

# CLIENT ALERT

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July, 2015

## U.S.-Cuba Report...and what's next?

President Barak Obama announced the resumption of diplomatic ties with Cuba. Secretary of State John Kerry will travel to Havana to raise the stars-and-stripes over the new U.S. Embassy to Cuba. The ceremonies are planned for July 20th. The re-establishment of diplomatic relations is a historic step forward in our efforts to normalize relations with the Cuban government, and begin a new chapter with our neighbor. The president added that this was not merely symbolic and that U.S. diplomats will have the ability to engage more broadly across the Island. He said that “we will find new ways to cooperate with Cuba”.

However, based on statements by U.S. Senate Majority Leader Mitch McConnell and other Republican Leaders, we conclude that any new Cuba related action going forward that requires legislation approval will be resisted by Congress.

But we anticipate that a number of cooperation agreements will follow the recent announcements including collaboration on disaster relief response, environmental & conservation issues, and others. Some of the issues of marquee interest to look for going forward include:

- The actual opening of the embassies and John Kerry’s visit to Cuba on July 20
- Introduction of U.S. financial services and banking
- Increased remittances, imports from Cuba, and travel categories for Americans
- Unification of dual currency
- Pope’s visit in September
- Resolution of US confiscated properties
- Direct services by U.S. airlines to and from Cuba
- Defunding of TV and Radio Marti
- Cuba restores the American Eagle to the USS Maine Memorial in Havana
- Visit by Pres. Obama to Havana in 2016

An important related news item is that Cuba and the Paris Club have agreed that Cuba owes \$15 billion USD, a first step toward renegotiating the debt, another sign that Cuba is rejoining the global economy and international financial system. Recently, Cuba has restructured its debt with Japan, Mexico, and Russia, obtaining reductions of 70 percent to 90 percent from them. The same was done with China for a \$6 billion debt. Most Paris Club creditors are willing to show flexibility with the Island due to their interest in doing business there following the new Cuba-United States political ties.