Restricting Additional Exports and Reexports to Cuba

AGENCY: Bureau of Industry and Security, Commerce.

ACTION: Final rule.

SUMMARY: In this final rule, the Bureau of Industry and Security (BIS) amends the Export Administration Regulations (EAR) to further restrict exports and reexports of items to Cuba. Specifically, this rule amends the Cuba licensing policy in the EAR to establish a general policy of denial for leases of aircraft to Cuban state-owned airlines. This rule also amends License Exception Aircraft, Vessels and Spacecraft (AVS) to clarify that aircraft and vessels are not eligible for the license exception if they are leased to or chartered by a national of Cuba or a State Sponsor of Terrorism. Additionally, this rule amends the EAR to establish a general 10-percent de minimis level for Cuba. Finally, this rule revises License Exception Support for the Cuban People (SCP) to make the Cuban government and communist party ineligible for certain donations, removes an authorization for promotional items that generally benefits the Cuban government, and clarifies the scope of telecommunications items that the Cuban government may receive without a license. BIS is making these amendments to further restrict the Cuban government’s access to items subject to the EAR, thereby supporting the Administration’s
national security and foreign policy decision to hold the Cuban regime accountable for its repression of the Cuban people and its support for the Maduro regime in Venezuela; the Cuban regime denies its people fundamental freedoms while keeping Maduro in power using Cuban military intelligence and state security services. These amendments are consistent with the National Security Presidential Memorandum on Strengthening the Policy of the United States Toward Cuba, signed by the President on June 16, 2017.

DATES: This rule is effective [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER].


SUPPLEMENTARY INFORMATION:

Background

On June 16, 2017, President Trump announced changes to U.S. policy toward Cuba intended to: enhance compliance with United States law; channel funds toward the Cuban people and away from the regime; encourage the Cuban government to address oppression and human rights abuses; further the national security and foreign policy interests of the United States, as well as express solidarity with the Cuban people; and lay the groundwork to improve human rights, encourage the rule of law, foster free markets and free enterprise, and promote democracy in Cuba. The President’s policy is stated in the National Security Presidential Memorandum on
Strengthening the Policy of the United States Toward Cuba (NSPM-5), dated June 16, 2017 (82 FR 48875, October 20, 2017). NSPM-5 also directs the Secretary of Commerce, as well as the Secretaries of State and the Treasury, to take certain actions to implement the President’s Cuba policy. On November 9, 2017, the Department of Commerce’s Bureau of Industry and Security (BIS) and the Department of the Treasury’s Office of Foreign Assets Control (OFAC) published rules in the Federal Register to implement certain portions of NSPM-5 (82 FR 51983 and 82 FR 51998, respectively). The Department of State also published the List of Restricted Entities and Subentities Associated with Cuba (Cuba Restricted List) (82 FR 52089), which is used by BIS in reviewing license applications submitted pursuant to the Export Administration Regulations (EAR) (15 CFR parts 730 through 774) and by OFAC in prohibiting certain direct financial transactions pursuant to the Cuban Assets Control Regulations (CACR) (31 CFR part 515). Additional entities and subentities have subsequently been added to the Cuba Restricted List (83 FR 57523, 84 FR 8939, 84 FR 17228, and 84 FR 36154). Please also see the Department of State’s website at: https://www.state.gov/cuba-sanctions/cuba-restricted-list/.

On April 17, 2019, the White House announced that the Administration is holding the Cuban regime accountable for repressing the Cuban people and supporting the Maduro regime in Venezuela through multiple actions, including by restricting non-family travel to Cuba, or in other words, “veiled tourism.” BIS and OFAC published rules in the Federal Register on June 5, 2019, to implement restrictions on non-family travel to Cuba (84 FR 25986 and 84 FR 25992, respectively). Additionally, OFAC published a rule in the Federal Register on September 9, 2019, to remove certain authorizations for remittances to Cuba and amend the general license relating to “U-turn” financial transactions to eliminate the authorization to process such
transactions and instead only allow the rejection of such transactions (84 FR 47121).

The Cuban government has generated revenue or otherwise benefited from certain exports and reexports to Cuba. Consequently, BIS is amending the EAR to further restrict the Cuban government’s access to items subject to the EAR, thereby supporting the Administration’s policy to hold the Cuban regime accountable for its malign activities at home and abroad. Any party that violates the EAR may be subject to criminal and/or civil penalties specified in section 1760 of the Export Control Reform Act of 2018 (50 U.S.C. 4801-4852), and any other sanctions available under U.S. law.

Specific Amendments in this Rule

Cuba Licensing Policy

Consistent with the embargo of Cuba, BIS authorization in the form of a license or license exception is required for the export or reexport to Cuba of all items subject to the EAR. Section 746.2(b) of the EAR explains that license applications for the export or reexport to Cuba of items requiring a license are subject to a general policy of denial unless otherwise specified in that paragraph. This rule amends paragraph (b)(2)(v) to remove the general policy of approval for applications to export or reexport aircraft leased to Cuban state-owned airlines. Consequently, license applications to lease aircraft to Cuban state-owned airlines are now subject to the general policy of denial in § 746.2(b) of the EAR. BIS will also revoke licenses within seven days, through individual notifications to licensees pursuant to § 750.8 of the EAR, for aircraft leased to Cuban state-owned airlines under the former policy. BIS is making these changes because the
Cuban government generates revenue from tourists that it transports on leased aircraft.

**License Exception Aircraft, Vessels and Spacecraft (AVS)**

Section 746.2(a)(1) of the EAR identifies the license exceptions, or portions thereof, that are available for exports and reexports to Cuba, including paragraphs (a) and (d) of License Exception AVS in § 740.15 for, respectively, certain aircraft and vessels on temporary sojourn.

Paragraph (a) of License Exception AVS authorizes the export or reexport to Cuba of certain aircraft on temporary sojourn, provided all of the associated terms and conditions are met. Paragraph (a)(3) identifies the criteria that must be met if a flight is to qualify as a temporary sojourn. This rule adds paragraph (a)(3)(x) to clarify that aircraft leased to or chartered by a Cuban national are not eligible for License Exception AVS. New paragraph (a)(3)(x) also clarifies that aircraft are not eligible for License Exception AVS if leased to or chartered by a national of a destination in Country Group E:1 (Terrorist supporting countries). Additionally, this rule adds Cuba to restrictions in paragraphs (a)(1)(i) and (ii) of License Exception AVS regarding the sale or transfer of operational control of foreign registered aircraft and to restrictions in paragraphs (a)(3)(iv) through (ix) of License Exception AVS regarding the operational control of foreign and U.S. registered aircraft. Instead of identifying Cuba by name, this rule adds references to Country Group E:2 (Unilateral embargo), which currently only includes Cuba. For consistency, this rule changes a reference to Cuba in paragraph (a)(2)(ii) of License Exception AVS to Country Group E:2. This rule also clarifies the existing list of aircraft eligible for paragraph (a)(2)(i) of License Exception AVS.
Paragraph (d) of License Exception AVS authorizes the export or reexport to Cuba of cargo vessels for hire on temporary sojourn, provided all of the associated terms and conditions are met. Paragraph (d)(3) identifies the criteria that must be met if a voyage is to qualify as a temporary sojourn. This rule adds paragraph (d)(3)(v) to clarify that vessels leased to or chartered by a Cuban national are not eligible for License Exception AVS. New paragraph (d)(3)(v) also clarifies that vessels are not eligible for License Exception AVS if leased to or chartered by a national of a destination in Country Group E:1. Additionally, this rule adds Cuba to the restriction in paragraphs (d)(1)(i) and (ii) of License Exception AVS regarding the sale or transfer of operational control of foreign flagged vessels and to restrictions in paragraphs (d)(2)(v) through (vii), (d)(3)(iv), and (d)(4)(v) through (vii) of License Exception AVS regarding the operational control of and related activities involving foreign and U.S. flagged vessels. As is done in paragraph (a), the changes to paragraph (d) reference Country Group E:2 instead of referencing Cuba by name.

License applications for the export or reexport of aircraft or vessels leased to or chartered by, or on the behalf of, the Cuban government, including state-owned airlines or other enterprises, will generally be denied pursuant to the licensing policy in § 746.2(b) of the EAR. License applications for aircraft or vessels leased to or chartered by other nationals of Cuba will be reviewed pursuant to the applicable licensing policy described in § 746.2(b) of the EAR. BIS is making these changes to License Exception AVS because the Cuban government has generated revenue or otherwise benefited from the lease or charter of aircraft and vessels.
De Minimis Rule

Pursuant to part 734 of the EAR, foreign-made items located abroad are subject to the EAR under specified circumstances, including when they incorporate, or are bundled or commingled with, specified levels of controlled U.S.-origin commodities, software, or technology. Paragraph (a) of § 734.4 identifies items for which there is no de minimis level, and thus are subject to the EAR if they contain any controlled U.S.-origin content, and paragraph (b) identifies special requirements for certain encryption items. When paragraphs (a) and (b) of § 734.4 are not applicable, either the 10-percent de minimis rule described in paragraph (c) or the 25-percent de minimis rule described in paragraph (d) applies, depending upon the destination of the items.

This rule amends § 734.4(d) of the EAR to make Cuba subject to the general 10-percent de minimis rule in § 734.4(c). Now, a BIS license or an applicable license exception specified in § 746.2(a)(1) of the EAR is required for the reexport to Cuba of foreign-made items that contain greater than 10 percent of U.S.-origin content or, when § 734.4(a) applies, contain any U.S.-origin content. License applications for such items are subject to a general policy of denial, unless eligible for another licensing policy described in § 746.2(b) of the EAR. Instead of referencing Cuba by name in § 734.4, this rule makes Cuba subject to the general 10-percent de minimis rule by referencing Country Group E:2. BIS is making this change to de minimis because the Cuban government could generate revenue or otherwise benefit from the receipt of items containing greater than 10 percent of U.S.-origin content.

License Exception Support for the Cuban People

License Exception Support for the Cuban People (SCP) in § 740.21 of the EAR was created to
authorize certain exports and reexports to Cuba that are intended to support the Cuban people by improving their living conditions and supporting independent economic activity; strengthening civil society in Cuba; and improving the free flow of information to, from, and among the Cuban people. Items exported or reexported pursuant to certain provisions of License Exception SCP may be consigned to or, in some instances, used by the Cuban government provided the items would be used to benefit the Cuban people.

Paragraph (c)(1) of License Exception SCP authorizes the export or reexport to Cuba of certain donated items for use in scientific, archeological, cultural, ecological, educational, historic preservation, or sporting activities provided specified conditions are met. This rule amends paragraph (c)(1) to exclude donations to organizations administered or controlled by the Cuban government or communist party. Consequently, an exporter or reexporter wanting to donate items to organizations administered or controlled by the Cuban government or communist party must submit a license application to BIS, which will be reviewed pursuant to the licensing policy in § 746.2(b) of the EAR. This change will give the U.S. Government the opportunity to determine whether donations to those entities would benefit the Cuban people. Paragraph (c)(1) of License Exception SCP is still available for eligible donations to the Cuban people and civil society organizations provided the items would be used to support activities independent of the Cuban government and communist party.

Paragraph (d)(1) of License Exception SCP authorizes the export or reexport to Cuba of certain items for telecommunications infrastructure creation and upgrades. This rule amends paragraph (d)(1) to clarify that it is limited to eligible items for the creation and upgrades of
telecommunications infrastructure to improve the free flow of information to, from, and among the Cuban people. For infrastructure items that would be used to connect specific end users (i.e., non-backbone items), those items may be used to connect individual Cubans or the Cuban private sector only. A license is required for the export or reexport to Cuba of items for telecommunications infrastructure that would be used to connect other specific end users (e.g., Cuban government ministries and state-owned hotels), which will be reviewed pursuant to the licensing policy in § 746.2(b) of the EAR. Separately, License Exception Consumer Communications Devices (CCD) in § 740.19 of the EAR authorizes the export or reexport to Cuba of certain consumer communications devices for use by eligible individuals and independent non-governmental organizations.

This rule also revises paragraph (e)(2) of License Exception SCP to eliminate an authorization for items to be given away for free for promotional purposes. This provision regarding such promotional items has been primarily beneficial to the Cuban government since it has a virtual monopoly on importing items into the country. However, items for use by the Cuban private sector for private sector economic activities remain eligible for paragraph (b)(1) of License Exception SCP, provided the associated terms and conditions are met. License applications for the export or reexport of promotional items to the Cuban government will be reviewed pursuant to the general policy of denial in § 746.2(b) of the EAR.

BIS is making these changes to License Exception SCP to ensure that the Cuban people, not the Cuban government or communist party, benefit from items exported or reexported pursuant to the license exception.
Rulemaking Requirements

1. Executive Orders 13563 and 12866 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distribute impacts, and equity). Executive Order 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This final rule has been designated a ‘‘significant regulatory action,’’ although not economically significant, under section 3(f) of Executive Order 12866.

2. This final rule is not subject to the requirements of E.O. 13771 (82 FR 9339, February 3, 2017) because it is issued with respect to a national security function of the United States. This rule supports the Administration’s national security and foreign policy objectives per the direction provided to agencies in National Security Presidential Memorandum on Strengthening the Policy of the United States Toward Cuba (NSPM-5). National Security Presidential Memoranda are used to promulgate Presidential decisions on national security matters. Thus, the primary direct benefit of this rule is to improve national security. Restricting additional exports and reexports to Cuba, including leased aircraft, will reduce the ability of the Cuban government, including its military, intelligence, and security services, to generate revenue or otherwise derive benefits from the use of items subject to the EAR. Accordingly, this rule meets the requirements set forth in the April 5, 2017, OMB guidance implementing E.O. 13771. See https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2017/M-17-21-OMB.pdf.
3. This rule does not contain policies with Federalism implications as that term is defined under Executive Order 13132.


5. Because a notice of proposed rulemaking and an opportunity for public comment are not required to be given for this rule by 5 U.S.C. 553, or by any other law, the analytical requirements of the Regulatory Flexibility Act, 5 U.S.C. 601, et seq., are not applicable. Accordingly, no regulatory flexibility analysis is required and none has been prepared.

6. Notwithstanding any other provision of law, no person may be required to respond to or be subject to a penalty for failure to comply with a collection of information, subject to the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.) (PRA), unless that collection of information displays a currently valid Office of Management and Budget (OMB) Control Number. This regulation involves a collection currently approved by OMB under control number 0694-0088, Simplified Network Application Processing System. This collection includes, among other things, license applications, and carries a burden estimate of 42.5 minutes for a manual or electronic submission for a total burden estimate of 31,878 hours. BIS expects the burden hours associated with this collection to minimally increase and have limited impact on the existing estimates. Any comments regarding the collection of information associated with this rule, including suggestions for reducing the burden, may be sent to Jasmeet K. Seehra, Office of Management and Budget (OMB), by e-mail to Jasmeet_K._Seehra@omb.eop.gov, or by fax to (202) 395-7285.
For the reasons set forth in the preamble, 15 CFR chapter VII, subchapter C, is amended as follows:

PART 734 – [AMENDED]

1. The authority citation for 15 CFR part 734 is revised to read as follows:

2. Section 734.4 is amended by revising the introductory text of paragraph (d) to read as follows:

§ 734.4 De minimis U.S. content.

* * * * *

(d) 25% De Minimis Rule. Except as provided in paragraph (a) of this section and subject to the provisions of paragraph (b) of this section, the following reexports are not subject to the EAR when made to countries other than those listed in Country Group E:1 or E:2 of supplement no. 1 to part 740 of the EAR. See supplement no. 2 to this part for guidance on calculating values.

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PART 740 – [AMENDED]

3. The authority citation for 15 CFR part 740 is revised to read as follows:


4. Section 740.15 is amended by:

a. Revising paragraphs (a)(1)(i) and (ii), (a)(2)(i) introductory text, (a)(2)(ii) introductory text, (a)(3) introductory text, and (a)(3)(iv), (v), (vi), (vii), (viii), and (ix);

b. Adding paragraph (a)(3)(x);

c. Revising paragraphs (d)(1)(i) and (ii), (d)(2)(v), (vi), and (vii), and (d)(3)(iv);

d. Adding paragraph (d)(3)(v); and

e. Revising paragraphs (d)(4)(v), (vi), and (vii).

The revisions and additions read as follows:
§ 740.15 Aircraft, Vessels and Spacecraft (AVS).

(a) * * *

(1) * * *

(i) No sale or transfer of operational control of the aircraft to a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part) has occurred while in the United States;

(ii) The aircraft is not departing for the purpose of sale or transfer of operational control to a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part); and

(2) U.S. registered aircraft. (i) A civil aircraft of U.S. registry operating under an Air Carrier Operating Certificate, Commercial Operating Certificate, or Air Taxi Operating Certificate issued by the Federal Aviation Administration (FAA) or conducting flights under operating specifications approved by the FAA pursuant to 14 CFR part 129, or an air ambulance of U.S. registry operating under 14 CFR part 135, may depart from the United States under its own power for any destination, provided that:

(ii) Any other operating civil aircraft of U.S. registry may depart from the United States under its own power for any destination, except to or a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part) (flights to these destinations require a license), provided that:

(3) Criteria. The following ten criteria each must be met if the flight is to qualify as a temporary sojourn. To be considered a temporary sojourn, the flight must not be for the purpose of sale or
transfer of operational control. An export is for the transfer of operational control unless the exporter retains each of the following indicia of control:

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(iv) **Place of maintenance.** Right to perform or obtain the principal maintenance on the aircraft, which principal maintenance is conducted outside a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part), under the control of a party who is not a national of any of these countries. (The minimum necessary in-transit maintenance may be performed in any country).

(v) **Location of spares.** Spares are not located in a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part).

(vi) **Place of registration.** The place of registration is not changed to a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part).

(vii) **Transfer of technology.** No technology is transferred to a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part), except the minimum necessary for in-transit maintenance to perform flight line servicing required to depart safely.

(viii) **Color and logos.** The aircraft does not bear the livery, colors, or logos of a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part).

(ix) **Flight number.** The aircraft does not fly under a flight number issued to a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part) as such number appears in the Official Airline Guide.

(x) **Lease or charter.** The aircraft is not leased to or chartered by a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part).

* * * * *

(d) * * *

(1) * * *
(i) No sale or transfer of operational control of the vessel to a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part) has occurred while in the United States;
(ii) The vessel is not departing for the purpose of sale or transfer of operational control to a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part); and

* * * *

(2) * * *

(v) Spares for the vessel are not located in a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part);

(vi) Technology is not transferred to a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part), except the minimum necessary in-transit maintenance to perform servicing required to depart and enter a port safely; and

(vii) The vessel does not bear the livery, colors, or logos of a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part).

(3) * * *

(iv) **Place of maintenance.** Right to perform or obtain the principal maintenance on the vessel, which principal maintenance is conducted outside a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part), under the control of a party who is not a national of any of these countries. (The minimum necessary in-transit maintenance may be performed in any country).

(v) **Lease or charter.** The vessel is not leased to or chartered by a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part).

(4) * * *

(v) Spares for the vessel are not located in a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part);
(vi) Technology is not transferred to a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part), except the minimum necessary in-transit maintenance to perform servicing required to depart and enter a port safely; and

(vii) The vessel does not bear the livery, colors, or logos of a national of a destination in Country Group E:1 or E:2 (see supplement no. 1 to this part).

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5. Section 740.21 is amended by:

a. Revising paragraphs (c)(1) and (d)(1); and

b. Removing and reserving paragraph (e)(2).

The revisions read as follows:

§ 740.21 Support for the Cuban People (SCP).

* * * * *

(c) * * *

(1) The export or reexport to Cuba of donated items for use in scientific, archaeological, cultural, ecological, educational, historic preservation, or sporting activities. The items may not be donated to organizations administered or controlled by the Cuban government or communist party, and must support eligible activities independent of the Cuban government and communist party. The activities may not relate to the “development,” “production,” “use,” operation, installation, maintenance, repair, overhaul or refurbishing of any item enumerated or otherwise described on the United States Munitions List (22 CFR part 121) or of any item enumerated or otherwise described on the Commerce Control List (supplement no. 1 to part 774 of the EAR) unless the only reason for control that applies to that item, as set forth in the ECCN that controls
that item, is anti-terrorism.

* * * * *

(d) * * *

(1) The export or reexport to Cuba of items for the creation and upgrade of telecommunications infrastructure to improve the free flow of information to, from, and among the Cuban people, including infrastructure that enables access to the Internet and use of Internet services. For infrastructure items that would be used to connect specific end users, those items may be used to connect individual Cubans or the Cuban private sector only (e.g., not Cuban government ministries or state-owned enterprises).

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PART 746 – [AMENDED]

6. The authority citation for 15 CFR part 746 is revised to read as follows:


7. Section 746.2 is amended by revising paragraph (b)(2)(v) to read as follows:
§ 746.2 Cuba.

* * * * *

(b) * * *

(2) * * *

(v) Items necessary to ensure the safety of civil aviation and the safe operation of commercial aircraft engaged in international air transportation, excluding the export or reexport of such aircraft leased to state-owned enterprises; and

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Matthew S. Borman,
Deputy Assistant Secretary for Export Administration.

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