

# CLIENT ALERT

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## Embassies Move Relations Forward

Normalized diplomatic relations between the United States and Cuba took another step forward on July 20 with the formal re-designation of the Cuban Interests Section in Washington, D.C., as its new embassy.... Secretary of State John Kerry is scheduled to attend a flag-raising ceremony at the new designated U.S. embassy in Havana on August 14th. ... Kerry hosted Cuban Foreign Minister Bruno Rodriguez at the State Department following the Cuban ceremony, saying, "The interests of both countries are better served by engagement than by estrangement."

A day after the embassies reopened, Florida-based Stonegate Bank signed a correspondent banking deal with *Banco Internacional de Comercio*, a Havana-based bank. San Francisco-based online lodging marketplace Airbnb offered free week-long stays in Cuba to celebrate the opening of the embassies. Stonegate Bank's deal with a Cuban bank could encourage other U.S. banks to enter Cuba as well. A number of U.S. banks are looking to do the same thing. This may allow for greater commerce between the two countries as opposed to doing payments through a third country. It can also pave the way for American credit cards to be used in Cuba.

In Congress, both supporters and critics of President Obama's Cuba outreach policy have sponsored legislation either attempting to expand it or hinder it. ... Last week, the Senate Appropriations committee voted to remove restrictions on Americans seeking to travel to Cuba. ... Conversely, House Republicans amended a bill to block additional funding for an expanded U.S. embassy in Cuba.

Cuba has hired French economist and former International Monetary Fund managing director Dominique Strauss-Kahn to continue negotiations with the Paris Club on their debt. The Paris Club is an informal group of creditor nations. Multilateral lending organizations have said they are ready to provide Cuba lines of credit. The CAF-Development Bank of Latin America has reported looking at the opportunities in Cuba. The Cuban government needs foreign investment dollars to increase its GDP ratio to have sustainable growth, Cuba's capital needs are the highest in projects for exports, infrastructure, energy and housing.

Two issues of interests are the Pope's visit scheduled for September 19-22 and Google's offer to provide a fiber cable between Havana and the U.S. at no cost to Cuba. Another issue on which negotiations are underway include property claims: Mark Wells U.S. State Department Coordinator of Cuban Affairs declared that the U.S. is planning to hold discussions with Cuba as early as this fall to find a resolution on behalf of the 5,913 registered & certified U.S. claims. We understand that the United States Department of Justice is reviewing requests to authorize penalty funds obtained from non-U.S.-based financial institutions to satisfy the certified claims issue. As of December 2014 the U.S. certified claims were valued at \$7.8 billion. It should be noted that the Cuban Government has a cross claim of \$181 billion against the U.S. for "human losses and hardships" flowing from the embargo.

Expectations are now building for President Obama to visit Cuba, and his administration has said it would evaluate a possibility of that happening next January.