

Economic Update July 23



Florida Bank Signs First Deal With Cuban Counterpart

A little known US bank, South Florida-based *Stonegate*, has become the first US financial institution to set up a correspondent banking relationship with a Cuban counterpart, a day after Washington and Havana finally reestablished diplomatic ties.

The Florida-based bank announced on Wednesday that it signed a correspondent deal with Cuba's Banco Internacional de Comercio (BICSA) in Havana. BICSA that was established in 1993 to conduct foreign trade and has more than 600 correspondent relationships in the world. It has recommended itself as a reliable institution that is audited annually by Ernst & Young.

"This is another step in terms of normalizing commercial relations between the US and Cuba. The ability to move money easily between both countries will only increase trade and benefit American companies wishing to do business in Cuba," David Seleski, the company's president and CEO said in a press release.

Stonegate, which has \$2.27 billion in assets and \$1.93 billion in deposits, pioneered a financial rapprochement between two former foes when on May 20th it opened an account for the Cuban government and a diplomatic mission in the US.

Under Treasury Department regulations dating back to January, American banks are allowed to open correspondent accounts in Cuban banks; however, so far US financial institutions were wary of dealing

with Cuba without further legal guarantees.

While American travelers are also theoretically allowed to use credit and debit cards in Cuba, no US banks are offering such transactions. According to a *Miami Herald* investigation, *MasterCard* and *American Express* offered to process card transactions by Americans in Cuba but got no support from American banks.

With the opening of a banking relationship, Cuban-Americans will now be able to wire money to their relatives in Cuba, and hopefully offer plastic card transactions.

"I assume their next step would be to apply for a license to handle remittances so they can compete with Western Union," Fernando Capablanca, managing director of *Whitecap Consulting Group*, which provides services to community and foreign banks, told Miami Herald. "I'm happy someone has done this. It is a good first step. It's a new frontier, so I'm not quite sure how *Stonegate* will use this arrangement."

Last Monday, the United States and Cuba officially reestablished full diplomatic ties by reopening embassies.

Winning the Havana Club Brand, Immediate Goal of the Cuban Government

Cuba asked the United States on Monday, after restoring diplomatic relations, to repeal laws that impede recognition of Havana Club as a Cuban rum brand.

The request was made by the Cuban diplomat Carlos Martin in Geneva before the *Dispute Settlement Body (DSB)* of the *World Trade Organization (WTO)*, the *Prensa Latina* Cuban agency reported.

"Unjustified and unnecessarily, the United States has ignored the recommendations and rulings" which for 13 years are calling for the abolition or amendment of the *Omnibus Appropriations Act of 1998*.

The French company Pernod Ricard, associated with the *CubaRon* state company in the manufacture and marketing of the rum, appealed to the decision to deny registering the trademark Havana Club in the United States, now used by *Bacardi* in that market.

That mark was established in Cuba in 1878 by the Spanish Jose Arechabala and nationalized in 1960.

Cuban Habano Cigars Promoted in Japan

The Cuban embassy in Tokyo has promoted the famous *Habano* cigars during an event that discloses the internationally excellent product.

With the participation of dozens of Cuban Habano lovers, the Caribbean island's embassy held a meeting that also included the performance of Cuban musicians living in the Japanese archipelago.

Cuban Economic and Commercial Counselor Maylem Rivero expressed the peculiarities of the product, the essence of the difference of Habano cigar, unique of this kind due to the characteristics in the way of production and selection of leaves, as well as the quality of the lands where it is grown.

She also gave a brief explanation about all internationally known brands, especially *Cohiba*, *Montecristo* and *Hoyos of Monterrey*, among others.

The meeting was also used to promote the 18th *Habano Festival edition*, an international event where followers of the best cigar in the world are called every year.

Mexico-Cuba Meeting on Sugar Cane Industry Begins

Experts from Mexico and Cuba recently had in this capital the *2nd ATAM-ATAC Technical Meeting*, to achieve a competitive sugar cane industry, with social and ecological responsibility.

The director of the Mexican Association of Sugar-producer Technicians (ATAM) and the President of the Association of Cuban Sugar Technicians (ATAC), Manuel Enrique Poy and Eduardo Lamadrid, respectively, agreed that the event seeks to exploit technical potentialities and research of the sector in both countries.

Speaking to the specialized press, they reiterated that this is about achieving the global competitiveness and in turn, the sustainability of sugar production in regions where it takes place.

According to the program, during the opening ceremony of the forum, Poy, also general director of Motzorongo Group, gave a keynote speech on the current situation and prospects of sugar in Mexico.

On the other hand, Azcuba Group expert, Juan Godefoy, presented an updating of the sugar technology and also referred to particular cases of India and China.

More than 50 experts, who discussed some 23 papers in several panels dedicated to industrial efficiency, new technologies and sugarcane agriculture, participated in the event.

Representatives of firms settled in Cuba, related to the sector, were also present with their products and services.

Cuba and Mongolia Call To Strengthen Their Relations

Cuba and Mongolia recently called to strengthen their relations and stressed the good time these ties are going through, in the 55th anniversary of its establishment.

We are confident that Mr. Purevsuren's visit represents a major contribution to progress and the strengthening of friendship relations between our countries, the Prime minister a.i. Marcelino Medina said. He also added that it is very positive that his visit occurs in the context of 55 years of uninterrupted links between both countries.

Medina thanked visitors for sustained support of Mongolia to the Cuban resolution in the United Nations General Assembly, calling for the end of the economic, commercial and financial blockade of Washington against Havana, which lasts more than 5 decades.

For his part, the distinguished visitor stressed that Cuba was the 1st country in the region, that established relations with Mongolia.

For this reason we will be always grateful, as well as by acting as a main bridge between the Asian nation and Latin America and the Caribbean, he said.

Spain Plans to Increase Investments in Cuba

Spanish Secretary of State for Trade, Jaime Garcia-Legaz, welcomed the re-establishment of diplomatic relations between Cuba and the United States, and defended the increase of investment from his country in the island.

Spain has spent several months taking steps to locate its companies in first line to new investment opportunities that open up in Cuba, Garcia-Legaz said at a press briefing organized by *Cinco Dias* business journal.

Giving a credit to rebuild hotels in Cuba, as in case of *Iberoestar*, was very difficult until recently for a bank; but the tap is now open and with reasonable terms, he said.

About this issue, he recalled that the Spanish government took important decisions, such as allowing the Bank of Spain removes the requirement of extraordinary provisions for giving credits to projects in Cuba to facilitate investment.

He added that a line of 40 million Euros was approved by *Spain's Development Financing Company (COFIDES)* for investment projects and business presence in Cuba.

He further clarified that the way for an agreement allowing the establishment of new terms of the debt with Spain were paved, and this will open another stage in relations.

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