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White House preparing new rules to weaken Cuba embargo

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The White House is drafting sweeping regulations to further weaken the U.S. trade embargo on Cuba that would ease restrictions on U.S. companies and make it safer for Americans to travel there, U.S. government sources said on Thursday.

The regulations could be announced as soon as Friday.

U.S. companies would be allowed to establish offices in Cuba for the first time in more than half a century, according to a draft of the new rules seen by Reuters.

The regulations make it easier for airlines and cruise ships to import parts and technology to improve safety in Cuba; loosen restrictions on software exports; and allow authorized companies to establish subsidiaries with Cuba, possibly via joint ventures with Cuban firms such as state telecommunications monopoly Etecsa.

However, they do not authorize private financing of trade nor change current rules on who can travel to Cuba, though it is possible regulations could still be modified by other agencies or updated later in the year, according to people familiar with the White House's thinking on Cuba policy.

There was no immediate comment from President Barack Obama's administration.

"These are the most comprehensive expansion in U.S. trade and investment regulations with Cuba in decades," said John Kavulich, head of the U.S.-Cuba Trade and Economic Council, who is familiar with the new rules.

"The result will be an exponential increase in interest towards Cuba by U.S. companies and pressure upon Cuba by those same companies to permit access to the marketplace," Kavulich said.

The regulations expand on others that Obama announced in January to ease the 53-year-old embargo of the

Communist-ruled island.

Those rules were an initial gesture after Obama and Cuban President Raul Castro announced on Dec. 17 they would move toward normal relations between the former Cold War foes for the first time in more than half a century.

Although legislation seeking to promote commercial ties between the two countries has support from Democrats and some Republicans, efforts to pass bills that would ease trade and travel restrictions have been stymied by opposition from Republican congressional leaders.

Given the resistance from Congress, Obama is using executive powers to ease the trade barriers.

The administration was preparing the new regulations as Jose Cabanas, a veteran diplomat, on Thursday became Cuba's first ambassador to the United States in 54 years.

Washington has yet to name an ambassador to Cuba.

Cuba is also preparing for a three-night visit from Pope Francis starting on Saturday.

One advocate of U.S. engagement with Cuba who has been briefed on the matter said administration officials first discussed the regulations with supporters of Obama's Cuba policy in July.

"The focus is on ease of doing business, and (the regulations) have been in hopper to be released for a couple of weeks. Interesting that they're choosing it to coincide with the pope's visit," said Felice Gorordo, co-founder of the Cuban-American group Roots of Hope.

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