantly, it analyzes the impact of Obama's measures on travel and tourism, investment, trade, and other business activities and identifies the principal

1. Marc Frank and John Paul Rathbone, "Cuba's communists dig in as Castro's reform drive grinds to a halt," *Financial Times*, March 28, 2017.

obstacles that must be overcome to further deepen U.S.-Cuba economic ties. Finally, the study examines Trump's new measures on Cuba and offers some preliminary considerations on the potential effects of his more restrictive policy toward the island.

OBAMA'S MEASURES ON CUBA

As part of his policy of engagement with Cuba, President Obama issued six sets of amendments to sanctions regulations after 17D (in January and September 2015, in January, March, and October 2016, and one set of amendments linked to the rescission of Cuba's designation as a state sponsor of terrorism), easing restrictions on travel, remittances, trade, investment, banking, and other commercial dealings with the island.[2] Here are the most important changes:

- Although tourist travel to Cuba by persons subject to U.S. jurisdiction remains prohibited, all specific licenses in the twelve existing categories of authorized travel were converted into general licenses which do not require prior approval from the U.S. Treasury Department.[3] Americans can use U.S.-issued credit and debit cards (and spend as much as they want) in Cuba, open bank accounts there, and bring back unlimited amounts of Cuban rum and cigars for personal use. A key change that Trump has vowed to reverse,[4] new rules in 2016 allowed Americans to visit Cuba for people-to-people non-academic educational purposes independently, i.e., without having to go in organized group tours. Furthermore, the Obama administration authorized cruises and ferry services from the United States to Cuba and reached an agreement with Havana's officials to resume direct commercial flights between the two countries.
- Limits on donative remittances to Cuban nationals other than certain prohibited Cuban government and Communist Party officials as well as on money transfers to support the development of private businesses in Cuba are removed entirely. Limits on remittances that authorized U.S. travelers and Cuban nationals may carry to Cuba are also eliminated completely. Unlimited remittances (and visits) by Cuban Americans to family members on the island have been allowed since 2009.[5]
- American companies can sell communications equipment, software, applications, hardware, and other related items to Cuba. They are also permitted to provide services to improve Cuba's outdated telecommunications and Internet infrastructures. For that purpose, they can establish a "physical presence" (such as an office, retail outlet, or warehouse) on the island and a "business presence," including through subsidiaries, branches, franchises and, most remarkably, through joint ventures with Cuba's telecommunications monopoly ETECSA. It is worth noting

2. "Cuba: Revisions to License Exceptions," *Federal Register*, Vol.81, No.200, October 17, 2016, 71365–67; "Cuban Assets Control regulations," *Federal Register*, Vol.81, No.200, October 17, 2016, 71372–78; "Cuba: Revisions to License Exceptions and Licensing Policy," *Federal Register*, Vol.81, No.51, March 16, 2016, 13972–74; "Cuban Assets Control Regulations," *Federal Register*, Vol.81, No.51, March 16, 2016, 13989–94; "Cuba Licensing Policy revisions," *Federal Register*, Vol.81, No.17, January 27, 2016, 4580–83; "Cuban Assets Control Regulations," *Federal Register*, Vol.81, No.17, January 27, 2016, 4583–86; "Enhancing Support for the Cuban People," *Federal Register*, Vol.80, No.182, September 21, 2015, 56898–904; "Cuban Assets Control Regulations," *Federal Register*, Vol.80, No.182, September 21, 2015, 56915–26; "Cuba: Implementing Rescission of State Sponsor of Terrorism Designation," *Federal Register*, Vol.80, No.140, July 22, 2015, 43314–20 (see also "Cuban Assets Control Regulations: Terrorism List Governments Sanctions, Regulations," *Federal Register*, Vol.80, No.114, June 15, 2015, 34053–54; "Cuba" Providing Support for the Cuban People," *Federal Register*, Vol.80, No.11, January 16, 2015, 2286–91; "Cuban Assets Control Regulations," *Federal Register*, Vol.80, No.11, January 16, 2015, 2291–302.

3. The twelve allowed travel categories are: family visits; government business; people-to-people non-academic educational activities; religious activities; journalism; professional research and meetings; public performances, clinics, workshops, competitions, and exhibitions; humanitarian projects; support for the Cuban people; private foundation work and research; exportation, importation, or transmission of information or information materials; and certain authorized export transactions.

4. Hugo Martin, "What Trump's Cuba policy means for travelers," *Los Angeles Times*, June 16, 2017.

5. "Cuban Assets Control Regulations," *Federal Register*, Vol.74, No.172, September 8, 2009, 46000–07.

that rules allowing U.S. firms to set up fiber-optic cables and satellite links and enter into roaming agreements with Cuba have been in effect since September 2009.[6] Moreover, persons subject to U.S jurisdiction can import Cuban-origin software and mobile applications and hire Cuban nationals to develop them.

- The authorized U.S. physical presence in Cuba goes beyond telecommunications firms to include entities engaging in several additional categories of permitted activities, among them news bureaus, religious and humanitarian organizations, groups organizing or conducting educational activities, and importers of Cuban-origin mobile applications. Providers of carrier and travel services, exporters and re-exporters of certain authorized goods (which can be assembled in Cuba), and providers of mail and cargo transportation services are allowed to have both a physical and a business presence in Cuba. All the aforementioned entities can employ Cuban nationals, open bank accounts in Cuba, and import from the United States the supplies they need to maintain their facilities. Obama also authorized U.S. firms to carry out joint medical research with Cuban companies, yet without establishing a physical or business presence in Cuba, and offer services to improve Cuban infrastructure for humanitarian purposes.[7]
- Previously limited to certain agricultural commodities and food products and some healthcare products, the list of U.S. items that may be exported to Cuba has expanded considerably. As long as they are deemed to meet "the needs of the Cuban people," eligible exports and re-exports to Cuban state-owned enterprises under a case-by-case licensing policy include items for agricultural production, artistic endeavor, education, food processing, public health and sanitation, disaster preparedness and response, residential construction and renovation, public transportation, and infrastructure upgrades (like facilities for treating water and supplying energy) that directly benefit the Cuban people. As a general rule, exports of items to state-run enterprises that primarily generate revenues to the Cuban government, like those in the tourism sector and those involved in the extraction or production of minerals and other raw materials, remain prohibited.
- Rules governing shipping to Cuba have been relaxed. Foreign vessels carrying cargo to Cuba that is not on the U.S. Commerce Control List or CCL[8] (most products shipped worldwide via containers are not on the CCL) were exempted from the 180-day rule, which prohibits foreign ships from entering a U.S. port to load or unload cargo for 180 days after calling on a Cuban port. Moreover, cargo transiting Cuba (which is not barred from entering the United States under the embargo) was redefined from "cargo that does not enter the Cuban economy" to "cargo that is not removed from the vessel for use in Cuba." In essence, these rule changes make it easier for shipping lines like those carrying cargo from Asia via the Panama Canal to include Cuba to their itineraries and unload containers there before sailing to U.S. ports to unload additional containers. The Obama administration also allowed U.S. vessels to transport authorized cargo from the United States to Cuba and then sail to other countries to deliver any remaining cargo that was loaded at a U.S. port without applying for a specific license.
- Along with microfinancing and training projects, Obama's measures authorized U.S. exports of construction materials and various kinds of equipment to Cuba for use by local farmers and

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6. *Id,* at 46005.

7. American firms engaging in joint medical research projects with Cuban entities can import into the United States Cuban-made pharmaceutical products that have been approved by the U.S. Food and Drug Administration (FDA). "USA/Cuba Politics: Obama further loosens restrictions on Cuba," Economist Intelligence Unit (EIU) ViewsWire, October 17, 2016.

8. Products on the CCL need an export license from the U.S. Department of Commerce. For more information see https://www.bis.doc.gov/index.php/regulations/commerce-control-list-ccl.

private entrepreneurs as well as U.S. imports of certain goods and virtually all types of services from Cuban *cuentapropistas* and private cooperatives. As for imports from private sector Cubans, the U.S. Department of State published a document (Section 515.582 List) in February 2015 that identifies specific prohibited categories of goods, among them animal products, vegetable products, prepared foodstuffs and beverages, tobacco and spirits, some textiles, vehicles, mineral products, machinery, and some base metals. But all goods not specifically listed are eligible for importation into the United States. The aforementioned document was updated in April 2016 to remove coffee and textiles (wool and cotton) from the exclusionary list,[9] meaning that they could be exported to the U.S. if produced by the Cuban private sector.

- Significant revisions to banking and financial regulations deserve a special mention. Most notably, U.S. financial institutions are permitted to establish correspondent accounts at Cuban banks to facilitate payments and transactions between the United States and Cuba. They can also process U-turn transactions in which funds linked to Cuba or a Cuban national in non-U.S. banks are cleared through U.S. banks and transferred back in dollars, they can process U.S. dollar-denominated monetary instruments (including cash and travelers' checks) presented indirectly by Cuban financial institutions, and they can open accounts for Cuban nationals that the latter may use to receive payments in the United States and send money back to their country. These provisions essentially put an end to a ban on Cuba's access to large parts of the international banking system, meeting a long-standing Cuban demand and removing a major issue for banks (and a major hurdle to trade) that have been subject to hefty fines over the years for moving dollars through the U.S. financial system on behalf of sanctioned Cuban entities.[10] Moreover, the Obama administration allowed U.S. financing of authorized exports to Cuba, yet with a notable exception. The extension of credit for sales of agricultural commodities is still prohibited even though the "cash in advance" payment requirement was reinterpreted from "cash before shipment" to "cash before transfer of title."

Additional important changes in U.S.-Cuba relations have occurred since 17D. In May 2015, the United States removed Cuba from its list of state sponsors of terrorism. Washington's decision represented a crucial step in the process of rapprochement with Havana. On July 20, 2015, the United States and Cuba officially restored full diplomatic relations and reopened embassies in each other's capitals. And a week later the U.S. government took Cuba off its list of worst offenders in human trafficking, which could eliminate certain restrictions on bilateral assistance.[11] On the eve of president Obama's historic visit to Havana in March 2016, the United States also removed Cuba from its list of countries deemed to have insufficient security (anti-terrorism) measures in their ports, thus allowing easier access to U.S. ports to cargo vessels, cruise ships, and possibly ferries arriving from the island.[12] Finally, just a few days before leaving office in January 2017, Obama sealed his mandate with the end of the "wet foot, dry foot" policy, meeting an old demand from the Cuban government.[13]

While it is too early to fully evaluate Obama's measures on Cuba, especially given President Trump's

9. "The State Department's Section 515.582 List," Bureau of Economic and Business Affairs, April 22, 2016, https://www.state.gov/e/eb/tfs/spi/cuba/515582/237471.htm.

10. Mimi Whitefield, "U.S. announces big changes that ease Cuban travel and banking restrictions," *Miami Herald*, March 15, 2016.

11. Jason Szep and David Brunnstrom, "U.S. softens view of Malaysia, Cuba in human trafficking report," Reuters, July 20, 2015.

12. Josh Lederman, "U.S. eases security for ships visiting Cuba," Associated Press, March 17, 2016.

13. Established in 1995, the "wet foot, dry foot" policy allowed Cubans who reached U.S. land by sea or at the border to stay in the United States, but repatriated Cubans intercepted at sea. Havana's government complained that the policy encouraged Cubans to attempt dangerous, and often deadly, journeys on rafts across the Florida straits.

apparent goal to reverse most of them, it is safe to argue that while they had significant effects in certain areas, their impact on the Cuban economy will continue to be severely limited by the embargo whose main provisions are codified under the Torricelli law of 1992, the Helms-Burton law of 1996, and the Trade Sanctions Reform and Export Enhancement Act (TSRA) of 2000. In particular, there are still major restrictions on U.S.-Cuba bilateral trade and U.S. direct investment in Cuba, a prohibition on travel to the island for tourism purposes, a number of financial restrictions, and the extraterritorial measures of sanctions (Gordon 2016). Progress will also depend on Havana's willingness to approve the commercial and financial activities authorized by Washington, on any additional sanctions imposed by Trump, and on the economic reforms that Cuba is implementing as part of the update of the Cuban socialist economic model. Regardless of the U.S. stance on Cuba, the country still needs to complete the process of currency and exchange rate unification, reduce bureaucratic and administrative hurdles that stifle entrepreneurial activity, improve its financial and legal systems, and expand and renovate key infrastructures (Armstrong 2015).

IMPACT ON TRAVEL AND TOURISM INDUSTRY

Although relations between the United States and Cuba have become more confrontational since Donald Trump entered the White House, the Obama-era engagement with Havana demonstrated how improved relations with its powerful northern neighbor could open up new, beneficial economic opportunities for Cuba, even more so now that shock waves from Venezuela's economic malaise have finally reached the island. Obama's regulatory changes also created some significant business opportunities for U.S. companies in an effort to strengthen U.S. economic interests in Cuba and make the opening to America's former Cold War foe "irreversible."[14]

A considerable increase of travelers to Cuba from the United States, especially U.S. citizens of non-Cuban origin, is one of the most visible direct effects of Obama's regulatory changes, as seen in Figure 1. Cuban official statistics make a distinction between Cuban Americans who travel to Cuba with a Cuban passport and American citizens entering the island with a U.S. passport (Spadoni 2014, 56).[15] This latter segment of visitors has remained well below its potential due to travel restrictions imposed by Washington's government. Annual trips to Cuba by U.S. citizens of non-Cuban origin did not reach 100,000 until after 2014 (ONEI 2015). On the other hand, the Cuban-American segment experienced notable dynamism following Obama's announcement in April 2009 that he would eliminate all restrictions on family visits (and family remittances) to Cuba.[16] The annual number of Cuban Americans traveling to Cuba rose from 163,019 in 2009 to 258,837 in 2014 (Perelló Cabrera 2015a).

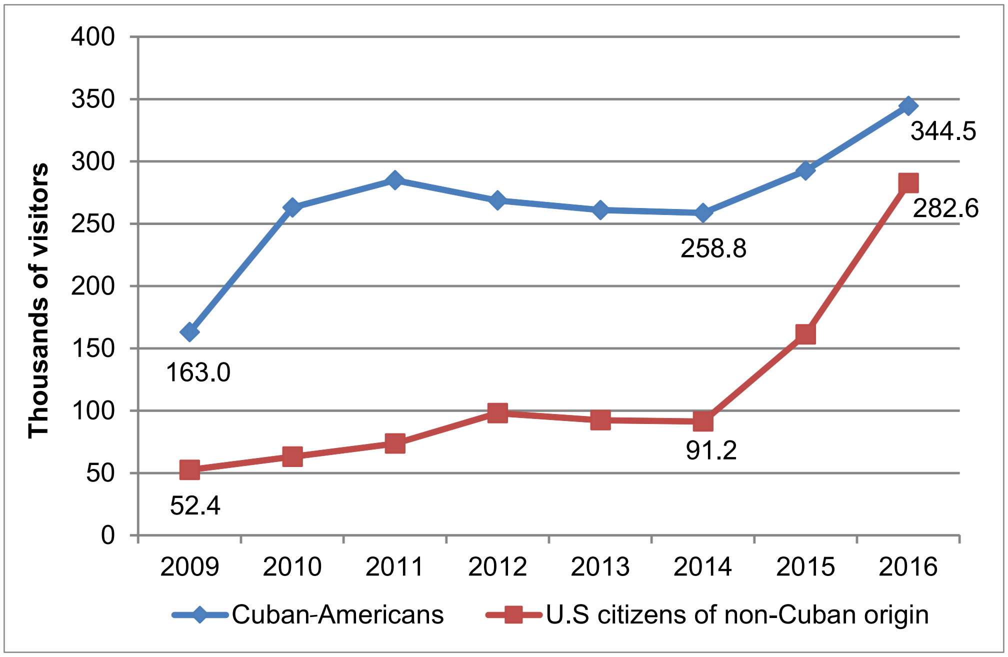
The post-17D growth of U.S.-based travel to Cuba has been impressive. Annual trips to the island by U.S. citizens of non-Cuban descent tripled between 2014 (91,254) and 2016 (282,621). During the same period, Cuban-American trips grew 33.1% to reach 344,522 in 2016 (Perelló Cabrera 2017a). Actually, with the notable exception of the largest source market, Canada, international arrivals to Cuba from virtually all countries increased, to some extent to anticipate a looming avalanche of U.S. tourists. The flow of U.S. visitors to Cuba received further stimulus in 2016 from revised rules allowing Americans to travel to the island on their own under the people-to-people category, from the launch of

14. "Statement by the President on the Presidential Policy Directive on Cuba," Office of the Press Secretary, The White House, October 14, 2016, https://obamawhitehouse.archives.gov/the-press-office/2016/10/14/statement-president-presidential-policy-directive-cuba.

15. Anyone who left Cuba after December 31, 1970, is considered a Cuban citizen by Cuban authorities and required to travel to the island with a valid Cuban passport.

16. President Obama's measures of 2009, which were announced in April but went into effect in September of that year, also broadened the range of relatives that Cuban Americans can visit and removed limitations on the duration of their trips and related expenditure amounts. Jeff Franks and Pascal Fletcher, "Cubans say Obama move will help families, budgets," Reuters, April 13, 2009.

Figure 1. U.S. Visitors to Cuba, 2009–2016



Source: Perelló Cabrera 2017a, 2015a; ONEI 2017, 2015.

non-stop daily commercial flights between the United States and Cuba,[17] and from the resumption of cruise services between the two countries. All of this made it easier for Americans to go to Cuba, reduced travel costs, and greatly diluted the ban on tourism since U.S. officials, despite some monitoring, practically used the honor system to regulate authorized travel to the island. Mainly due to a spike in arrivals from the United States and European markets, Cuba attracted a record four million foreign visitors in 2016, about one million more than in 2014 (ONEI 2017). Highlighting the significant role of the United States in fueling the recent tourism boom in Cuba, the share of U.S.-based travelers in the total number of international visitors to Cuba shot up from 11.7% in 2014 to 15.5% in 2016.

Overseas visitors to Cuba continued to increase in the first half of 2017 (Table 1). Even if the number of Canadian tourists remained essentially flat, arrivals of U.S. citizens of non-Cuban origin (348,718) more than doubled over the same period in 2016,[18] Cuban-American trips (206,797) grew about 80%, and tourists from traditional European markets like Germany, France, Italy, United Kingdom, and Spain grew as well, albeit at a slower pace (Perelló Cabrera 2017a). Not too far behind Canadians (29.2%), travelers from the United States accounted for 20.8% of all international visitors to Cuba. And this occurred with the ban on U.S. tourism still in place. Some studies estimated that more than 1 million U.S. citizens of non-Cuban descent would visit Cuba in the short run if travel prohibitions were completely abolished and that between 1.5 million and 3.5 million (there are also estimates as high as 5.6 million) would visit there annually once the market has fully adjusted (Acevedo et al. 2017; Djiofack et al. 2015; González Núñez y Orro Fernández 2011; Romeu 2008; USITC 2007).

17. Alan Gomez, "First U.S. Commercial Flight in 5 Decades Lands in Cuba," *USA TODAY*, August 31, 2016. Previously limited to charter flights, regularly scheduled passenger jet services between U.S. cities and Cuban cities other than Havana started at the end of August 2016. Commercial flights to Havana began in October 2016.

18. More Americans of non-Cuban origin visited Cuba in the first six months of 2017 than in the entire 2016.

Table 1. International Visitors to Cuba, 2016–2017

Country/Market	Accumulated until June 30		
	2016	2017	17/16
Canada	777,831	780,482	100.3
United States	138,656	348,718	251.5
Cuban residents abroad	193,561	264,994	136.9
Cuban Americans	114,355	206,797	180.8
Germany	125,613	139,680	111.2
France	103,137	127,372	123.5
Italy	101,303	125,456	123.8
United Kingdom	99,397	113,903	114.6
Spain	65.035	75,076	115.4
Others	561,043	692,765	123.5
Total	2,165,576	2,668,446	123.2

Source: Perelló Cabrera 2017a.

The Cuban tourism industry nonetheless has structural problems that might hinder its ability to absorb a massive inflow of U.S. tourists. Foreign media reported that the post-17D surge of international and especially U.S. travelers has overwhelmed Cuba's tourism infrastructure, from airport services to restaurant and above all hotel availability. With the capacity of top-end foreign-run hotels being pushed to the limit, many visitors had no other option but to rent rooms in private homes (there are currently over 22,000 available rooms for that purpose) or seek lodging at lower-end state-run facilities.[19] And yet the year-round hotel occupancy rates in Cuba showed little variation in 2014–2016, averaging approximately 60% (ONEI 2017). Even in places under the most pressure like Havana, the annual hotel occupancy averaged only 52.4% in 2016 (Perelló Cabrera 2017b). Thus the Cuban industry's difficulties in meeting the new demand are due not so much to an insufficient number of hotel rooms (about 67,000 at present) as to broader critical problems. Cuba has a large number of rooms either out of service or in very poor conditions, inadequate supporting infrastructures, and it has devoted far more efforts on building new hotels rather than repairing existing ones. Besides its ongoing efforts to expand airport facilities,[20] the Cuban government is rushing to build four- and five-star hotels in Havana and seeking foreign investment for ambitious plans to add 23,000 new hotel rooms by 2020 and an additional 80,000 rooms by 2030 in various regions across the island (Sierra 2017). But the strain on luxury hotels, particularly during the high season from November to March, will continue for some time. Meanwhile, cruise trips to Cuba are emerging as an attractive alternative to air travel. Cruise ships bring their own accommodations, skirting Cuba's hotel infrastructure limitations and the sharp price hikes that many Cuban hotels introduced after 17D.

Thanks to the easing of U.S, sanctions rules, Cuba is now a highly coveted cruise destination. Cruise passenger arrivals in Cuba stood at just 19,303 in 2014 as only a handful of small- and medium-size cruise liners, mostly European-based, sailed to the island. But things are changing rapidly. Cruise arrivals in Cuba reached 130,002 in 2016 and skyrocketed to 281,202 in the first six months of 2017 (Perelló Cabrera 2017a). This upward trend occurred in part because some prominent European lines added Havana and other Cuban ports to their Caribbean itineraries, but also because of the resumption of cruise trips to Cuba from the United States that officially began in May 2016 when the Carnival cruiseship Adonia became the first U.S. cruise vessel to dock in Cuba in almost four decades.[21] Other major U.S. cruise lines have launched Cuba trips since then. Between January and June 2017 (Table 2), about 293,000 U.S. citizens of non-Cuban origin traveled to Cuba by air and approximately 56,000 went there on cruises. Put simply, one in every five international cruise travelers to the island during that period was American. Although Cuba-bound U.S. voyages must focus on cultural and educational exchange programs to avoid the ban on tourism, it is safe to assume that the Cuban cruise market will keep growing in the next few years. However, to become a leading cruise destination in the Caribbean region, Cuba must address some key infrastructure deficiencies, in particu-

19. Jaime Hamre, "Surge of Americans tests limits of Cuba's tourism industry," Reuters, January 26, 2016.

20. Nelson Acosta and Sarah Marsh, "Cuba chooses French firms to expand airport as tourism booms," Reuters, August 3, 2016.

21. Marc Frank, "Emotional return as first U.S. cruise in decades reaches Cuba," Reuters, May 2, 2017.

lar those limiting the size and number of ships that can berth in the port of Havana. Unlike popular cruise destinations in the Caribbean, Havana's harbor cannot accommodate multiple large ships per day. Currently, it can only handle a single 2,000-guest ship and a second smaller vessel of 500–700 passengers.[22]

Table 2. U.S. Visitors to Cuba by Mode of Transportation in 2017 (until June 30)

Month	Air	Sea	Total
January	42,829	2,994	45,823
February	44,423	3,041	47,464
March	59,065	7,213	66,278
April	51,919	7,572	59,491
May	47,598	17,556	65,154
June	47,084	17,424	64,508
Total	292,918	55,800	348,718

Source: Perelló Cabrera 2017a.

There is no question that the growth of U.S.-based travel to Cuba (and tourism in general) meant higher revenues for the Cuban government as well as more money in the hands of ordinary Cubans through various private activities (restaurants, bed and breakfasts, and taxi services, among others) geared toward tourists. Cuba's gross revenues from international tourism, which reportedly exclude earnings of private businesses,[23] rose from around $2.5 billion in 2014 to roughly $3.1 billion in 2016 (ONEI 2017). The Cuban private sector benefited as well from the surge in U.S. visitors since it is mainly concentrated in the tourism sector. Almost 20,000 Americans stayed in private Cuban homes or *casas particulares* in 2014 (Perelló Cabrera 2015b, 55), and that number certainly increased after 17-D. For instance, the U.S. online lodging service Airbnb reported that it processed room reservations in *casas particulares* for over 12% (some 35,000 people) of all U.S. travelers to Cuba in 2016. Initially allowed to deal only with Americans and later authorized to offer its listings to all foreign travelers to the island, Airbnb also revealed that more than 560,000 guests stayed in Cuban homes between May 2015 and May 2017, and that $40 million was paid to Cuban individuals for sharing their homes.[24] As further evidence of the growing importance of private accommodations, Cuban Ministry of Tourism data on visitor days (combination of number of visitors and length of stay) by sector for 2014–2017 (January through April) show that the total number of days that international visitors to Cuba stayed in state-owned installations declined after 2015 while the same indicator for private facilities increased markedly. About four to one in 2014, the ratio of visitor days in the state sector to visitor days in the private sector was less than two to one in the first quarter of 2017.[25]

American companies clearly are beginning to position themselves in the Cuban tourism market and, needless to say, they too have reaped sizable economic benefits from improved U.S.-Cuba relations. Six U.S. air carriers (Delta, United, JetBlue, American Airlines, Southwest, Alaska Airlines) currently offer commercial flights to Cuba and four U.S. cruise companies (Carnival, Royal Caribbean, Pearl Seas, Norwegian C.L.) sail to the island.[26] Starwood Hotels and Resorts signed deals to refurbish and manage two state-owned hotels in Havana and opened its first facility, Four Points by Sheraton (formerly Hotel Quinta Avenida), in June 2016.[27] Marriott, Hyatt, Carlson, Hilton, and other major U.S. hotel

22. Gene Sloan, "Analyst: New Cuba cruises could be approved within days," *USA TODAY*, March 21, 2016.

23. "Cuba ingresó más de mil millones de dólares por el turismo en el semestre," *Granma*, November 11, 2016.

24. "Airbnb and Cuba: Two Years of Connecting People and Generating Economic Opportunity for Individuals and Families," Airbnb, June 2017. https://2sqy5r1jf93u30kwzc1smfqt-wpengine.netdna-ssl.com/wp-content/uploads/2017/06/Airbnb_CubaReport_2017.pdf.

25. Ministerio de Turismo (MINTUR) data obtained by the author in May 2017.

26. For the complete list of U.S. companies doing business in Cuba as of June 2017, see "Updated List: United States Companies with a Presence in Cuba Since 17 December 2014," U.S.-Cuba Trade and Economic Council, June 22, 2017, ttp://www.cubatrade.org/blog/2017/6/22/updated-list-united-states-companies-with-a-presence-in-cuba-since-17-december-2014.

27. Sarah Marsh, "Cuba hotel becomes first to operate under U.S. brand," Reuters, June 28, 2016.

chains have had meetings with Cuban authorities to run hotels in Cuba though no deals have yet been signed.[28] And besides Airbnb, the online hotel reservation services Booking.com (owned by the Priceline Group), TripAdvisor, and Expedia all reached agreements with Cuban hotels to join their booking system.[29] As for specific economic benefits to U.S. companies, The Havana Consulting Group calculated that air travel to Cuba from the United States generated roughly $1.5 billion in revenues in 2016 through the sale of plane tickets, tourist packages, and health insurance, and through baggage fees. The sale of visas raised an additional $150 million, and a portion of that money was pocketed by U.S. firms through processing fees (THCG 2017a). Based on scheduled sailings and the capacity of the vessels involved, the U.S.-Cuba Trade and Economic Council calculated that U.S. cruise lines could deliver a total of 451,000 passengers to Cuba in the 2017, 2018 and 2019 seasons, earn over $600 million for their services, and generate $81 million in revenues to Cuba through passenger expenditures and port fees.[30]

IMPACT ON OTHER BUSINESS ACTIVITIES

The significance of Obama's policy initiatives toward Cuba goes well beyond their effects on travel and tourism. Launched at a time when Cuba was (and still is) seeking higher volumes of foreign investment to revive its troubled centrally planned economy, the Washington-Havana thaw fueled interest among U.S. firms in pursuing various kinds of business operations in the Cuban market despite a continued prohibition (except in the telecommunications sector and a few additional areas) on direct investments. In March 2014, Cuba passed new foreign investment legislation (Law 118) that beefed up investment security and offered more attractive tax incentives to foreign investors.[31] In late 2013, Cuba also opened its first special development zone (Zona Especial de Desarrollo Mariel, ZEDM) around a new container terminal at the port of Mariel. As established by Decree Law 313, investors in the ZEDM receive even better tax breaks and other incentives than those under Law 118.[32] What remained unchanged is that foreign companies operating in and outside the ZEDM cannot directly hire Cuban workers and must rely on a government employment agency for their labor needs. A country that has received no more than $5 billion in foreign direct investment (FDI) since the late 1980s, Cuba is now seeking $2 billion to $2.5 billion in FDI per year to achieve annual capital accumulation rates of 20–25% of GDP and annual economic growth rates of at least 5%.[33] Yet these targets may prove impossible to reach without deeper economic reforms, significant improvements in Cuba's business environment, and an ideological shift away from entrenched prejudices toward foreign investment (Pérez-López 2015, 231–232). From March 2014 to November 2016, Cuba approved only 83 new foreign investment businesses (15 of them in the ZEDM) worth just $1.3 billion.[34]

Representatives of U.S. firms flooded Cuba after 17D even though the initial wave of enthusiasm has given way to a more cautious approach due to business barriers, the election of President Trump, and the Cuban government's timid embrace of new economic opportunities except for its clear interest in tourism-related projects and some telecommunica-

28. Mike Stone and Mitra Taj, "U.S. hotel chains circle Cuba as visitors surge, restrictions ease," Reuters, September 30, 2015.

29. Mimi Dwyer, "Priceline Unit Booking.com Strikes Cuba Deal for Americans," Reuters, March 21, 2016; Melanie Lieberman, "TripAdvisor adds booking for trips to Cuba," Fortune, October 29, 2016; Sarah Marsh, "Expedia begins offering online booking for hotels in Cuba," Reuters, May 23, 2017.

30. "US cruise lines continue to add capacity to Cuba, revenue from Cuba, and revenue to Cuba," U.S.-Cuba Trade and Economic Council, August 17, 2017, http://www.cubatrade.org/blog/2017/8/17/us-cruise-lines-continue-to-add-capacity-to-cuba-revenue-from-cuba-and-revenue-to-cuba.

31. "Ley No. 118/2014," *Gaceta Oficial*, April 16, 2014.

32. Decreto-Ley No. 313," *Gaceta Oficial,* September 23, 2013.

33. José Luis Rodríguez, "Valoraciones externas sobre la inversión extranjera en Cuba," *Cuba Contemporánea*, October 1, 2015.

34. Raul Menchaca, "Cuba keen to draw foreign investment, Xinhua, November 6, 2016.

tions deals. International rivals from Europe, Canada, Brazil, and China have a clear head start in Cuba and they too are seeking new business deals, but U.S. investors could catch up quickly and be competitive in practically all Cuban priority sectors if the embargo were lifted. The United States has a number of advantages, in particular its highly diversified and efficient private sector that is well-suited to tackle Cuba's investment needs, the financial strength of its companies, and its geographical proximity that would keep transportation and delivery costs relatively low and thus improve the cost structure and price competitiveness of productive activities with U.S. involvement on the island. Normal relations with the United States would also be the key to guarantee the future success of the Mariel project given that its prospects are hampered by the fact that exports and transshipments to the U.S. market remain off-limits because of the embargo (Morales 2015, 12–15). The container terminal at the port of Mariel is well situated for unloading cargo from large container ships transiting an upgraded Panama Canal from Asia onto smaller vessels headed for U.S. ports, and for pushing freight from Europe and South America to the U.S. Gulf Coast, Central America, and the Caribbean. Obama's changes to shipping rules involving Cuba nonetheless continue to stifle the transshipment prospects of the Mariel terminal because the redefinition of transit cargo excludes transfers between vessels.[35]

Notwithstanding the importance of the commercial deals in the areas of travel and tourism previously described, to truly take off, the American business incursion into the Cuban market needs the active involvement of the big U.S. financial and telecom firms to facilitate payments and fund transfers and ensure infrastructure improvements (especially Internet connectivity). New York-based IDT Corporation reached a deal with Cuba's telecom monopoly ETECSA to resume direct telephone connections between the United States and Cuba.[36] Verizon, Sprint, T-Mobile, and AT&T signed agreements with ETECSA to offer roaming services on the island, but at very high prices and with slow and limited access to Internet.[37] Multiple U.S. proposals to roll out an undersea fiber optic cable between Miami and Havana to boost connectivity have thus far been fruitless.[38] Google recently signed a deal to bring high-speed Internet to Cuba, though its impact will be minimal due to the limited number of Cubans who have access to the internet.[39] In the financial sector, Florida-based Stonegate Bank and Puerto Rico-based Banco Popular issued credit cards (MasterCard) for use on the island by U.S. travelers. Stonegate also set up a correspondent account in Cuba and has issued a debit card. Nevertheless, many U.S. banks remain reluctant to establish operations in Cuba due to certain embargo rules as well as the country's inadequate legal and physical infrastructures. Even when it comes to processing U-turn transactions linked to Cuba, which is legal now, U.S. banks have been unwilling to handle them out of fear of hefty fines.[40] Add to these obstacles the major stumbling blocks placed by codified sanctions on U.S. companies seeking to invest in Cuba, then the slow progress in this area seems hardly surprising.

With respect to future U.S. business operations in Cuba, an important and largely unexplored issue revolves around the fact that under the embargo, most direct investments in Cuba are prohibited. The U.S. Department of the Treasury, however, allows individuals and firms subject to U.S. law to invest in a third-country company that has commercial activities in Cuba so long as: (1) they do not acquire a con-

35. Gregg Miller, "Challenges abound despite US easing of Cuba shipping rules," HIS Fairplay, October 21, 2016.

36. Daniel Trotta, "U.S. telecoms firm IDT establishes direct connection with Cuba," Reuters, March 11, 2015.

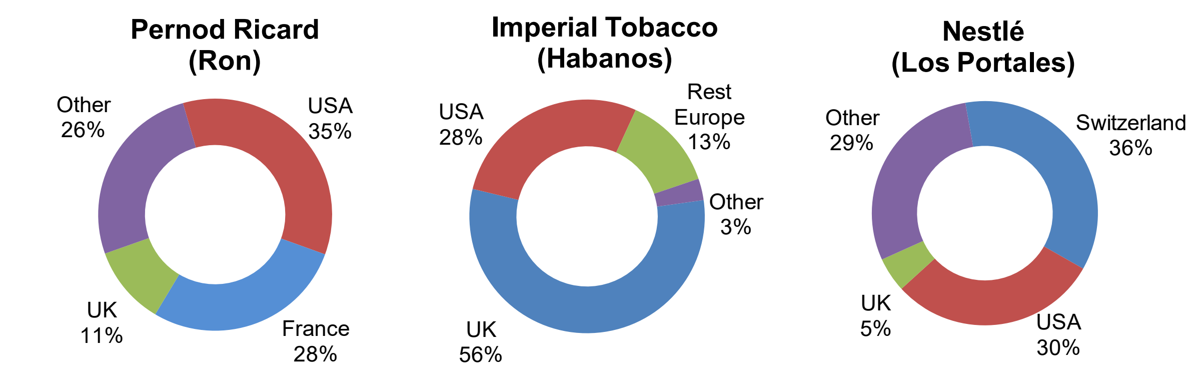
37. Aishwarya Venugopal, "AT&T signs deal to offer roaming services in Cuba," Reuters, August 22, 2016.

38. Mimi Whitefield, "Cuba still wary of U.S. telecom and Internet offers, *Miami Herald*, January 25, 2016.

39. Alan Gomez, "Google inks deal with Cuba to speed up Internet service," *USA TODAY*, December 12, 2016.

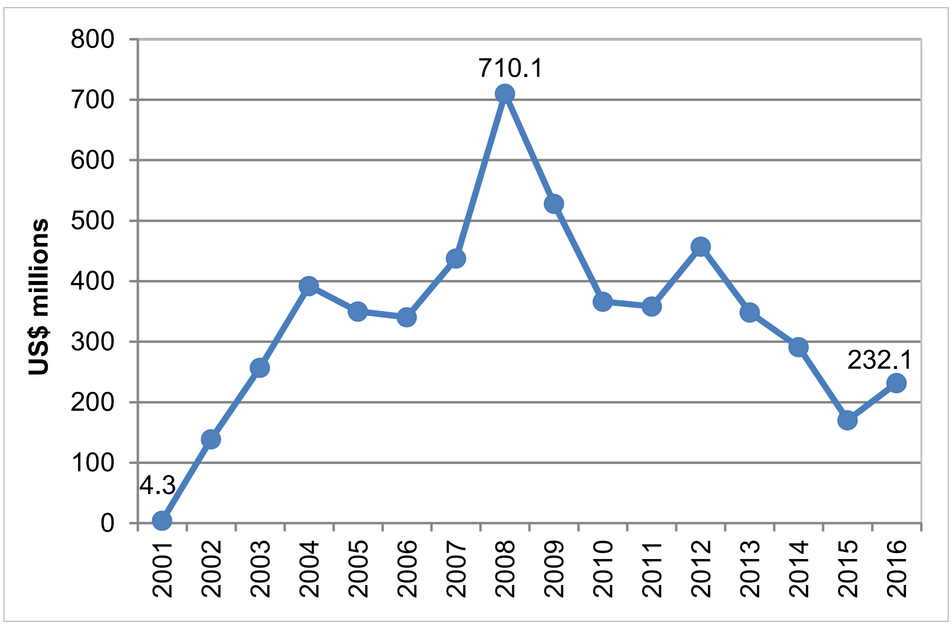
40. Mimi Whitefield, "American and Cuban bankers hold historic meeting," *Miami Herald*, August 8, 2016; Melanie Zanona, "In Cuba, Obama policies only went so far," The Hill, July 26, 2017.

Figure 2. U.S. Investments in Selected Foreign Companies with Joint Ventures in Cuba, 2016



Source: Annual financial reports of selected companies.

Figure 3. U.S. Exports of Food and Agricultural Products to Cuba, 2001–2016



Source: USCTEC 2017.

trolling interest; and (2) a majority of the revenues of the third-country company are not produced from operations within the communist island (USCTEC 2000). Thus, provided that the investment is indirect, a U.S. entity should have no problem in building a Cuba-related stock portfolio. Critically, in an increasingly globalized world, the nationality of multinational corporations based on the location of their headquarters may not necessarily reflect the geographical distribution of their share capital. Indeed, there is substantial U.S. capital in various foreign firms that operate in the Cuban market (Spadoni 2015, 56). For instance, as seen in Figure 2, in 2016 U.S. investors owned 35% of France-based Pernod Ricard, more shares of the company than any other group of institutional investors. As well, U.S. investors also owned 28% of United Kingdom-based Imperial Tobacco and 30% of Switzerland-based Nestlé. These firms run profitable joint ventures with the Cuban government, respectively in the areas of rum, premium cigars, and soft drinks and mineral waters. If restrictions on U.S. direct investments in Cuba are fully eliminated, many U.S. enterprises will be able to launch new projects on the island and compete with other investors, but in some cases they might simply purchase a company and start running a business already on the ground.

In addition, even if Obama expanded the list of American products that can be exported to Cuba with U.S. financing, very few U.S. traders have so far secured deals with Havana to sell newly authorized items. To be fair, navigating Cuban laws, policies, priorities, and the many agencies needed to win approval of business deals is quite challenging. But when it comes to U.S. commercial operations involving Cuba, major regulatory and financial hurdles and restrictions imposed by Washington remain in place. For instance, Cuba's growing tourism industry provides good opportunities for American traders, and yet U.S. exports that earn revenues for the Cuban government, such as those for the tourism sector, are generally prohibited. While U.S. banks can now open correspondent accounts at Cuban banks, a rule change that would have streamlined the payment process for U.S. exports to Cuba by authorizing Cuban financial institutions to have correspondent accounts at U.S. banks was held back reportedly because of concerns that Cuban funds in U.S. banks might be the subject of civil actions by individuals with claims against the Cuban government.[41] A recent study by the U.S. International Trade Commission found that U.S. exports of agricultural and manufactured products to Cuba could increase by \$1.4 billion to \$1.8 billion in the medium term (within 5 years) if the United States fully lifted its restrictions on trade with the island. It also found that if Cuban import barriers (policies, institutional factors, and infrastructure limitations) were reduced, U.S. exports of agricultural and manufactured goods could increase by an additional \$442 million (USITC 2016).

Moreover, Washington's plans to foster U.S. trade with Cuba's incipient private sector face far greater challenges than those targeting business deals with the Cuban government. Exports of U.S. equipment, spare parts, and other goods to Cuban private entrepreneurs would help them increase productivity and expand operations. The possibility of selling to the U.S. market could inspire *cuentapropistas* and cooperatives on the island to start creating products and services for export. However, it will not be easy for Cuba's non-state economic actors to develop profitable export businesses since their activities are focused on the internal market and they are confronted with legal restrictions, logistical problems, and difficulties in handling payments as a result of both U.S. and Cuban rules (Morris 2015). On the Cuban side, many local professionals, whose services might be in demand in the U.S. market, are not permitted to be self-employed in their areas of expertise. Besides, neither *cuentapropistas* nor cooperatives in Cuba can import and export goods or services without a license from their government (Spadoni 2014, 187; GAO 2016, 23). After the addition of coffee in April 2016 to the list of eligible U.S. imports from private Cubans, Nestlé's Nespresso obtained a license from the U.S. Department of Treasury to sell Cuban coffee, grown by small farmers on the island, in the United States, but the firm had to purchase the beans in Europe via Cuban state-owned export companies.[42] In early 2017, charcoal produced by private cooperatives became the first Cuban product legally exported to the United States in over five decades, but trade was completed through a Cuban state-run export firm.[43]

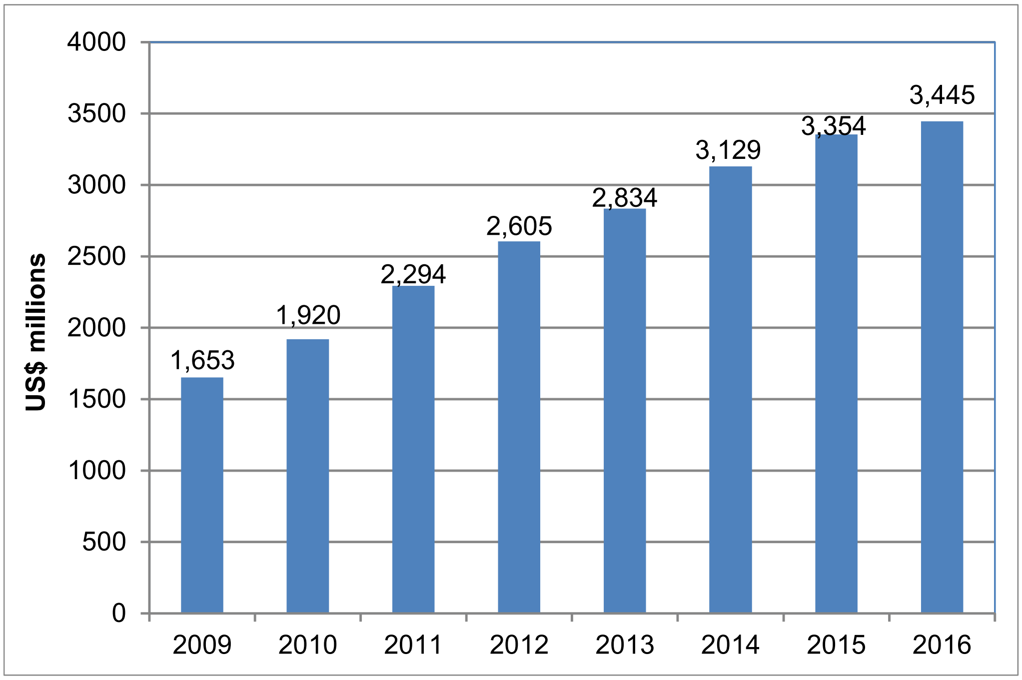
In any case, Obama's measures on Cuba most likely boosted the flow of remittances from the United States, which Cuban entrepreneurs increasingly used to set up small private businesses (Orozco et al. 2015). While the United States has allowed unlimited family remittances since 2009, all limits on donative (non-family) remittances and on remittances to support the development of private businesses in Cuba have now been eliminated. According to estimates of The Havana Consulting Group shown in

41. "US expected to authorize banks in Cuba to have correspondent accounts with US banks," U.S-Cuba Trade and Economic Council, March 4, 2016.

42. Lisa Baertlein and Marcy Nicholson, "Cuban coffee returning to U.S. but only for Nespresso brewers," Reuters, June 20, 2016.

43. Sarah Marsh, "Charcoal becomes first Cuban export to United States in half a century," Reuters, January 5, 2017.

Figure 4. Estimates of Remittances to Cuba, 2009–2016



Source: THCG 2017b.

Figure 4, annual remittances to Cuba almost doubled from around $1.6 billion in 2009 to $3.1 billion in 2014, and continued to grow after 17D to reach a record level of nearly $3.5 billion in 2016 (THCG 2017b). Changes to remittance rules also provided impetus for the development of more efficient money transfer systems. Colorado-based Western Union, which has served Cuba since 1999, recently began to offer remittance services from the United States and other countries into Cuba via the company's mobile application and website.[44] Another U.S. firm, Paypal, said it would start allowing remittances to Cuba through its service Xoom, which specializes in digital money transfers.[45] In March 2016, citing new rules that allow U.S. banks to open and maintain accounts for Cuban nationals, the U.S. online payments firm Stripe said it would launch its services in Cuba, aimed at Cuban tech startups that want to sell their products or services to U.S. customers.[46] PayPal and Stripe, though, have yet to begin offering their services in Cuba.[47] Put simply, even if U.S. business dealings with Cuba's independent economic actors remain complicated, expanding remittances and the removal of impediments to Cubans accessing international financial services will reduce barriers to entrepreneurship on the island, contribute to investment in small businesses, and stimulate the growth of Cuba's private sector.

THE TRUMP ERA

After more than two years of warming ties during Obama's tenure, U.S.-Cuba relations have soured under the administration of Donald Trump. As it was the case with all U.S. presidents in the post-Cold

44. Mimi Whitefield, "Western Union: remittances help accelerate economic change in Cuba," *Miami Herald*, June 10, 2015.

45. Leena Rao, "PayPal brings money transfers to Cuba," Fortune, March 21, 2016.

46. Telis Demos, "Online payment upstart Stripe launching business in Cuba," *Wall Street Journal*, March 18, 2016.

47. As of September 2017, the PayPal service Xoom is available in 64 countries, though Cuba is not on the list. See https://www.xoom.com/about. Stripe Atlas lists 20 countries that it cannot support for businesses, among them Cuba. See https://stripe.com/docs/atlas.

War era, from George H. W. Bush to Bill Clinton, George W. Bush, and even Barack Obama when he first ran for the presidency in 2008 (Spadoni 2010, 45–56),[48] domestic political considerations linked to the need to obtain support from the influential Cuban-American community in South Florida clearly influenced Trump's stance on Cuba. In an interview with the Daily Caller in September 2015, candidate Trump said that, though he would have made a better deal, the concept of opening with Cuba was "fine."[49] But a year later, at a rally in Miami before a crowd of conservative Cuban-Americans, he embraced hardline embargo politics by pledging to reverse Obama's "concessions" to the Castro regime unless the latter met U.S. demands for a free Cuba.[50]

Trump fulfilled his campaign pledge in June 2017 when he traveled again to Miami to announce new restrictive measures on Cuba. He was accompanied by Senator Marco Rubio and Representative Mario Díaz-Balart, both Cuban Americans from Florida, who had supported him for president. Arguing that Obama had negotiated a "terrible and misguided deal" with Havana,[51] Trump ordered tighter restrictions on travel to and commercial dealings with Cuba mainly in an attempt to deprive the Cuban state of U.S. dollars and empower ordinary Cubans by funneling these dollars to their small-scale private activities. The new regulations prohibit individual people-to people trips (the most popular travel category) to the island and require them to be part of organized groups, call for stricter enforcement of the tourism ban, prohibit U.S. companies from doing business with firms owned or controlled by the Cuban military's holding company Grupo de Administración Empresarial S.A. or GAESA, and condition improvements in U.S.-Cuba relations on Cuba's willingness to foster political and economic freedoms.[52]

Although several details have yet to be disclosed as the White House is still working on the specific rules to implement its new Cuba policy, Trump's measures fall well short of undoing Obama's initiatives. They are essentially a compromise between the demands of Cuban-American hardliners for a complete reversal of the rapprochement with Cuba and the pleas of U.S. business groups urging the president to keep the door to the Cuban market open (Leogrande 2017). In effect, many aspects of Obama's opening toward Cuba remain unchanged. The general license system for authorized U.S.-based travel to Cuba is still in place, travelers can still bring back rum and cigars, airlines and cruises can continue to operate as normal, most of the U.S. firms that have signed deals with Havana should be allowed to retain their businesses, and Cuban-American family visits and remittances are untouched. It should also be noted that embassies in Washington and Havana are still open even after foreign media broke the news in August 2017 about a series of incidents involving harm to U.S. diplomats in Havana.[53]

Despite all of this, Raúl Castro denounced Trump's tougher stance toward his country as a "setback" in U.S.-Cuba relations, though he said Cuba remained willing to discuss issues of mutual interest with the United States.[54] Moreover, Trump's proclaims that he would end his predecessor's "one-sided deal" with

48. While in 2004 Obama said that he supported the end of the embargo that had "utterly failed in the effort to overthrow Castro," at a meeting in Miami in August 2007 he called for the preservation of such a tool as "an important inducement for change." Aaron Wiener, "Obama suggests Cuba policy reform," *Washington Independent*, December 31, 2008.

49. Jamie Weinstein, "Donald Trump on his nuclear doctrine, democracy promotion and why he refuses to use term 'supreme leader,'" *Daily Caller*, September 7, 2015.

50. Marc Caputo, "Trump morphs back into a Cuban hardliners," Politico, September 16, 2016.

51. Steve Holland, "Trump rolls back parts of what he calls 'terrible' Obama Cuba policy," Reuters, June 16, 2017.

52. "Fact Sheet on Cuba Policy," The White House, June 16, 2017, https://www.whitehouse.gov/blog/2017/06/16/fact-sheet-cuba-policy.

53. Andres Triay and Steve Dorsey, "U.S. government personnel in Havana report 'incidents' causing physical symptoms," CBS News, August 9, 2017.

54. "Trump stance a 'setback' in US-Cuba relations: Castro," AFP, July 15, 2017.

Cuba[55] failed to recognize that Obama's moves were never part of a single deal with Havana's authorities but rather a strategic shift in U.S. policy based on the idea that engagement with Cuba would produce more changes than decades of isolations. And most importantly, even if the Cuban government to a large degree did not reciprocate Obama's overtures since it refused to see the rapprochement with Washington as a give and take process (after all the United States has an embargo against Cuba, not the other way around), the regulatory amendments announced by Donald Trump may end up hurting key U.S. interests in Cuba while doing little to stimulate meaningful positive changes on the island.

First, Trump's new measures on Cuba could lead to a sizable drop in U.S.-based travel to the island. Intensified scrutiny of potential violations of the tourism ban and worsening U.S.-Cuba relations might dissuade several prospective U.S. travelers from going to Cuba. Many Americans know little about Cuba and could believe that Trump's combative tone and regulations mean the island is again off limits.

Second, the end of self-directed people-to-people tours (which Trump charged they were being used to circumvent the tourism ban) will hurt the Cuban private sector and its cash revenues from U.S. visitors because organized groups tend to rely on state-run services for logistical reasons. Since it is difficult to accommodate large groups in *casas particulares*, quite expensive packaged tours lodge visitors in state-owned hotels and oftentimes arrange lunches and dinners at designated state-owned restaurants. Besides being lured by more affordable prices, many U.S. travelers prefer to stay in Cuban private homes because they offer a more authentic and more pleasant experience. An internal survey of international visitors to Havana conducted by Cuban tourism officials in 2016 revealed that *casas particulares* ranked significantly higher than hotels in quality/price satisfaction and general customer satisfaction.[56]

Third, fewer Americans visiting Cuba means a reduced business for U.S. airlines and travel firms. As the initially high expectations turned out to be too optimistic, certain U.S. carriers have already cut some, if not all, of their flights to the island. In 2017, Spirit Airlines, Silver Airways, and Frontier Airlines completely pulled out of Cuba, American Airlines and JetBlue switched to smaller aircrafts on several routes or cut some flights, and Southwest dropped its flights to Varadero and Santa Clara while retaining its Havana route.[57] Trump's new rules could force airlines to cut additional flights and negatively affect the operations of U.S. tour operators that would also be prevented from sending clients to Cuban hotels owned by the military. Fourth, given GAESA's extensive role in the Cuban economy. Trump's measures will make it very difficult for U.S. firms to pursue new business deals in Cuba. Although it does not run airports and cruise terminals, GAESA owns most new hotels in Cuba through its company GAVIOTA as well as various hotels, stores, and eateries in old Havana through Habaguanex. It also controls two banks and all credit card and money transfer transactions through FINCIMEX, owns part of the telecommunications monopoly ETECSA through RAFIN, runs the Mariel terminal and its special development zone through Almacenes Universales, controls most stores, supermarkets, and malls on the island selling imported products, and owns numerous gas stations.[58]

Finally, there is little doubt that the update of the Cuban economic model carried out by Raúl Castro is not motivated by a desire to foster ties with the United States but rather by the urgency to address the shortcomings of Cuba's socialist system (Torres Pérez 2015). The pace of this reform process has actually lost steam in recent years, but a deep economic crisis

55. Darlene Superville and Michael Weissenstein, "Trump cancels part of Obama's 'one-sided' deal with Cuba," Associated Press, June 17, 2017.

56. Ministerio de Turismo (MINTUR) data obtained by the author in May 2017.

57. Ben Mutzabaugh, "Southwest drops two routes to Cuba; Havana flights to stay," *USA TODAY*, June 29, 2017.

58. Marc Frank, "Cuban military's tentacles reach deep into economy," Reuters, June 15, 2017.

in Venezuela has spread to its closest ally Cuba, leading to a contraction in the supply of Venezuelan oil to Havana and to lower export revenues for the island. To make things worse, the already struggling Cuban economy suffered another debilitating blow in September 2017 when powerful hurricane Irma hit Cuba, damaging crops and ravaging tourism installations and various infrastructures throughout the country.[59] It is against this backdrop of weakening linkages with Venezuela and deteriorating economic conditions on the island that improved relations with the United States, perhaps involving some concessions to Washington's plans, might become particularly attractive to Cuba. And yet Trump has just added a brand new set of obstacles to deeper U.S.-Cuba ties. Additionally, a more hostile Trump administration will strengthen the hand of conservative figures in Cuba at a critical time when Raúl Castro's expected departure from the presidency in 2018 (though it remains to be seen whether he will also retire as head of the Cuban Communist Party) could create unprecedented opportunities for political and economic changes on the island. This will fuel resistance against greater political opening and against major liberalizing economic reforms in Cuba based on the argument that the country faces again a U.S. administration that is aggressively trying to restore capitalism in Cuba and unfairly pressuring the Cuban government on democracy and human rights.

CONCLUSION

Although the process of rapprochement between the United States and Cuba is by no means complete, the transcendental importance of 17D is undisputable. After more than fifty years of confrontation, distrust, and enmity, Washington and Havana have now full diplomatic relations and Cuba is no longer considered by the United States a state sponsor of terrorism. The most comprehensive in decades, Obama's liberalizing changes to economic sanctions rules with respect to Cuba have boosted the flow of U.S. travelers and remittances to the island and paved the way for the resumption of U.S. commercial flights and cruises services to Cuba. They have also stimulated a great deal of interest in the Cuban market among U.S. and foreign firms and enabled several American companies to sign business deals with the Cuban government, most notably in the tourism and telecommunications sectors. Some of these trends continue despite President Trump's efforts to chip away at Obama's legacy with stricter rules on travel and business with Cuba. Needless to say, economic linkages between the two former enemies will reach a whole new level when the embargo is out of the picture.

Mainly driven by domestic political concerns rather than foreign policy interests, Trump's new measures on Cuba are ill-advised moves that fall well short of a dramatic course correction in U.S. policy toward Cuba. While they appear to focus primarily on trying to cut off economic benefits to the Cuban government and strengthening the emerging private sector on the island, these measures could not only produce a substantial decline in the number of U.S. visitors to Cuba but, most importantly, they could deliver an especially hard blow at Cuban private entrepreneurs whose services are increasingly patronized by visiting Americans. The new regulations, which also prohibit dealings with the business conglomerate GAESA owned by the Cuban military, will be unable to cause enough economic damage to Cuba to force concessions from its government. They will instead reduce business for several U.S. companies that have established a presence in the Cuban market and, if strictly enforced, will make new business deals unlikely because GAESA operates in virtually every profitable area of the Cuban economy. Furthermore, Trump's measures add severe obstacles to closer U.S.-Cuba ties precisely at a time when Havana might be more inclined to cultivate them because of Cuba's troubling economic conditions aggravated by a deep crisis in its key ally Venezuela, and when a political transition on the island involving major decisions about the country's future might be imminent as the Raúl Castro era nears its end.

59. Marc Frank and Sarah Marsh, "Hurricane Irma batters already struggling Cuban economy," Reuters, September 12, 2017.

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