



THE OPENING UP OF CUBA

IMPLICATIONS FOR JAMAICA
OF UNITED STATES POLICY
CHANGES TOWARDS CUBA

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EXECUTIVE SUMMARY

The re-establishment of diplomatic relations between the United States and Cuba, and their agenda for normalising relations hold more opportunities than threats for Jamaica. The changes in the U.S.-Cuba relationship strengthen the already positive climate for economic growth and investment in the relatively large and diverse Cuban market, and will support that country's progressive investment policy reforms and growth in private enterprise. The prospect of further growth in the Cuban economy is an opportunity for revival of the Jamaican economy. The US embargo on Cuba did impinge on Jamaica's freedom to invest and trade with Cuba by creating uncertainty about punitive treatment by the U.S. of firms doing business with Cuba. As a neighbouring country and political ally, Jamaica has maintained an active relationship with Cuba, particularly on social and cultural affairs but also on trade and investment at the bilateral and CARICOM regional level. Jamaica is well positioned to capitalise on more liberal U.S. policies towards Cuba, and on Cuban domestic reform, by consolidating its trade and investment relationship with Cuba, strengthening bilateral cooperation and promoting business to business contact. However, urgency on the part of the Jamaican public and private sectors is required to secure advantages in Cuba relative to U.S. businesses, which are still latecomers relative to CARICOM, Canada, Latin America and Europe.

The policy initiative led by U.S. President Barack Obama has been codified in Federal Regulations, and is supported by a legislative agenda that would dismantle the tenets of the U.S. embargo on Cuba by obviating the need for licensing requirements and discretionary powers in relation to persons doing business with Cuba. The United States policy changes focus on the

fundamental activities for the creation of trading relationships: freedom of movement of persons, travel and transportation, and communications. To a lesser extent, the new approach of the U.S. creates a more liberal environment for investment in specific sectors of mutual interest. The changes also allow the United States to export a wider range of goods to Cuban public and private entities with more flexible payment options, as well opening of U.S. commercial imports from Cuban independent entrepreneurs and increases of personal duty free allowances for persons travelling from Cuba. The U.S. changes complement Cuba's own economic reorientation, the most recent phase of which began in 2011 with a governmental economic reform plan. The plan targets investment attraction to increase Cuban productive capacity, particularly in tourism, agriculture and manufacturing.

It is unclear how long it will take to complete rollout of the U.S. policy changes and legislative agenda, but they have already translated into business deals. There is strong private and bipartisan political support for a liberal approach to Cuba. However, firm opposition to U.S. "thawing" of relations with Cuba resides especially in Florida Republicans, who have raised human rights and political concerns, including the treatment of "dissidents," limitations on the access to information of Cubans, and non-settlement by Cuba of investment expropriation claims. Other checks on the pace of normalization are differences in ideology of both countries; continued imposition of fines by the U.S. for entities doing business in breach of embargo legislation; and Cuba's alliances with partners that the U.S. competes with commercially and politically, such as Brazil, China and Russia.

For Jamaica, immediate opportunities arise from the investor confidence linked to the signalling effect of the improved U.S.-Cuba relations and the positive policy changes in services sectors of interest to Jamaica: travel and transportation, financial services, telecommunications and internet-based services. It is not as if the threat of U.S. sanctions for doing business with Cuban interests has diminished in practice. However, the climate seems more favourable for investments in tourism to promote multi-destination tourism and related air and maritime travel and transportation links; to this end, Jamaica and Cuba are good. Prospects also exist for entertainment services, and the promotion of digital content via investments in enabling telecommunications and broadcasting; international education provision; and goods exports. Jamaica could also help Cuba along its development path through technical cooperation and the provision of paid services such as hotel management, construction and information and communication technology.

Generally, a cooperative approach would be required to effectively create linkages between Jamaica and Cuba as destinations pursuing the growth of common tourism niches and international provision of education services. The health and sports tourism sub-sectors, and tertiary education entities, can build on Jamaica and Cuba's longstanding cooperation relationship to form partnerships for commercial ventures, including co-branding, marketing, research and development. The sectors are mutually reinforcing and provide prospects for human resource development, job creation, and revenue generation. In the case of education, lack of financing on both sides constrains faculty and student exchange programmes, other travel related initiatives and resource intensive research projects. This could be solved by coordinating Jamaican and Cuba donor-funded activities and securing flexibilities of funding facilities to support joint projects. Public and private actors should explore the negotiation of recognition agreements for standards, certifications, professional qualifications, and other industry measures of quality in order to promote trade in services, and in products developed in either territory, including those used in tourism facilities.

Entertainment services usefully promote international branding and cultural awareness, and contribute significantly to the Jamaican economy. With the prospect of improved information and communication technologies arising from changes in U.S. legislation, Jamaica is presented with an opportunity to export creative content to the Cuban market of \$11 million. As Cuba embarks on a programme to modernise its telecommunication infrastructure and to increase access and use of telecoms across the island, Jamaica can also assist Cuba in the process through technical cooperation for the development of its legal and regulatory framework and commercial provision of ICT services. The mutual benefits and feasibility of convergence in broadcasting regulation should also be explored.

New U.S. import allowances generally cover Cuba's top exports. The structure of trade between Cuba and the US, Jamaica and Cuba, and Jamaica and the U.S. is distinct, with few overlaps.

Therefore the effect of the current allowances for goods trade and an eventual removal of the sanctions may be negligible except for fisheries and distilled spirits, but closer analysis of the specific products trade and demand trends is needed to determine if there is a true threat. Jamaica has traditionally been reliant on the North American market and has relatively limited commercial relationships with Cuba; this is a weakness. Improved understanding of the Cuban market and the forging of business links can be facilitated through increased interaction between Jamaican and Cuba traders, including through activation of the Business Council provided for under the bilateral Trade and Economic Cooperation Agreement. The size of the investment opportunities published by the Cuban government may be too large for many Jamaican investors. Specific negotiated arrangements with the Cuban government would be required to facilitate smaller Jamaican investments in sectors of mutual interest. Cuba's diversity in investment sources and trading relationships could be leveraged by Jamaica through strategic positioning and commercial partnerships in Cuba and in Jamaica. Therefore the treatment of investment in the Jamaica-Cuba relationship deserves priority attention.

The potential threat to Jamaica of the U.S. policy changes is apparently more medium to long term, and emanates from increased competition from U.S. entrants in the Cuban market in both goods and services. At a time when Jamaica is reviving trade relations with Cuba, U.S. companies are eager to do business with Cuba in the opened sectors and some have secured the relevant approvals from the U.S. government. Other international investors are also engaging Cuba, which is seeking large-scale investments. This creates urgency for Jamaican players to forge links with their Cuban counterparts. The assessment of implications of the U.S. policy changes takes a triangular approach, looking first at the expected effect on Cuba then commenting on Jamaica's positioning in relation to Cuba and the U.S. in specific sectors. The analysis reveals that U.S.-Cuba rapprochement may offer more opportunities than threats for Jamaica, particularly in the near to medium term; and should stimulate integration efforts and strategic positioning of Jamaica's private sector in both markets. Sectors in which Jamaica and Cuba have traditionally cooperated, such as culture and education, could offer the quickest gains because of prior interaction and relative familiarity of stakeholders. For goods trade there are potential opportunities and threats to Jamaica's exports to Cuba, but further product-specific analysis is required to estimate the impact of U.S. allowances for imports from Cuba. Notwithstanding existing cooperation frameworks, significant business support and trade facilitation initiatives would be required to improve market awareness and nurture business to business relations. These initiatives should be informed by ongoing research to determine specific interests as policies in the U.S. and Cuba are implemented, and to identify ways in which Jamaica should prepare itself to not only mitigate negative effects, but also to pursue a positive agenda for penetrating the Cuban market.



INTRODUCTION

The United States' severance of diplomatic ties with Cuba in 1961 constrained Cuba's participation in Western Hemispheric trade and economic integration arrangements and introduced practical obstacles to any effort to deepen trade and investment between Cuba and the Caribbean. In December 2014, the United States announced a change to its policy towards Cuba and its intention to pursue a new course in its engagement with the Cuban people. The initial changes in United States policy towards Cuba include a re-establishment of diplomatic relations; an expansion of travel; expanded sales and exports of certain goods and services from the U.S. to Cuba; and new authorisations for the importation by Americans of Cuban goods and services. Jamaica will potentially be impacted by the change in United States policy towards Cuba. The US-Cuba rapprochement serves as impetus to advance integration efforts and to position Jamaica's private sector to take full advantage of new opportunities that may arise.

Jamaica and Cuba established formal diplomatic relations in 1972, in the tense Cold War era in which Cuba was isolated in the Western Hemisphere. Jamaica, like other CARICOM countries, has opposed the U.S. embargo against Cuba in the United Nations. In 2002, CARICOM and Cuba established a Summit process through which both sides have affirmed their political solidarity and deepened regional cooperation.

Latin American and Caribbean countries have pursued regional integration through the creation of institutions such as the Association of Caribbean States (ACS) and the Community of Latin America and Caribbean States (CELAC), which deepened Jamaica's relationship with Cuba in the face of Cuba's exclusion from the Organization of American States and the Summit of Americas process. Jamaica and Cuba have cooperated with other small economies in the advocacy of the Small Island Developing States (SIDS) issues in the 2030 Agenda for Sustainable Development.

Jamaica has actively participated in CARICOM efforts to revitalise the CARICOM-Cuba Trade and Economic Cooperation Agreement (TECA). Recent Jamaican and CARICOM engagement with Cuba signal the importance attributed to doing business with Cuba. In keeping with its Caribbean and Latin American Strategy, JAMPRO has been meeting with Cuban authorities¹ and facilitated trade missions in Jamaica in July 2014, and in Cuba in September 2014² and April 2015³.

A workshop on CARICOM-Cuba relations was held in Kingston in February 2015⁴, and a CARICOM-Cuba Business Forum took place in Santiago in July 2015⁵. Jamaica also regularly participates in the annual trade fair FIHAV in Cuba in late October or November⁶.

1 "JAMPRO seeking stronger Cuban-Jamaica business ties." JAMPRO. Web. 5 Feb. 2015

2 "JAMPRO leads Jamaican delegation to FIHAV Trade Show in Cuba." South Florida Caribbean News. Web. 4 November 2014. <http://sflcn.com/jampro-leads-jamaican-delegation-to-fihav-trade-show-in-cuba/>

3 "Jamaica looks to increase trade with Cuba on mission next week." JAMPRO. Web. 18 April 2015. <http://www.jamaicatradeandinvest.org/content/jamaica-looks-increase-trade-cuba-mission-next-week>

4 "Jamaica intensifies Targeting of Cuban Market" Curacao Chronicle. Web. 5 February 2015.

5 "Interested in doing business with Cuba? The Cuba-Caribbean Entrepreneurs' Forum is coming up in July" <http://jamaicachamber.org/jm/html/1-interested-in-doing-business-with-cuba-the-cuba-caribbean-entrepreneurs-forum-is-coming-up-in-july/>

6 Henlon Forrester, Berletta. Personal Interview. 7 July 2015.



The fifth CARICOM-Cuba Summit was held in Havana in December 2014. Negotiating sessions of the CARICOM-Cuba Trade and Economic Cooperation Agreement were held in September 2014 and 2015.

Cuba is Jamaica's closest neighbour, and the island states share a long history of close political, social and economic relations. Jamaica established diplomatic relations with Cuba in 1972. With respect to trade flows, imports from Cuba were largely machines and mechanical parts, and juice mixtures accounted for a significant proportion of Jamaica's exports to Cuba. Cuba imports meat and edible offal from the rest of the world as well as a range of services such as education and research and development. The U.S. embargo on Cuba did impinge on Jamaica's freedom to invest and trade with Cuba by creating uncertainty about punitive treatment by the U.S. of firms doing business with Cuba. The progressive dismantling of the U.S. embargo brings investor confidence and opportunities for Jamaica to create greater commercial synergies with Cuba, as well as possible threats to Jamaican exporters given the size of the Cuban economy.

The U.S. Embargo is contained in several pieces of legislation. Changes arising from the adjustments to the U.S. Department of the Treasury, Office of Foreign Assets Control, Cuban Assets Control Regulations were made by the U.S. President Barack Obama and include those taking effect in January 2015, and March 2016 ahead of his official visit to Cuba that month. They permit trade and investment particularly in travel and related transport of licensed U.S. persons visiting Cuba for specific purposes, and U.S. exports to Cuba and Cuban entities of financial services, telecommunications services and equipment exports and agricultural produce. The regulations also allow U.S. imports of Cuban goods falling under 10 chapters of the United States Harmonised Tariff System (HTSUS). The states also concluded a memorandum of understanding (MOU) on air services ahead of the U.S. Presidential visit to Cuba.⁷ However, in order to dismantle the embargo, the U.S. Congress will need to tackle the harder issues such as (i) removal of presidential discretion to penalise U.S. and third country entities carrying

out unauthorised business with Cuban interests (ii) treatment of investment expropriation claims against the Government of Cuba (iii) mutually acceptable standards for political freedoms and human rights protection (iv) treatment of the U.S. Naval Station at Guantánamo Bay.

In spite of the uncertainties above, JAMPRO expects Cuba's demand for goods and availability of foreign exchange to increase, with the result that Jamaica stands to benefit from the thawing of US-Cuba relations. Stakeholders must also be prepared to mitigate any negative implications and increased competition of a more liberal Cuba-US trade and investment regime. It is critical for Jamaican policy makers and businesses to assess the implications of renewed relations between the United States and Cuba and identify the ways in which Jamaica should prepare itself for the related impact. The services sector is important to the U.S. economy and the Obama Administration's new approach is attempting to advance industry interests particularly in tourism and related travel and transportation, financial services and telecommunications, which are sectors of interest to Jamaica.

The report begins with an overview of the United States' package of laws and policies on Cuba, and proposals for further reform. Recent developments and planned initiatives in the Jamaica-Cuba relationship are reviewed with a focus on recent international cooperation initiatives, bilateral cooperation and the ongoing negotiations for deepening relations under the CARICOM-Cuba Trade and Economic Cooperation Agreement.

The implications of U.S. changes towards Cuba are explored with a focus on tourism and the medical and sports tourism sub-sectors; entertainment services; and higher educational services provision and research. This is followed by an examination of trade trends between the United States and Cuba, Jamaica and Cuba, and Jamaica and the United States with a view to identifying product specific opportunities and threats posed by U.S. policy towards Cuba, with corresponding policy recommendations for the Jamaican public and private sectors.

7 "U.S.-Cuba Memorandum of Understanding of February 16, 2016." U.S. Department of State, Bureau of Economic and Business Affairs. Web. February 16, 2016. <http://www.state.gov/e/eb/rls/othr/ata/c/cu/>



II. UNITED STATES FOREIGN POLICY TOWARDS CUBA

A. EXISTING LEGISLATION

In December 2014, the President of the United States, Barack Obama, announced important changes in the U.S. foreign and economic policy towards Cuba. Since then, there have been several other high level gestures between U.S. and Cuban officials, reflecting improved diplomatic relations between these countries. U.S. actions have generally been given legal effect through the Department of the Treasury Office of Foreign Assets Control (OFAC) Cuban Assets Control Regulations of January and September 2015, and January and March 2016. The January 2015 regulations relaxed travel restrictions for United States nationals traveling to Cuba, as well as granted permission for United States financial institutions in the U.S. to open correspondent accounts in Cuban financial institutions,

to have their credit and debit cards used in Cuba, and to increase remittance amounts to Cubans in Cuba.⁸

Other gestures include: May approval by the Treasury Department of ferry service by U.S. companies to Cuba;⁹ the visit of President Obama to a Cuban Community Church in Miami;¹⁰ removal of Cuba from the list of state sponsors of terrorism;¹¹ and improved U.S. ranking of Cuba's efforts to combat human trafficking, which is a boost for Cuba's human rights and security image.¹² U.S. Secretary of State Kerry raised the U.S. flag at the Embassy in Havana in August, and a bilateral commission was set up in September 2015 as a forum for dialogue and future priority negotiations.¹³

8 "Department of the Treasury, Office of Foreign Assets Control, 31 CFR part 515, Cuban Assets Control Regulations." Federal Register/Vol.80, No.11/Friday, January 16, 2015/Rules and Regulations, 2291. <http://www.treasury.gov/resource-center/sanctions/Programs/pages/cuba.aspx>

9 "Obama Administration Approves Ferry Service To Cuba." Reuters. Web. 5 May 2015. http://www.huffingtonpost.com/2015/05/05/ferry-service-cuba_n_7218496.html?ncid=fbklnkushpmsg00000013

10 "Obama in surprise visit to Cuban community church in Miami." Jamaica Observer. 28 May 2015. Web. 6 June 2015. <http://www.jamaicaobserver.com/latestnews/Obama-in-surprise-visit-to-Cuban-community-church-in-Miami>

11 Morello, Carol. "U.S. takes Cuba off list of state sponsors of terrorism." Washington Post, National Security. 29 May 2015. Web. 1 June 2015. http://www.washingtonpost.com/world/national-security/us-takes-cuba-off-list-of-state-sponsors-of-terrorism/2015/05/29/d718493a-0618-11e5-8bda-c7b4e9a8f7ac_story.html?tid=sm_tw

12 "Malaysia, Cuba taken off U.S. human trafficking blacklist." Chicago Tribune. Web. 27 July 2015. <http://www.chicagotribune.com/news/nationworld/ct-malaysia-cuba-human-trafficking-blacklist-20150727-story.html>

13 "Delegation Travels to Havana to Advance Normalization Process."

The commission dialogue has yielded a bilateral environmental cooperation agreement and continues on issues such as immigration.¹⁴ The OFAC Cuban Assets Control regulations effective September 21, 2015 relate to travel, telecommunications and internet based services, business operations in Cuba, and remittances. The regulations allow travellers in authorised categories to be accompanied by close relatives for certain activities, such as official business and visiting family members resident in Cuba.

Transportation by vessel with lodging services is allowed under general license, but only for direct US to Cuba travel without stops in third countries. Persons and entities under U.S. jurisdiction, and engaged in certain transactions, are allowed to set up a commercial presence in Cuba; to maintain bank accounts there; to hire in Cuba, both Cubans and persons subject to U.S. jurisdiction; to carry out more financial transactions, such as unlimited remittances (whether sent or carried to Cuba) and maintenance of accounts of Cuban nationals located outside of Cuba.¹⁵

The potential for deepening economic links to the Cuban economy was again increased with the regulations effective January 27, 2016 which expanded authorizations within existing travel categories for additional purposes, such as sojourns of travel crew, media and artistic production, organisation of professional meetings, humanitarian projects, public performances, athletics and other competitions, and exhibitions.

They authorise air services provision through code share and lease arrangements, including with Cubans. The regulations also remove restrictions on payment terms for authorised exports, except for agricultural commodities; allows some re-export to Cuban state entities. Under the regulations, exports and re-exports will generally be allowed for civil society, journalists, civil aviation safety and the more commercial sectors of telecommunication and agriculture.¹⁶

The latest OFAC Cuban Asset Control regulations took effect in March 2016, and affirm the statutory prohibition on tourist activities while allowing people-to-people education travel,

that is travel outside of an institution. Non-immigrant Cubans in the United States may now earn salaries there, including Cuban athletes, artists, performers, and others who obtain the requisite visas. Goods of Cuban origin may be purchased in countries other than the U.S. and Cuba. The regulations also allow processing of indirect payments by Cubans using a third-country bank, "U-turn payments," and increase permitted access to and use of U.S. currency through direct purchase and U.S. dollar denominated accounts held by Cubans in the U.S. for authorised transactions in the U.S. and remittances to Cuba. For investments, there is allowance of more types of physical presence in Cuba for authorised activities and clarifies that such activity includes goods assembly.¹⁷

President Obama's visit to Cuba in March 2016 culminated the U.S. show of goodwill. However, the agenda to normalize diplomatic and trade relations between the United States and Cuba will not only require executive actions at the U.S. Presidential level, but also approval of the U.S. Congress. The United States' foreign policy towards Cuba is enshrined in several pieces of legislation that span a half century. It is difficult to determine the extent to which the current U.S. President's sympathy towards Cuba would be matched by Congress or by his successor in 2016. However, U.S. business and political interest in the potential of the Cuban market appear strong, based on public statements. The primary source of opposition rests in a quorum of Floridian Republican Senators.

Dismantling the embargo architecture would mean addressing several pieces of legislation. The Trading with the Enemy Act and Foreign Assistance Act of 1961 grant authority to the U.S. President to impose a total embargo on trade with Cuba. In February 1962, the Kennedy administration initiated an economic embargo on Cuba which restricted travel and trade. The Cuban Adjustment Act 1966, introduced in the Lyndon Johnson administration, allows persons who flee Cuba and arrive in the United States to apply for U.S. citizenship after being in the country for one year. In practice, only Cuban nationals fleeing by sea who have not landed on dry ground in the US must return to Cuba; this is called the "wet foot, dry foot" policy¹⁸ and is rooted in the United States' 1986 Immigration Reform Act and a 1994 migration agreement with Cuba.

14 "Releases Pertaining to Cuba." Department of State. n.d. <http://www.state.gov/p/wha/ci/cu/rls/index.html>

15 "January 2016 FACT SHEET: Treasury and Commerce Announce Further Amendments to Cuba Sanctions Regulations." US Treasury Department, Office of Public Affairs. https://www.treasury.gov/resource-center/sanctions/Programs/Documents/fact_sheet_01262016.pdf

16 "January 2016 FACT SHEET: Treasury and Commerce Announce Further Amendments to Cuba Sanctions Regulations" US Treasury Department, Office of Public Affairs. https://www.treasury.gov/resource-center/sanctions/Programs/Documents/fact_sheet_01262016.pdf

17 "March 2016 FACT SHEET: Treasury and Commerce Announce Further Amendments to Cuba Sanctions Regulations." US Treasury Department, Office of Public Affairs. https://www.treasury.gov/resource-center/sanctions/Programs/Documents/cuba_fact_sheet_03152016.pdf

18 Cuba remains concerned about immigration issues, including the incentive that the wet/foot dry foot policy provides for illegal emigration from Cuba. See: "Cuba y EEUU conversan en Washington sobre migración." Cuba Debate. 30 Nov. 2015. <http://www.cubadebate.cu/noticias/2015/11/30/cuba-y-eeuu-conversan-en-washington-sobre-migracion/#.Vl39zHarTIU>

The Cuban Democracy Act 1992 disallows U.S. foreign subsidiaries from transacting business with Cuba, bars Cuban ships from entering U.S. ports, and prohibits sales of food and medicine to Cuba in the absence of free and fair elections. The U.S. policy towards Cuba became harsher under the Clinton Administration, which passed the Cuban Liberty and Democratic Solidarity Act (CLDSA), also known as the Helms-Burton Act, in March 1996. The Act codifies the embargo, allows the denial of visas to Cuban nationals, and sets conditions for the removal of sanctions, including a requirement that Fidel Castro and Raúl Castro would have to be removed from office. Cuba has one legal political party, the Communist Party, and candidates do not face opposition. The last election was held in February 2013, and the next is expected in 2018.¹⁹ Raul Castro has announced that he will step down ahead of the 2018 elections. Therefore, the 2018 Cuban election is potentially a milestone for Cuba-U.S. relations that is assessed based on the willingness of Cuba to adopt U.S.-style democracy. There has been some relaxation of the sanctions with the 2000 Trade Sanctions Reform and Export Enhancement Act, which allows trade with Cuba in agricultural products, medicines and medical supplies, while maintaining prohibitions on direct investments to carry out this trade.

The U.S. President is the commander in chief of security and armed forces. By virtue of constitutional executive powers, the U.S. President also directs other aspects of foreign policy through inter alia treaties and appointment of ambassadors in consultation with Congress. President Obama's administration has codified the OFAC Cuban Assets Control Regulations. However, the legislative agenda in the U.S. Congress is divided between proposals to dismantle the tenets of the U.S. embargo on Cuba and those to bloc some of the recent policy changes.

Normalized political relations between the United States and Cuba include the establishment, on 20 July 2015, of formal diplomatic ties and representation in each other's territory. This move converted to national embassies the Cuban Interests Section of the Embassy of Switzerland in Washington DC and a United States Interests Section of the Embassy of Switzerland in Havana. Diplomatic relations involve granting plenipotentiary powers and international remittances to embassy. The United States would be interested in removing constraints on the movement of U.S. diplomatic staff in Cuba, and having access to dissidents, and persons considered refugees in Cuba who are regarded by the United States as terrorists.

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Havana. Diplomatic relations involve granting plenipotentiary powers and international remittances to embassy. The United States would be interested in removing constraints on the movement of U.S. diplomatic staff in Cuba, and having access to dissidents, and persons considered refugees in Cuba who are regarded by the United States as terrorists. U.S. foreign policy and trade policy are deeply connected, and are linked to security in the U.S. "economic statecraft," that is, the mechanism for using foreign policy to improve its economic position.²⁰ The U.S. President's policy initiatives to date, particularly the amendment of the Cuban Assets Control Regulations (CACR), the conclusion of an MOU with Cuba on Air Services, and the improved rankings of Cuba's human rights related efforts, have created enough certainty to kick U.S. commercial diplomacy into high gear. It is being exercised through U.S. government official and private sector visits to Cuba, and negotiation of trade and investment agreements with the Cuban State. The measures, though intricate, do extend some benefits to third countries for the economic activities covered but are exclusive to U.S. and Cuban interests.

The changes under the OFAC Cuban Assets Control Regulations (CACR) touch and concern trade and investment issues falling under other longstanding embargo legislation. Dismantling of the U.S. embargo against Cuba will require explicit amendment of embargo legislation such as the Trading with the Enemy Act, the Cuban Adjustment Act and the Helms Burton Act. While some elements of the OFAC regulations authorise commerce and charitable or cultural activities between Cuban individuals and entities, others seem to effectively discriminate by excluding non-US or Cuban participation, for example, the operation of transportation vessels. The statutory prohibition of tourism also appears to be notional as the categories of persons and permissible travel related activities normally fall with the definition of tourism. Therefore, in order to create legal certainty for traders and investors, the U.S. President and Congress are required to advance the legislative agenda for normal diplomatic and trade relations through further policy and legislative actions. The institutional framework for ongoing bilateral negotiations through the bilateral commission is a positive sign for continued engagement of the U.S. and Cuba towards normalisation.

19 "Cuba." CIA World Factbook. Web. n.d. <http://www.ciaworldfactbook.gov>

20 Rogowsky, Robert. "The U.S. Trade Policy Decision Structure: A Primer." Middlebury Institute of International Studies at Monterrey Working Papers. 2015.



B. PROSPECTS FOR FURTHER CHANGES IN US POLICY

United States officials seem to be sympathetic towards Cuba, and there is bipartisan support and private support for further softening of U.S. policy towards Cuba. At least 15 Republican representatives, out of a total of 54, support normalising trade relations with Cuba, and joined President Obama's delegation on his official visit to Cuba. The U.S. interest in Cuba is evidenced by the frequency of prospecting missions. For example, in June 2015, U.S. Republican Senator Jeff Flake of Arizona visited Cuba in June 2015; while in a separate visit Republican Senator Dean Heller of Nevada, and Democrat Senators Patrick Leahy of Vermont and Ben Cardin of Maryland²³ expressed support for lifting U.S. travel bans. Governor Greg Abbott of Texas, a Republican, led a commercial mission to Cuba in November 2015 with the intention to position Texas to do business with Cuba. He has criticised the Helms Burton Act and the lack of favourable credit terms to Cuba for importation of U.S. products, such as rice which can be sourced on more favourable terms from Vietnam.²⁴ There is a strong demand from Cuban Americas

for the freedom of travel to and from Cuba among this group. The private sector, for example agriculture and technology companies, have lobbied for more liberal policies.²⁵ Legislation on Cuba tabled in the U.S. Congress is under review in its committees, and a majority vote would be required to lift the embargo.

The proposed legislation is wide ranging; a few of the proposed bills are discussed here.²⁶ The Free Trade with Cuba Act, introduced in January 2015, which would: repeal the embargo by repealing the package of legislation in which it is embodied, and by limiting the U.S. Presidents discretion to impose prohibitions on exports and travel to Cuba, as well as his powers under the International Economic Powers Act; provide for the President to take all necessary steps to conduct negotiations with the Government of Cuba to settle claims of U.S. nationals against Cuba for the taking of property; and secure protection of internationally recognized human rights.²⁷ The Cuba Trade Act of 2015, introduced in late July 2015 is also intended to lift the embargo by amending specific provisions in the embargo legislation and by removing prohibitions and financing of trade with Cuba.²⁸

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- 21 "Republican lawmakers to join Obama's Cuba visit." Reuters. Web. 21 March 2016. <http://www.reuters.com/article/us-usa-cuba-congress-idUSKCN0WK2NG>
 - 22 Associated Press. "Republican Senator sees US embassy in Havana coming soon." Washington Post, 13 June 2015. Web. 19 June 2015. http://www.washingtonpost.com/politics/congress/republican-senator-sees-us-embassy-in-havana-coming-soon/2015/06/13/e8c5695c-1229-11e5-a0fe-dccfea4653ee_story.html
 - 23 Trotta, Daniel "U.S. senators visit Cuba, hope Congress will ease restrictions." Reuters. Web. 27 June 2015. <https://en-maktoob.news.yahoo.com/u-senators-visit-cuba-hope-congress-ease-restrictions-185343792.html>
 - 24 Fanning, Rhonda. "What is Governor Abbott doing in Cuba." Texas Standard. 2 December 2015. <http://www.texasstandard.org/stories/cuba-visit-gov-greg-abbott/>
 - 25 "Will Cuba Change CARICOM." Editorial. Jamaica Gleaner. Web. 5 July 2015. <http://www.jamaicaobserver.com/editorial/Will-Cuba-change-Caricom->
 - 26 Other proposed legislation includes: Freedom to Export to Cuba Act of 2015, introduced 2 February 2015; Freedom to Travel to Cuba Act, 2015 introduced 2 February 2015; a Bill to authorize the export of energy resources, energy technologies, and related services to Cuba, and for other purposes, introduced 29 July 2015
 - 27 "H.R. 403. Free Trade with Cuba Act." Congress.Gov. Web. n.d. <https://www.congress.gov/bill/114th-congress/house-bill/403?q=%7B%22search%22%3A%5B%22cuba+trade+act+2015%22%5D%7D&resultIndex=3>
 - 28 "All Bill Information (Except Text) for H.R.3238 - Cuba Trade Act of 2015." Congress.Gov.Web. nd. <https://www.congress.gov/bill/114th-congress/house-bill/3238/text?q=%7B%22search%22%3A%5B%22Cuba+Trade+Act+2015%22%5D%7D&resultIndex=1>

The bills were referred to the Sub-Committee on Trade. The Cuba Digital and Telecommunications Advancement Act of 2015 or the Cuba Data Act, introduced in mid-May 2015, is aimed at authorizing the exportation of consumer communication devices to Cuba and the provision of telecommunications services, and would repeal or amend specified requirements and prohibitions of the Cuban Democracy Act of 1992, and the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996. The bill has been referred to the Subcommittee on Communications and Technology. The Cuba Normalization Accountability Act of 2015, introduced in January 2015, would: amend several pieces of legislation of the embargo in order to curtail the discretion of the President to impose limitations on exports to Cuba to cases of unusual and extraordinary threat; prohibit regulations that ban travel or services incidental to travel, or limit remittances; and extend non-discriminatory treatment (normal trade relations) to the products of Cuba.²⁹ The bill has been referred to the House Committee on Foreign Affairs.

Legislation to limit or roll back more liberal policies towards Cuba are also being considered. The Cuba Human Rights Act of 2015, introduced in April 2015, is aimed at promoting human rights in Cuba and opposes the lifting of the embargo until Cuba ceases to violate the rights of Cubans through limitations on their access to information and religious freedom, and until the country adequately enforces measures to reduce human trafficking.³⁰ The bill has been referred to the Subcommittee on the Western Hemisphere. Proposed measures against implementation of announced policy changes include prohibition of funding for U.S. diplomatic facilities and personnel in Cuba, and redirection of funds to democracy programs; prohibition for the closure of the Naval Station at Guantanamo Bay; and restrictions on engagement with Cubans.³¹

Much of the opposition to the Obama administration's push towards normalizing relations with Cuba is rooted in perceived infringements of human rights by the Cuban government, and there are still sharp ideological differences between the U.S. and Cuba on what constitutes adequate human rights protection. The U.S. also has other trade priorities. Congress approved the Trade Promotion Authority (TPA) fast-track legislation for the U.S. President's negotiation of the Trans-Pacific Partnership

Agreement (TPP),³² and the U.S. is actively negotiating the Transatlantic Trade and Investment Partnership (TTIP) with Europe, and the Trade in Services Agreement (TiSA). The Cuba-U.S. trade relationship is currently subject to the rules of the World Trade Organisation, of which both countries are members. The embargo legislation has been justified by the U.S. as a national security exception to its WTO obligations. It is unclear if assertion of the U.S. national security legal defence for the embargo regime would be justifiable now given the re-establishment of diplomatic relations between the U.S. and Cuba, and the significantly more liberal application of the U.S. OFAC Cuba Assets Control regulations. These regulations allow trade with the Cuban private sector and government in selected sectors only, and sometimes allow transactions with firms from third countries while at other times penalise such commercial interaction. Extension by the U.S. of a special regime for Cuba could probably be more neatly covered by a preferential trade and investment instrument for Cuba that is notified to fellow WTO Members for transparency. However, given the intensity of TPP, TTIP and TiSA negotiations, and campaigning for the U.S. presidential elections, further trade-related legislative changes related to Cuban relations may be slow in coming.

There are several legislative proposals in the U.S. Congress for and against the formal dismantling of the embargo against Cuba. U.S. bipartisan representatives openly favour the removal of the U.S. embargo on Cuba and are trying to position their constituency for business with Cuba through official visits. In 2015 alone representatives from Arizona, Maryland, Nevada, Texas and Vermont have led missions to Cuba, raising specific issues like the travel ban and Cuba's limited access to credit for U.S. imports. However, comprehensive legislative changes may be slow given the shift in attention leading up to the 2016 U.S. presidential elections; priority to act on the TPP and the TiSA using Trade Promotion Authority; and ongoing negotiations of human rights, immigration, security and other difficult issues. Jamaica, and others interested in doing business with Cuba should further examine the U.S. policy changes and legislative agenda as they regulate the interaction of Cubans with individuals and entities from third countries and those subject to U.S. jurisdiction; for example by virtue of having a business in the U.S. or using U.S. service providers.

29 Legislation to be amended includes the Foreign Assistance Act of 1961, Trade Sanctions Reform and Export Enhancement Act of 2000, the Internal Revenue Code. Legislation to be repealed: the Cuban Democracy Act of 1992; the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996; the prohibition under the Food Security Act of 1985 against allocation of the annual sugar quota to any country unless its officials verify that it does not import for re-export to the United States any sugar produced in Cuba; and the prohibition under the Department of Commerce and Related Agencies Appropriations Act, 1999 on transactions or payments respecting certain U.S. intellectual property. See "H.R.274 - United States-Cuba Normalization Act of 2015." Congress.Gov. Web. nd. <https://www.congress.gov/bill/114th-congress/house-bill/274?q=%7B%22search%22%3A%5B%22Freedom+export+cuba+act%22%5D%7D&resultIndex=13>

30 "H.R. 1782 Cuban Human Rights Act of 2015." Congress.Gov. Web.n.d. <https://www.congress.gov/bill/114th-congress/house-bill/1782>

31 "Cuba: Issues for the 114th Congress." Congressional Research Service. 1 August 2016. <https://www.fas.org/sgp/crs/row/R43926.pdf>

32 Kane, Paul and Mike DeBonis. "House revives Obama's trade agenda with passage of fast track bill" 18 June 2015. Web. 19 June 2015. http://www.washingtonpost.com/politics/obamas-trade-agenda-relying-on-vanishing-commodity-trust-is-key/2015/06/18/b4532da2-1536-11e5-9518-f9e0a8959f32_story.html?tid=hpModule_ba0d4c2a-86a2-11e2-9d71-f0feafdd1394&hpid=z9



III. RECENT DEVELOPMENTS AND PLANNED INITIATIVES IN THE CUBA-JAMAICA RELATIONSHIP

A. INTERNATIONAL COOPERATION

Jamaica and Cuba participate and cooperate in common international organizations and movements, which can be leveraged as networks to advance mutual interests internationally. These forums include: the World Trade Organization; the African, Caribbean and Pacific Group (ACP); the Small Island Developing States Group (SIDS); the Association of Caribbean States (ACS); the Community of Latin America and Caribbean States (CELAC) Movement; and the Caribbean Tourism Organization. Given the geographic size and proximity of Caribbean States, they face common threats arising from drug trafficking, natural disasters and climate change's negative effects.³³ They therefore cooperate internationally to advance particular interests associated with these threats.

Cuba, Jamaica and other CARICOM States are members of the World Trade Organization (WTO). Together they advance common goals through coordination within the Small Vulnerable Economies (SVE) Group and the African Caribbean

and Pacific (ACP) Group, the G90, G33 (Agriculture), W52 Sponsors (Geographic indications) (WTO). The Caribbean Regional Negotiating Machinery supported coordination of the external trade negotiating positions of Cuba and CARICOM in the WTO, and provided technical support to Cuba from 1998 to 2009; this institutional framework illustrates how common interests with Cuba can be pursued. Similarly, the CARICOM Secretariat consults with Cuba in the area of functional cooperation. In the Small Island Developing States process, CARICOM and Cuba jointly advanced the post-2015 sustainable development agenda of Caribbean SIDS, providing input to the SIDS Accelerated Modalities of Action (S.A.M.O.A) Pathway, and eventually informing the 2030 Agenda for Sustainable Development. At the ACS cooperation priorities include: environmental conservation, tourism, economic relations; and air and maritime transport.³⁴ The ACS activities in 2015 focused on tourism, the mainstay of the region, and business visas which will facilitate commercial transactions in a deepened Jamaica-Cuba economic relationship.³⁵

33 LaGuardia Martinez, Jacqueline. "Cuba and CARICOM in the changing environment" 29 April 2015. <http://www.caribbean-council.org/press-release-lord-hutton-leads-high-level-delegation-cuba>

34 ACS Member States are Antigua & Barbuda, The Bahamas, Barbados, Belize, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Mexico, Jamaica, Nicaragua, Panama, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago and Venezuela. ACS Associate Members may intervene in meetings and have voting rights, they are: Aruba, Curacao, France on behalf of (French Guiana, Saint Barthelemy and Saint Martin), Guadeloupe, Martinique, Sint Maarten and The Netherlands on behalf of (Bonaire, Saba, and Sint Eustatius). Observer Members are: Argentina, Brazil, Canada, Chile, Ecuador, Egypt, Finland, India, Italy, and the Kingdom of the Netherlands, Korea, Morocco, Peru, Russia, Serbia, Slovenia, Spain, Turkey, Ukraine, and the United Kingdom.

35 "About the ACS." Association of Caribbean States. Web. nd. <http://www.acs-aec.org/index.php?q=about-the-ac>

The 7th Summit of Heads of State and/or governments of the ACS took place in Havana in June 2016, and was a milestone in the Jamaica-Cuba relationship as the two countries signed an MOU on multi-destination tourism.

The CELAC movement is focused on intergovernmental dialogue and political coordination, particularly among the Southern countries of the Americas, and has an active agenda for functional cooperation and trade. CELAC operates as a representative body for dialogue with extra-regional groups and countries, including the European Union, the BRICS (Brazil, Russia, India, China, and South Africa Federation), the Republic of Korea, and the Cooperation Council for Arab States of the Gulf, Turkey and Japan.³⁶ Cuba has a politically prominent profile in CELAC and is the most active Caribbean state in the bloc, having served as Chair over the 2013-2014 period. A China-CELAC forum was held in February 2015, and discussions focused on sustainable growth in the political relations, commerce, investment, science and technology, culture and education between China and the countries of Latin America and the Caribbean.³⁷ CELAC priorities as reflected in recent declarations are important to the geopolitical landscape, and economy of the Western Hemisphere, covering issues such as: poverty reduction; social, economic and financial inclusion; food security; employment and decent work; cooperation in higher; the peaceful use of information and communication technologies; and respect for the diversity of cultural expression.³⁸ A strengthening of the ACS and CELAC could be viewed as a counterbalance to North American interests in the Americas. The Latin America and Caribbean bloc is formidable and Jamaica's participation in the ACS and CELAC presents opportunities for investment and export diversification within Latin America and the wider Caribbean.

Cuba has historically focused on Latin America and Caribbean integration, as reflected in its membership in the Latin American and the Caribbean Economic System (SELA); the Latin American Integration Association (ALADI); the Bolivarian Alliance for the Peoples of Our America (ALBA), which provided income for Cuba from the country's provision of medical and other services; the Common Market of the South (MERCOSUR); and participation in the Ibero-American Summits. Cuba also regularly dialogues with the Caribbean Community (CARICOM) in high level bilateral summits and as a special invitee to the CARICOM Conference of Heads of Government. Cuba's participation in the Summit of the Americas in April 2015 marked a new phase in Cuba's socioeconomic relations with the United

States and the wider Americas. Cuba's strong commitment to developing country solidarity, and its special relationship with Venezuela and the BRICS, have created tensions in the Cuba-US relationship which could affect the pace of truly realising normal relations between the two countries. For example, Cuba decried the U.S. action to Venezuela.³⁹

There is strong and successful international cooperation between Jamaica and Cuba, which is broadly focused on sustainable development and political activism. With respect to trade, the WTO negotiations have been slow in delivering trade and development outcomes of particular interest to the Caribbean. The ACS and CELAC mechanisms for trade and investment cooperation hold significant potential for Jamaica and Cuba, not only bilaterally but also at the level of the wider Caribbean and Latin America. The CELAC membership and engagement with emerging markets should be of interest to Jamaica for diversification of export markets and investment sources, and strengthened negotiating leverage relative to large third countries. Cuba's strong roles in the integration processes involving Latin America make the country an attractive partner for Jamaica, while Jamaica's experience in the markets of CARICOM, the wider Caribbean, North America and Europe should be of interest to Cuba. Given the size and varied interests of the ACS and CELAC, small group cooperation at the Jamaica-Cuba and CARICOM levels may still be useful for advancing specific mutual interests.

B. BILATERAL COOPERATION, TRADE AND ECONOMIC INTEGRATION AGREEMENTS

Bilateral cooperation between Cuba and Jamaica is administered by the Jamaica/Cuba Joint Commission on Development Cooperation. For the 2012-2014 period the priorities were: Health; Education; Sports; Agriculture; Transport; Culture; Security and Maritime Sector; Energy; and Tourism. The Caribbean is the only region to which Cuba still extends this type of functional cooperation, reflecting the strong commitment of the Cuban government to solidarity with the region.⁴⁰ Preparation for a new cooperation cycle can directly support strengthening of the bilateral commercial relationship.

36 "Que es CELAC?" III Cumbre de CELAC <http://www.celac2015.go.cr/celac/que-es-celac/>

37 "Se inició cumbre de líderes de China, Brasil y la CELAC." Cuba Debate. Web. 17 July 2014. <http://www.cubadebate.cu/noticias/2014/07/17/se-inicio-cumbre-de-lideres-de-china-brasil-y-la-celac/#.VITnHpVxIMs>

38 "Political Declaration of Belén, Costa Rica, III Summit of Heads of State and Government of the CELAC" III Cumbre CELAC Costa Rica 2015. Web. 4 Feb. 2015. <http://www.celac2015.go.cr/political-declaration-of-belen-costa-rica-iii-summit-of-heads-of-state-and-government-of-the-celac/>

39 "Row between US and Venezuela sees Cuba caught in the middle." The Guardian. Web. 17 Mar. 2015. <http://www.theguardian.com/world/2015/mar/17/us-venezuela-cuba-diplomacy-maduro-castro>.

40 Martinez, Milagros. Personal Interview. 30 July 2015.

President Raúl Castro and Prime Minister Andrew Holness affirmed the mutual commitment of Cuba and Jamaica to “improve economic relations and methods for expansion in light of the new dynamics in United States-Cuba relations” and declared that they will work together on trade, tourism, climate change, disaster mitigation, culture and education.⁴¹

Jamaica implements the preferential bilateral trade arrangements under the CARICOM-Cuba Trade and Economic Cooperation Agreement (TECA) which was concluded in 2000.⁴² The TECA is a partial scope agreement, with commitments undertaken by the Parties on the reduction of tariff and non-tariff barriers, rules of origin, safeguards, competition policy, investment protection and promotion, information exchange on services, joint preparation and promotion of tourism products and programmes, and dispute settlement. The agreement contains an agenda for the future negotiation of commitments on trade in services, transportation, intellectual property, technical standards.

The TECA establishes a Joint Commission which is responsible for the implementation and administration of the Agreement. In 2014 CARICOM-Cuba re-engaged to deepen commitments under the agreement and to advance the subjects that have not yet been negotiated. The last meeting of the Joint Commission, in September 2015, advanced negotiations for deeper preferences and clarification of rules for origin for trade in goods. The 8th December 2014 declaration of the Fifth Summit of the Heads of Government of CARICOM and Cuba mandated conclusion of the negotiations by June 2015, signalling high level political commitment to deepening bilateral integration. The Heads of Government renewed their calls for the end of the U.S. Embargo against Cuba.⁴³ According to the Office of Trade Negotiations, CARICOM Secretariat, Member States have identified several areas for improved functioning of the agreement pursuant to specific provisions of the agreement. These include: (i) Economic Cooperation (Article 1) (ii) Technical Standards (Article 8), for which compliance could be eased through recognition by Cuba of regional and international quality standards (ii) Trade Promotion (Article 12), in particular, reactivation of the CARICOM-Cuba Business Council; Business Facilitation (Article 13); Trade Financing (Article 14); Trade in Services (Article 15); Transportation (Article 19). The provisions relate to difficulties experienced by CARICOM goods traders with Cuba. Other areas for attention in the Jamaica-Cuba commercial relationship include currency controls in Cuba which slow payments,

burdensome bureaucracy and registration requirements, lack of transparency and procedural uncertainties for trading with Cuba, and limited transportation links.⁴⁴ Further TECA negotiations and bilateral cooperation should seek to address these issues.

The cooperative relationship and solidarity of Cuba and CARICOM may be used to support strengthening of the bilateral commercial relationship in sectors such as Tourism, Education, Sports and Culture; these sectors are within the scope of the U.S. normalisation policy changes to date. The Trade and Economic Cooperation Agreement could be a useful framework for supporting new business relationships with Cuban entities, through clear commitments on market conditions and private sector engagement in the Business Council. The re-engagement of CARICOM and Cuba towards the negotiation of the TECA built-in agenda is timely and should lead to a modern agreement informed by CARICOM’s experience in the CARIFORUM-European Community Economic Partnership Agreement, which was concluded almost a decade ago.

A comprehensive trade agreement with Cuba is important because of the ongoing subject-specific negotiations between the U.S. and Cuba, which could result in progressive granting of bilateral preferential treatment and relative disadvantages for Jamaica in the Cuban and U.S. markets. U.S. commercial interests are already positioning for opportunities in Cuba; therefore, it is urgent for Jamaican entities to forge new partnerships and ventures with Cuban entities. The investor confidence stimulated by the U.S. policy changes and Cuban domestic reform extend to the European Union. Cuba is negotiating a trade agreement with the EU though negotiations have stalled, in part because of alleged human rights issues in Cuba and the EU’s common position on Cuba, which is a unilateral framework to encourage political change in Cuba through support for non-state actors and dialogue with state actors. Cuba is seeking a repeal of the Common Position and ongoing negotiations are progressing.⁴⁵ A Cuba-EU agreement would lock in trade preferences that may erode existing preferences for Jamaica, and CARICOM, in the Cuban market and could include commitments that provide first mover advantages to EU traders and investors. Jamaica should therefore develop a competitive strategy for selected goods and services.

41 “Jamaica and Cuba to Identify Ways to Deepen Collaboration.” Linton, Latonya. JIS. 8 June 2016. <http://jis.gov.jm/jamaica-cuba-identify-ways-deepen-collaboration/>

42 The agreement is being provisionally applied between Cuba and those CARICOM countries that have ratified the agreement. These are: Antigua and Barbuda, Barbados, Belize, Guyana, Jamaica, Saint Kitts Nevis, Saint Lucia, Suriname, and Trinidad and Tobago.

43 Lowe, Michele. Personal Interview. 30 June 2015.

44 Lowe, Michele. Personal Interview. 30 June 2015.

45 “HRVP Mogherini meets with Foreign Minister of Cuba, Bruno Rodriguez.” Delegation of the European Union to Cuba. Press Release. 22 September 2016. https://eeas.europa.eu/delegations/cuba/10288/hrvp-mogherini-meets-with-foreign-minister-of-cuba-bruno-rodriguez_en



Jamaica actively supports reviving the trade agreement and has been involved in awareness building and trade promotion activity with Cuba. All CARICOM States have a diplomatic and consular presence in Cuba, and institutional support for trade and investment promotion may be bolstered by extension of the services of the Trinidad and Tobago-led Caribbean Trade and Investment Facilitation Office which has been in place in Havana since 2000.⁴⁶

1. Implications of U.S. Policy Changes on Jamaica-Cuba Trade Arrangements

The U.S. Policy changes contained in the amended OFAC Cuban Asset Control Regulations provide for expanded exports of U.S. goods and services, and investment, particularly in the travel and related transportation, agriculture, and telecommunications services.

The U.S. will also permit the importation of goods from independent Cuban entrepreneurs; increased duty free allowances of travellers from Cuba; access to financial services;

convertible currency; and more flexible payment terms for imports. The products are wide ranging, and include animals, foodstuff, textiles, minerals, metals, chemicals and allied industries, machinery and electrical appliances, and transportation equipment. This is a meaningful advancement in the Cuba-U.S. trading relationship as previous derogations to the embargo legislation have largely related to U.S. exports and not two-way trade.⁴⁷ Already Cuba's tourist arrivals have jumped dramatically, with a possible result of a significant inflow of consumer items in suitcase trade. Cuba's imports of agricultural goods will likely expand because of strong demand for domestic consumption and for use in the tourism sector, as well as readiness of the U.S. agricultural interests to increase exports.

The U.S. Chamber of Commerce is actively lobbying for Congress to enable more U.S. business with Cuba citing that, prior to the embargo, the U.S. accounted for nearly 70% of Cuba's international trade and that Cuba was the seventh largest market for U.S. exporters, especially for agricultural products. The Chamber concerned about the dominance of other countries in Cuba's market and called for further steps by Congress to enable U.S. exporters to recover lost markets.⁴⁸

46 "Remarks by His Excellency Dr. Edwin Carrington, Secretary General of the Caribbean Community and Secretary General of the Caribbean Forum of the ACP States (CARIFORUM), at the inauguration of the Caribbean Trade and Investment Facilitation Office in Havana, Cuba 1 March 2000." CARICOM Secretariat. Web. 1 March 2000. http://www.caricom.org/jsp/speeches/officecuba_carrington.jsp

47 "Importing Cuban Goods." Embassy of the United States, Havana, Cuba. Web. nd. http://havana.usembassy.gov/importing_cuban_goods.html

48 "Comments on the Economic Effects of U.S. Restrictions on Trade with and Travel to Cuba." U.S. Chamber of Commerce. 2 Jun. 2015. <https://www.uschamber.com/testimony/submission-record-usitc-cuba>

Maritime shipping has been made easier as the new OFAC regulations authorise foreign vessels to enter the U.S. after engaging in certain trade with Cuba. The volume of trade with the U.S. is also expected to increase under the new U.S. rules allowing two-way goods trade. Financing the Cuba-U.S. commercial trade relationship will also become easier, as a requirement for “cash-advance” payment by Cubans for U.S. imports has been changed from “cash before shipment” to “cash before transfer of title and control,” or “sale on an open account,” thereby giving Cuba a longer window for payment and more financing options.

The OFAC Cuban Asset Control Regulations of 2015 permits banking institutions, including registered brokers, dealers in securities, and registered money transmitters to unblock accounts that had been blocked because of Cuban interests. This will increase the purchasing power of entities with Cuban interests and facilitate easier Cuban Diaspora commercial transactions with counterparts in Cuba, including those carried out by Cubans in Jamaica who are prospective exporters of goods from Jamaica. The regulations allow insurance companies to offer global insurance that cover third-country nationals, which is important for cargo insurance. Certain vessel transactions are now authorized, as long as they are in keeping with authorized trade with Cuba, to engage in exportation and re-exportation of permitted U.S. goods to Cuba, or with foreign vessels carrying licensed travellers. Therefore, the OFAC Cuban Assets Control Regulations improve the trading environment for the priority sectors – tourism and related travel and transport; medicinal supplies; agriculture; and telecommunications – by creating flexibility in the provision of auxiliary services, such as financial services.

2. Policy Recommendations

(i) Jamaica should continue to advance the CARICOM-Cuba TECA negotiations, particularly business facilitation and the built in agenda disciplines, in order to mitigate possible advantages to U.S. commercial interests arising from deepening Cuba-U.S. relations, as well advantages to early movers from Cuba’s other trading partners;

(ii) In the programming of cooperation at the bilateral level, Jamaica and Cuba should set targets for new socioeconomic relationships, and launch specific initiatives to increase contact between Jamaican and Cuban stakeholder, and business matching as a means of facilitating commercial relationships;

(iii) At the national level, business support delivered through Jamaican entities, such as JAMPRO, should also facilitate increased contact between Jamaican traders and their Cuban

counterparts in Cuba through trade missions; as well build capacity of Jamaican traders to operate in the Cuban market through awareness building and training;

(iv) As a part of the Ministry of Foreign Affairs and Foreign Trade Diaspora outreach initiatives, and JAMPROs Diaspora investment attraction efforts, the Jamaican Diaspora in the U.S. should be engaged in the promotion of Jamaica-Cuba trade as one track for increasing recognition of Jamaican goods and services in the Cuban market. Where Diaspora firms based in the U.S. could export to Cuba under the current U.S. regulations, linkages with Jamaican based suppliers and service providers should be promoted;

(v) Jamaican investors should analyse the feasibility of establishing in Cuba to carry out production for export to the United States of, among other products, animals, foodstuff, textiles, minerals, metals, chemicals and allied industries, machinery and electrical appliances, and transportation equipment;

(vi) In order to quickly strengthen presence in Cuba, Jamaica should take steps to pool resources at the regional level for the expansion of the services of the Trinidad and Tobago Trade Facilitation Office from a national one to a CARICOM office trade promotion in Cuba. This would be in keeping with the recommendation of the 2014 CARICOM Bilateral Trade Performance Report.⁴⁹

49 CARICOM Bilateral Trade Performance Report.” Para 12. CARICOM Secretariat. 24 January 2014.



IV. INVESTMENT

The Cuban economy is estimated at \$77.15 billion dollars (2013), representing an increase in GDP of 3% in 2012 and 2.7% in 2013. The total population is approximately 11.2 million, of which almost 5.2 million are economically active.⁵⁰ The Jamaican economy is relatively small at \$14.3 billion in 2013 and is less dynamic with growth rates of -0.5% in 2012 and 0.2% in 2013. Jamaica's population was estimated at 2.7 million in 2014.⁵¹ The prospective growth in the Cuban economy could be an opportunity for revival of the Jamaican economy through strategic partnerships, and expansion of bilateral trade and investment. Cuba has progressively increased its private domestic and international investment, and is launching a new investment regime. The policy developments in the Cuba-US relationship have bolstered investor confidence. This section provides an overview of the developments and plans in the Cuban investment landscape, assesses the extent to which U.S. policy changes are affecting the prospects for investing in Cuba and identifies issues for consideration by prospective Jamaican investors in Cuba.

Cuba is positioning itself to attract green field investments and has reported higher average of inflows than Jamaica over the 2009-2015 period. However, actual green field investments in

Jamaica over the 2013-2015 period were significantly higher than in Cuba. The average level of green field investment in Cuba for the period was \$588.4 million, compared to \$547.3 million for Jamaica. Annex 1 reflects a peak in green field investment in Cuba in 2010 of \$1.6 billion, and after a steep progressive decline, again in 2015 with an inflow of \$728 million. Jamaica's receipts of green field investment peaked in 2013, at a value of over \$1.3 billion, and 2015 at \$1.4 billion,⁵² suggesting no negative impact to the Jamaican inflows in the year immediately after announcement of U.S.-Cuba "thawing". More time, and information about the specific sectors in each economy benefiting from these investments would be required to deduce the level of sector-specific competition between Jamaica and Cuba for foreign direct investment (FDI) by source of investment.

The Cuban economy is centrally planned, but reforms and an increased role for private enterprise are leading to a hybrid market economy. Private enterprise has been allowed in Cuba since the mid-1990s and accounts for the progressive growth of private investment in a range of economic activities.

50 Cuba Invest Guide. Web. November 2014. <http://www.caribbean-council.org/british-trade-investment-mission-cuba-led-cuba-initiatives-chairman-rt-hon-lord-hutton-furness/>.

51 "Jamaica." The World Bank. Web. nd. <http://www.worldbank.org/en/country/jamaica>

52 UNCTAD World Investment Report, 2016 http://www.unctad.org/en/PublicationsLibrary/wir2016_en.pdf

53 Cuba Invest Guide. Web. November 2014. <http://www.caribbean-council.org/british-trade-investment-mission-cuba-led-cuba-initiatives-chairman-rt-hon-lord-hutton-furness/>.

In 2014, the private sector was estimated at 20% of the workforce and there were 10,246 Cuban entities operating as companies, trading companies and organized companies, with activities primarily in the agricultural, manufacturing, trade and repair of personal effects, and business services, real estate and renting activities.⁵³ Self-employed persons and small business are registered 'trabajadores cuentapropistas' (TCPs) within the government specified categories. Together these private income earners constitute the growing entrepreneurial class in Cuba, a significant source of local investment, and a lobby group for increased economic and personal freedoms there.

This internal dynamic has led to a hybrid market socialism that is driving the modernisation of the Cuban economy. The tourism sector which has benefited from the growth and improved quality of paladares and cafeterias (snack shops), bed and breakfast accommodation, building construction and home remodelling.⁵⁴

In 2011 the economic reform plan Lineamientos de la Política Económica y Social del Partido y la Revolución (Economic and Social Policy Guidelines of the Party and the Revolution) is aimed at inter alia the diversification and expansion of export markets, access to advanced technologies, and attracting foreign investment.⁵⁵ The guidelines include an investment policy focusing on near term attraction of infrastructural development and industrial sector investments; partial decentralisation of the investment approval process; and promotion of the capacity of Cuban entities to implement investment projects while allowing foreign participation where the complexity and importance require such.⁵⁶ Law No. 118 Ley de la Inversión Extranjera (Law of Foreign Investment) was approved in March 2014 and published in April 16th of 2014.⁵⁷ The law seeks to promote predictability by guaranteeing investor concessions and protections; compensation at market rates in the event of expropriation; unfettered transfers and payments of dividends, earnings or proceeds of sale or transfer of an investment; and

access to the banking system. All foreign investments are subject to a special taxation regime created by Law No. 118. Chapter IV of the law provides that foreign investment may be authorized in all sectors except health and education and the armed forces. However there are drawbacks for foreign investors, which are subject to requirements for use of local goods and services and labour, though some exceptions are allowed. The law improves transparency by setting out the Ministerial approval process for investment authorisation in relation to the official list of foreign investment opportunities.⁵⁸

Cuba markets itself as a predictable investment destination and outlines investment attraction priorities annually. The 2014 Portfolio of Opportunities includes prospects in the following sectors: Agricultural Forestry and Food; Sugar Industry; Industrial Sector; Tourism Sector; Energy; Mining; Transportation; Drug and Biotechnological Industry; Health;⁵⁹ Construction; and Business. For the 2013 period, 51% of foreign investments in Cuba used joint enterprises –Empresas Mixtas – and these were concentrated in tourism followed by mining and energy.⁶⁰ The Mariel Special Development Zone for foreign investors is a major selling point in Cuba's bid for investment attraction. The Mariel SDZ will have special zones focusing on, among other activities, IT, biotech/pharmaceuticals, industrial assembly, transport, packaging, food processing. Jamaica's investment attraction priorities are in the logistics, knowledge services, creative industries, tourism, and manufacturing sectors.⁶¹ Therefore, Mariel potentially competes with Jamaica particularly in business process outsourcing (BPOS) of knowledge services, manufacturing and logistics.

Direct competition with Cuba for investment attraction can be mitigated by Jamaican stakeholders through the creation of synergies aimed at reducing production costs for Jamaican firms and at creating entry points for Jamaican goods and services in Spanish speaking and other international markets.⁶²

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- 54 Feinberg, Richard E. "Soft Landing in Cuba? Emerging Entrepreneurs and Middle Classes." Brookings Foreign Policy Latin America Initiative.
- 55 VI Congreso del Partido Comunista de Cuba. "Lineamientos de la Política Económica y Social del Partido y la Revolución' para. 116-128. 18 Apr. 2011.
- 56 Feinberg, Richard E. "Soft Landing in Cuba? Emerging Entrepreneurs and Middle Classes." Brookings Foreign Policy Latin America Initiative.
- 57 A summary of the law is provided in the official Cuba Investor Guide and specific prospective investment projects in Cuba are listed in a Portfolio of Opportunities for Foreign Investment Issued by the Government of Cuba.
- 58 Law No. 118 Ley de la Inversión Extranjera
- 59 The Law No. 118 has a general exclusion of investments in Education and Health, it is not clear how these health related investments would be legally covered.
- 60 Portfolio of Opportunities for Foreign Investment. Ministry of Foreign Commerce and Investment of Cuba
- 61 "Invest in Jamaica." Jamaica Promotions Corporation. Web. nd. <http://www.jamaicatradeandinvest.org/investment/sectors>
- 62 Cuba has bilateral partial scope agreements with, among others, Mercosur, Chile, Mexico, Peru, Guatemala, Panama, and El Salvador. Jamaica does not have bilateral agreements with these countries and region.

Joint ventures and collaborations are the preferred method of investment facilitation by the Cuban government, and may be appropriate for BPOs, apps development, financial services, biotechnology and pharmaceuticals research and production, contract manufacturing and agribusiness/food processing. In Cuba, these sectors would require telecommunications and network infrastructure for ICT based services, and logistics coordination between Jamaica and Cuba based on the destination markets of final products. It appears that, with the exception of agro-processing, Cuba-Jamaican partnership for these activities using respective locational advantages, would fall within the parameters of the OFAC Cuban Asset Control regulations.

In May 2016 Grace Kennedy Money Services, an agent of the U.S. company Western Union, began phased remittance operations in Cuba.⁶³ However, Digicel Chairman Denis O'Brien has said that the Cuban market would be interesting if it opened up, reflecting the perception that the market is still effectively closed.⁶⁴ Further information on both U.S. and Cuban procedures would be required by the Jamaican private sector for transparency and predictability.

Jamaica could also be used as a location for processing and transformation of Cuban originating goods for export to markets with which Jamaica has preferential trade arrangements, such as Canada under CARIBCAN, or the European Union under the CARIFORUM-EC Economic Partnership Agreement.

Jamaica can also position itself to be the launch pad for business into Cuba given the relative ease of doing business in Jamaica and experience dealing with foreign investors, and Jamaica's use of the English language. Jamaica has been ranked as having the best foreign direct investment (FDI) strategy by the Financial Times' fDi.⁶⁵ Jamaica and Cuba have mutual obligations investment promotion and protection and preferential tariffs in the CARICOM-TECA.

Maritime shipping has been made easier as the new OFAC regulations authorise foreign vessels to enter the U.S. after engaging in certain trade with Cuba. The volume of trade with the U.S. is also expected to increase under the U.S. new rules and Mariel projects. These include three auto manufacturers

from China, South Korea and Japan; a detergent and disposable diapers manufacturer; and meat packing plants.⁶⁶

Mariel is the most modern of Cuba's 32 commercial ports, and has a modern container terminal. Other important ports are located in Havana, Santiago de Cuba, Cienfuegos, Matanzas, Moa, Gerona, Cayo Largo, Batano and Nuevitas. The country has nine active ports, with the major ones being the Kingston Container Port, the Port of Montego Bay and Port of Ocho Rios. Jamaica receives services from over 30 shipping lines, covering all the major routes to the North and South American continents, Europe and the Far East. The Kingston Logistics Centre is located beside the Kingston Container Terminal, and a Commercial Free Zone/distribution Hub of the Americas is being developed for inter alia manufacturing, stripping, repackaging and consolidation. Jamaica is in the process of positioning itself as a logistics hub and is undertaking major port modernization. Given the proximity of Cuba and Jamaica and their location at a nexus of trade routes connecting the Americas, Europe and Asia-Pacific via Panama and Nicaragua, the prospect of integrating port operations and multimodal transport for efficiency should be explored.

A. IMPLICATIONS OF U.S. POLICY CHANGES FOR INVESTMENT

While Cuba had been consistently attracting international investment prior to the thawing of relations with the U.S., investor confidence has been boosted by the steps towards normalisation of relations between these countries and the amendment of the OFAC regulations falling under the Trading with the Enemies Act. The U.S. Department of Commerce authorised over \$4.3 billion worth of business transactions in 2015, an increase of 30% over 2014.⁶⁷ How this translates to actual commerce may be subject to Cuban approvals and the type of business partnerships that can be forged. For example, the U.S. granting of licences for ferry service to Cuba has not advanced as expected; Cuba has decided to focus on port development for cruise services which offer accommodation and ease on-shore strain on the sector.

63 "GraceKennedy Money Services to add Cuba service in eight markets." Collinder, Avia. Jamaica Observer. 6 May 2016. http://www.jamaicaobserver.com/business/GraceKennedy-Money-Services-to-add-Cuba-service-in-eight-markets_59896

64 "Apple played by the rules, says O'Brien, Bloomberg News." Web. 20 September 2016. <http://www.businesspost.ie/apple-played-by-the-rules-says-obrien/>

65 "Financial Times fDi Magazine ranks Jamaica's FDI strategy as best in the Caribbean and Central America." JAMPRO. 14 Aug. 2015

66 "Mariel: 119 companies plus Toyota?" Cuba Standard Monthly. Mar. 2015:1-3. Print.

67 "US-Cuba Relations," Renwick, Danielle. CFR Backgrounder. 7 September 2016. <http://www.cfr.org/cuba/us-cuba-relations/p11113>

Further clarity in the application of the new regulations, and legislative action, are needed to dismantle the embargo, including removal of the presidential discretion under the Helms Burton Act to impose fines against international businesses transacting with Cuban interests.⁶⁸ Penalties have continued since the “thawing” of U.S.-Cuba relations officially began in December 2014 and since Cuba’s removal from the list of states sponsoring terrorism in May 2015. The Cuban press reports that the Obama administration has fined 49 businesses for violating the embargo in the amount of approximately \$14.4 billion.⁶⁹ The U.S. Commerce Department estimated that fines since December 2014 were in excess of \$5.2 million.⁷⁰ At least one Jamaican firm has been officially dissuaded from doing business with Cuba. In May 2004, the U.S. Bush Administration

invoked the Helms Burton Law and threatened cancellation, or denial, of visas of SuperClubs top executives, shareholders, their spouses and children. By June 2004, after dialogue with the U.S. State Department and Cuban Government, SuperClubs Cuba yielded use of the SuperClubs branding on, and management of, the Breezes Holguin and Grand Lido Varadero. The Breezes Holguin was the subject of an expropriation claim by the Cuban American Sanchez-Hill family.⁷¹

Strengthening investor confidence may also rely on increased certainty about existing and prospective claims related to property expropriated by the Cuban government. The estimated value of said claims is \$6 billion to \$8 billion.⁷²



68 OFAC regulations prohibit all persons subject to U.S. jurisdiction from dealing in property in which Cuba or a Cuban national has or has had an interest, unless authorized pursuant to a general or specific license issued under the Regulations. See: “Notice Regarding the Transfer of Claims against Cuba Certified by the Foreign Claims Settlement Commission.” United States Department of the Treasury. Web. 29 July 2008. <http://www.treasury.gov/resource-center/sanctions/Programs/pages/cuba.aspx>

69 “Obama ha multado a 49 empresas por violar el bloqueo a Cuba.” Cubadebate. 29 September 2016. <http://www.cubadebate.cu/noticias/2016/09/29/obama-ha-multado-a-49-empresas-por-violar-el-bloqueo-contra-cuba/#.V-3rPPkrLIU>

70 “US-Cuba Relations,” Renwick, Danielle. CFR Background. 7 September 2016. <http://www.cfr.org/cuba/us-cuba-relations/p11113>

71 Hoag, Christina “U.S. law curtails resort’s deals in Cuba. The Bush administration invoked a law regarding seized property, leading a Jamaican resort to curtail operations in Cuba.” The Miami Herald. 17 Jun. 2014. <http://dthorburn.tripod.com/articles/superclubs.htm>

72 Hershfeld Davis, Julie. “As U.S. and Cuba Relations Warm, Property Claims Issue is revived.” New York Times. Web. 19 Jul. 2015

There may be a willingness of some Cuban-Americans to let go of claims and start fresh with new investments in Cuba. However, the issue of outstanding investment claims is one of the arguments raised by the Republican lobby against removal of the embargo against Cuba. Similarly, unpredictability arises from the possibility of prior expropriation claims being brought in relation to property forming part of new investments in Cuba.

In the interim, prospective entities wanting to do business with both the U.S. and Cuba remain limited to those economic activities allowed under the new OFAC Cuban Assets Control regulations. U.S. industry is interested in removing barriers to business with Cuba given its loss of influence in the Cuban market relative to other countries. On one hand, the U.S. government actions represent a significant step in that direction and open the door for commerce to begin and for stakeholders to push congressional action. Jamaican companies which wish to establish a foothold in both markets may opt to engage Cuba, particularly in the areas authorised by OFAC. They should also continue to build and strengthen relationships with Cuban counterparts.

The U.S. policy changes promote U.S. culture and investment in Cuba, and potentially facilitate the development of trading relationships in travel and transportation and communication (including digital content), agriculture, medicines and medical supplies; these are longstanding sectors of export interest to the United States. Cuba should also see income benefits from the new facility to export goods from some 10 tariff sections to the U.S. Harmonised Tariff System (HTS). Increased foreign exchange and purchasing power of Cuba renders it a more attractive destination for Jamaican goods and services. The industries in which Cuba can export goods to the U.S. represent investment opportunities for foreign investors in Cuba who will have goods market access to the United States. For Jamaican and other international businesses, the ease of doing business with Cuba will be improved significantly by new access to financial services and telecommunications, and removal of prohibitions of maritime vessels that have been to Cuba. Permission has been granted to U.S. financial institutions to unblock accounts held by Cuban interests and to create correspondent banking relationships. Similarly, licenses may be granted for the provision of telecommunications services and the sale of telecommunications equipment to Cuba. The latter would be supported by the proposed Cuba Data Act, which has the far reaching effect of moving beyond goods trade to liberalising exports and imports of telecommunications services, and investment. The Act would formalise the treatment of ICT devices, software and related personnel which is being progressively rolled out in the OFAC regulations.

Jamaica has a bilateral cooperation mechanism with the US through the CARICOM-U.S. Trade and Investment Council (TIC) process, has concluded a Trade and Investment Framework Agreement and established a United States-CARICOM Council on Trade and Investment, the agenda for which is set by the CARICOM Secretariat and Office of the United States Trade Representative. The Council is charged with considering, among other things, specific trade and investment matters of interest to the parties.⁷³ The TIC forum should be used by CARICOM to seek certainty for CARICOM investors in their dealings with Cuban interests, and clarification from the U.S. on its stance towards CARICOM investors in their dealings with Cuban interests.

B. POLICY RECOMMENDATIONS

Cuba's investment attraction initiatives are primarily focused on large infrastructural development and production; Jamaica is challenged to forge beneficial investment relations with Cuban and non-Cuban entities in Cuba through joint initiatives. Jamaica is also well positioned to benefit from increased foreign investment in Cuba through the creation of synergies in Cuba's growing investment space. In order to realise this potential:

- (i) Jamaican officials should get clarification on how the buy local; preference will be implemented in terms of the timeframe, or procedural requirements for authorisation to purchase foreign goods and services in order to determine the best strategies for entry;
- (ii) Jamaican business support organisations should strengthen their investment facilitation mechanisms for investments from Cuba and Jamaican investments in Cuba, including investment through joint ventures (*empresas mixtas*);
- (iii) The public and private sectors should explore the prospect of integrating port operations with Cuba for efficiency, and competitive positioning of their ports;
- (iv) Jamaican stakeholders should assess the potential for triangular commerce and investment (Jamaica-Cuba-United States) taking into account the recent OFAC Cuban Assets Control regulations, existing and prospective preferential market access under trade arrangements, and investment incentives.

73 "CARICOM and U.S. sign trade and investment framework agreement." CARICOM Secretariat, Press release 107/2013. Web. 28 May 2013. http://www.caricom.org/jsp/pressreleases/press_releases_2013/pres107_13.jsp



V. IMPLICATIONS FOR JAMAICA'S SERVICE SECTORS

A. TOURISM

The tourism sector is a mainstay of the Jamaican economy and warrants particular attention because of its linkages to other economic sectors, such as construction and manufacturing. Tourism niches, such as health and sports tourism, offer potential economic diversification and unique destination branding. Globally the tourism industry's performance is robust because of recovery from the global recession and drop in fuel costs; and the World Travel and Tourism Council expects that the industry will remain strong over the next decade.⁷⁴ It is feared that improved U.S.–Cuba relations and further opening of the Cuban economy could divert tourists from Jamaica, thereby having a negative impact on the Jamaican economy. However, as of June 2016, the increase in tourist arrivals in Cuba in 2015 and 2016 had not negatively impacted Jamaica's U.S. tourist arrival trends relative to previous years. There are differences in the brand positioning of the markets, and the motivations of visiting Jamaica when compared to Cuba. It will be difficult to estimate the potential fallout for Jamaica of would-be visitors opting to go to Cuba instead, but factors such as relative cost, ease of access, diversity and overall competitiveness of the sector should be consistently

monitored. This section focuses on the arrivals growth rates of both countries as Jamaica is much smaller than Cuba and would not expect similar tourist numbers. The actual earnings from U.S. tourists should be the subject of further study.

For the 2010-2015 period there was an overall increase in tourist arrivals to Jamaica, Cuba and the wider Caribbean. Since the December 2014 announcement by the U.S. of the "thawing" of relations with Cuba, there has been a drastic increase in the number of persons travelling from the U.S. to Cuba.⁷⁵ Cuba's total stop-over tourist arrivals were just over three million in 2014.⁷⁶ For the January to April 2015 period, the winter tourist season, totalled 1,466,081. This represents an increase of approximately 14% over the 2014 season;⁷⁷ by the end of July 2015, the year on year growth was 17%⁷⁸ and at the end of 2015 the growth over the previous year levelled at 17.4%, with 3,524,779 arrivals. In 2015 Cuba reached the one million tourist arrival mark in March and the 2 million mark in July 2015;⁷⁹ in 2016, Cuba reached the two million mark in mid-June reflecting a further strengthening of arrivals performance this year. Cruise 9,922 arrivals in 2015, up from 8,085 in 2014. By the end of 2015 Cuba received more than 3.5 million visitors.

74 "Travel and Tourism Economic Impact 2014, Cuba." World Travel and Tourism Council. Web. nd. www.wttc.org/-/media/.../economic%20impact%20research/.../cuba2014

75 Tourist arrivals to Cuba from the United States reported to the Caribbean Tourism Organisation are aggregated in the category 'Other'; however, the Cuban Ministry of Tourism (Mintur) provides regular updates. Comparable cruise arrival data for Cuba not available.

76 "Latest Statistics, 2014." Caribbean Tourism Organization

77 "Latest Statistics, 2015." Caribbean Tourism Organization. Web. 19 Jun. 2015. <http://www.onecaribbean.org/statistics/latest-tourism-statistics-tables/>

78 Cuba: Avalancha de turistas no se detiene." Cuba Debate. Web. 29 Aug. 2015 <http://www.cubadebate.cu/noticias/2015/08/29/cuba-avalancha-de-turistas-no-se-detiene/#.VgTgqt9Viko>

79 "Este año han visitado Cuba más de dos millones de turistas extranjeros." Cuba Debate. Web. 11 Jul. 2015. http://www.cubadebate.cu/noticias/2015/07/11/este-ano-han-visitado-cuba-mas-de-dos-millones-de-turistas-extranjeros/#.VaEnK_I_Oko

The growth has generally been attributed to successful consolidation of new commercial tourism operations, Cuba's marketing efforts in the respective source countries, and the diversity of Cuba's tourism product.⁸⁰ It is also easier to obtain a permit for travel under the 12 categories authorised under OFAC regulations. There may also be a reduced fear of being fined for unlicensed travel as the regime is not always enforced by the U.S. administration. The increase in travel to Cuba from the United States since the December 2014 announcement of the thawing of U.S.-Cuba relations has been dramatic. By May 2015, 38,476 persons had flown directly from the U.S. to Cuba, an increase of approximately 32% over the same period in 2014 while tourists arriving by air from third countries such as México, The Bahamas, Jamaica and the Cayman Islands accounted for another 12,982 visitors to Cuba; this is equivalent to a 57% increase in indirect American travellers to Cuba relative to the same period in 2014.⁸¹ Cayman Airlines, which has direct flights from Jamaica to Cuba has benefited from U.S. sanctions on direct air transport services between the U.S. and Cuba.⁸²

In 2015 Cuba's main source markets remained, in order of importance in 2015: Canada, Germany, the United Kingdom, France, and Italy, with the U.K. taking the third place held by France in 2014. Approximately 145,000 Americans (non-Cuban Americans) visited Cuba in 2015, a 79% growth over the previous year; while Spain accounted for 107,368, a 39% increase.⁸³ At the end of March 2016, Cuba's total tourist arrivals were 1,290,867 or 13.5% above 2015 figures for the same period;⁸⁴ January to June 2016 arrivals increased to 2,147,600, or an 11% increase over 2015 figures; U.S. arrivals increased by 83.9%⁸⁵ but remain a relatively small contributor to Cuba's total arrivals.

Air links to Cuba are already diverse with over 40 Airlines in operation.⁸⁶ With the conclusion of an agreement between Cuba and the United States to restore scheduled services in February 2016, direct travel between the countries will

increase. Regular services will be in addition to unlimited U.S. charter flights, originating in each country, with up to twenty daily roundtrip flights between the U.S. and Havana; plus from five US cities to nine cities in Cuba other than Havana. The U.S. Department of Transportation has approved return service to Havana by Alaska Airlines, American Airlines, Delta Air Lines, Frontier Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, and United Airlines.⁸⁷ The first scheduled commercial flight took place on August 31st. The price of air passage is expected to drop from an average of US\$717 for a chartered flight to about US\$600 per commercial flight, with additional visa fees. While this price level does not yet position Cuba as a low cost destination for U.S. travellers, the price of air travel from the U.S. to Cuba is expected to drop to as low as \$364 when all travel restrictions are dropped.⁸⁸ This range of prices seems comparable to the cost of travel to Jamaica from the U.S. Travel from Jamaica to Cuba on Cayman Airlines is on average US\$500, making possible continued use of Jamaica for transit to Cuba cost effective for travellers.

Jamaica historically receives fewer tourists than the larger destinations of Cuba and the Dominican Republic. Jamaica closed 2014 with 2,080,181 stopover arrivals (up 3.6% from 2013) and 1,423,797 (up 12.5% from 2013). In January-April 2015, immediately after the announcement of the U.S. Cuba rapprochement and the January 2015 OFAC CACR authorising travel under 12 categories, Jamaica's total stopover arrivals saw a 9.1% increase over the same period in 2014. Jamaica received 756,463 tourists over the January to April 2015 period, with peak months being February (177,805) and March (212,134), and with arrivals from the United States accounting for approximately 59% of total stopover arrivals. At 2015 year end, stopover arrivals in Jamaica totalled 2,123,042 (up 2.1% from 2014) and 1,568,702 cruise passengers (up 10.2% from 2014), with arrivals from the U.S. accounting for 63.3% of stopover arrivals.

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- 80 "Cuba recibió un millón de visitantes hasta la fecha." Cuba Debate. Web. 22 Mar.2015 <http://www.cubadebate.cu/noticias/2015/03/22/cuba-recibio-un-millon-de-visitantes-hasta-la-fecha/#.Vb53KWwViP8>
- 81 "US travel to Cuba surges 36% following thaw in diplomatic relations." The Guardian. Web. 26 May 2016. <https://www.theguardian.com/world/2015/may/26/us-american-cuba-travel-tourism-increase>
- 82 "Making Air Transport Work Better for the Caribbean." Caribbean Development Bank. May 2015. <http://www.caribank.org/wp-content/uploads/2012/05/New-CDB-Air-Transport-Thematic-Study-Digital-FAW-19MAY2015-1554.pdf>
- 83 "Cuba rompió record en el arribo de visitantes foráneos en 2015." Cuba Debate. Web. 26 Enero 2016. http://www.cubadebate.cu/noticias/2016/01/26/cuba-rompio-record-en-el-arribo-de-visitantes-foraneos-en-2015/#.V_IKYfkrLIU
- 84 "Quarterly Statistical Review – June 2016." Caribbean Tourism Organization
- 85 "Crece arribo de visitantes a Cuba en primera mitad de 2016." AGENCIA PRENSA LATINA. Web. Miércoles, 6 julio, 2016. <http://www.escambray.cu/2016/crece-arribo-de-visitantes-a-cuba-en-primera-mitad-de-2016/>
- 86 Non-U.S. Airlines flying to Cuba include: Aeroflot, Aero Gaviota, Aero México, Air Canada, Air China, Air Europa, Air France, Air New Zealand, Avianca, Bahamasair, Blue Panorama Cayman Airlines, Condor, COPA Airlines, Cuba de Aviacion, Insel Air, Jet Blue, KLM, LACSA, and Virgin Atlantic.
- 87 "U.S. Transportation Secretary Foxx Proposes U.S. Airlines and Cities for New Scheduled Service to Havana." U.S. Department of Transportation. 7 July 2016. <https://www.transportation.gov/briefing-room/us-transportation-secretary-foxx-proposes-us-airlines-and-cities-new-scheduled-service>
- 88 "New U.S. Flights to Cuba Approved, But How Does It Actually Work?" Peterson, Barbara. Conde Nast Traveller. 16 June 2016. Web. <http://www.cntraveler.com/stories/2016-06-16/new-us-flights-to-cuba-approved>

For January-June 2016, total stopover arrivals in Jamaica were 1,135,080 (up 2.5% from 2015) and 949,883 cruise passengers (up 14.2% from 2015). For 2016, U.S. arrivals account for approximately 64% of Jamaica's total, signalling a strong reliance on that source market.⁸⁹ Overall growth in Jamaica's stopover tourist arrivals is hovering under the 3% but the growth in U.S. arrivals has been stronger, at 3.7% in 2015 and 5.6% for January to June 2016, suggesting that there has not been a direct fallout from the increase in Cuban travel. While cruise tourism arrivals have shown stronger growth, information is not available on the nationality of passengers.

Jamaica has successfully maintained a steady overall increase in tourist arrivals since 2011, including from its main source market, the United States. While trends in Cuba do not appear to have directly impacted Jamaica's arrival figures in the winter season of 2015, the dynamism in the Cuban market will outpace the growth in Jamaica's tourist arrival figures thereby obliging prompt action by Jamaican tourism players to compete for market share in traditionally key source states in the U.S. as Cuba now has direct air links with those states. The Jamaican tourism industry recognises that it is obliged to innovate its tourism products and marketing, including through multi-destination initiatives with Cuba, in order to increase its future competitiveness⁹⁰ and to diversify source markets.

Cuba has seen an increase in U.S. tourists since December 2014, but there has also been a surge in tourists from other countries as visitors wish to see Cuba before dramatic changes begin. There is concern that a surge in novelty tourism before Cuba achieves a higher level of development of its tourism product may hold some risks for repeat tourism if visitors to this island during the phase of reform are disappointed.⁹¹ Therefore Cuba is obliged to rollout tourism infrastructure and human resource training quickly to effectively accommodate the surge in tourist arrivals while offering a high quality tourism product. This is an opportunity for Jamaica and the wider Caribbean to provide assistance and paid services to Cuba in tourism sub-sectors and support services.

1. Niche Tourism

a) HEALTH AND WELLNESS TOURISM

Jamaica is in the process of improving its legal and policy framework for health and wellness tourism standards for spas,

wellness and medical tourism facilities. Jamaica is also in the process of developing a medical tourism policy. Jamaica and Cuba's main source markets - the United States, Canada and Europe - are also among the top five source countries for medical tourists.⁹² Both Jamaica and Cuba have developed unique specialised medical services as well as common ones such as, cardiothoracic surgery, cosmetic surgery, haematology, obstetrics & gynaecology, and ophthalmology. There are opportunities for creating synergies in health and wellness services provision between the Jamaican and Cuban markets, though further information is required on Cuban limitations on foreign investments in the health sector.

The CubaWeb Tourist Directory of Cuba, the SMC (Comercializadora de Servicios Medicos Cubanos, S.A.) entity, provide comprehensive information to prospective international clients on available procedures and services. Medical tourist traffic is also directed to Cuban service providers through medical facilitators, or patient liaisons, such as Health Services International, (Servimed) Inc. in Canada.⁹³ This use of medical tourism facilitators is a best practice that Jamaica should consider adopting.

b) SPORT TOURISM

The potential of sports tourism has been demonstrated by the 2007 Cricket World Cup tournament, the recurring CPL cricket tournament, the National Inter-schools Champs, and International Invitational track and field events. Already the sport tourism sub-sector accounts for 14% of the Region's overall tourism and travel industry, with growth projected for the next 10 years. At the CARICOM level, Sport's Ministers in the Council on Human and Social Development have established a Technical Working Group (TWG) to determine areas for regional cooperation on international sports, and prospects for hosting international sporting and sporting organisation events.⁹⁴

89 "Quarterly Statistical Review – June 2016." Caribbean Tourism Organization

90 "Cuba's tourism should present opportunities for Jamaica – Pennicook." Jamaica Observer. 23 Sept. 2015 http://www.jamaicaobserver.com/news/Cuba-s-tourism-should-present-opportunities-for-Jamaica---Pennicook_19230019

91 Laguardia Martinez, Jacqueline. "Cuba and CARICOM in the changing environment" 29 April 2015. <http://www.caribbean-council.org/press-release-lord-hutton-leads-high-level-delegation-cuba/>

92 Rochester-King, Natallie. "The Caribbean Business and Economic Environment: Prospects for Global Value Chains in Medical Tourism Services in the Caribbean." Global Development Studies, Special Issue. Spring 2014.

93 Rochester-King, Natallie. "The Caribbean Business and Economic Environment: Prospects for Global Value Chains in Medical Tourism Services in the Caribbean." Global Development Studies, Special Issue. Spring 2014.

94 "Caribbean culture and sport" in CARICOM at 40. CARICOM Secretariat. 2014.

Given their geographic proximity, the neighbouring countries share similar sporting traditions and participate in common international games, such as the Pan American Games, Gold Cup and CONCACAF. Cuba has provided scholarships to Jamaicans in sport and physical education. Jamaica and Cuba signed a new Agreement of Bilateral Cooperation on Sport in November 2014 in Havana, but such formal cooperation in this field has been in place since 1997.

The cooperation will include exchanges of athletes, sport teams, technical sport personnel and experts, academia in various areas of physical education, sport and applied sciences in disciplines such as water sports, boxing, track and field, sport management, sport psychology and sport medicine.” Cuban coaches have provided their technical services in Jamaica in swimming, boxing, volleyball, hockey and baseball, and as academic staff.⁹⁵

The cooperation with Cuba in sports development is a good base for the promotion of Jamaica’s athletes, sporting professionals and their services in Cuba. Jamaica is also in the process of developing a sports tourism policy,⁹⁶ which should set targets for the export of Jamaica’s sporting services such as coaching in track and field, sporting events management, athlete management and sports law.

c) MULTI-DESTINATION TOURISM

Multi-destination marketing has been a longstanding objective of Caribbean tourism industry players and policy makers, and has been suggested as a possible approach for mitigating direct competition from the Cuban tourism sector. Cruise tourism, sports tourism, festival tourism, education tourism and health and wellness tourism lend themselves to multi-destination marketing. Intermediaries such as airlines, international hotel chains and tour operations also influence the promotion of Caribbean destinations and they should be engaged by policy makers to achieve effective multi-destination promotion. The Jamaican tourism industry expressed to Cuba, through official channels, its interest in joint coordination of marketing and multi-destination promotion through respective agencies, the Jamaica Tourist Board and HAVANATUR.⁹⁷ Talks culminated in their signature of an MOU on multi-destination tourism at the ACS Summit in Havana in June 2016.

The industry will also play a significant role in promoting multiple destinations and should be actively engaged. Already, Carnival Corp. has announced that seven-night cruises to Havana, Cuba accommodating 2,120 guests would include calls on Montego Bay, Jamaica; George Town, Grand Cayman Island; and Cozumel, Mexico.⁹⁸ Therefore active negotiations with carriers and tour operators will be key to creating synergies between Jamaican and Cuban tourism activities.

2. Implications of Existing and Prospective U.S. Policy Changes⁹⁹

U.S. sanctions have affected the volume of tourist arrivals to Cuba, and their removal would not only cause a surge in U.S. tourists to Cuba but also a likely reduction in the cost of inputs to the tourism sector sourced from the U.S. Between 2000 and 2014 the U.S. has been single largest source country for visitors to the Caribbean,¹⁰⁰ reaching 12.9 million U.S. tourists or 49.1% of total tourist arrivals in the region in 2014. This represented an increase of 5.5% over 2013. Overall outbound travel from the U.S. increased by 6.2%, and by 9.6% to the Caribbean.¹⁰¹ Therefore, the sheer growth in the U.S. travel market could accommodate the expected surge in U.S. visitors to Cuba, and the maintenance of healthy growth rates in travel to Jamaica.

The U.S. policy changes that facilitate increased travel to Cuba are: increased freedom of travel for Americans to Cuba through the issuance of general licenses to authorised travellers in 12 existing categories and the issuances of licenses to ferry operators, cruise ships and air carriers offering services to Cuba. Duty free allowances for licensed U.S. travellers to Cuba also provide an opportunity for increased trade.¹⁰² Currently stopover tourists in Jamaica en route to Cuba contribute to the number of arrivals and visitor spending, which could be displaced by increased provision of transportation services directly from the United States to Cuba. This could have a negative impact on airlines, airport shopping and other airport services such as ground handling. The launch of direct air and maritime links to Cuba could erode the benefits of stopover visits to transit countries by American and other tourists destined to Cuba. However, the Jamaican tourism industry is exploring more direct links to Cuba to counter this.

95 Jamaica Ministry of Foreign Affairs and Foreign Trade. “Jamaica/Cuba Cooperation Programme.” May 2015

96 “Sports Tourism.” Government of Jamaica, Tourism Product Development Co. Web. nd. <http://www.tpdco.org/dynaweb/dti?dynasection=general&dynapage=sportstourism>

97 Jamaica Ministry of Foreign Affairs and Foreign Trade. “Jamaica/Cuba Cooperation Programme.” May 2015.

98 O’Neill, Sy. “Carnival’s Fathom cruises, MSC Cruises set to travel to Cuba.” Palm Beach Post. Web. 19 July. 2015. <http://www.palmbeachpost.com/news/travel/carnivals-fathom-cruises-msc-cruises-set-to-travel/nm2gL>

99 “FACT SHEET: Treasury and Commerce Announce Regulatory Amendments to the Cuba Sanctions.” U.S. Department of the Treasury. Web. <http://www.treasury.gov/resource-center/sanctions/Programs/pages/cuba.aspx>

100 “The Economic Impact of U.S. Sanctions with Respect to Cuba.” United States International Trade Commission. Web. Feb. 2001.

101 CTO, Caribbean Tourism Review, Industry Update – End of Year 2014

102 “FACT SHEET: Charting a New Course on Cuba.” White House Office of the Press Secretary. Web. 17 Dec. 2014. <https://www.whitehouse.gov/the-press-office/2014/12/17/fact-sheet-charting-new-course-cuba>



Domestic policy changes in Cuba are having a positive impact on the performance of the tourism sector, which is strengthening. The 2011 Cuban Economic and Social Policy Guidelines outline goals such as increased market competitiveness through improved quality and a balance of quality and price of its tourism product, and renovation of tourism infrastructure. There is an accelerated agenda to create, diversify and consolidate accommodation and other services, with priority for niches such as health tourism, marina and sailing activities, golf and real estate, adventure and nature tourism, theme parks, cruise tourism, heritage and cultural tourism, and convention tourism.

According to Dr. Jacqueline Laguardia Martinez, Cuba's treatment of tourism in the economic reform plan reflects an intention to focus on more sustainable tourism sub-sectors rather than primarily on sun and sea attractions. She sees significant opportunities for collaborating with Jamaica and the wider Caribbean through multi-destination tourism marketing, particularly in the cruise tourism sub-sector.¹⁰³ Cuba also intends to increase external marketing to attract visitors in the targeted subsectors and high-end tourists.¹⁰⁴

Cuba has experienced dramatic growth in arrivals from the U.S. market for 18 months, as well as robust performance from main and non-traditional source markets, resulting in over half million more arrivals of in 2015 than 2014. Arrivals will likely increase in the following months as direct air links between Cuba and the

U.S. get underway. Cuba is expanding accommodation facilities to meet growing demand from 65,000 to 85,000 rooms by 2020, and is engaged in a public-private partnership with local firms to upgrade domestic facilities to accommodate visitors. Offering hospitality services is one of the permitted areas of self-employment in Cuba and many Cubans offer bed and breakfast services from their homes.¹⁰⁵ This fits with the business model of AirBnB, a transformational travel and hospitality company which aspires to provide a "seamless end to end experience when its customers travel" and unique accommodation. AirBnB is becoming an important player in the setting of standards for the bread and breakfast segment of the tourism sector. In Cuba, AirBnB currently lists over 4000 "Casas Particulares," as rentable local properties are known; accommodation rates for these start at US\$20/night and average US\$45.

3. Policy Recommendations

As reflected in Jamaica's development policy document Vision 2030, Jamaica and Cuba are targeting some of the same sub-sectors. Jamaica is therefore obliged to define areas of direct competition with the Cuban tourism product, prospective synergies and the distinguishing features of the Jamaican tourism product relative to those of Cuba. The following are recommendations for bolstering Jamaican tourism and mitigating against direct competition from Cuba in the future:

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- 103 Laguardia Martinez, Jacqueline. "Cuba and CARICOM in the changing environment" 29 April 2015. <http://www.caribbean-council.org/press-release-lord-hutton-leads-high-level-delegation-cuba/>
- 104 VI Congreso del Partido Comunista de Cuba. "Lineamientos de la Política Económica y Social del Partido y la Revolución," para. 257,260, 267, 268. 18 Apr. 2011
- 105 Feinberg, Richard E. "Soft Landing in Cuba? Emerging Entrepreneurs and Middle Classes." Foreign Policy, Latin America Initiative.

(i) Monitor Cuba's tourism performance and the potential impact of Cuba's tourism trends on Jamaica, and complete implementation of the Tourism Satellite Account data collection system to capture data the relative value of tourism spending in tourism sub-sectors and linkages to other sectors;

(ii) Accelerate adoption of policies to support development of specific niche tourism sub-sectors, such as health tourism and sports tourism policies, with attention given to developing linkages with other sectors;

(iii) Urgently strengthen Jamaica's direct air and maritime links to Cuba through active negotiations with carriers, tour operators and hotel chains in order to enable stopover travel and multi-destination promotion with Jamaica;

(iv) Officially propose to Cuba provision by Jamaica of technical cooperation and paid services in tourism sub-sectors and related services such as tourism management, development of tourism standards, project management, logistics management, architecture, engineering, urban planning and construction, financial services, information and communication technologies;

(v) Public and private entities on health and wellness services should explore cooperative and recognition agreements to facilitate joint provision of unique specialty services, and production of pharmaceutical, and health and wellness products;

(vi) Jamaican sporting clubs should explore cooperative relationships with counterpart entities in Cuba to facilitate athlete management and event planning in inter alia track and field, motor sports, swimming, badminton, martial arts and other sports.

B. ENTERTAINMENT SERVICES - MUSIC, FILM AND RECORDED LIVE PERFORMANCES

Cuba and Jamaica have strong sociocultural links and cultural exports are vital to both countries in their own right, and as drivers of tourism.

The new United States policy on travel, and telecommunications goods and services trade with Cuba, hold opportunities for Jamaica and Cuba to capitalise on their internationally recognised brands to jointly promote entertainment exports. It will therefore be important for Jamaican policy makers and business support organizations to facilitate relationship building and collaborations between Jamaican and Cuban cultural practitioners and providers of related services. While this section focuses on the audiovisual musical content it has broader application, as all types of entertainment content is delivered via the Internet and other mobile platforms.

In Cuba, the public entity Empresa de Grabaciones y Ediciones Musicales (EGREM) manages the music industry and serves as the national record label of Cuba. Other important labels and production companies have emerged, namely Abdala, Bis, and Colibri. Cuban artists are also signing with record labels outside of Cuba.¹⁰⁶ The Cuban music industry is represented by the Cuban Agency of Musical Copyright (ADCAM), which had 11,700 members in 2014,¹⁰⁷ while the Jamaica Association of Composers, Authors and Publishers (JACAP) represents Jamaican musicians with membership as of July 2015 of 3450.¹⁰⁸ Cuba actively promotes its music internationally, including through international fairs such as Marché International du Disque et de l'Édition Musicale (MIDEM) and World Music Expo (WOMEX). Cuba hosts an annual music fair called Cuba Disco, which is potentially an avenue for showcasing Jamaican music in a non-traditional market. Cuban music entities have for some time distributed content via the Internet. This activity bypassed the United States' barriers to importation of Cuban goods and services and enabled maintenance market presence in the U.S. New U.S. regulations permitting exportation and re-exportation of certain Internet-based services¹⁰⁹ effectively bring online distribution into conformity with U.S. regulations. Trade in software, business consulting services, information technology management services and communication devices.

The changes have not only attracted technology companies such as Netflix and Google to Cuba, but have also prompted interest in live performances there and visits to the island from high-profile American-produced stars like Sean Paul, Rihanna and Beyoncé.

106 Moore, Kevin. "Desde los estudios- Novedades y ítems de interés." Web Blog Post. 1 Jun. 2015 <http://www.timba.com/reports/show/from-the-studios>

107 Rodríguez Milán, Yisell. "Cuban Music: A look at the market." On Cuba Magazine. Web. 22 Mar. 2014. <http://oncubamagazine.com/economy-business/cuban-music-a-look-at-the-market/>

108 Rose, Lydia. Email. 20 Jul. 2015

109 Internet-based services refers to services incident to the Exchange of communications over the Internet, such as instant messaging, chat and email, social networking, sharing of photos and movies, web browsing, blogging, web hosting provided it is not for the promotion of tourism, and domain name registration services.

Public performances are permitted travel-related transactions under the new OFAC regulations. Therefore this represents an area of competition for Jamaican performers. The Instituto Cubano de la Música (Cuban Institute of Music) plans to use criteria such as the type and artistic level of the artist as well as popularity to filter the growing requests of international stars to stage concerts in Cuba since the December 2014 announcement.¹¹⁰ The requirements for live performances in the Cuban market should be monitored to ensure conformity with Cuban standards, and that a strategy for penetrating the Cuban market is developed.

Future promotion of Jamaican cultural expressions in Cuba should build on their shared history and the existing market created by two-way migration of their citizens. There has already been collaboration between Jamaican and Cuban artistes, and fusion of art forms, that can be further developed in the new trading environment. For example, the group Ska Cubano merges traditional Jamaican ska, mambo and other Cuban beats; band members include Cubans, Jamaicans and other Caribbean persons.¹¹¹ Cuban born singer Mey Vidal performed at Reggae Sunsplash in 2006¹¹² and Jamaican recording artists Sean Paul and Shaggy have been doing work in Spanish and with Spanish-speaking artists including Cubans. Jamaican artiste Sean Paul collaborated with Spaniard Enrique Iglesias and Cuban Gente de Zona and Descember Bueno for the release of the song Bailando; Descember Bueno is a singer, composer and producer who ranks among the highest earners from copyright in Cuba.¹¹³ The music videos are available on YouTube and fans have edited and uploaded versions with Spanish and English subtitles, suggesting a demand for language cross-over, or fusion, music. Bilingual songs, and English versions of songs originally released in another language are also popular for the international, or fusion, market and are being produced for specific target markets. Collaborations with Cuban artists and producers can be used by Jamaican entertainers to penetrate the international Spanish speaking market and to extend the reach and shelf-life of Jamaican creative content.

1. Implications of existing and prospective U.S. Policy Changes

The telecommunications industry is largely a content industry and is, in practical terms, merged with the broadcasting sector. For entertainment services, the U.S. changes in regulations on trade of Internet-based services, information and communication technology services and consumer communication devices will have the positive effect of allowing the formal marketing and distribution in the U.S. and by U.S. entities of audiovisual content produced by Cubans or entities in Cuba. Audiovisual content includes sounds, films (including animation), music videos and videos of live performances, and television programmes. The Internet and mobile technology enable the transmission of audiovisual content, therefore the telecommunication and broadcasting industry is a key player in shaping the entertainment industry. As a part of the U.S. new approach, the “Cuba Digital and Telecommunications Advancement Act of 2015” or the “Cuba Data Act” has been proposed by a bipartisan group of U.S. Senators in May 2015. The Act would authorize the exportation of consumer communication devices to Cuba and the provision of telecommunication services to Cuba, thereby expanding the current list of permissible goods exports, as well as extending the scope of economic relations into services trade and investment.¹¹⁴ Therefore, Jamaica will not only face competition from U.S. players, but also gain from improved ICT infrastructure and connectivity in Cuba for the delivery of its entertainment content.

In response to the new U.S. regulations, several major U.S. companies have been authorized to enter the Cuban market. Netflix, a streaming company, launched services in Cuba in March 2015.¹¹⁵ Google has been exploring an investment deal and technology solution with the Government of Cuba since March 2015.¹¹⁶ Cuba has taken steps to acquire mobile phone equipment and infrastructure from Chinese firm Huawei.¹¹⁷ Cuba is AirBnB’s fastest growing market; for the majority of Cubans, Facebook is the preferred social media; and there are many Cuban start-up technology companies which could rival current top international players. The entry and prospective investment of U.S. firms compliment Cuba’s own initiatives.

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- 110 “Cuba se prepara frente al creciente interés por la Isla de grandes estrellas de la escena mundial.” Cuba Debate, 11 Jul. 2015. <http://www.cubadebate.cu/noticias/2015/07/10/cuba-se-prepara-frente-al-creciente-interes-por-la-islade-grandes-estrellas-de-la-escena-mundial/#.VaFUYhtRHmQ> Accessed: 11 July 2015
- 111 Cartwright, Garth. “Ska Cubano.” BBC Radio 3. Web. 2007. http://www.bbc.co.uk/radio3/worldmusic/a4wm2007/2007_ska_cubano.shtml
- 112 Cooke, Mel. “World’s beat comes to Sunsplash.” The Jamaica Star Online. Web. 9 Aug. 2006.
- 113 Rodríguez Milán, Yisell. “Cuban Music: A look at the market.” On Cuba Magazine. Web. 22 Mar. 2014. <http://oncubamagazine.com/economy-business/cuban-music-a-look-at-the-market/>
- 114 S.3A
- 115 Walsh, Mark. “How Google can make Cuba’s web truly worldwide.” Quartz, Caribbean Connection. Web. 4 Mar. 2015. <http://qz.com/354110/how-google-can-make-cubas-web-truly-worldwide/>
- 116 Scola, Nancy. “Google testing the waters in Cuba.” Politico. Web. 13 Jun. 2015. <http://www.politico.com/story/2015/06/google-testing-the-waters-in-cuba-118974.html>
- 117 “Huawei Of China Gaining In Cuba... While U.S. Companies Do Not.” Blog. U.S. Cuba Trade and Economic Council, Inc. 19 February 2016. <http://www.cubatrade.org/blog/2016/2/19/huawei-of-china-gaining-in-cuba-while-us-companies-do-not>

Local coders have developed programmes equivalent to BuzzFeed, eBay and OpenTable, and are developing apps for mobile banking and other systems. In July 2015, the government announced the opening of Wi-Fi hotspots across the island to enable greater Internet connectivity.¹¹⁸ Cuba has a new fibre-optic cable connecting the island to Venezuela and Jamaica, connections to two other submarine fibre-optic “pipes” are expected to be made to the island and a US company has a licence to lay a cable from Florida.¹¹⁹

While Cuba currently lacks the technological infrastructure to support its burgeoning digital revolution, planned infrastructural rollout and the level of education and expertise of its people have set a good foundation for the rapid growth of its technological sector. This entry will leapfrog older technologies and set Cuba in a competitive position. As a leader in information and communication technology (ICT) in the Caribbean, Jamaica should seek to expand ICT and entertainment services to Cuba. The Cuban market is ripe for Jamaican services providers to explore the provision to Cuban buyers of digital content and a range of support information and communication technology (ICT) industries.

2. Policy Recommendations

(i) Jamaican entertainment management and audiovisual production companies should assess the feasibility of promoting ICT and entertainment services exports, including

through collaborations with Cuban entertainers and increased inclusion of Spanish in Jamaica’s creative productions should be used to expand into Spanish speaking and other international markets;

(ii) Jamaica should strategically promote entertainment services, including live performances, and cost-competitive telecommunications connectivity with Cuba as a means of stimulating increased two-way travel for tourists and business persons;

(iii) For third country travel, Jamaica should aim to market itself based on proximity to Cuba and the ease of doing business with Cuba from Jamaica while facilitating travel and transportation between the two countries;

(iv) Jamaica should seek agreement with Cuba on a legal and technical framework for seamless communication, such as harmonisation of spectrum management, roaming arrangements, and Internet connectivity in order to enable access to broadcasting services within a seamless broadcasting and telecommunications space.¹²⁰



119 Ashy, Timothy and Rosemary Forsythe. “Cuba embarks on digital revolution.” TechCityInsider.net. Web. 8 Jul. 2015. <http://www.techcityinsider.net/cuba-embarks-on-digital-revolution/>

120 Green, Cordell. Personal Interview. 10 Jul. 2015.

C. EDUCATION

International provision of higher education services involves the movement of faculty, researchers and staff and students across borders to provide and purchase education related services. Said services may also be provided via cross-border trade in services such as online education and research collaborations, co-authorship, videoconferencing. Foreign direct investment is another approach to the international provision of higher education services; that is, the physical establishment of teaching and research facilities in the territory of a foreign country. The international education sector can lead to job creation and reduced unemployment figures for source and destination markets, strengthened relations with Cuba is therefore potentially mutually beneficial. There is a growing international demand for higher education services; In 2012 Focus Magazine estimated that globally, the number of students applying for higher education is expected to exceed 200 million this year, compared to 100 million in 2000, with Asia accounting for more than 70 million students.¹²¹

The OFAC regulations allow persons subject to U.S. jurisdiction to obtain general licenses for education related travel and institutional cooperation with Cuba, including: exchange programs, teaching, non-commercial academic research, sponsorship of student scholars, joint activities. The measure should bolster the dominant position of the United States in higher education industry, a position rivalled by China. U.S. institutions already have cooperative relationships with Cuban entities but the new measures have driven a rush to Cuba to attract students and to forge institutional partnerships.¹²² The increased involvement of U.S. schools in Cuba creates competition for students and research funding, but also opportunities to expand and integrate existing education networks while promoting Jamaica and Cuba as strategically branded education and research destinations. To this end, Jamaica and Cuba should explore synergies for three-way institutional cooperation, especially where there are common partners and educational disciplines. Cuba has approximately 60 higher educational institutions and more than one million university graduates.¹²³

The University of Havana, the largest education center, has had relationships with United States counterparts for the majority of its 37 year history and undertakes joint activities with more than 30 entities in the United States.¹²⁴ Jamaica has experience in various modes of delivery of international education services, and in 2010 and 2011 Jamaica was a net exporter of education services. This figure may be higher given the various modes of delivery of education services.¹²⁵

Jamaican higher education institutions are managing international partnerships and could strategically align with Cuba's institutional partners to allow for triangular cooperation. The University College of the Caribbean (UCC) has 31 current and pending memoranda of understanding with the European Union, Canada, the US and Latin America. UCC also franchises programmes from reputable institutions such as Florida International University (FIU), which is expected to open a campus in Cuba. The UCC has partnerships with the Commonwealth of Learning and with Kursk State Medical University (KSMU), Russia, which has a strong relationship with Cuba.

The University of the West Indies has Memoranda of Understanding with over 57 institutions, 11 of which are in the U.S.; and student and mobility with 36 partners globally, 6 of which are in the US. UWI franchises its programmes or parts thereof to community colleges and other teaching institutions, and should explore export of some of its programmes to Cuba. Programmes selected should be in areas of competitive advantage, should promote the study of Jamaican and pan-Caribbean matters, and should be useful to the Cuban society and economy. These could include: Business Administration, Tourism and Hospitality Management, Sports Medicine, Agricultural Technology English as a Second Language, Reggae Studies, and Heritage Studies.¹²⁶ UWI Mona also has a Memorandum of Understanding with the University of Havana, one of the main tertiary education institutions in Cuba. However, both UWI and University of Havana academic representatives have identified financing for students as the primary challenge to increasing participation in exchange programmes.¹²⁷

121 Chon Lane, Anthony and Jeanne Bellec. A Premier Education Hub. Focus Magazine. May 2012

122 Binkley, Collin. "Colleges Begin Establishing Exchange Programs in Cuba." Associated Press. Web. 10 Jul. 2015. http://www.huffingtonpost.com/entry/colleges-cuba-exchange-program_559fe13ee4b096729155f1f8.

123 Cuba Investor Guid

124 Rochester King, Natallie "International Provision of Higher Education Services and Institutional Partnerships. Background Paper for the 3rd CARIFORUM-EU Business Forum"

125 I2biz. "Opportunities for Trading Education Services from CARIFORUM to the Selected Countries in European Union." Prepared for the Caribbean Community Secretariat. 15 Jul. 2013.

126 Rampersad, David. Personal Interview. 13 July 2015.

127 Personal interviews with David Rampersad, Jessica Byron and Milagros Martinez.



The University of the West Indies' access to, and competence in, the implementation of several EU funded programmes, is a potential vehicle for strengthening cooperation with Cuba. Mobility programmes such as the Intra-ACP Academic Mobility Scheme: Africa, the Caribbean and the Pacific (CARPIMS) and ERASMUS Mundus could be used to address the financing challenges for education cooperation and exchanges between Jamaica and Cuba. Cuba does not currently have the capacity to prepare a proposal under this programme and would benefit from support from UWI in this regard.¹²⁸

The EU-CARINET programme promoting science and technology research and innovation quantified the research output for 2000-2009 of thirty two Caribbean countries, found that Cuba accounted for about half of the 12,817 papers published. This reflects the intellectual capital of the country. Cuba is eligible for EU funding, therefore Jamaica and the wider Caribbean to collaborate with Cuba in the creation and commercialisation of intellectual property and marketing specialisations in areas of mutual interest, such as, climate change and sustainable development.¹²⁹

Tertiary education is a priority sector for Jamaica. The Jamaican government and the country's educational institutions have been investing in expanding education provision capacity, particularly in the higher education segment which includes post-secondary technical and vocational services and other higher education services. Jamaica's Vision 2030, Services Export Strategy, and Jamaica's National Education Strategic Plan 2011-2020 and the establishment of a Tertiary Education Commission reflect the priority placed by Jamaica on promoting the higher education sector, not only as vehicle for improved economic efficiency and development, but also as an international services sector in its own right.

1. Implications of the U.S. Policy Changes for Jamaica

The U.S. policy developments increase competition faced by Jamaica for investments in education aimed at strengthening the capacity for the international provision of education services. Under the new approach to Cuba, general licenses will be made available for various educational activities, including professional research and professional meetings. While academic trips to Cuba were allowed before the recent changes in U.S. policy, the approval procedures were onerous and uncertain. Therefore, the changes have effectively made

education tourism and other types of U.S.-Cuba partnerships easier. U.S. schools are not only trying to attract Cuban students, but also forge partnerships with Cuban educational institutions. U.S. institutions have greater resources for the provision of scholarship to Cuban students, faculty and researchers, and this may negatively impact the ability to attract in Cuban students in Jamaica. Therefore financing mechanisms are required to support Cuba-Jamaica education related exchanges.

The extent to which there may be direct competition from Cuba is not clear but will in part depend on as its capacity to absorb foreign students. The already strong educational relationship between Cuba and the U.S. and the optimistic estimates in the growth of students studying abroad suggest that an increase in U.S. students in Cuba may not necessarily be at the expense of students going to Jamaica. Cuba has advantages, relative to Jamaica, in research and development and will likely be targeted by U.S. institutions for joint initiatives. However, it will be important for Jamaica to identify its unique selling points and undertake significant marketing to distinguish the island's educational and research and development services offering in an increasingly competitive environment.

2. Policy Recommendations

(i) Jamaica should leverage existing strengths in research and improve marketing of strategic partnerships with Cuban and U.S. institutions. This can be done inter alia, through existing Inter-American networks such as UDUAL; co-branded programmes with reputable institutions; and cooperation on quality assurance and mutual recognition of accreditation;

(ii) Education cooperation should respond to human resource needs in Jamaica and Cuba research should be conducted on the prospects for workforce mobility as the trade and investment relationship deepens between these two states;

(iii) Given the problem of limited resources identified by education stakeholders, they should jointly develop funding proposals for priority initiatives, and explore funding facilities such as the EU Support programmes under the 11th EDF;

(iv) Jamaican based tertiary institutions, in coordination with the Tertiary Education Commission, should develop financing mechanisms for exchange programmes of faculty, students and researchers with Cuban institutions.

128 Castillo, Carmelita. Personal interview. 30 July 2015.

129 Possible frameworks for institutional cooperation include the Association of Universities of Latin America and the Caribbean (UDUAL), which is instituting an accreditation system; and the Association of Caribbean Universities and Institutes (UNICA) which facilitates collaborations between universities, research institutes and research centres.



VI. IMPLICATIONS FOR TRADE IN GOODS

The U.S. allowance of goods imports from independent Cuban entrepreneurs will potentially support the income earning capacity of the business class in Cuba without directly supporting the State. The new OFAC regulations provide for personal duty free allowance of \$800 per person, and a low duty rate of 4% applicable to a value of \$1000. In addition, travellers may import as baggage \$400 worth of goods not specifically authorized in the OFAC list. The personal allowances should start Cuban exports to the U.S. and informal trade while boosting the purchasing power of Cubans for American goods, particularly agricultural products, medicines, telecommunications devices and software.

The more liberal regime may not automatically prompt these actors and their U.S. counterparts to become preferred trading partners, especially as the Harmonised Tariff Schedule of the US (HTSUS) imposes punitive duties on commercial imports. Furthermore, Cuban imports from the U.S. have steadily declined since the Bush Administration eased restrictions in 2008 in response to hurricane devastation in Cuba. The structure of trade between the Cuba and the US, Jamaica and Cuba, and Jamaica and the U.S. is distinct with few overlaps. Therefore the effect of the current allowances for goods trade and an eventual removal of the sanctions may be negligible except for fisheries and distilled spirits.

A. CUBA-UNITED STATES TRADE

In 2001 the United States International Trade Commission estimated, based on 1997-1998 figures, the economic effects on the US sanctions on Cuba for the U.S. and Cuban economies and compared these with Cuban estimates. The analysis remains relevant and instructive for Jamaica, as it signals potential areas of U.S. interest in a more liberal Cuban market. A key finding is that the impact of the sanctions on Cuba has been sizeable in value on both sides, the United States industry found alternative markets for most goods resulting in an overall minimal historical impact from the loss of the small Cuban market for its exports. Based on the USITC estimates several U.S. industries stand to gain from increased exports to Cuba if sanctions are removed. These include meat and poultry, animal feeds, chemical fertilisers and pharmaceutical preparations. Cuba would likely gain from access to the opening of the U.S. market, particularly in distilled spirits, seafood, nickel and cobalt. The USITC report findings suggest specific products that may become important in the US-Cuba trading relationship in the absence of sanctions.¹³⁰ Selected products are reviewed below

130 United States International Trade Commission. The Economic Impact of U.S. Sanctions with Respect to Cuba. USITC Publication 3398. Investigation No. 332-413. February 2001. Web. 12 June 2015. http://www.usitc.gov/publications/industry_econ_analysis_332/2001/economic_impact_us_sanctions_respect_cuba.htm

The structure of U.S. Cuba trade has changed. Before the January 2015 allowance for a range of imports from Cuba, the trade relationship was limited to exports from the U.S. and some re-exportation by Cuba because the U.S. embargo disallowed imports from Cuba. Derogations from embargo legislation have allowed the export of U.S. agricultural products and medical supplies to Cuba, contributing to a peak in U.S. exports to Cuba after hurricanes Gustav and Ike of \$711.5 million in 2008. Since then the value of U.S. exports to Cuba has fallen progressively every year except 2012, settling at \$299.1 million in 2014. In 2005 the top ten U.S. exports to Cuba were, in order of value: meat and poultry; sorghum, barley, oats; wheat; rice; soybeans; dairy product and eggs; oilseed, food oils; dairy products and eggs; corn; animal feeds; vegetables; and unmanufactured agricultural farming products. Data for 2014 showed a change in the ranking of U.S. exports to Cuba with meat and poultry remaining the top traded item, followed by animal feeds, soybean and corn exports, chemical fertilizers represented and pharmaceutical preparations.¹³¹

Winter vegetables are viewed by the USITC as a potential growth area for U.S. exporters in the short term, given likely demand by Cuba's tourism sector. However, Cuba's sector was expected to grow in the long term, as U.S. investment, access to technology, and increased access by Cuba to foreign exchange for fertilizer, pesticides and other inputs. The USITC estimates that without sanctions Cuban exports to the U.S. of distilled spirits would total between \$15 million and \$25 million per year, or the equivalent of 1 % of US total imports. With the introduction of sanctions the U.S. relied on Jamaica and other source markets for distilled spirits. Removal of U.S. sanctions could result in greater competition in the distilled spirits market for Jamaica.

U.S. drop in demand for seafood from Cuba arising from sanctions obliged Cuba to find markets further afield which were associated with higher transaction costs; such as, Spain, France and Japan. The U.S. could benefit from the removal of sanctions with estimated annual seafood exports of between \$1 million and \$2 million (0.5% of total U.S. seafood exports). However, Cuba would be expected to realise a significant trade surplus in seafood, with Cuban exports estimated at \$5 million to \$11 million annually, the equivalent of less than 0.5% of total U.S. seafood imports. A surge in seafood exports from Cuba to the U.S. would result in increased competition for the Florida fish industry. The United States is a primary destination for Jamaica's exports of fish and fish products.

With the U.S. opening of imports from Cuba, the output from growing Cuban private enterprise and international investment can find its way into the U.S. market. The amended OFAC regulations allow U.S. entities to import from Cuba in HTS categories which overlap with Cuba's main exports in 2014, such as beverages, spirits, and vinegar; tobacco and manufactured

tobacco substitutes, mineral products base metals and articles of base metals. The allowances are significant because Cuba's top exports are covered as well potentially important areas of future production that would have a market in the U.S. Annex 2 reflects the eligibility for importation by the U.S. of Cuba's top ten exports in 2014; their export value; and the corresponding HTS Chapter heading under which they fall in the U.S. list of eligible goods. Only wood and wood products are ineligible. Other permissible U.S. imports from Cuba, not falling within Cuba's top ten exports, are also listed.

B. JAMAICA-CUBA TRADE

Jamaica maintains a significant trade in goods surplus with Cuba. Jamaica's exports to Cuba in 2013 were valued at \$4.2 million, down from \$6.7 million 2012, which is equivalent to approximately 0.1% and 0.6% of Cuban total imports in 2012 and 2013 respectively. Annex 3 reflects the value of Jamaica's exports by product to Cuba and imports relative to trade flows with the world. Jamaica's exports to Cuba are generally not the same as the high value exports of the United States, however, Cuba's imports of fertilisers from the U.S. and the Dominican Republic should be of concern to Jamaica.

Jamaica's exports to Cuba in 2012 and 2013 were: cereal, flour, starch, milk preparations and products; vegetable, fruit, nut, etc., food preparations; miscellaneous edible preparations; beverages, spirits and vinegar; inorganic chemicals, precious metal compound, isotopes; fertilisers; miscellaneous chemical products; plastics, rubber and articles thereof; machinery, nuclear reactors, boilers; and vehicles. Cuba is a main market for Jamaican exports of a few goods, particularly: fertiliser exports valued at approximately \$2.7 million accounted for 97.6% of Jamaica's total exports of the product in 2012; miscellaneous chemical products, valued at approximately \$3.6 million in 2012 and \$3.3 million in 2013 accounted for 89.6% of Jamaica's export of the product in 2012 and 87.5% in 2013. The United States may also be positioned to meet Cuba's demand in Beverages, spirits and vinegar, and inorganic chemicals, precious metal compound, isotopes.

Cuba's demand for fertiliser is also being met at an increasing level by the Dominican Republic, apparently having the effect of displacing Jamaica's market share. The Dominican Republic's largest exports to Cuba are Residues, wastes of food industry, animal fodder (product code 23) which was valued at approximately \$12 million in 2012 and \$10.4 million in 2013. Though Cuba's demand for inorganic chemicals, precious metal compound, isotopes declined between 2012 and 2013, it should be noted that the Dominican Republic exports to Cuba in the category were at similar levels to those of Jamaica.¹³²

131 "U.S. Exports to Cuba by 5-digit End-Use Code 2005-2014." U.S. Census Bureau, Foreign Trade. Web. 30 June 2015. <http://www.census.gov/foreign-trade/statistics/product/enduse/exports/c2390.html>

132 In 2012 and 2013 the value of Jamaica's exports of the products to Cuba were \$388,000 and \$332,000 respectively, compared to the Dominican Republic at \$479,000 and \$447,000.

The high consumption pattern of animal fodder by Cuba suggests strong demand for inputs to the agriculture and livestock sectors. While Jamaica is already a main exporter of miscellaneous chemical products (insecticides and fungicides), fertilisers which enter duty free, the United States also has strong capacity in these sectors, particularly feed grain and animal feed.

Cuba is not a main source market for Jamaica. Imports from Cuba were \$1.3 million in 2012 and \$2.3 million in 2013 respectively or 0.05% and 0.08% of Jamaica's total imports in those years. Over the 2012-2013 period Jamaica's top five imports were: Copper and articles thereof, valued at \$444,000 in 2012 and rising sharply to approximately \$1.3 million in 2013 or the equivalent of 5.6% of imports of these products in 2012 and 17.1% in 2013; pearls, precious stones, metals, coins etc., valued at \$414,000 in 2013; miscellaneous edible preparations valued at \$391,000 in 2013, down from \$412,000 in 2012; beverages, spirits and vinegar, accounting for \$66,000 in 2012 and falling to \$48,000 in 2013; and optical, photo, technical, medical etc. apparatus accounting for \$55,000 in 2012 and declining to \$28,000 in 2013.

It is not clear what accounts for decline in Jamaica's imports from Cuba in four of the five of these leading imports. However, given Jamaica's 2015 application of the TECA granting duty free access for products within these categories, there could be an upward trend depending on Cuba's capacity and competitiveness. The U.S.-Cuba trade in goods would not have direct impact on Jamaica's imports unless there is deliberate action taken; for example, through triangular production linkages (assembly operations) or investment and trade promotion incentives.

C. JAMAICA-UNITED STATES TRADE

Jamaica trades a variety of goods with the United States. Jamaica's exports to the United States declined from approximately \$823 million in 2012 to \$770.8 million in 2013; this is equivalent to 48.1% of Jamaica's total world exports in 2012 and 45% in 2013. As reflected in Annex 4, Jamaica's main exports to, and imports from, the United States are Mineral fuels, oils, distillation products, etc. Other main exports to the United States are: ores, slag and ash; beverages, spirits and vinegar; inorganic chemicals, precious metal compound, isotopes; Pearls, precious stones, metals, coins, etc. Beverages, spirits and vinegar are the third highest import and export products in the Jamaica-US trading relationship, with Jamaica's exports to the U.S. of \$212.3 million in 2012 compared to \$196.5 million in imports from the U.S. Jamaica's exports of beverages, spirits and vinegar fell dramatically to \$97.1 million in 2013, compared to imports from the U.S. of \$143.6 million in that year.

Jamaica's other imports from the U.S. in 2013 were Machinery, nuclear reactors, boilers, etc., the second highest in both 2012 and 2013 at a value of approximately \$198 million in both years. Imports of cereals fell from approximately \$148.1 million to \$138.8 million over the 2012-2013; while electrical, electronic equipment also fell over the period from approximately \$106.7 million to \$98.5 million. Beverages, spirits and vinegar feature significantly in Jamaica's two-way trading relationship with both

Cuba and the United States. Inorganic chemicals, precious metal compound, isotopes rank high among Jamaica's top exports to both Cuba and the United States. However, this product category is an import by Jamaica from the United States, at a value of approximately \$91.6 million and \$91.4 million in 2012 and 2013, accounting for 87.7% and 92.7% of Jamaica's total imports of the product in 2012 and 2013 respectively and approximately 0.7% of the U.S. total exports of the product in both years. This suggests strong supply capacity of the U.S. in inorganic chemicals, precious metal compound, isotopes.

The January 2015 Cuban Asset Control Regulations authorize commercial imports by U.S. entities of certain specified

1. Implications of U.S. Authorization of Imports from Cuba for Jamaican Goods Traders

goods and services produced by Cuban entrepreneurs. This is meaningful advancement in the Cuba-U.S. trading relationship as previous derogations from the embargo legislation have largely related to U.S. exports and not two-way trade. The products covered are wide ranging, are consistent with the types of investments in Mariel and opportunities published by the Cuban government. However, the commercial imports of the products from Cuba would face punitively high duty rates equivalent to those faced by North Korea. The new trade arrangements between the United States and Cuba are also well-supported by facilitating mechanisms such as eased travel restrictions under a specific licence. For CARICOM, the TECA with Cuba provides duty free access to Cuba for a wide range of goods and the list of covered goods is being expanded on both sides through revived negotiations. For Jamaica, there is an imperative to align tariff treatment secured under the TECA to specific production, export, and transshipment interests.

Table 1 below suggests the potential effect of the removal of sanctions on trade in goods for selected products. No immediate threats to Jamaica's goods exports to Cuba are expected to occur as a direct result of the removal of U.S. sanctions. However, Jamaica's exports to the U.S. of distilled spirits and seafood could face competition, depending on the specific products being traded and the demand trends in the U.S. Closer examination of the products identified should be informed by actual supply and demand trends in the respective territories at a disaggregated level. It will be important to identify the specific products being traded by Jamaica with Cuba and the U.S., as well as those that represent opportunities and threats under Columns 3, 4 and 5 in order to develop responsive market expansion or defence strategies. Reports of U.S. missions to Cuba in 2015 confirm U.S. export interests in the products demanded by Cuba and reflected in column 2, especially rice in the case of Texas Governor Abbott's mission in November.

TABLE 1: PRODUCTS THAT MAY BE AFFECTED BY THE REMOVAL OF U.S. TRADE SANCTIONS ON CUBA

POTENTIAL CUBAN EXPORTS TO THE US	POTENTIAL CUBAN IMPORTS FROM THE US	OPPORTUNITIES FOR JAMAICAN EXPORTS TO CUBA (LOW US COMPETITION)	THREATS FROM CUBA FOR JAMAICAN EXPORTS TO U.S.	THREATS FROM US FOR JAMAICAN EXPORTS TO CUBA
Distilled spirits	Rice	Fertilisers	Distilled Spirits	Beverages, spirits and vinegar
Seafood	Meat and poultry	Miscellaneous Chemical Products	Fish and fisheries products	Inorganic chemicals, precious metal compound, isotopes
Nickel, Cobalt	Animal feeds	Beverages spirits and vinegar	Electrical, electronic equipment	Fertilizers
Pharmaceutical Preparations	Pharmaceutical Preparations Machinery, transport equipment and replacement parts			

Jamaica benefits from preferential trade in goods under the Caribbean Basin Economic Recovery Act. As discussed earlier, CBERA legislation could be amended to grant Cuba Trade benefits or the United States could negotiate a bilateral trade agreement with Cuba. It is difficult to estimate the level of competition that a preferential tariff regime for Cuban products would pose to Jamaican exporters. Cuba is in the process of developing its production capabilities and a period of removal of sanctions could be followed by a surge in investment into Cuba, which could in turn raise Cuban export capacity in the medium term.

2. Policy Recommendations

1. Assess the market position of Jamaican products in the U.S. market and conduct product-specific assessment of threats from Cuba to Jamaica’s exports to the U.S. of distilled spirits, seafood exports and electrical/electronic equipment to the United States based on actual supply and demand trends, and assess Jamaica’s competitiveness in these sectors in order to

inform policy and private sector production and marketing agenda;

2. Assess the market position of Jamaican products in the Cuban market and conduct product-specific assessment of threats from U.S. and the Dominican Republic to Jamaica’s exports to Cuba of top performing products such as fertilizers and inorganic chemicals, precious metal compound, isotopes;

3. More liberal investment laws and incentives in Cuba present an opportunity for Jamaican firms to gain a foothold in the Cuban market through direct investments. Business support initiatives for outward investment should be developed, as well as an agenda to promote competitiveness of Jamaican traders and investors through the allocation of resources to building productive capacity and efficiency, and improving distribution within the Cuban market.



VII. CONCLUSION

The December 2014 announcement by the United States of a policy change towards Cuba has been swiftly followed by executive action to amend regulations on the interaction of persons and entities under U.S. jurisdiction and Cubans at home and abroad. The changes effected by the U.S. Department of Treasury in the 2015 and 2016 OFAC Cuban Assets Control Regulations expand the previous flexibilities in the embargo regime by expanding from limited U.S. exports of agriculture and medicines to a wider range of goods and services. Two-way trade is also facilitated under the regulations through flexibility in payment terms; travel and related duty free and remittance allowances; access to financial services; options for joint venture and employment with Cuban interests in and outside of Cuba; limited allowance for commercial transactions with state entities. These measures potentially improve Cuba's prospects of earning foreign exchange and returns on investments in infrastructure and its productive capacity. The changes to date have inspired investor confidence which boost expectations of domestic Cuban initiatives like the Mariel Export Processing Zone. The prospect of growth in the Cuban economy is an opportunity for revival of the Jamaican economy as the U.S. policy changes may also create a friendlier environment for joint Jamaica-Cuba goods production for exports to the U.S. subject to the TECA and CBERA rules respectively. In services, the access to U.S. partners, intermediaries and communication systems could enable inter alia multi-destination travel and event bookings; joint ventures and collaborations in entertainment media production, education and research and development; business process outsourcing.

Though the effect of United States legislation imposing the embargo on Cuba has eroded by the OFAC Cuban Assets Control Regulations, Congressional approval would be needed to repeal embargo legislation, and the ideological differences

between Cuba and the United States create a barrier to full normalisation of relations. The current state of U.S. legal and policy reform towards Cuba lacks security for investors and business persons engaged with Cuban interests. Jamaica should explore engaging the U.S., for example within the CARICOM-U.S. Trade and Investment Council, on possible actions to create more predictability for dealings with Cuba.

The net effect of investment reforms in Cuba is improved transparency and predictability for foreign investors, which should bolster already healthy inflows of greenfield investment into the country. The Mariel Special Processing Zone potentially competes with Jamaica particularly on scale, labour costs, and multilingualism, in business process outsourcing of knowledge services, manufacturing and logistics but is also a potential investment site for Jamaica to support back office services for Spanish speaking markets, and commercialisation of intellectual property in biotech/pharmaceuticals production for medical tourism, and large scale agro-processing. Jamaica should position itself for inward investments linked to Cuba given the relative ease of doing business in Jamaica, experience with facilitating foreign investors, and comparative advantage in: financial services, information and communication technologies, and use of the English language. In the area of logistics, Jamaica should explore the potential competitive and efficiency gains of integrating port operations with Cuba given the proximity of the countries.

Jamaica's participation in international and Latin America and Caribbean entities such as the WTO Small Vulnerable Economies Group (SVEs), Small Island Developing States (SIDS), the Association of Caribbean States (ACS), and CELAC presents opportunities for investment and export diversification within Latin America and the wider Caribbean.

In addition, for Jamaica and CARICOM partners, the CARICOM-Cuba TECA is a potential advantage relative to other trading partners, including the U.S. where businesses are still constrained in the sectors of operation, and range of transactions in which they can engage Cuban interests. Jamaica and Cuba's mutual investment promotion and protection obligations in the CARICOM-TECA could be used to enhance investment facilitation. Jamaica and Cuba could also use each other to process and transform inputs from the other for export to third countries, taking advantage of the rules of origin provisions and preferential tariffs of their trade agreements. However, the agreement should be more comprehensively implemented with priority given to business facilitation measures and institutions, as well as to the negotiation of disciplines on trade in services given the importance services related sectors in the Jamaica-Cuba relationship. A priority for further research and commercial missions should be how to link into the Cuban production and exploit value chain linkages in trade in services and goods production.

The sectors covered within this paper – tourism and related travel and transportation, health tourism, sports tourism, entertainment services, education and trade in goods- fall within the scope of the more liberal licensing framework created by the 2015 and 2016 OFAC regulations. Given Jamaica's experience, and comparative advantages in the services industry (ii) the apparently higher level of bilateral cooperation with Cuba in services and (iii) relatively low barriers to entry in services when compared to goods, attention to developing commercial initiatives in services may yield quicker results than interventions in goods. However, a focus on both goods and services is important as they are mutually supportive. To take advantage of the new regime, Jamaica should target sectors eased by OFAC, and mobilise ventures involving the Jamaican and Cuban Diaspora in the United States to create eligible business alliances.

With the thawing of U.S.-Cuba relations, the surge in arrivals from the U.S. to Cuba does not appear to be at Jamaica's expense. Jamaica's tourism performance in the U.S. has not been dynamic in recent years. The Cuban market is poised for growth and the destination could start to compete directly with Jamaica's main source markets in the U.S. given Cuba's partner cities in its air services deal with the U.S. The new air links are an opportunity and threat. Jamaica can seek to increase links between Jamaica-Cuba and the relevant U.S. cities for multi-destination partnerships and to increase two-way access between Jamaica and Cuba. Such arrangements seem to be consistent with the OFAC regulations.

The growth in traffic to Cuba could revive Jamaica's growth through multi-destination tourism and co-branding; for example, through cooperation in the provision of medical and sports tourism services. With the U.S. focus on improving telecommunications access in Cuba, a market of 11 million persons, Jamaican entertainment services are uniquely well positioned to engage the Cuban market and to access non-traditional Spanish-speaking markets through production

collaborations. The cultural exchanges support the building of relationships, which in turn form the basis for business. Therefore, priority should be to increase commercial and non-commercial people-to-people contact, and enabling their communication. Americans are actively engaging Cuba, even in an uncertain business climate.

Increased education cooperation and exchanges, including joint research and development, would enhance Jamaica and Cuba's capacity in the international education services provision, as well as maximise the linkages of education services to tourism, to medicines and pharmaceuticals preparations to be used in the health tourism sector, to sports development, and innovation in agriculture and manufacturing. Both UWI and University of Havana academic representatives have identified financing for students as the primary challenge to increasing participation in exchange programmes. Therefore funding mechanisms for these should be urgently sought; the cooperation facilities with the EU present an immediate option.

In trade in goods, Cuba has diverse trading partners and has steadily decreased its reliance on imports from the U.S. This is illustrated by Cuba's increased imports of animal feeds from the U.S. and fertilizers from Jamaica and the Dominican Republic. The OFAC allowance for imports from Cuban private entrepreneurs is an important first step in opening two-way trade between Cuba and the United States. There are prospects for expansion of Jamaica's exports to Cuba in goods that are already being traded, particularly: Fertilisers, Miscellaneous Chemical Products, and Beverages, Spirits and Vinegar. The removal of U.S. sanctions could also result in greater competition in the distilled spirits market for Jamaica; the severity of this threat should be assessed. The United States is a primary destination for Jamaica's exports of fish and fish products and relaxation of sanctions could result in increased competition for Jamaica. However, U.S. demand is generally high and may be able to sustain increased supply from Cuba.

The changes in U.S. policy towards Cuba hold opportunities and threats for Jamaica. The pace of further U.S. reforms is unpredictable, but the changes to date have stimulated such an international response that Jamaica must urgently define its specific commercial interests in the Cuban and U.S. markets in the new business environment. In some cases, U.S. changes towards Cuba seem to confer significant advantages to U.S. and private Cuban entities, while holding the embargo officially in place. Jamaica can mitigate the potential effects of U.S. preferential terms to Cuba by preparing its private sector through business support and investment facilitation; and its public sector through strengthened state-to-state bilateral cooperation. At the same time Jamaica should use the available diplomatic and institutional mechanisms for policy dialogue with the U.S. and Cuba to achieve understandings and assurances on the market conditions applicable to Jamaica traders and investors who deal with Cuban interests.

ANNEXES

ANNEX 1: VALUE OF GREENFIELD FDI PROJECTS, BY SOURCE/DESTINATION, 2007-2013 (MILLIONS OF DOLLARS)

WORLD AS SOURCE, BY DESTINATION							
	2007	2008	2009	2010	2011	2012	2013
Antigua & Barbuda		82					
The Bahamas	18	61	5	64	333	24	15
Barbados			29	137	303	16	
Cayman Island	36	326	104	253	349	351	6
Cuba	127	2703	1105	1567	465	223	195
Dominica	63						
Dominican Republic	749	2044	1399	330	5143	584	2684
Grenada	3	-	-	5	5	30	0
Haiti	-	2	110	59	376	2	426
Jamaica	29	317	41	23	491	13	1363
Puerto Rico	713	739	716	570	752	926	2530
Saint Kitts & Nevis						64	
Saint Lucia	12	-	3	144	64	-	65
Trinidad & Tobago	797	372	296	22	114	11	1514

UNCTAD World Investment Report 2014, 220

ANNEX 2: ELIGIBILITY OF CUBA'S TOP EXPORTS FOR IMPORTATION INTO THE UNITED STATES

CODE	CUBA'S EXPORTS TO THE WORLD (2014)	VALUE ('000)	GOOD'S ELIGIBLE FOR U.S. IMPORTATION FROM CUBA
17	Sugars and confectionary	438,864	Section IV: Prepared Foodstuffs; Beverages, Spirits, and Vinegar; Tobacco and Manufactured Tobacco Substitutes (All Chapters)
27	Minerals, fuels and oils	287,533	Section V: Mineral Products (All Chapters)
24	Tobacco & manufactured tobacco substitutes	226,978	Section IV: Prepared Foodstuffs; Beverages, Spirits, and Vinegar; Tobacco and Manufactured Tobacco Substitutes (All Chapters)
22	Beverages, spirits and vinegar	129,461	
30	Pharmaceuticals	106,754	Section VI: Products of the Chemical or Allied Industries (Chapters 28-32; 35-36, 38)
75	Nickel and articles thereof	99,748	Section XV: Base Metals and Articles of Base Metal (Chapters 72-81)
03	Fish, crustaceans, molluscs, aquatic invertebrates	45,886	Section I: Live Animals; Animal Products
44	Wood and articles of wood, wood charcoal	38,814	<i>Not covered</i>
72	Articles of iron and steel	36,949	Section XV: Base Metals and Articles of Base Metal (Chapters 72-81)
74	Copper and articles thereof	34,382	

OTHER GOODS FROM CUBA ELIGIBLE FOR IMPORTATION INTO THE UNITED STATES

Section II: Vegetable Products (All Chapters)

Section III: Animal or Vegetable Fats and Oils and Their Cleavage Products; Prepared Edible Fats; Animal or Vegetable Waxes (All Chapters)

Section XI: Textile and Textile Articles (Chapters 51-52)

Section XVI: Machinery and Mechanical Appliances; Electrical Equipment; Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts and Accessories of Such Articles ((All Chapters)

Section XVII: Vehicles, Aircraft, Vessels and Associated Transport Equipment (All Chapters)

Section XIX: Arms and Ammunition; Parts and Accessories Thereof (All Chapters)

Source: International Trade Centre (ITC) Trade Map, accessed June 2015

U.S. Department of State, Bureau of Economic and Business Affairs. "The State Department's Section 515.582 List." 13 February 2015.

ANNEX 3: JAMAICA'S TRADE IN GOODS WITH CUBA RELATIVE TO THE WORLD, 2012-2013 (US\$ THOUSAND)

PRODUCT CODE	PRODUCT LABEL	JAMAICA'S EXPORTS TO CUBA		JAMAICA'S EXPORTS TO WORLD				JAMAICA'S IMPORTS FROM CUBA		PRODUCT LABEL	PRODUCT CODE
		VALUE IN 2012	VALUE IN 2013	VALUE IN 2012	VALUE IN 2013	VALUE IN 2012	VALUE IN 2013	VALUE IN 2012	VALUE IN 2013		
TOTAL	ALL PRODUCTS	6745	4229	1711790	1569117	6580358	6216155	1337	2281	ALL PRODUCTS	TOTAL
'38	Miscellaneous chemical products	3626	3265	4045	3731	8005	7460	444	1277	Copper and articles thereof	'74
'31	Fertilizers	2684	0	2750	23	85896	84238	0	414	Iron and steel	'72
'28	Inorganic chemicals, precious metal compound, isotopes	388	332	517894	536473	96931	104002	412	391	Miscellaneous edible preparations	'21
'87	Vehicles other than railway, tramway	12	328	4774	11811	456158	301546	66	48	Beverages, spirits and vinegar	'22
'22	Beverages, spirits and vinegar	4	93	282933	168961	55285	50727	55	28	Optical, photo,technical, medical, etc apparatus	'90
'19	Cereal, flour, starch, milk preparations and products	8	0	20136	20595	94339	91170	48	28	Articles of iron or steel	'73
'39	Plastics and articles thereof	7	0	4740	5765	1427	1210	54	0	Explosives, pyrotechnics, matches, pyrophorics, etc	'36
'21	Miscellaneous edible preparations	7	0	24047	26244	35720	31372	9	19	Articles of apparel, accessories, not knit or crochet	'62
'20	Vegetable, fruit, nut, etc food preparations	6	0	28232	26342	335727	347025	15	16	Fish, crustaceans,molluscs, aquatic invertebrates	'03
'27	Mineral fuels, oils, distillation products, etc	0	5	388203	354619	13071	11686	20	15	Machinery, nuclear reactors, boilers, etc	'84
'56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	0	2	7	85	9116	7554	2	8	Articles of apparel, accessories, knit or crochet	'61
'84	Machinery, nuclear reactors, boilers, etc	3	0	7812	16570	49874	50296	8	0	Tobacco and manufactured tobacco substitutes	'24
'85	Electrical, electronic equipment	1	0	6507	7763	68175	60711	4	2	Miscellaneous chemical products	'38
'40	Rubber and articles thereof	1	0	8489	4951	176062	181269	3	1	Rubber and articles thereof	'40
'99	Commodities not elsewhere specified	0	203	5835	6077	222504	229673	0	1	Plastics and articles thereof	'39
						3653	4171	141	0	Electrical, electronic equipment	'85
								25	0	Arms and ammunition, parts and accessories thereof	'93

Source: International Trade Centre (ITC) Trade Map, accessed June 2015

ANNEX 4: JAMAICA'S TOP TEN TRADED PRODUCTS WITH THE UNITED STATES OF AMERICA RELATIVE TO TRADE WITH THE WORLD (US\$ THOUSAND)

PRODUCT CODE	PRODUCT LABEL	JAMAICA'S EXPORTS TO USA		JAMAICA'S EXPORTS TO WORLD		JAMAICA'S IMPORTS FROM THE WORLD		JAMAICA'S IMPORTS FROM USA		PRODUCT LABEL	PRODUCT CODE
		VALUE IN 2012	VALUE IN 2013	VALUE IN 2012	VALUE IN 2013	VALUE IN 2012	VALUE IN 2013	VALUE IN 2012	VALUE IN 2013		
TOTAL	ALL PRODUCTS	823450	770756	1711790	1569117	6580358	6216155	2349156	2122704	ALL PRODUCTS	TOTAL
'27	Mineral fuels, oils, distillation products, etc	332019	349587	388203	354619	2385842	2259446	531553	436372	Mineral fuels, oils, distillation products, etc	'27
'26	Ores, slag and ash	128322	129394	130438	129396	335727	347025	197872	197793	Machinery, nuclear reactors, boilers, etc	'84
'22	Beverages, spirits and vinegar	212345	97058	282933	168961	456158	301546	196530	143598	Beverages, spirits and vinegar	'22
'28	Inorganic chemicals, precious metal compound, isotopes	17178	49829	517894	536473	206446	213012	148133	138757	Cereals	'10
'71	Pearls, precious stones, metals, coins, etc	29480	19663	30282	20139	222504	229673	106720	98475	Electrical, electronic equipment	'85
07	Edible vegetables, roots and tubers	16281	18100	26058	30139	104494	98683	91630	91431	Inorganic chemicals, precious metal compounds	28
21	Miscellaneous edible preparations	15669	17215	24047	26244	176062	181269	77145	75422	Plastics and articles thereof	39
84	Machinery, nuclear reactors, boilers, etc	5093	13344	7812	16570	61807	65515	58033	57777	Residues, wastes of food industry, animal fodder	23
20	Vegetable, fruit, nut, etc food preparations	14572	12033	28232	26342	127439	118694	54989	49582	Paper and paperboard, articles of pulp, paper and board	48
09	Coffee, tea, mate and spices	6754	7513	23631	25767	61551	74236	34945	46920	Wood and articles of wood, wood charcoal	44

Source: International Trade Centre (ITC) Trade Map, accessed June 2015

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