**CUBAN ENTREPRENEURS CAN SELL EVERYTHING FROM SHOES TO SOAP IN THE UNITED STATES**

Mimi Whitefield, Miami Herald, 02/23/2015

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When the U.S. State Department announced new rules for products that independent Cuban entrepreneurs could sell in the United States, it published a broad list detailing they couldn’t sell. That left many people scratching their heads over whether much of anything now produced by Cuba’s *cuentapropistas* would be allowed.

But after analyzing all the exceptions and drilling into the complicated U.S. Harmonized Tariff Schedule, Miami Customs attorney Lenny Feldman has come up with what he calls his “yes” list — imports from self-employed workers that are permitted even though the U.S. trade embargo against Cuba remains in place.

It turns out there are more potential products than originally thought and quite a few that at least some of the 483,396 Cubans registered as *cuentapropistas* — those who work for themselves — make.

“There’s actually a lot left,” said Feldman, an attorney in the Miami office of Sandler, Travis & Rosenberg.

The State Department says its new rules will encourage private Cuban entrepreneurs to develop products for export. While all live animals and animal products are prohibited, raw hides, skins, leather, furs, saddlery and harnesses, handbags, and travel goods are allowed. So are paper products, plastics and rubber articles, ceramics, glass and glassware, articles of stone, plaster and cement; footwear, hats, umbrellas, toys and games, artificial flowers and feathers.

Independent entrepreneurs who make soap, cosmetics, candles, waxes and polishes, perfume or photographic or cinematographic goods are also in the clear. Jewelry makers, including those who work with pearls and precious and semiprecious stones, also got a green light as did producers of cutlery and tools.

Importation into the United States of an array of home goods, including furniture, lamps, illuminated signs, bedding, mattresses and cushions, clocks, wicker products, baskets, and articles made from wood, cork and straw, is allowed. Watches and musical instruments are on the “yes” list, too.

More sophisticated manufactured products such as measuring, medical and surgical instruments, and optical, photographic and cinematographic equipment also are permissible — although it’s unclear whether any independent entrepreneurs or private cooperatives are making such items in Cuba.

On the State Department’s negative list of products that cannot be imported are sugar, tobacco and vegetables, prepared foods and beverages, spirits — sorry, no rum, machinery, electrical equipment, minerals, most chemical products, aircraft, vessels, arms and ammunition, and vehicles — precluding the importation of vintage cars.

Ted Piccone, a senior fellow at the Brookings Institution, said that many of the articles on the excluded list are those that are produced almost exclusively by state-owned enterprises.

“The point of this is to encourage the non-state sector,” he said. “Because of the embargo, we want to avoid doing business with any parts of government, but that’s difficult when the Cuban government controls almost the entire economy.”

That may be why some textile and apparel items, for example, are on the excluded list while others are not.

“It’s when part of a section [of the tariff schedule] is included and part is not that it gets tricky,” said Feldman.

Wool or cotton (chapters 51 and 52) are not allowed. But textiles in nearly a dozen other chapters are allowed. Among the items that may be imported are knitted and woven fabrics and apparel, lace, embroidery, carpets and other floor coverings, and textiles and articles made from felt, twine, rope, vegetable fibers and man-made filaments. Clothing and apparel are among the items that have the best potential for sale in the United States, Feldman said.

The import list, the State Department said, “represents one of many aspects of the new approach that will help independent Cuban entrepreneurs increase access to information and resources they need to improve their livelihoods, and to effect positive change within their communities.”

Along with buying products from private Cubans, the new Cuba policy announced in December by the Obama administration also allowed for the export of U.S. products to support *cuentapropistas*, small private farmers and to help in private building projects and renovations.

Under the new rules, the commercial export of computers, software and other personal telecom equipment also is allowed.

But that doesn’t mean trading with small private Cuban businesses and cooperatives will be easy. “Cuba is not set up for non-state entities to trade abroad,” said Piccone. “The Cuban government is going to have to do its own regulatory reforms. They’ll want to regulate, control and tax this trade and they just aren’t ready.”

The State Department said it “cannot predict what the Cuban government will or will not allow, but we sincerely hope that it makes this and other new opportunities available to Cuba’s nascent private sector.”

Before the rule change, the embargo prohibited the importation from Cuba of anything except informational materials, art and very select additional items that could be brought in by special license.

But the many new imports now allowed will face another deterrent: extremely high import duties that apply to only two countries: Cuba and North Korea. “The duty rates could make it unfeasible to trade certain products,” said Feldman. Duties on apparel from most countries range from about 6 percent to 28 percent up to around 32 percent for some items, Feldman said. But import duties on apparel from Cuba and North Korea, for example, would be 35 to 75 percent up to 90 percent on some items, he said.

The new regulations also allow the import of services and at least in the short-term, Piccone said, this may generate the most interest on the American side. Hiring Cuban entrepreneurs or private cooperatives to do software design, translations or book-keeping is now possible.

Another practical problem that must be overcome is how to ship products to and from Cuba because there is no direct mail service between the two countries. Agricultural and forestry products that are sent to Cuba under exceptions to the embargo go via ship.

Initially, the trade with Cuba’s private sector may be suitcase commerce with visitors taking permitted products as accompanied luggage.

When it comes to U.S. exports to Cuba, “the reality is the United States is already the fourth-largest supplier to Cuba,” said John Price, managing director of Americas Market Intelligence. “The problem is that Americans are not allowed to finance their trade with Cuba.” Last year, Cuba bought $299.14 million worth of U.S. products, mostly frozen chickens, soybeans and soy products, but in recent years such exports have been declining.

Cuba, Price said, has about $3 billion in working capital to finance $14 billion in imports from around the world. In previous years, he said, Cuba put more of its working capital toward financing U.S. imports instead of paying other trading partners on a timely basis.

“If American companies aren’t allowed to finance exports to Cuba, they won’t make a dent in the market,” said Price. “It’s not like Cuba has never seen all these products. They have access to a whole world of products except for one country.”

Cuba also has an unwieldy dual currency system with Cuban pesos, which are used for most salaries and everyday purchases, valued at 25 to one Cuban convertible peso (CUC). The CUC, used by state companies and the public sector, is officially exchanged on par with the Cuban peso and is worth $1 U.S.

But how the Cubans would handle payments for the newly permitted commerce, said Piccone, “remains an unknown” as does how much of the new trade it wants to allow.

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