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Companies

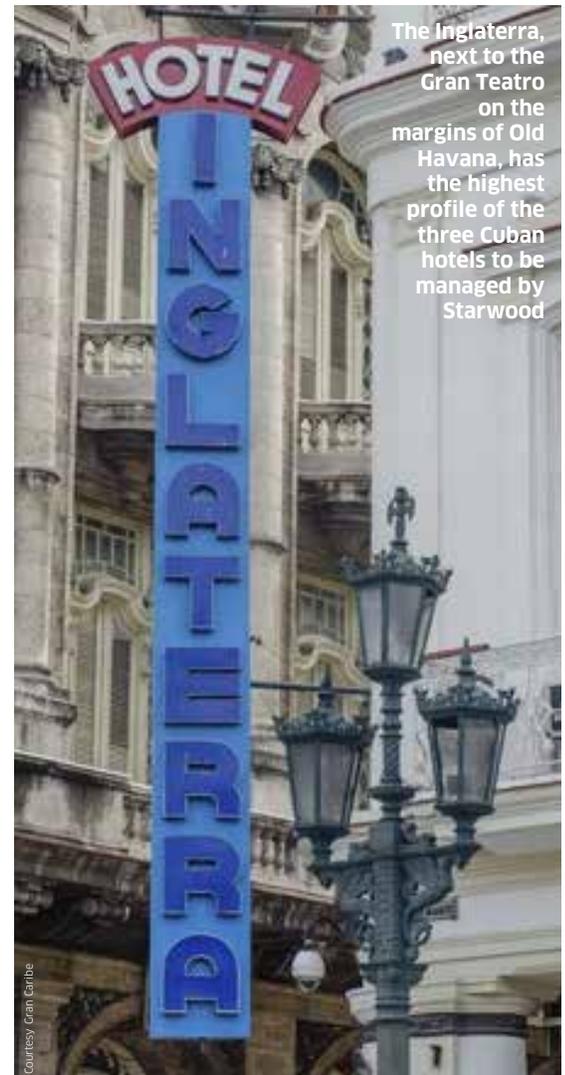
U.S. hotel chain signs historical agreements in Havana

| by JOHANNES WERNER

Starwood Hotels & Resorts Worldwide will become the first U.S. company since 1959 to manage hotels in Cuba, after signing two agreements and a letter of intent on March 19.

One day ahead of President Barack Obama's arrival for a state visit, the Stamford, Ct.-based company obtained special permission from the U.S. Department of Treasury to sign agreements to manage the high-profile Hotel Inglaterra on the margins of Old Havana and the Hotel Quinta Avenida in the west of the capital. It also signed a letter of intent to manage a boutique hotel in Old Havana, the Santa Isabel.

U.S. competitor Marriott International — the world's second-largest hotel chain, which is set to take over No. 4 Starwood for \$12.4 billion — is negotiating similar deals, after Treasury's Office of Foreign Assets Control (OFAC) also granted it a license to "pursue business transactions in Cuba", Marriott CEO Arne Sorenson said in his blog. The Bethesda, Md.-based company is "in discussions to develop a hospitality relationship with potential partners," Marriott said in a press release.



The Inglaterra, next to the Gran Teatro on the margins of Old Havana, has the highest profile of the three Cuban hotels to be managed by Starwood

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U.S. hotel chain (1)

Obama is trying to make his normalization policy “irreversible”, in part by allowing U.S. businesses to create facts on the ground, explained Ben Rhodes, Obama’s deputy national security adviser, in a press briefing. “If businesses are starting to operate there, they don’t want to be told to shut

The Hotel Santa Isabel is located at the Plaza de Armas in Old Havana, backing up on Havana Bay.

Photo: Courtesy Habagüanex



—Continued on page 3—

Politics

Hotel deals show White House eagerness, Cuban acceptance of claimants

WASHINGTON – When Starwood inked the deal, it did more than re-establish the first presence in Cuba of a U.S. hotelier since 1959. It also showed the Obama administration’s willingness to issue specific Treasury licenses to promote U.S.-Cuba trade, and this is the first time Cuba negotiates business with a major U.S. claimant.

Starwood is the owner of the old ITT property claim against Cuba, valued at more than \$50 million.

Starwood spokeswoman Carrie Bloom said the Treasury Department’s Office of Foreign Assets Control (OFAC) issued one license that allowed for the contracts with Grupo Gran Caribe and Grupo Gaviota on the Hotel Inglaterra and the Hotel Quinta Avenida.

A second license that would allow Starwood to enter into a third contract with Habagüanex, owner of the Hotel Santa Isabel, is still pending. It is unclear why OFAC has not issued this license.

An OFAC official said the agency does not comment on specific licenses to protect trade secrets of the businesses involved.

Starwood, which wants the Hotel Santa Isabel to join its Luxury Collection, also declined to discuss the situation.

But the hotelier, which has just

agreed to be acquired by Marriott, has opened the door to other hotel deals.

For one, Starwood’s entry into Cuba indicates the administration’s willingness to license business transactions, something it demonstrated when it issued a specific license that allowed Cuba to pay the costs of re-establishing a U.S. trademark for Havana Club rum. In its final months, the Obama administration may move several more times to overcome the embargo’s restrictions by granting other specific licenses for business deals between U.S. companies and Cuba, including one to facilitate a deal if AT&T comes to terms with Cuban telephone company ETECSA over new mobile phone service on the island.

The Starwood deal also marked the first time Cuba has done business with a major U.S. claimant.

Starwood holds the claim to 400 acres of land that was owned by Radio Corporación Cubana, a subsidiary of International Telephone and Telegraph.

But the claim was not included in the more than 6,000 U.S. property claims certified by the U.S. Foreign Claims Settlement Commission between 1967 and 1972. Instead, Starwood’s claim was

made through a complaint to the Justice Department in 2005 because the Cuban government had not expropriated Radio Corporación Cubana’s lands until 2003.

The U.S. government reopened the claims process to certify Starwood’s claim for about \$50 million, which has grown in value because the Foreign Claims Settlement Commission set a 6% per-year interest rate on certified claims.

Neither Starwood nor OFAC would say whether the claim was resolved as part of the company’s negotiations with Cuba, but several people with knowledge of the hotelier’s agreements say they believe it was not.

The United States and Cuba agreed to start to officially discuss certified claims in December.

John Kavulich of the U.S. Trade and Economic Council said the Starwood deal is a win-win for both Washington and Havana.

“From the Cuban side, Starwood is important because it has a claim and, despite that claim, it desires to enter the Cuban market,” Kavulich said. “Meanwhile, the Obama administration can say ‘What we are doing is in the best interests of the claimants.’” ■

—ANA RADELAT

U.S. hotel chain (2)

—Continued from page 2—

down,” Rhodes said.

“We are confident Starwood is the right partner to help write the next chapter of relations between Cuba and American business,” said Kenneth S. Siegel, Starwood Chief Administrative Officer and general counsel, in a press release. “We moved quickly and enthusiastically to pursue opportunities following recent government actions.”

Neither Starwood nor OFAC responded to questions about the nature of Starwood’s OFAC license and how the agreements fit within U.S. sanctions regulations (*see sidebar on previous page*).

The 83-room Inglaterra, a historical landmark on the margins of Old Havana next to the Gran Teatro, where Obama spoke during his visit, opened in 1875. It is owned and currently managed by Grupo Hotelero Gran Caribe, a state hotel chain that belongs to the tourism ministry. Starwood plans to reopen the Inglaterra under its Luxury Collection brand later this year, after renovations.



Courtesy Grupo Gaviota

The Quinta Avenida, a hotel in the western district of Miramar catering mainly to business travelers.

“Although the Inglaterra isn’t one of Havana’s most shipshape hotels, it is extremely popular for its evocative atmosphere and location,” travel site *Cubaism* recently described the property.

The 186-room Quinta Avenida, located in the posh western Miramar district on the thoroughfare of the same name, is owned and managed by the armed forces-controlled Grupo de Turismo Gaviota, which took over management from Spain’s Barceló two years ago. The hotel will also undergo renovations and reopen later this year as a Four Points by Sheraton. Starwood will position the hotel, which also offers meeting facilities, mainly for business travelers.

If an agreement materializes on the third hotel, the 27-room Santa Isabel will turn into another Luxury Collection hotel. The boutique hotel, in a colonial building in the middle of Old Havana, is owned by Habagüanex, the commercial arm of the City Historian of Havana. It would be the first Habagüanex-owned hotel not managed by the state company.

“We plan to cultivate local talent, provide career enriching opportunities, and locally source art, décor, food, and materials to ensure we deliver authentic experiences,” said Keith Grossman, senior vice president and deputy general counsel of Starwood.

Starwood, which is known for its St. Regis, The Luxury Collection, W, Westin, Le Méridien, Sheraton, Tribute Portfo-

Hotel giants, stepping into Cuba

U.S.-based hotel management companies, by revenues

Company	2014 revenues (bln \$)	World Ranking
Marriott International	13.8	No. 2
Hilton Worldwide	10.5	No. 3
Starwood Hotels & Resorts	6	No. 4
Wyndham Hotel Group	5.28	No. 6
Hyatt Hotels	4.42	No. 7
Choice Hotels International	0.76	No. 11

Source: Statista

U.S.-based hotel management companies, by number of hotels

Company	2015 hotels*	World Ranking
Wyndham Hotel Group	7,645	No. 1
Choice Hotels International	6,376	No. 2
Hilton Worldwide	4,278	No. 4
Marriott International	4,117	No. 5
Best Western	3,900	No. 6
Starwood Hotels & Resorts	1,207	No. 10

*under management worldwide, as of Jan. 2015

Source: Statista

U.S. hotel chain (3)

lio, Four Points by Sheraton, Aloft, and Element brands, said it was advised by Washington-based D17 Strategies in the Cuban agreements. The consulting firm was founded by Cuba veterans Julia Sweig and Phil Peters.

Meanwhile, Starwood shareholders agreed in early April to accept a takeover offer by competitor Marriott.

Marriott's options in Cuba include "entering the hospitality sector with Marriott brands", that company said in its press release.

"While there is still work to do before any agreement is reached, we are actively pursuing relationships in the hospitality sector," Marriott CEO Arne Sorenson said. "We have long been convinced that with the right frameworks in place, new economic opportunities, including dramatically expanded travel, abound in Cuba."

The arrival of U.S. hotel chains will put pressure on Cuba to improve communications with high-speed Internet and 4G and 5G mobile telephony connections, predicts John Kavulich of the U.S.-Cuba Trade and Economic Council in New York. Also, the opening may lure more U.S. banks to provide Cuba-related services. At this point, Fort

Lauderdale-based Stonegate Bank is the only U.S. bank able to respond to the needs for correspondent banking by the U.S. companies, Kavulich says in his blog. Finally, Kavulich believes, U.S. hotel management companies will be more challenging to the status quo in Cuba than the Spanish, French and Canadian companies already active there.

The new players "will not permit their flagship properties to become ambassadors of what is a minimally-acceptable customer experience, envoys to the status quo," he writes. "They will be advocates for change; they will be forceful." ■

Marriott CEO Sorenson: "Actively pursuing relationships."



More information:

- <https://www.linkedin.com/pulse/home-run-cuba-arne-sorenson?trk=mp-reader-card>
- <http://www.starwoodhotels.com/corporate/about/investor/news.html>

Law

With Helms-Burton still in place, are U.S. lawsuits ahead for Starwood?

Through its management agreements in Cuba, Starwood Hotels and Resorts Worldwide has become the envy of its U.S. competitors (see story page 1).

The deals were possible thanks to the Obama administration's permission to seal agreements with Cuban state entities. Also, a revision of OFAC regulations in September now allows U.S. companies to establish a physical presence on the island (see column page 32).

Even so, Starwood's physical presence in Cuba could trigger

lawsuits. In the absence of a claims settlement, U.S. individuals asserting they were pre-Revolution owners of any of the Havana hotels Starwood will be managing may decide to sue the deep-pocketed hotel chain in U.S. courts for "trafficking" in confiscated properties.

The company dismisses that possibility.

"Starwood conducted extensive research and due diligence before entering into any of the three hotel agreements," asserted Starwood spokesperson Carrie Bloom, without

elaborating further, in an email to Cuba Standard.

Despite such due diligence, it's still possible for a pre-Revolution owner to surface, using the Helms-Burton Act or common law to sue Starwood.

The Helms-Burton Act of 1996, which targets "trafficking" of "stolen property", is the ultimate weapon plaintiffs could wield. Miami attorney Nicolas Gutiérrez, for example, has used Helms-Burton against foreign hotel companies such as Spain's Sol Meliá, Jamaica's Superclubs, and France's Club Med on behalf

Lawsuits (1)

of the Sánchez-Hill family.

Helms-Burton was not enacted to punish U.S. investors and corporations. The legislative intent of the statute was to expand the scope of the pre-existing U.S. embargo against Cuba by discouraging foreign companies to do business with Cuba.

But an anti-Cuba president like Ted Cruz could fully enforce Helms-Burton, whose Title III — the most stringent section — has been suspended by all presidents ever since the law was enacted in 1996, in order to avoid a trade war with the European Union and Canada.

"I am not sure I agree with the position that Helms-Burton only applies to foreign companies or individuals trafficking in confiscated properties," said Luis Alcalde, a Cuban-born, Columbus, Oh.-based attorney who has been advising U.S. companies on dealing with Cuba. "Civil liability under Helms-Burton for trafficking applies to 'any person ... who traffics in property which was confiscated by the Cuban government.' It is not clear that 'person' is limited to, for example, foreign nationals."

Gutiérrez adds that plaintiffs need not even use Helms-Burton to sue Starwood.

"One can use common-law principles that deal with trafficking in stolen goods to assert a civil action" against prospective U.S. defendants like Starwood, said Gutiérrez in a recent phone conversation with Cuba Standard. "There are federal and state laws that prohibit the trafficking of stolen properties."

Gutierrez, who is also the president of the National Association of Sugar Mill Owners of Cuba, which represents the former owners of 161 mills nationalized



Feeley:
'Calculated risk'

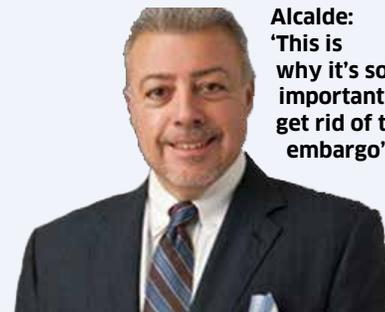
by the Cuban government, has been unable to generate cash settlements from his Helms-Burton litigation against foreign companies (because the U.S. government is not fully enforcing it, he says). However, he has been able to get the U.S. government to bar foreign executives of "trafficking" companies from obtaining visas to visit the United States, using Title IV of the act. Although the U.S. State Dept., which is in charge of enforcing Title IV of Helms-Burton, has only done so selectively, Gutiérrez says that threat compelled the Jamaican hotel chain Superclubs to withdraw from its joint venture with the Cuban government on the Sánchez-Hill family's beachfront property in Holguín province in May 2004. He says he also succeeded in forcing Canadian and German hotel companies out of Cuba through this legal tactic.

Meanwhile, Alcalde noted that Starwood's OFAC license doesn't shield the company from civil lawsuits.

"An OFAC license only addresses the legality of the transaction under OFAC," said Alcalde. "If Title III of Helms-Burton were not suspended, a proper plaintiff could pursue a civil action against someone dealing in confiscated property regardless of such person having an OFAC license."

Title III, which allows U.S. nationals and companies as well as Cubans who have become U.S. citizens after expropriations to file lawsuits, still is the biggest potential threat to companies like Starwood.

"Because Title III is still in place, I think Starwood understands that it has taken a calculated risk," says Matthew Feeley of Miami law firm Buchanan Ingersoll and Rooney PC. "The next U.S. president might very well cease suspending Title III. Perhaps more importantly, however, I think there are likely ongoing negotiations between the U.S. and the Cuban government about the confiscation issue in connection with efforts to lift the embargo. I don't see



Alcalde:
'This is why it's so important to get rid of the embargo'

the embargo being lifted without a resolution of the confiscation issue. If I am correct, perhaps Starwood was privately apprised of the status of these negotiations by the State Department. That advice may have made them more tolerant of Helms-Burton risk. That said, there might also be a common law claim that a prior owner of the property could bring against Starwood. Leave it to some creative plaintiff's lawyer to come up with a theory that might push the issue in the courts."

Starwood holds a certified claim of \$51.1 million against Cuba with the Foreign Claims Settlement Commission in Washington. But the company has apparently chosen to ignore it, at least for the time being, in order to move forward with its new business in Cuba.

"Practically speaking, it shows that Starwood, in light of the greater business opportunity available with Cuba, does not really care about the claim, or has reached some understanding about the claim with Cuba," said Alcalde.

"It will be interesting to see how much Starwood actually invests in the three hotels prior to the election or at least prior to the Republican convention in July," said Alcalde. "The identity and policies of the Republican nominee will shed clarity on these risks and may cause U.S. business to hit the 'pause' button on Cuba deals until after the election. We can safely say that the Democratic nominee won't be the problem in this risk analysis. This is why it's so important for Congress to get rid of the embargo." ■

—VITO ECHEVARRIA

PHOTO ALBUM

Barack and Mick: Big week in Havana

The first visit of a U.S. president to Cuba since 1928 started the week in Havana, and an open-air Rolling Stones concert at Ciudad Deportiva with 1.2 million fans, according to the British band, ended it.



Mar. 20: President Barack Obama greets Cubans on a walking tour of Old Havana.

(OFFICIAL WHITE HOUSE PHOTO BY PETE SOUZA)



Mar. 21: Obama finishes his speech at the Gran Teatro in Havana. (OFFICIAL WHITE HOUSE PHOTO BY PETE SOUZA)



Joint press conference by Raúl Castro and Barack Obama. (OFFICIAL WHITE HOUSE PHOTO BY PETE SOUZA)



Mar. 25: The free Rolling Stones concert drew somewhere between 500,000 and 1.2 million fans to Ciudad Deportiva.

(SCREENSHOT STONES VIDEO)



Obama and daughter Malia with a paladar owner. (OFFICIAL WHITE HOUSE PHOTO BY PETE SOUZA)

Keith Richards and Mick Jagger were asked by Pope Francis to not stage a concert on Easter Friday. The Stones performed anyway.

(SCREENSHOT ROLLING STONES VIDEO)



Cuban fans were grateful.

(SCREENSHOT ROLLING STONES VIDEO)



By the Numbers

Havana-born Armando Portela has a Ph.D. in geography from the Soviet Academy of Sciences

Playa Baracoa Airport: Alternative to Martí International?

by ARMANDO PORTELA

During the busy Obama-Mick Jagger week at Havana’s José Martí International Airport in late March, U.S. travelers found Terminal 2 overwhelmed by traffic it was unprepared to handle. Passengers had to cope with endless lines, a crowded lounge, one single functioning luggage snake, foul restrooms, and other nuisances.

Built in 1988 to handle U.S.-Cuba air traffic and refurbished in 2009, Terminal 2 has a nominal capacity to process 600 passengers per hour. But this official estimate seems exaggerated — when the normal number of arrivals (some 1,000 passengers per day) was doubled or tripled for a few days, it choked the routine.

If the number of U.S. visitors to Havana booms as expected, Cuban authorities will have to find a solution to relieve the bottleneck at Terminal 2. With neither cash nor time for a major upgrading, the choices are either to divert part of the U.S. flights to Terminal 3 (reserved for non-U.S. origin international travelers) or to Terminal 1, which is only for domestic use.

But there is another recourse against the glut at José Martí airport, at least temporarily.

Despite its relatively small



Graphics by Armando Portela

size and secondary functions, the Playa Baracoa executive airport is well-positioned to play a role in the rebirth of trade and commerce with the United States.

Located only three miles west of Havana city limits, Playa Baracoa (MUPB in the International Civil Aviation Organization code) is superbly positioned to serve as a support terminal to HAV. It is only 30 flight minutes from Key West International and 40 minutes from Miami International, a similar distance to Miami-Orlando.

As the top executive airport in Cuba, Playa Baracoa is tightly guarded and outfitted with modern navigation equipment, offers a good runway, several aprons, hangars, warehouses, and the headquarters of elite units of the Cuban Army. It takes a 25-minute drive to get to Havana’s business

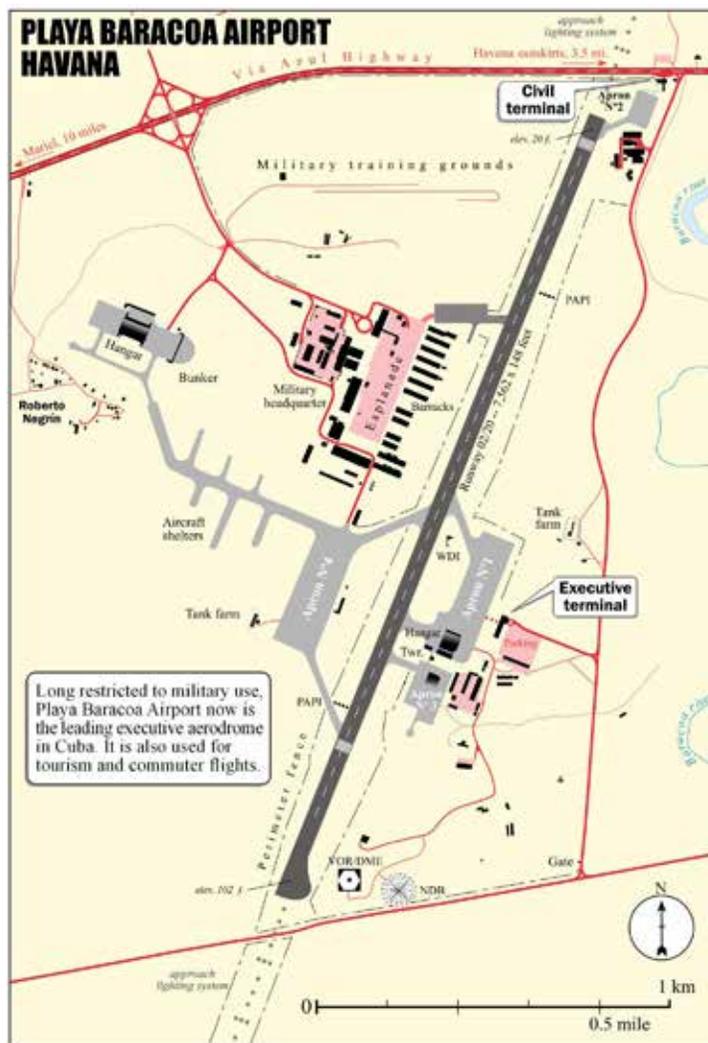
DISTANCES TO PLAYA BARACOA

In nautical miles and hours:minutes

CUBAN AIRPORTS		
<i>Air travel time at 270 knots speed with 15 min bias time.</i>		
HAVANA	10	0:16
VARADERO	63	0:29
CAYO LARGO	102	0:38
CIENFUEGOS	131	0:44
SANTA CLARA	149	0:48
CAYO COCO	237	1:08
CAMAGÜEY	280	1:17
MANZANILLO	347	1:32
HOLGUIN	374	1:38
SANTIAGO DE CUBA	419	1:48
UNITED STATES AND THE CARIBBEAN		
<i>Air travel time at 460 knots speed with 15 min bias time.</i>		
KEY WEST	102	0:28
MIAMI	207	0:42
KINGSTON (JAM)	446	1:13
SANTO DOMINGO (DR)	775	1:56
HOUSTON	801	2:00
SAN JUAN (PR)	969	2:21
WASHINGTON D.C.	990	2:24

Source: AirRouting.com

Baracoa airport (1)



Graphic by Armando Portela

and diplomatic district of Miramar and about 15 minutes to get to the Mariel Special Development Zone.

This would not be the first time Playa Baracoa is considered as an alternative. In the late 1950s, studies were made to open Playa Baracoa to the growing U.S.-Cuba traffic. A planned expansion of the runway, construction of facilities and infrastructure, and even housing developments, was frozen in 1960 at the blueprint stage.

Playa Baracoa was beyond the reach for civil

aviation until the late 1980s, when the military turned it into the base of AeroGaviota, the tourism airline created and managed by the armed forces. The airport also serves the transportation needs of Cuba's top leaders. The facilities around the executive terminal at Aprons 1 and 3 are for the exclusive use of Raúl Castro, while the civil terminal at Apron 2 was and is still used by lower-rank officials, such as ministers or politburo members. Apron 4 is the deployment site for the aircrafts of the local garrison and special military operations.

MUPB features a 7,562 by 148 feet NNE-SSW concrete and asphalt runway capable to accommodate mid-range passenger aircrafts while serving military purposes. Only Apron 2 at the northern end of the runway is currently used for civil purposes, to shuttle tourists or workers on short domestic trips to Cayo Largo, Varadero, Trinidad (charter), Cayo Las Brujas (charter), Cayo Coco (charter), Holguín, Santiago de Cuba and Baracoa. As it falls within the navigational range of José Martí International traffic, it is assisted with modern aerial navigation equipment, including radars, distance measuring system, radio beacons, lighting approach, and maneuvering systems. It can operate small to medium aircrafts 24 hours a day.

There is no information about the capacity of Playa Baracoa executive, but based on the small size of the civil terminal and the current traffic, it can be safely assumed it handles a modest number of passengers.

Last but not least, Playa Baracoa is just 11 miles east of the port of Mariel, and it is located inside the Mariel Special Development Zone, which qualifies this airport for investment benefits.

Playa Baracoa is connected both to Havana and to Mariel by the four-lane Vía Azul (also named Panamericana) east-west highway, running along the shoreline. ■

Finance

U.S. dollar de-penalization has little immediate effect on banks', Cuban attitude

by JOHANNES WERNER



Foreign Minister Bruno Rodríguez: 'For this measure to be viable, there will have to be political declarations at the highest level of the U.S. government.'

Two days after the Obama administration's March 15 announcement to de-penalize the use of U.S. dollars, the Cuban government said it may end a 10% surtax on the exchange of dollars in the island.

But the Cuban measure will only be effective once Cuban institutions are allowed to use US dollars without being penalized, Foreign Minister Bruno Rodríguez said March 17 during a press conference at the Tryp Habana Libre hotel, adding that his government is "studying the reach and practical effects of the U.S. measures."

He announced that, "in the coming days", Cuba will try to make dollar transactions with third-country and U.S. banks, "to verify whether, in effect, these transactions can be done, and whether foreign and U.S. banks have indications that they can make these operations with Cuba, without fear of unjust and intimidating penalizations".

Twelve days later, Rodríguez told Ecuadorean media that "the blockade continues to be a strangling reality," and that the dollar use de-penalization was "just an announcement", because Cuban banks are still unable to open accounts in the United States.

"I can affirm that at this moment, there are no

normal financial transactions," he said March 29.

Continued reluctance by banks

Rodríguez' statements come as even third-country banks continue to express reluctance to engage in dollar transactions with Cuba.

"Personally, even though the announcements are very encouraging, I would be wary of jumping into dollar transactions right away," a foreign businessman familiar with banking in Cuba told *Cuba Standard*, on condition of anonymity. "After all, the embargo has not been lifted, and the restrictions in the Cuban sanctions regulations still generally prohibit U.S. individuals and companies from dealing with Cuba and Cuban na- ▶

Dollar-use de-penalization

On March 15, OFAC published two amendments to Cuban Assets Control Regulations (CACR), allowing U.S. banks to:

- process "U-turn" payments in US dollars between third-country banks and Cuban entities.
- process dollar-denominated instruments such as cash or travelers checks, presented by Cuban entities via third-country banks. .

Source: U.S. Department of Treasury

Dollar de-penalization (1)

tionals. Just this month I heard of the latest fine from OFAC against a French company for alleged violations of the U.S. sanctions.”

“The best comment I have seen so far was from a law firm who said that the Cuba sanctions and export regulations continue to be complex, and sound legal counsel may be needed to navigate developing business opportunities through this changing regulatory landscape,” he added. “I am sure they are looking for business, but it sounds like good advice to me.”

At the press conference in Havana, Rodríguez emphasized the importance of the dollar-depenalization measure, but said that for foreign and U.S. banks to feel legally and politically safe enough to engage with Cuba, OFAC will have to issue “numerous legal clarifications.”

“Without doubt, it concerns a significant aspect of the blockade,” he said. “However, for this measure to be viable, there will have to be political declarations at the highest level of the U.S. government.”

“The banks will have to understand whether this measure, in effect, means that in the near future the financial persecution against Cuba ceases. The intimidating effects accumulated during decades will have to be reverted, particularly in the recent period during which sanctions were applied against international banks — in other words, foreign banks from third countries — for more than \$14 billion just for relating in a totally legitimate way with Cuba.”

On March 15, the U.S. Treasury Department’s Office of Foreign Assets Control (OFAC) published two amendments to a body of rules called Cuban Assets Control Regulations (CACR), that effectively de-penalize the use of U.S. dollars in third-country banks’ transactions with Cuba. One amendment allows U.S. banks to process “U-turn payments” in dollars between third-country banks and Cuban entities. The other measure allows U.S. financial institutions to process dollar-denominated monetary instruments such as cash or travelers checks, presented by Cuban entities via third-country banks. This regulation enables Cuban companies and institutions not only to change dollars into other currencies, but it allows Cuban banks to deposit funds in dollar-denominated correspondent accounts in third-country banks.

In a press briefing announcing the measures, Ben Rhodes, Obama’s deputy national security adviser, encouraged Cuba to eliminate the 10% exchange rate penalty for U.S. dollars, imposed by the Cuban government in 2004 in response to tightening U.S. enforcement.

As recently as October, U.S. federal and state agencies fined France’s Crédit Agricole SA and its investment bank subsidiary CACIB \$787 million, in part over Cuba-related dollar transactions. In summer 2014, BNP Paribas paid \$8.7 billion in fines to settle U.S. investigations, among others over Cuban dollar transactions; as part of the settlement, the French bank agreed to stop

Finance

U.S. companies expand services in Cuba

Reacting to eased U.S. sanctions, PayPal, Western Union and Stripe have announced their intention to offer new services in Cuba.

PayPal CEO Dan Schulman said in a blog post that the company plans to make its newly-acquired remittance service Xoom available in Cuba by the end of the year.

Remittance giant Western Union said it hoped to expand its cross-border payments service to Cuba to clients in third countries by the end of the second quarter of 2016. Western Union already has 490 agent locations across Cuba.

Meanwhile, San Francisco-based startup Stripe announced March 18 it will offer its Atlas product in Cuba. Stripe Atlas reduces the regulatory and logistical burdens entrepreneurs face when starting an Internet business in the United States. The service handles the legal, financial, consulting, and payments side, for a \$500 flat fee. In Cuba, Stripe partnered with the Merchise Startup Circle.

“Stripe will work closely with our partners, including Silicon Valley Bank, to ensure that any services provided to Cuban nationals comply with the updated (U.S.) guidelines,” the company says on its website. ■

Dollar de-penalization (2)

doing business with Cuba altogether, in any currency. In February 2015, Germany's Commerzbank followed, with a \$1.7 billion settlement.

Other banks reportedly targeted by U.S. investigations include France's Société Générale, Germany's Deutsche Bank AG, and Banamex, a Mexican subsidiary of Citigroup.

Rodríguez criticized the Obama administration for not including in the latest set of measures the permission for Cuban banks to open correspondence accounts at U.S. banks. Late last year, the first U.S. financial institution, Fort Lauderdale-based Stonegate Bank, opened a correspondence account with a bank in Cuba.

"This is indispensable to sustain normal financial relations," Rodríguez said, adding that Cuban

financial transactions with the United States still have to be done through third-country banks, increasing the cost of transactions and fears of disruption.

Particularly U.S. food and agricultural products exporters to Cuba have been clamoring for direct banking relations.

"I would like to ask the U.S. government why this step has not been taken now, why it can't be done, why it has been excluded from these measures." ■

More information:

<https://www.treasury.gov/press-center/press-releases/Pages/jl0379.aspx>

Briefs Briefs

Cuba gives French line approval for U.S. cruises



Le Ponant: Miami-Havana-Santiago

French small-ship line Ponant announced it has received approval from the Cuban government for Cuba cruises aimed at U.S. passengers.

The Marseille-based company is the second cruise line after Carnival Corp.'s Fathom (see page 23) to receive the go-ahead from Havana for U.S.-Cuba cruises. It will use the 64-passenger *Le Ponant* for seven- and eight-night voyages from Miami to Havana and Santiago beginning in January 2017. Ponant already offers Cuba cruises for Europeans.

Meanwhile, one-ship operator Pearl Seas Cruises has been

forced to cancel Cuba voyages in the absence of Cuban government approval.

Last year, Pearl Seas announced six sailings in March and April from Miami on its 210-passenger *Pearl Mist*, and the company began taking bookings starting at \$7,810 per person. The offerings on the line's website are now down to one April 25 cruise, in apparent hopes of last-minute approval, with listings starting again in October.

With Cuban approval in hand, Carnival's Fathom is planning to offer a May 1 cruise, and two more cruise companies — Oceania Cruises and Royal Caribbean — are awaiting green light from Havana before setting schedules.

70th anniversary of its first flights to Latin America, the company said.

After a two-year hiatus, the Spanish flag carrier resumed flights to Cuba in July last year. Iberia announced it will raise its frequencies from five-a-week to daily flights to Havana in June.

In the past year and a half, Iberia has placed orders for 29 long-haul aircraft, 13 of which are Airbus A330-200.

Havana was one of the first destinations in the continent to be offered by the airline; operations with Cuba began in 1949.



Iberia baptizes newest Airbus jet 'La Habana'

Iberia named its newest Airbus A330-200 *La Habana* to mark the

Agriculture

Forbidden fruit no more: Alabama company seeks Cuban imports

| by JOHANNES WERNER

An Alabama-based company is trying to obtain approval in Washington and Havana to import Cuban-grown tropical fruit.

GulfWise Commerce LLC, an offshoot of 100-year old The Woerner Companies in Foley, Ala., is seeking to buy papayas, mangos, pineapples or bananas grown by private cooperatives in Cuba.

“With how close we are to Cuba, we would be able to take some of the amazingly fresh fruit from there and process it sooner than we are able to now, which means fresher, better products for our clients and their customers,” GulfWise partner Christina Woerner McInnis told *Gulf Coast News Today*.

McInnis said a 40,000-square foot dehydration and food ingredient plant the company is setting up in Baldwin County, Ala., near the Port of Mobile, could be ready to process Cuban fruit as early as June.

“There is growing interest in California and other western states in various Cuban fruits such as mangos

and papayas,” said Angelo Fuster, a partner in the company. “Once the regulatory and legal requirements are completed, BSVI is planning to import those fruits and dehydrate them into a sweet, all-natural fruit treat that will be sold all over the United States and maybe abroad as well. Additionally, BSVI is also interested in and is exploring the possible importation of Cuban coffee beans for roasting at its Alabama facility.”

First Secretary Miguel Fraga, trade attaché at the Cuban embassy in Washington, said during a visit of GulfWise that he was pleased about a U.S. company looking to buy Cuban products.

“Right now, we are seeing a lot of companies wanting to sell products to Cuba, but very few are wanting to buy things from us,” Fraga said, according to *Gulf Coast News Today*.



McInnis: Fruit, coffee



Photos courtesy GulfWise

Exporting machinery, too

In the meantime, the company has obtained a license from the U.S. Department of Commerce to sell \$100,000 worth of planting and harvesting equipment to a Cuban agricultural research institution, via state company Tecnotex S.A. The U.S.-made equipment will help establish grass-covered areas.

That project started in late 2014, when GulfWise Commerce initiated a dialogue with University of Matanzas researchers. That dialogue led to

an assessment of specialized equipment needed and to subsequent negotiations for a possible sale, which eventually led to GulfWise's application for the export license now granted by the U.S. Commerce Department's Bureau of Industrial Security.

Washington-based attorney Robert Muse is helping GulfWise in the license application process.

Company officials said that GulfWise is exploring additional exports. ■

Technology

Silicon Vally giants gain tiny footholds in Cuba

| by JOHANNES WERNER

In the face of reluctance by the Cuban government to allow U.S. companies to provide mobile telephony, WiFi and broadband services, Silicon Valley giants are inching forward with tiny footholds in the island market.

During his state visit, President Barack Obama mentioned that the U.S. government allowed home-sharing network Airbnb to make its Cuba listings available to customers from around the world. Also, networking giant Cisco Systems Inc. agreed with Cuba's leading IT university to offer courses to students in Cuba. And PayPal President Dan Schulman said on his blog that the company believes it can make its Xoom platform available to Cuban users for remittances before the end of this year. ▶



Internet speeds much faster than elsewhere on the island, for up to 40 users at a time: Opening of the Google+Kcho pilot, a temporary demonstration project in Havana.

Photo: Google

Silicon Valley (1)

Google+Kcho

Strategically more significant, Google Inc. announced March 21 that it set up a small physical presence in Cuba by way of a temporary demonstration project at the Museo Orgánico de Romerillo in Havana, which exhibits the work of Cuban sculptor Alexis Leiva Machado.

Google's Access division agreed with Leiva, more widely known under the name Kcho, to set up the Google+Kcho.mor pilot project at the studio, featuring 20 Acer Chromebooks laptops, Nexus 5 smart phones, and Cardboard viewers. The studio will be open five days a week, from 7 am to midnight, for up to 40 users at a time, according to *AP*. Even though users are connecting to the Internet via the state telecom's network, speeds are much faster than elsewhere on the island, thanks to a new fiberoptic connection provided by ETECSA.

"These efforts ... are just a start, but an important one," said Brett Perlmutter, point man for Cuba at Google's Access division, on a Google blog. "They demonstrate what might be possible in the future."

"We're also exploring additional possibilities around increasing and improving internet access, but they're at early stages," Perlmutter added.

Over the past two years, Google has made its free Chrome, Google Play for Free Apps, Google Analytics, and Toolbar products available to users in Cuba.

The Kcho studio became the first independent source of free Internet in Cuba last year when Leiva began offering free WiFi.

Tech blogger Larry Press said Google and U.S. and Cuban media made "much ado about not



Google: 'Exploring additional possibilities'

much" about the Kcho project. Press called the level of equipment "disappointing" and wondered how Cuban users would be selected.

Cuba acts on different priorities

Meanwhile, progress for U.S. investments in telecommunications in Cuba — emphasized by the Obama administration — seems to be stuck, for now.

Foreign Minister Bruno Rodríguez accused the U.S. telecom plans of pursuing "openly political goals" and said that Cuba "accepts the challenge, but we will act ... based on the national information technology priorities of our society, and we will continue to protect the technological sovereignty of our networks."

In a move that reflects political affinity in a strategic area, the Cuban government has recently chosen a Chinese technology company for the expansion of its Internet and mobile telephony infrastructure. State telecom ETECSA is partnering with Huawei Technologies Co. Ltd. to set up 30 WiFi hotspots throughout the island this year, in the launch of a pilot project to bring broadband Internet access to homes in Havana, and in the introduction of next-generation mobile telephony.

Last year, a Cuban website leaked a ministerial report that lays out Cuba's plans to expand broadband Internet access, including providing fast Internet service to nearly 2 million households by 2020, and increase coverage of mobile broadband service to 95% of urban areas, and 90% of Cuba's countryside.

'We will continue to protect the technological sovereignty of our networks.'

Silicon Valley (2)

As the biggest obstacles to ramping up broadband access, the report identifies weak fixed-telephony infrastructure on the last mile, “reduced capacity in the national backbone” to accommodate broadband, and local fiberoptic cables without sufficient capillarity. The mobile telephony infrastructure is lacking bandwidth capacity and suffers of low density of radio bases.

Google and other U.S. technology companies suggest Cuba should be bolder.

“They talk about upgrading to DSL and 3G wireless,” U.S. Federal Communications Commission (FCC) Chairman Tom Wheeler said about Cuban officials after a recent visit to the island with a U.S. delegation. “We urged them to leapfrog such linear transitions and expand to state-of-the-art services. We pledged our support and the support of U.S. companies to achieve this. It is unclear, however, just how anxious the Cuban government is to open up expanded network capabilities.”

Advances by Internet giant Google last year to help Cuba with telecommunications infrastructure were left without a public response, but a blogger close to the Cuban government pointed out what he believes to be the California-based company’s proximity to U.S. regime-change programs and NSA snooping.

Small advances

In the absence of larger deals, San Francisco-based AirBnb received a license from the Office of Foreign Assets Control (OFAC) that allows the Internet company to offer the 4,000 residences — many of them *casa particular* businesses — it lists for Cuba not only to U.S. customers, but to visitors from around the world. The permission is valid ef-



fective April 2, the anniversary of AirBnb’s entry into the Cuban market.

More than 13,000 U.S. customers have booked in Cuba through AirBnb since April 2015, CEO Brian Chesky said on his blog. That would be a little less than 10% of all visitors who entered Cuba with a U.S. passport.

Finally, networking giant Cisco signed a letter of intent with the Universidad de Ciencias Informáticas (UCI) outside Havana to offer networking courses to Cuban students.

UCI students will be able to participate in courses designed by the Cisco Networking Academy, an IT skills and career building program. As part of the agreement, Cisco will donate equipment, pay for the training of instructors at UCI, and provide operational support.

“This is great news,” says tech blogger Larry Press. “It implies a Cuban willingness to be open to competition in the infrastructure market. In the early days, Cisco equipment was used in Cuba, but today Huawei is dominant. Cisco-certified graduates will be ready to work with Cisco equipment.”





Former Cuban intelligence officer Domingo Amuchastegui has lived in Miami since 1994. He writes regularly on Cuba's internal politics, economic reform, and South Florida's Cuban community

Analyzing Obama's rhetoric

From Nixon-Kissinger's ping-pong with China to Obama's baseball with Cuba, it's been almost half a century.

President Barack Obama culminated his successful visit to Cuba by attending a baseball game between a Cuban national team and the Tampa Bay Rays. From Havana, he headed south to Buenos Aires, seeking to convey a message: Good-bye to the old socialist Cuba, and welcome to the rise of the new neoliberal wave in Latin America. In the U.S. president's, perception, and that of many experts, Argentina's President Mauricio Macri best symbolizes this rise, resulting from the decline of leftist options in places like Venezuela, Bolivia, and Brazil.

But ping-pong is less complex than baseball — for a host of reasons, China was easier for U.S. diplomacy than Cuba.

To begin with, an ill-advised historical quote by the president requires a small clarification. He mentioned that U.S. battleships came “to liberate

but also to exert control over Cuba.” The phrasing demands a brief reminder: “Liberation” wasn't necessary anymore — Cuban patriots had done the job without the United States. “The splendid little war” had other aims. Allow me a couple of short quotes. The U.S. Ambassador in Havana, Benjamin Sumner Welles, stated during his intervention in Cuba's political crisis in 1933: “No government in (Cuba) can survive for a protracted period without recognition by the U.S.” A quarter of a century later, another U.S. ambassador in Havana, Earl T. Smith (1957-1958), had this to say: “Until Castro, the United States was so overwhelmingly influential in Cuba that the American Ambassador was the second most important man, sometimes even more important than the Cuban president.” And for the 55 years since 1959, we all know what happened. Most recently, the torture inflicted ▶

Obama's rhetoric (1)

by U.S. sanctions included seven years of devastating penalties for foreign banks dealing with Cuba by the Obama administration.

But these are old grudges, as President Obama suggested.

Comparing and contrasting

So let's turn the page. Obama's visit to Cuba was a complete diplomatic success for both countries. The United States took a big step in the long process of normalizing relations, and it removed another "slice" from the embargo. Surprisingly, the visit was even greeted by most of those in Miami opposing his Cuba policy, including well-known fire-eaters. Paid-opposition members in Cuba had the same reaction.

The historical slip aside, the president displayed a pattern of extremely tactful wording. Instead of resorting to confrontation or bullying, he took a very unexpected path, that of comparing and contrasting what the United States is and what they stand for. As far as Cuba is concerned, he put it rather explicitly at the losing end of the comparison — no surprise here.

Experts and foreign observers are telling us about the importance of closing the last chapter of the Cold War in Latin America, and calling on Congress to end the embargo, although he underlined that lifting the embargo would be meaningless "without continued change here in Cuba." Obama acknowledged Cuba's achievements in education, the role of Cuban doctors abroad, and the reforms. He highlighted the need to live together

But parallel
 to this,
 President
 Obama
 quite
 explicitly
 told Cuba
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 must do,
 indirectly
 denying any
 legitimacy
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 authorities
 in Cuba

while recognizing and discussing the differences between the two countries that cannot be ignored. He emphasized the need to do away with the last vestiges of conflict with Cuba, and — extremely important in the case of Cuba — he said that "we will not impose our political or economic system on you."

But parallel to this, President Obama quite explicitly told Cuba what it must do — from human rights and free elections, down to specifics such as allowing Cuban workers to contract directly with foreign investors, ending the two-currency system, and making the Internet available across the whole country. Once more he insisted: "And yes, I believe voters should be able to choose their governments in free democratic elections" — indirectly denying any legitimacy to the authorities in Cuba.

Nevertheless, caution prevailed in his choice of words and topics, thus avoiding unnecessary tension — not mentioned by Obama were the words "regime", "claims", and "Guantánamo Base", nor did he express support for any specific opposition organization. And his deputy National Security Advisor (and key player in the new Cuba policy) Benjamin Rhodes, made it very clear in a parallel press conference that "as long as the embargo remains, there will be limitations in the relationship between Cuba and the United States."

The crux of Obama's new policy

The crux of President Obama's new policy toward Cuba can be easily found not just in his speech at the Gran Teatro but also in his meeting during an economic forum with state officials and a large group of Cuban startup entrepreneurs. In both speeches, he describes five pillars that replace the old pillars, embargo and confrontation:

1. The notion that Cuba's system is outdated and needs to be replaced. "Change" was the magic word of his short-term vision.
2. Private enterprise will be the main catalyst of change, creating a growing middle class with new projects and perspectives.
3. The main actors of change will be the young people of Cuba, whom he addressed vehemently again and again, seeking to build a wedge between the past and the future. His approach: "I'm

Obama's rhetoric (2)

appealing to the young people of Cuba who will lift something up, build something new.”

4. Appearing like Santa Claus, he insisted that the United States will be the partner in such new trends and developments, creating opportunity, jobs, and markets, and providing financing, scholarships, and training opportunities for the young people.

5. And after praising the achievements of the Cuban American community while failing to mention any of its shortcomings or the extraordinary privileges granted by U.S. authorities to Cuban immigrants, President Obama presented on a silver platter his vision of success for the young people of Cuba: “In the U.S., we have a clear monument to what the Cuban people can build...Miami.”

The challenge is there. Within two years, the old, fading leadership of Cuba will not be able to come up with sufficient creative initiatives for the Cuban youth, or at least large sections of it. Within the boundaries of Cuba's limited resources and

Overcoming this inertia will be the main challenge of the younger generations after 2018.

potentials, it will be difficult to create results that could be sufficiently appealing and rewarding. The leadership wasted a quarter of a century; it rejected a significant redesign of the system; piecemeal reforms in slow motion made survival possible but at an enormous social, cultural and political cost.

Overcoming this inertia will be the main challenge for the younger generations after 2018. It remains to be seen whether they are capable of articulating a transformation, but with a sense of continuity for what is worth saving. ■

Fairs & Conferences

Cuba opens door to international event businesses

| by JOHANNES WERNER



Fira Barcelona, which partnered with state company Grupo Empresarial Palco, has lined up a series of specialized business events in Havana.

In what could become the first full-blown business conference in Cuba of a U.S.-based company since the normalization announcement, a Miami-based businessman says he obtained approval from the Cuban government to hold an industry event about remittances in Havana this year.

The IMTC Cuba 2016 Conference, scheduled for June 27-29 at the Meliá Cohiba, will explore the remittance and financial service sector in Cuba, IMTC founder Hugo Cuevas-Mohr said in a press release.

Cuevas-Mohr's company organizes IMTC World in Miami, which claims to be the world's largest money transfer conference and trade fair, as well as events in Las Vegas, Barcelona, São Paulo, and New Delhi.



Financial event in Havana: Cuevas-Mohr

Like in most other Caribbean economies, remittances are a key source of revenue for the island, but estimates of remittances sent to Cuba vary. Manuel Orozco, from the Inter-American Dialogue in Washington, estimates that about 550,000 people send an average \$1,250 a year to the island, or about \$770 million annually. The UN Economic Commission for Latin America (ECLAC) estimates that \$1.8 billion made it to the island in 2015. But when non-cash contributions of merchandise, air-time minutes and other sources are added up, the total value could be two or three times higher.

The event in Havana will be “looking at the past to understand the present and analyze what the future will bring, starting from the very small number of financial services firms that exist today to the opportunities that lay ahead,” the press release said.

“We need to understand and be respectful of the internal processes and changes taking



International events (1)

place, to be part of the future,” Cuevas-Mohr said about Cuba.

A native of Guatemala, Cuevas-Mohr was raised in Colombia and has lived in the United States for more than 20 years. He built one of the largest money transfer companies in Latin America, which he sold in 2007.

Fira Barcelona

However, the best-established international conference organizer in Cuba so far is Fira Barcelona. Indicating that Cuban authorities are reaching out to international conference businesses, state company Grupo Empresarial Palco formed a joint venture with the Spanish company to host a series of specialized events in Cuba.

Palco is in charge of the event’s implementation, while Fira is in charge of the concept, corporate recruitment, and international marketing.

The joint venture, Fira Cuba, has lined up three events in Cuba this year — HostelCuba (May 17-19, on hotels and gastronomy), Feria Alimentos Cuba (July 5-7, food industry), and Securtec Cuba (Sept. 13-15, security and emergency industries).

Most recently in Barcelona, the partners announced a packaging and graphic arts industry conference and fair for Havana in March 2017. The PACGRAF Cuba event is scheduled for Feb. 7-9 at Pabexpo, a 60,000-square meter facility in west Havana. Fira expects 2,000 participants, and 200 companies to contract stands in two Pabexpo pavillions at PACGRAF Cuba.

For PACGRAF Cuba, Fira Barcelona has the endorsement and support of the Cuban Chamber of Commerce, as well as of Hispack and Graphispag, the organizers of Spain’s largest events of the packaging industry, and of Roure Tectosa, Ferpa Graphic and Durero Packaging, three Spanish companies that have been operating in Cuba for many years.

“There is growing and sustainable demand for

The business of events

Upcoming conferences and fairs by international organizers

May 17-19: HostelCuba (gastronomy and hotels), FiraCuba, Pabexpo Havana

June 27-29: IMTC Cuba (money transfer and remittance industry), IMTC, Meliá Cohiba, Havana

July 5-7: Felia Alimentos Cuba (food industry), FiraCuba, Pabexpo, Havana

Sept. 13-15: SecurTec Cuba (security and emergency industries), FiraCuba, Pabexpo, Havana

No date yet: Cuba Opportunity Summit (in English, for U.S. businesses), Momentum Events/Wharton, location TBA

Feb. 7-9, 2017: PACGRAF Cuba (packaging industry), FiraCuba, Pabexpo, Havana

Sources: IMTC, Fira Cuba, Cuba Standard

containers and packaging that cannot be satisfied by domestic production,” said Miriam Martínez Delgado, event director at the Cuban Chamber of Commerce, during the event presentation in March.

Cuban authorities, Martínez said, consider the packaging sector as strategic for the country’s economic development, particularly of the biopharmaceutical and food processing industries and exports. The Cuban government is planning to modernize the packaging industry by trying to attract foreign companies to the Mariel Special Development Zone.

Momentum Events

Finally, Momentum Events, the New York-based organizers of the University of Pennsylvania’s Wharton School of Business conferences, are planning to host a follow-up “Cuba Opportunity Summit” in Cuba this fall. Momentum has recently held two high-profile Cuba business events in New York.

—Vito Echevarría contributed to this article

Construction

U.S. companies participate in fair, Vietnamese company invests

| by JOHANNES WERNER



For the first time, a sizable contingent of U.S. companies participated in the annual construction industry fair in Cuba, official media reported.

Although none of the 10 U.S. companies announced any agreements at

the 11th Feria de Construcción (Fecons 2016) April 5-9 in Havana, this brings U.S. players a step closer to engaging in the Cuban market.

Companies with stands at the fair included Miami-based Tradewinds, a producer and distributor of power generators and diesel pumps, Franklin Electric, a Fort Wayne, In.-based producer of submersible pumps, construction equipment supplier Abconventas, Caribe Industrial, a Puerto Rico-based supplier of packaging equipment and materials, Arroyo Equipment, a Clearwater, Fla.-based construction equipment wholesaler and pump distributor, Asphalt Drum Mixers, an Indiana-based provider of mobile asphalt plants, and



Foreign Trade and Investment Minister Rodrigo Malmierca visits the Viglacera stand at Fecons.

Photo Viglacera

Exploring a new market

U.S. companies at Fecons 2016

Tradewinds, Miami
 Franklin Electric, Fort Wayne, In.
 Abconventas, Southampton, N.Y.
 Caribe Industrial, Puerto Rico
 Arroyo Equipment, Clearwater, Fla.
 Asphalt Drum Mixers, Indiana
 Apacargoexpress, Miami

Source: *Prensa Latina*

Apacargoexpress, a logistics company in Miami.

Tradewinds international sales representative Abraham Vargas told *Prensa Latina* his company may want to open a manufacturing plant in Cuba, to serve the domestic and regional markets.

The biggest contingent from abroad at Fecons 2016 was from Spain, with 57 companies. Close to 200 companies from 29 countries participated.

Vietnamese investment

Meanwhile, Vietnam's Viglacera said it plans to "develop an investment project in the western part of the island" to manufacture bathroom fixtures and tiles, a company official told *Prensa Latina* at the fair. Viglacera recently signed a cooperation agreement to establish a joint venture with state company Geicon. Viglacera's bathroom fixture and tile sales through Cuban hard-currency stores have been rising fast, to \$2.6 million last year. The company expects revenues of \$3 million in Cuba for 2016, including \$1.3 million from sales to a state housing program.

"In the future, manufactured goods could be exported from Cuba to the United States," Viglacera said in a press release. ■

Construction

Paraguayan investors scout Havana for apart-hotel project

Paraguayan developers have received approval from Cuban authorities and formed a joint venture with state company Grupo Cubanacán to start building an apart-hotel in Havana this year, Paraguayan daily *La Nación* first reported.

Cubanacán and Paraguay Development SRL, owned by Alejandro Kladniev and Jack Fleischman, are searching for a 2,000-square meter property in Havana, for a building with 50 to 70 units.

Construction cost will be at least \$6 million, depending on the land, Kladniev told *Cuba Standard*. The investors hail from "the Mercosur area," he said.

Kladniev and Fleischman presented the Havana project in mid-2015 and received approval from the Cuban tourism ministry in January.

**Opened last year:
Paraguay
Development's
The One in
Asunción**



Photo courtesy Paraguay Development

Kladniev told *La Nación* he traveled to Cuba many times for a previous project.

In 2015, the developers opened *The One*, a 122-unit, 20-floor condo building in Paraguay's capital, Asunción, that includes a 49-unit apart-hotel, and they started building *The Tower*, a \$30 million project in

Asunción. The company is planning to build another 40-unit condo project in Asunción. Most of the funding in *The Tower*, which was 65% sold late last year, is from a Paraguayan investor group; buyers have received loans from Brazil's Banco Itau. ■

— Johannes Werner

Economy

Kazakhstan may supply Cuba with crude oil

| by JOHANNES WERNER

As the mid-term prospects of cheap oil supplies from Venezuela have dimmed, the energy ministry of Kazakhstan signed a letter of intent to export crude to Cuba.

During a visit of Kazakh President Nursultan Nazarbayev to Havana, Minister of Energy Kanat Bozumbayev and Energy and Mining Minister Alfredo López Valdés signed a letter of intent on “possible” supply of Kazakh oil to the Cienfuegos refinery, and exploration in coastal Cuba, Bozumbayev said, according to *kazpravda.kz*.

Kazakhstan is home to the largest oil field outside



Bozumbayev: Crude exports, oil exploration

the Middle East. The recently discovered Kashagan field is expected to come on stream this year and reach production of 1.5 million barrels per day at its peak, nearly doubling the country’s oil output amid a global oil glut. State oil company KazMunayGas has expe-

rience drilling offshore in the Caspian Sea.

Kazakhstan’s main oil export routes are via the Caspian Pipeline Consortium and Russia to the Black Sea, the Atyrau-Samara oil pipeline to European Russia, and a pipeline to China. ■

Economy

Venezuela continues to pay Cuba for healthcare assistance

Granting Cuba reprieve from what could have been deeper cuts, Venezuelan President Nicolás Maduro approved funding of \$1.4 billion in 2016 for the bilateral cooperation plan that includes healthcare, education, culture and sports programs.

But officials didn’t say how funding for the 2016 plan, which comes late and amid a deep crisis in Venezuela, compares to previous spending. In 2014, a Cuban official predicted healthcare exports to generate \$8 billion that year, with exports to Venezuela accounting for most of that.

Some 46,000 Cuban experts are currently providing services through various social programs in Venezuela, according to *Prensa Latina*.

The embattled Venezuelan president, who is facing an opposition majority in the National Assembly that opposes cooperation with Cuba, signed the agreement April 4 during a meeting of the Cuba-Venezuela High Level Joint Commission at the presidential palace in Caracas.

Part of the cooperation agreement is a plan to “strengthen” the Misión Barrio Adentro healthcare program, according to Prensa Latina. Central to the Venezuelan National Public Health System, Barrio Adentro consists of a network of more than 10,000 primary-care modules in poor urban neighborhoods, rural towns and villages across the country, most of them staffed with Cuban personnel.

Prensa Latina reported a total

investment of US\$1.428 billion in bilateral cooperation programs for 2016, “as well as 6.954 billion bolivars” going to Barrio Adentro. The nominal value of that amount would be \$695 million.

The reports didn’t say how Cuba will be paid. In a large-scale barter arrangement, Venezuela has compensated part of Cuba’s services with crude oil and fuel exports.

During the signing, Maduro said that the agreement includes a medical drug supply program, under which “the productive, scientific and technological capacity of Cuba will join with Venezuela’s pharmaceutical production sector.” No details were announced. ■

—Johannes Werner

Companies

Carnival gets green light in Cuba, but faces new hurdles in Florida

| by JOHANNES WERNER

Cuba granted approval for Carnival Corporation & plc to start around-the-island cruises in May, but now the Miami-based company is embroiled in a controversy over an obscure Cuban law that prohibits Cuban Americans to travel to the island by ship, facing protests, boycott threats and a class action suit.

Two Cuban American customers who were excluded by Carnival from Cuba cruises filed a class action complaint in Federal court in Miami April 12, alleging the company violated the U.S. Civil Rights Act.

Secretary of State John Kerry reportedly said during a visit of Miami April 14 that Cuba should eliminate the law that prohibits the entrance of Cuban citizens by sea, because it is discriminatory.

“Carnival needs to not discriminate,” Kerry said, according to *Reuters*.

On its Website, Carnival’s Fathom brand says that “of course” it is company policy to follow the laws of its host countries, but that it “requested a reconsideration” of this regulation from Cuban authorities.

Miami-Dade Mayor Carlos Gimenez told the *Miami Herald* he spoke with Carnival Chairman Micky Arison about the cruises. Gimenez said Arison hopes Cuba will waive the rules.



At the 2014 Miami Boat Show, Commodore José M. Díaz Escrich of the Hemingway International Yacht Club told an audience that the law dates back to the 1930s, and that the Cuban government had begun the process to eliminate it, as private boating, cruises and ferries to the island are becoming reality.

Creating an additional obstacle, safety inspectors prevented the *Adonia* from sailing on its first cruise to the Dominican Republic, due to faulty fire doors, the U.S. Coast Guard said on April 12.

Cleared for a three-port cruise

The first seven-day cruise by Fathom, a newly launched brand, is scheduled to sail from Miami May 1. Carnival will use the 704-passenger *MV Adonia*, a small ship by cruise industry standards, for the Cuba jour- ▶



The **MV Adonia** is scheduled to depart on its first Miami-Cuba cruise **May 1**

Carnival (1)

neys.

The Cuban approval marks the first time in more than half a century a cruise ship is approved to sail from the United States to Cuba, Carnival said in a press release.

In the context of Barack Obama's state visit to Cuba, executives of Havanatur Celimar and other state agencies signed agreements that allow berthing for a Carnival Corporation ship at three Cuban ports.

"This is a historic opportunity, and we know there is pent-up demand amongst Americans who want to experience Cuba," said Carnival CEO Arnold Donald.

The first seven-day cruises will stop at Havana, Cienfuegos and Santiago de Cuba. Passengers will

be treated to "Cuban- and Caribbean-inspired music and film options, as well as Cuban-inspired menu options," Carnival said. Fitting within the education category of people-to-people travel — U.S. sanctions still prohibit tourism — the Fathom cruises will offer an orientation to Cuba's history, customs and culture, "geographic-inspired entertainment", "casual and fun personal enrichment activities", conversational Spanish lessons, and guided sessions with the Fathom team.

The *Adonia* will depart from Miami on Sunday afternoons and arrive at its first destination, Havana, the following morning. Prices in the first season start at \$1,800 per person, including meals and activities, but excluding Cuban visas, taxes, fees and port expenses. ■

Politics

U.S., Cuba clear hurdle for cruise, ferry traffic

Clearing another hurdle for ferry and cruise traffic as well as recreational boaters, U.S. and Cuban government officials signed a maritime safety agreement.

In the context of President Barack Obama's visit to Cuba, the National Oceanic and Atmospheric Administration (NOAA) of the Department of Commerce and the Oficina Nacional de Hidrografía y Geodesia signed a memorandum of understanding to cooperate in the areas of hydrography, oceanography, geodesy "and related services of mutual interest." This includes an update of data on domestic maritime charts, and working together on a new international paper chart which will cover south Florida, the Bahamas and northern Cuba, according to an NOAA press release.

NOAA plans to publish the new chart this year.



The agreement will allow creation of a new maritime map

The MOU — similar to agreements the United States has with other neighbors — will ensure the accuracy of electronic and paper charts, eliminate charting overlaps and fill in gaps in navigational chart coverage, the press release said. It was signed by Ambassador Jeff DeLaurentis on behalf of NOAA.

"This memorandum recognizes the interest of both sides to recover navigation safety and enable certain maritime activities," DeLaurentis said. "Improved navigation services are important for commercial mariners and individual boaters alike, and it

is particularly important as authorized trade and authorized travel increase between the two countries."

Both agencies are also working on plans for monitoring and forecasting tides and currents for ports and improving positioning networks. The MOU — the outcome of technical talks last year — is the first step in what is expected to be a

long-term collaboration between the two countries.

Col. Cándido Regalado Gómez, who signed the memorandum on behalf of Cuba, said that U.S. sanctions still restrict his country's access to cutting-edge geo-information products.

"We trust that this document will reduce these difficulties, and at the same time mark the beginning of a sustained process of cooperation in information exchange." ■

—Johannes Werner

Private creditors appoint coordinator for Cuba debt

Creditors seeking a deal with Cuba over its defaulted private debt have appointed an expert



Olivares-Caminal

to coordinate their work and begin talks with Havana, the *Financial Times* reported.

The appointment of Rodrigo Olivares-Caminal, a professor at Queen Mary University of London, is another sign that investors are preparing for Cuba to return to global financial markets.

In December, Cuba reached a deal with the Paris Club of public creditors on long-defaulted debt, but to access international borrowing markets again, the island will also need to sit down with the "London Club" of private-sector creditors.

The group of commercial creditors, which says it represents a nominal \$1.2 billion (excluding interest), or 40%, of private-sector claims against Cuba dating back to a moratorium in 1986, formed last year. It includes CRF Ltd, Adelante and Stancroft Trust, three specialist investors in exotic sovereign debt.

Olivares is a native of Argentina, with experience of advising governments on restructuring debt and working for the United Nations.

Cuban minister meets executive of Eximbank

Deputy Industry Minister Eloy

Álvarez Martínez met with a top executive of China's Eximbank at its offices in Beijing to talk about funding for industrial projects in Cuba.

Eximbank Vice President Sun Ping said the Chinese state bank wants to cooperate in the industrial development of Cuba, the Cuban foreign ministry said in a press bulletin. Sun Ping and Álvarez "exchanged opinions about several prioritized projects", the bulletin said, without specifying.

Most recently, China has agreed to fund the expansion and modernization of the Port of Santiago de Cuba and construction of a multi-purpose terminal at the Port of Mariel.

In February, Eximbank agreed to provide credit for the purchase of Chinese tractors and passenger rail cars.

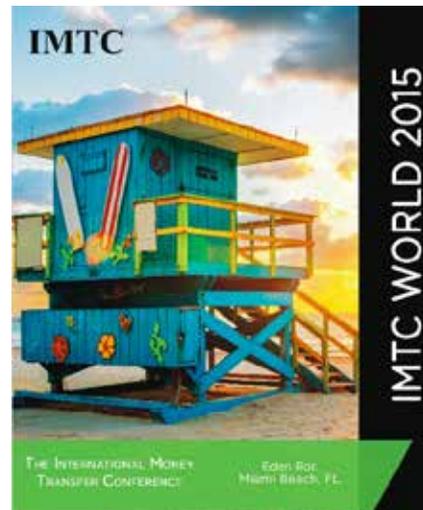
Cuba and China are also planning joint venture pharmaceutical production at the Mariel Special Development Zone.

Remittance industry event to be held in Havana

A Miami-based conference organizer says it obtained approval from the U.S. and Cuban governments to hold an industry event about remittances in Havana this year.

The IMTC Cuba 2016 Conference, scheduled for June 27-29 at the Meliá Cohiba, will explore the remittance and financial service sector in Cuba, IMTC said in a press release.

Like in most other Caribbean economies, remittances are a key source of revenue for the island, but estimates of remittances



The organizers also hold the IMTC World event, the biggest in the industry

sent to Cuba vary. Manuel Orozco, from the Inter-American Dialogue in Washington, estimates that about 550,000 people send an average \$1,250 a year to the island, or about \$770 million annually. The UN Economic Commission for Latin America (ECLAC) estimates that \$1.8 billion made it to the island in 2015. But when non-cash contributions of merchandise, airtime minutes and other sources are added up, the total value could be two or three times higher.

The event in Cuba will be "looking at the past to understand the present and analyze what the future will bring, starting from the very small number of financial services firms that exist today to the opportunities that lay ahead," the press release said.

The company organizes IMTC World in Miami, which lays claim to be the world's largest money transfer conference and trade fair, as well as events in Las Vegas, Barcelona, São Paulo, and New Delhi.

"We need to understand and be respectful of the internal processes and changes tak-

» Briefs



Cuevas-Mohr

ing place, to be part of the future," said IMTC founder and Director Hugo Cuevas-Mohr about Cuba.

Next to the conference rooms at the Meliá Cohiba, the organizers offer two rows of stands for companies "to promote their brand, their products & services to the Cuban Invitees that will be attending the event."

Cooperatives get access to wholesale channels

The Cuban government announced that some new cooperatives will be able to buy supplies directly from government producers and wholesale outlets.

The government has turned over hundreds of state-owned retail operations to employees, who are now operating them as cooperatives.

But these new cooperatives and *cuentapropistas* are struggling because they have had to rely on high-priced retail stores and the black market for their supplies.

Now, Deputy Interior Trade Minister Odalys Escandell García announced that the government is now allowing some new cooperatives to buy from non-food wholesale outlets and state producers. In return, the cooperatives promise to comply with price controls.

The new measure, effective May 2, apparently does not extend to regular privately owned businesses.

The government recently

stopped an experiment to privatize distribution of farm produce, after rising food prices caused backlash.

State companies get more lackluster results in audit

Cuban state companies — crucial for a successful currency merger — lack internal controls and are behind in implementing reforms, revealed an audit of 396 entities conducted by the Comptroller General in November and December, according to Communist Party daily *Granma*.

Reconfirming the lackluster outcomes of previous audits, only 42% obtained an "acceptable" grade; the remainder was "deficient" or "bad".

The government has announced a gradual cutoff of subsidies for loss-making state companies, in return for more autonomy.

Havana hosts regional Internet conference

LACNIC and Cuban state telecom ETECSA partnered in hosting an information technology conference May 2-6 at the Palacio de Convenciones in Havana.

The Latin American and Caribbean Internet Addresses Registry is an international non-profit and one of five Regional Internet Registries worldwide.

The organizers expect at least 450 Internet experts and professionals to attend LACNIC 25. The event will focus on connectivity issues in Latin America and the



Caribbean.

LACNIC 25 is sponsored by Huawei, Nic.br, Cisco, Internet Society, Copa Airlines, Arbor, Netflix, Ams-ix and Infloblox.

German airline adds Cuba route



German vacation airline Condor is adding routes and increasing frequencies on its Cuba flights this summer season.

The Thomas Cook Group subsidiary will open a new route this summer, flying Munich-Havana five times per week beginning Jun. 4. Condor will also add one flight on Frankfurt-Havana, for a total of four weekly flights on that route.

Condor also flies Frankfurt-Holguín, Frankfurt-Varadero, and Munich-Varadero.

Cuban health delegation tours U.S. institutions

A Cuban delegation headed by the deputy minister of health visited the United States Mar. 28-Apr. 1.

Cuba and the United States are exploring ways to cooperate on primary care, mental health, and aging medicine, as well as infectious diseases such as Zika, Dengue and Chikungunya, and chronic diseases such as cancer, diabetes, and hypertension. The two sides are preparing a

»Briefs

memorandum of understanding.

The delegation was in Washington on invitation by the U.S. Department of Health and Human Services, where it met with HHS officials and executives of research and other healthcare institutions, and visited the cancer and infectious disease centers of the National Institutes of Health (NIH), as well as the Center for Disease Control (CDC).

Cuba ballet star returns, starts own company

Afer retiring from the Royal Ballet of London, ballet star Carlos Acosta officially launched his own dance company in Havana.

Acosta Danza made its debut at Havana's newly refurbished Gran Teatro Alicia Alonso on April 8, performing a range of contemporary works.



In his new project, Acosta, 42, mixes classic and contemporary dance styles. The dancers he selected are also a mix from both dance scenes.

Acosta Danza does not have a permanent headquarters yet. For dancers trained in the classical techniques associated with the National Ballet of Cuba, the new company is both a great opportunity and a major challenge.

Even so, observers trade Acosta as a possible successor to Alicia Alonso as head of the National Ballet. ■

GE may sell equipment to Cuba

During the visit of President Barack Obama to Cuba, General Electric Co. and the Cuban government agreed to explore business opportunities.

On March 21, GE and Cuban officials signed memorandums of understanding, to "express our joint interest in exploring potential opportunities."

GE said in a statement that it may sell power, aviation and medical equipment.

"The MOUs provide that any commercial activity will adhere to U.S. policy and licensing requirements," GE spokesman Josef Skoldeberg said. "I don't have anything further to share at this time."

Skoldeberg told *USA Today* that GE is "at the early stages of evaluating (Cuba's) market potential". "We believe that Cuba has needs in areas where GE has solutions, particularly in healthcare and infrastructure".

The Boston-based industrial giant acquired the power business of Alstom S.A. last year, causing Cuba to scramble and find stand-ins to maintain a thermoelectric power plant built by the French company in the 1980s.



Agriculture

U.S., Cuba sign agriculture agreement

| by JOHANNES WERNER

The agriculture ministers of the United States and Cuba signed a document that sets a framework for know-how exchanges and market research.

Under the agreement, the USDA and Cuba will allow 22 research and promotion programs and 18 “marketing order organizations” to conduct research and information exchange activities in the island. These “checkoff” programs, designed by USDA and funded by farmers and agribusinesses to pitch U.S. agriculture to consumers and businesses around the world, will engage with Cuba on productivity, food security, and sustainable natural resource management.

In March, USDA hosted two informational sessions with industry stakeholders about marketing order programs with Cuba, covering consumer-oriented market research and information activities, approval processes, and travel require-

Photo MINREX



Rodríguez Rollero, Vilsack first met in Havana last fall.

Research and promotion in Cuba

Commodities covered by USDA ‘marketing order organizations’

Milk and dairy products, almonds, apricots, avocados, cherries, citrus, cranberries, dates, grapes, hazelnuts, kiwifruit, olives, onions, pears, pistachios, plums/prunes, potatoes, raisins, spearmint oil, tomatoes, walnuts

Source: USDA

ments.

“Cuba is a natural market for the products made by U.S. dairy companies,” said Connie Tipton, president of the Washington-based International Dairy Foods Association. “We look forward to working with Secretary Vilsack and the Office of the U.S. Trade Representative to further explore this potential new market.”

Agriculture Secretary Tom Vilsack called the agreement “a significant step forward in strengthening our bond and broadening agricultural trade between the United States and Cuba,” the U.S. Department of Agriculture said in a press release.

Vilsack — who was part of the delegation accompanying President Barack Obama — and Agriculture Minister Gustavo Rodríguez Rollero signed the memorandum of understanding in Havana.

Vilsack also invited Rodríguez to join him in a visit to a USDA “Climate Sub Hub” in Puerto Rico in late May, where USDA researchers are studying the effects of climate change in the subtropical region and strategies for mitigating these effects. The visit would allow to explore for collaboration opportunities on climate change.

Agriculture agreement (1)

The U.S. Agriculture Coalition for Cuba, a pro-normalization agribusiness lobby group, applauded the agreement.

“This long-overdue action marks the beginning of a new era of U.S. Cuban agricultural cooperation,” said USACC Chair Devry Boughner Vorwerk in a press release. “After more than 50 years, U.S. agricultural producers — through their own industry-funded organizations and programs — finally will be able to closely engage with their Cuban counterparts in research and information efforts, not only to help U.S. producers better understand and serve the Cuban market, but also to help the Cuban people expand and improve their own agriculture sector.”

“Opening the door to mutual information exchange is a critical first step toward re-establishing the tie between our agricultural sectors,” said USACC vice chair Paul Johnson. “But the second step must move us toward recapturing the market share that U.S. producers and exporters have lost—and continue to lose—to the European Union, Brazil, Argentina and others.”

From 2014 to 2015, U.S. agricultural exports to Cuba fell 48% to \$148.9 million, the lowest since 2002, giving the United States just a 10% market share as Cuba’s fourth largest agricultural supplier,

behind the EU, Brazil, and Argentina.

In February, the USDA asked Congress to fund five employees at the U.S. embassy in Havana to promote U.S. agricultural products and help with logistics. “In anticipation of a future lifting of the embargo”, the USDA in its 2017 budget request asks for \$1.5 million for the positions in Havana.

However, U.S. agriculture players are disappointed that a recent U.S. exemption allowing granting credit to Cuban buyers does not include agriculture products.

“It now is imperative for Congress to make the next logical move and change outdated, Cuba-specific federal policies that restrict financing, reduce the competitiveness of our farmers, ranchers and agricultural concerns, and prevent U.S. businesses from securing opportunities only 90 miles from our shores,” the USACC’s Johnson said.

During a trip to Cuba in May, the USACC plans to sign a memorandum of understanding for two-way trade, production, sustainability, investment, supply chains, and research and development. The Coalition would also like to “work with Cuban industry counterparts to develop concrete steps that improve collaborative efforts on food security in both countries.” ■

‘This must move us toward recapturing the market share that U.S. producers and exporters have lost, and continue to lose’

Guest column

Opening your office in Havana

A brief exam of new U.S. rules about establishing a physical presence in Cuba

Although doing business in Cuba is still prohibited by the laws regulating the U.S. embargo against Cuba, the U.S. Departments of Treasury and Commerce have amended regulations about export and import activities in four instances since Jan. 16, 2015. This essay — part 2 of a series — focuses on how U.S. businesses can establish a physical presence in Cuba.

On Sept. 16, 2015, and more recently, on Mar. 16, 2016, the Department of the Treasury's Office of Foreign Assets Control (OFAC) and the Department of Commerce introduced new amendments to the Cuban Assets Control Regulations with a larger impact on U.S. businesses. Authorizing U.S. entities and individuals to establish a business or a physical presence in Cuba has been one of the most relevant changes approved by the administration to further implement the policies announced by President Barack Obama on Dec. 17, 2014. If your entity or organization is engaged in authorized transactions with or in Cuba, you can even pack up and move to Cuba to facilitate such

transactions on the island.

However, not all U.S. businesses or organizations can open an office or facility in Cuba. The embargo against Cuba is still in force, and it won't change until Congress takes action to repeal the laws prohibiting doing business in Cuba. So far, the administration has granted this benefit only to specific entities and individuals. Under the new regulations, persons subject to U.S. jurisdiction may establish a business or physical presence in Cuba.

The list of U.S. entities and individuals authorized to establish and maintain a business presence in Cuba include: (1) Authorized providers



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Physical presence (1)

of telecommunications services; (2) Authorized providers of internet-based services; (3) Exporters of goods authorized for export or reexport to Cuba; (4) Entities authorized to provide mail or parcel transmission services or cargo transportation services in connection with authorized trade involving Cuba and (5) Authorized providers of travel and carrier services.

To make this change effective, OFAC is also authorizing these entities and individuals to engage in all necessary transactions to establish and maintain a business presence in Cuba, “including through subsidiaries, branches, offices, joint ventures, franchises, and agency or other business relationships with any Cuban national, and to enter into all necessary agreements or arrangements with such entity or individual.”

The authorized transactions include:

- leasing physical premises such as offices, warehouses, classrooms, or retail outlet spaces;
- securing related goods and services;
- marketing related to the business presence;
- opening, maintaining and closing bank accounts in Cuban financial institutions;
- hiring Cuban nationals in Cuba and U.S. citizens or permanent residents who may also establish domicile in Cuba, including accessing U.S. assets, for the duration of their employment.

It is important to specify that this authorization does not allow persons subject to U.S. jurisdiction to “establish a physical or a business presence in Cuba for the purpose of providing lodging services in Cuba”.

The following persons are now allowed to establish a physical presence in Cuba: (1) Authorized news bureaus whose primary purpose is the gathering and dissemination of news to the general public; (2) Authorized entities organizing or conducting educational activities; (3) Authorized religious organizations engaging in religious activities

in Cuba; (4) Entities engaging in noncommercial activities authorized to “support for the Cuban People”; (5) Entities engaging in humanitarian projects; and (6) Private foundations or research or educational institutes engaging in authorized transactions in Cuba.

Cuban laws and regulations

But the process is not as easy as jumping on a plane, landing in Cuba with your corporate sign and the keys to your new Cuba office in Havana’s La Rampa. Any person subject to U.S. jurisdiction authorized by a general or specific license to do business in Cuba will need to establish its “physical presence” on the island by following the procedures under Cuban laws regulating foreign trade and investment.

In the case of foreign entities and individuals engaged in trade with Cuba, the establishment of an office in Cuba is subject to compliance with the requirements set out in Decree 206 of 1996 of the Executive Committee of the Council of Ministers, and Resolution No. 550 of 2001, supplementing the decree. For those authorized to invest in Cuba as a subsidiary of a foreign capital corporation, and willing to set up offices there, the applicable law is the Foreign Investment Law Act of 2014 (Law 118) and its regulations, approved through Decree 325 of 2014.

Under the laws regulating foreign trade, foreign entities or individuals can establish their presence in Cuba through a branch or agency in order to directly conduct their business with Cuban companies and organizations. Also, for those who wish to have a representative in the country, without actually opening an office, the law includes the possibility to be represented by a national entity legally authorized to act as agent.

The approval of branches of foreign entities or individuals in Cuba depends on (1) whether the Cuban authorities deem the business to be

The process is not as easy as jumping on a plane. You must also follow Cuban laws regulating foreign trade and investment.



Physical presence (2)

of interest to the country taking into account the type of products sold, technology, financial solvency and prestige of the entity, among other criteria; (2) whether the share capital of the corporation is not less than US\$50,000 or its equivalent in another currency; and (3) whether the corporation or indi-

After Obama's visit, we may soon see the logos of JetBlue or Starwood on buildings in Havana.

vidual entrepreneur interested in establishing a branch has had a turnover of no less than US\$500,000 per year in the last three years of doing business with Cuba.

If the application to establish a presence is denied for not meeting the requirements specified above, representation in the country through a Cuban entity authorized to act as an agent is also an option.

Registration in the National Register of Branches and Agents of Foreign Corpora-

tions, part of the Chamber of Commerce of the Republic of Cuba is also an essential requirement for entities or individual entrepreneurs seeking to establish a presence in the country. According to Cuba's Chamber of Commerce, there are 648 foreign

entities and individual entrepreneurs registered with a branch in Cuba and three with an agent.

Experts in Cuban business law state that changes in the laws regulating the establishment of a physical business in Cuba are soon expected to align such provisions with the newest developments included in the Foreign Investment Law Act of 2014, which allows totally foreign-owned companies to settle within the national territory of Cuba through individuals acting on their own behalf, a branch or a subsidiary. However, the laws are silent on the specific requirements to open an office in Cuba, once the proposed investment by a branch or subsidiary of a foreign company has been approved.

Based on the requirements set out by Cuban law regulating foreign trade, it is likely that the first U.S. businesses in establishing a physical presence in Cuba may be those that have already exported corn, soybeans and frozen chicken to the island. Those benefiting from the new policies implemented by the U.S. government after Dec. 17, 2014 to do business in Cuba, will set out offices on the island under the expected new legal developments in this area by Cuba's Council of Ministers. After Obama's visit to Cuba, we may soon see the logos of JetBlue or Starwood Hotels & Resorts hanging on the buildings of Havana. ■

The authors thank Brown Rudnick partner Alejandro Fiuza for his contribution to the article. Alejandro and Aynel Alvarez traveled to Cuba in March to attend a conference organized by The Law Firm Network

Analysis



Richard E. Feinberg is a non-resident Senior Fellow at the Brookings Institution and professor at UC San Diego. His latest book, "Open for Business: Building the new Cuban Economy," will appear in mid-2016. He just returned from two weeks in Cuba

Obama scores a triple in Havana

During his visit, the U.S. president tossed the ball into the Cuban government's court

Walking the streets of Havana during Obama's two full-day visit here, the face of every Cuban I spoke with lit up brightly upon the mere mention of Obama's name. "Brilliant," "well-spoken," "well-prepared," "humanitarian," "a true friend of Cuba," were common refrains.

These Cubans did not need to add that their own aging, distant leaders compare unfavorably to the elegant, accessible Obama. And the U.S. president's mixed ethnicity is a powerful visual that does not need to be verbally underscored to a multi-racial Cuban population. But this skeptical question remained: "Would the visit make a lasting difference?" Would the government of Cuba permit some of the changes that Obama was so forcefully advocating?

In his joint press conference with President Raúl Castro, and in his speech in a concert hall that was televised live to an intensely interested Cuban public, Obama spoke with remarkable directness about

human rights and democratic freedoms, sparking more than one overhead conversation among Cubans about their own lack thereof.

With eloquent dexterity, Obama delivered his subversive message carefully wrapped in assurances about his respect for Cuba's national sovereignty. "Cubans will make their own destiny," he reassured a proudly nationalist audience.

"The President of the world" — as average Cubans are wont to refer to the U.S. president — emphasized that just as the United States no longer perceives Cuba as a threat, neither should Cuba fear the United States. Offering an outstretched hand, Obama sought to deprive the Cuban au- ▶

Obama (1)

thorities of the external threat that they have used so effectively to justify their authoritarian rule and to excuse their poor economic performance.

On Cuban state television, commentators were clearly thrown on the defensive, seeking to return the conversation to the remaining economic sanctions—“the blockade”—to the U.S. occupation of the Guantanamo Naval Base and to past U.S. aggressions. Their national security paradigm requires such an external imminent danger.

Obama sought to strengthen the favorable trends on the island, by meeting with independent civil society leaders and young private entrepreneurs. One owner of an event planning business confided to me, “I cried during our meeting with Obama—and I rarely cry—because here was the leader of the most powerful nation on earth meeting with us, and listening to us with sophisticated understanding, when our own leaders never ever do.”

Obama assured the Cubans he would continue to ask Congress to lift the remaining economic sanctions—but he added that the Cuban government could help. It could allow U.S. firms to trade with the Cuban private sector and cooperatives, and now with some state-owned enterprises “if such exchanges would benefit the Cuban people.” So far, the government has permitted very few such transactions—ironically, an auto-embargo. And the Cuban government could engage the United States in an effective human rights dialogue and prioritize settlement of outstanding claims.

Certainly, the administration needs Cuba’s help in broadening constituencies in the United States for its policy of positive engagement with Cuba. Some U.S. firms — Verizon; AT&T; AirBnB; now Starwood Hotels and Resorts; shortly, various U.S. commercial airlines and ferry services — are signing deals. And the surge of U.S. travelers visiting the island typically return home as advocates for deepening normalization. Obama’s entourage in-

cluded nearly 40 members of the Congress, the largest of his presidency, he said.

But Obama still does not have the votes to lift the embargo. He told the Cubans he has “aggressively” used executive authority to carve out exceptions to the embargo, such that the list of things he can do administratively is growing shorter. In effect, he tossed the ball into the Cuban government’s court. Only if Cuba opens to U.S. commerce, only if it shows a disposition to improve its human rights practices, might the U.S. Congress be moved to fully normalize economic relations.

Why only a triple?

If Cubans were so impressed by Obama, why do

His White House
 staff failed to secure
 a schedule that would
 have exposed him
 more directly to the
 welcoming Cuban
 people.

I only reward him a triple? Fundamentally, because his White House staff failed to secure a schedule that would have exposed him more directly to the welcoming Cuban people. There were rumors he was to throw out the first pitch at an exhibition game between the Tampa Bay Rays and the Cuban national team (won 4-1 by the U.S. squad), but that opportunity

was denied. Nor was he permitted to make his main speech before an outdoor Cuban public. As he walked around Havana’s colonial center, the authorities allowed only small crowds. Michelle and accompanying daughters, Malia and Sasha—potentially powerful symbols in a family-oriented country—kept subdued schedules. Overall, the Cubans managed to hem Obama in, and to hand-select most of the audiences from among their loyal followers, audiences that were predictably polite but restrained. Fortunately, the meeting with opposition activists went forward as planned.

Further, while Obama’s remarks were well received, his texts were not as well woven together by coherent narratives as they might have been. And many Cubans would have liked to hear more about specific measures to build a more prosperous economy. ▶

Obama (2)

Developing real rapport

When asked whether Castro and Obama had “chemistry” by a reporter, a senior Cuban diplomat preferred to refer to “mutual respect.” But the two leaders did seem to develop a real rapport. During the baseball game, they spent a full hour sitting next to each other, seemingly in relaxed conversation. And during a brief question-and-answer period at the end of their joint press conference, when a U.S. reporter peppered Castro with hostile questions, Obama jumped in to fill time while Castro — not at all accustomed to press conferences — struggled to compose his response.

Cubans will long remember this visit by the sort of charismatic leader that they once had, in a youthful Fidel Castro, and that they would long to find once again. In the meantime, the Obama administration will do what it can to reintroduce Cuba to U.S. goods and services, U.S. citizen-diplomats, musical concerts, sports stars — Shaquille O’Neal, among others — and other cultural, educational, and scientific exchanges. And it will also spread ideas, about how to improve the sluggish

During the baseball game, they spent a full hour sitting next to each other, seemingly in relaxed conversation.

Cuban economy and gradually integrate it into global commerce, and in the longer run, to help give average Cubans a greater voice in determining their own national destiny. ■

The article first appeared on the Brookings Institution blog at <http://www.brookings.edu/blogs/up-front/posts/2016/03/23-obama-scores-in-havana-feinberg#.VvK8VY7a9pE.facebook>. We thank Brookings for the permission to reprint

New films



Kiki Álvarez

Venecia

Claudia Muñiz, Marianela Pupo, Maribel García Garzón, Jorge Molina, Jazz Vilá
Habanero Films

→ Big, small dreams in times of *cuentapropismo*: Mónica, Violeta and Mayelín work in a beauty salon. On payday, they go out to buy a dress for one of them, starting an unexpected journey into the depths of the Havana nightlife. At dawn, exhausted and penniless, they start dreaming of opening a beauty shop of their own which they will call Venecia.

—JOHANNES WERNER

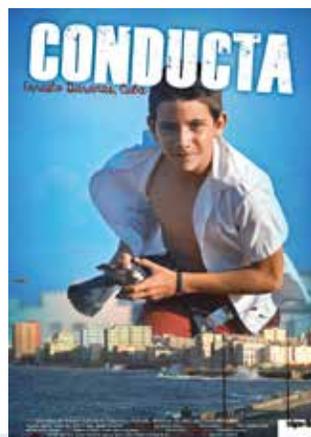
Ernesto Daranas

Conducta

Armando Valdés Freire, Yuliet Cruz, Alina Rodríguez
ICAIC, RTV

→ Lives on the margins of society in contemporary Cuba: Eleven-year-old Chala lives with his addict mother. In order to provide for the two of them, he raises carrier pigeons and trains fighting dogs. School provides a stabilizing force in Chala's life, thanks to his close relationship with his spirited sixty-something teacher. When the boy is sent off to live in a "re-education facility" and his teacher mounts a campaign to have him released, she becomes the target of a witch hunt spearheaded by a school board administrator.

—JOHANNES WERNER



Victor Alfonso Cedeño

Dany y el Club de los Berracos

Animated series
self-produced

→ Cuba's cultural scene is home to very talented entrepreneurs — meet animated film director Cedeño. At home in Cienfuegos, he has been described as an architect by profession, and cartoon *cuentapropista* in his free time whose *Dany* series is becoming increasingly popular. He took his characters from their original comic format to the screen, doing most of the work with friends. Quote: "I don't understand why you need 30 people for a 5-minute film."

—JOHANNES WERNER

CALENDAR OF EVENTS

May 1-5

International Tourism Fair (FitCuba 2016) — Annual tourism industry fair, this year in Havana; guest of honor: Canada. www.fitcuba.com

May 2-6

LACNIC 25 — Annual information technology and Internet conference and fair, this year in Havana; hosted by the Latin American and Caribbean Internet Addresses Registry and state telecom ETECSA. www.lacnic.net/web/eventos/lacnic25

May 17-19

Hostel Cuba 2016 — International fair of hotel and restaurant management, organized by Palco and Fira Barcelona. Pabexpo Havana. www.firacuba.com/en/hostelcuba, cgracia@firabarcelona.com

June 20-24

CubaIndustria 2016 — The second annual edition of what is designed to become Cuba's largest fair with a focus on manufacturing. Palacio de Convenciones, Havana. www.cubaindustria.cu, cubaindustria@industrias.cu

June 27-29

IMTC Cuba — Conference organized by Miami-based IMTC for the international money transfer and remittance industry, with focus on Cuba. Meliá Cohiba Havana. <http://imtconferences.com>

July 5-7

Feria Alimentos Cuba 2016 — Food industry fair organized by Palco and Fira Barcelona. Pabexpo, Havana. www.firacuba.com/en/feria-de-alimentos-cuba, cgracia@firabarcelona.com

Sept. 13-15

If your organization is sponsoring an upcoming event, please let our readers know!

Send details to **Cuba Standard Monthly** at johanneswerner@cubastandard.com

SecurTec 2016 — International security and emergency services fair organized by Palco and Fira Barcelona. Pabexpo, Havana. www.firacuba.com/en/securtec-cuba, cgracia@firabarcelona.com

Oct. 31-Nov. 5

FIHAV 2016 — 34th International Havana Fair, the biggest business event of the year in Cuba. Expocuba, Havana. www.camara.com.cu, eventos@camara.com.cu

Nov. 21-26

CUJAE 2016 — The 18th Scientific Convention on Engineering and Architecture. Palacio de Convenciones, Havana. www.cciacuba.com

Feb. 7-9, 2017

PacGraf Cuba — International packaging industry and graphic arts fair organized by Palco and Fira Barcelona. Pabexpo, Havana. www.firacuba.com/en/securtec-cuba, cgracia@firabarcelona.com

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