

U.S.-Cuba Trade and Economic Council, Inc.

New York, New York

Telephone (917) 453-6726 • E-mail: council@cubatrade.org

Internet: <http://www.cubatrade.org> • Twitter: @CubaCouncil

Facebook: www.facebook.com/uscubatradeandeconomiccouncil

LinkedIn: www.linkedin.com/company/u-s--cuba-trade-and-economic-council-inc-

**President Trump Can Help Offset China's Decrease In Soybean & Corn Imports
CEO of Home BancShares In Arkansas Has A Key To Unlock Potential
US\$1.4 Billion In Soy Products & US\$1.1 Billion In Corn Purchased Under TSREEA
One OFAC License Could Increase Exports
In 2018, China Imports Have Decreased 15.5%; Cuba's Imports Have Increased 20.8%
One Governor, Two Senators, Four Members Of The House Of Representatives**

On 4 May 2018, The Honorable Donald J. Trump, President of the United States, was quoted as saying: *"My people are coming back right now from China, and we will be doing something, one way or the other, with respect to what's happening in China. And let me say this: I have great respect for President Xi. That's why we're being so nice. And we have a great relationship. But we must bring fairness into trade between the U.S. and China. And we'll do it."*

On 5 May 2018, *The Wall Street Journal* reported that exports of **soybeans and corn** from the United States to the People's Republic of China had substantially decreased. According to The Honorable Charles Grassley (R- Iowa), a member of the United States Senate, *"If [the Chinese] market closes, it could be devastating for local communities across the Midwest."*

Increasing the export of soybeans and corn, and other agricultural commodities and food products, from the United States to the Republic of Cuba would not be a panacea, but could be a *material offset with no risk* to United States taxpayers because United States law requires payment of cash-in-advance for deliveries of agricultural commodities and food products from the United States to the Republic of Cuba. The law does not need to be altered for exports to increase.

President Trump could take immense satisfaction from using rational commercial logic to correct simple commercial arithmetic that escaped comprehension of the Obama Administration: *When export opportunities exist, assist and do no harm. And, if there are two parts to create success, don't authorize one part and then self-congratulate for not authorizing the other part.* President Trump would certainly concur that's a terrible deal.

Since December 2001, when the first deliveries from the United States to the Republic of Cuba commenced under provisions of the Trade Sanctions Reform and Export Enhancement Act (TSREEA) of 2000, the Republic of Cuba has purchased, on a cash-in-advance basis, more than **US\$5.6 billion** in agricultural commodities and food products from United States companies.

In 2017, the Republic of Cuba ranked **53rd amongst 229** agricultural commodity and food export markets for United States companies according to the United States Department of Commerce; ahead of *Poland, Jordan, Argentina, Russia, Qatar and Greece* among others.

Thus far in 2018, the Republic of Cuba maintains that ranking with 2017-to-2018 exports having increased 20.8% while exports from the United States to the People's Republic of China have decreased 15.5% according to the United States Department of Commerce.

During the last seventeen (17) years, the Republic of Cuba has purchased approximately US\$1.4 billion in soybean products: more than US\$621 million in soybeans, more than US\$531 million in soybean oil cake, and more than US\$245 million in soybean oil.

U.S.-Cuba Trade and Economic Council, Inc.

Thus far in 2018, the Republic of Cuba has purchased approximately US\$15 million in soybeans and soybean oil, compared with US\$8,493,537.00 (soybeans; no soybean oil) during the same period in 2017. *That is a 76.6% increase.*

Soybean products represent approximately 25% of all agricultural commodities and food products exported from the United States to the Republic of Cuba since December 2001.

During the last seventeen (17) years, the Republic of Cuba has purchased approximately US\$1.15 billion in corn.

Thus far in 2018, the Republic of Cuba has purchased approximately US\$9.4 million in corn, compared with US\$14,462,001.00 during the same period in 2017. *That is a 53.8% decrease.*

Corn represents approximately 20% of all agricultural commodities and food products exported from the United States to the Republic of Cuba since December 2001.

To assist towards increasing agricultural commodity and food product exports, along with other authorized exports (agricultural machinery and farm implements, for example), Conway, Arkansas-based **Home BancShares** (2018 assets approximately US\$14 billion), who through its Centennial Bank subsidiary purchased Pompano Beach, Florida-based Stonegate Bank in September 2017, should seek to augment its existing license from the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury. Home BancShares has experience with agriculturally-focused transactions on behalf of its customers in Arkansas, Alabama, Florida and New York.

Mr. C. Randall Sims, President and Chief Executive Officer of Home BancShares, along with Mr. John W. Allison, Chairman of Home BancShares, may want to seek assistance from their Governor (who visited the Republic of Cuba in 2015) and their Members of Congress:

The Honorable Asa Hutchinson (R), Governor of the State of Arkansas; United States Senators: The Honorable John Boozman (R) and The Honorable Tom Cotton (R); and the four members of the United States House of Representatives: The Honorable Eric “Rick” Crawford (R) who has visited the Republic of Cuba, The Honorable French Hill (R), The Honorable Steve Womack (R), and The Honorable Bruce Westerman (R).

In 2015, the OFAC authorized **Stonegate Bank** (2017 assets approximately US\$2.9 billion) to have an account with Republic of Cuba government-operated *Banco Internacional de Comercia SA* (BICSA).

However, because the Obama Administration would not authorize BICSA under a general or specific license from the OFAC to have an account with Stonegate Bank, United States export-related funds have been sent and received through **Panama City, Panama-based Multibank**, which has extensive dealings with the Republic of Cuba.

Without bilateral direct correspondent banking accounts, the payment process for funds from the United States to the Republic of Cuba and from the Republic of Cuba to the United States remains triangular rather than a straight line- which would be more efficient, more secure, more transparent, more timely (same day versus two or more days), and less costly.

U.S.-Cuba Trade and Economic Council, Inc.

The augmentation of the OFAC license would be consistent with the export-focused mandates of the United States Department of Agriculture (USDA) and United States Department of Commerce (DOC).

Previously, officials within the OFAC and United States Department of State shared that if a license application were submitted, the license application would likely be approved.

From the OFAC:

55. Are financial institutions other than banks permitted to open correspondent accounts in Cuba? Depository institutions, as defined in 31 CFR §515.333, which include certain financial institutions other than banks, are permitted to open correspondent accounts at banks in Cuba. See 31 CFR §515.584(a).

(f) Any banking institution, as defined in §515.314, that is a person subject to U.S. jurisdiction is authorized to provide financing for exports or reexports of items, other than agricultural commodities, authorized pursuant to §515.533, including issuing, advising, negotiating, paying, or confirming letters of credit (including letters of credit issued by a financial institution that is a national of Cuba), accepting collateral for issuing or confirming letters of credit, and processing documentary collections. With the exception of transactions related to exports or reexports of medicines or medical supplies, items associated with the provision of telecommunications and internet services for the Cuban people, or items associated with air and sea operations that support permissible travel, cargo, or trade, nothing in this paragraph authorizes a direct financial transaction prohibited by §515.209.

56. Are Cuban banks permitted to open correspondent accounts at U.S. banks? No. U.S. depository institutions are permitted to open correspondent accounts at Cuban banks located in Cuba and in third countries, and at foreign banks located in Cuba, but Cuban banks are not generally licensed to open such accounts at U.S. banks. See note to 31 CFR §515.584(a).

What To Do?

Home BancShares should be proactive and seek the 50% of its correspondent banking license from the OFAC that it does not possess to then transparently, securely, and efficiently receive funds from the Republic of Cuba and transfer funds to the Republic of Cuba.

A fully-implemented direct correspondent banking agreement will lessen transaction costs by up to 2%; and that 2% could result in additional soybean products and corn and other agricultural commodities and food products exported from the United States to the Republic of Cuba.

Since December 2001, the Republic of Cuba has transferred **US\$5.6 billion** to United States-based companies for the purchase of agricultural commodities, food products and healthcare products; approximately US\$150 million went to third-country financial institutions to process those payments.

Additional effort. Additional time. Additional expense. And, additional reasons for the government of the Republic of Cuba to avoid United States-based companies.

U.S.-Cuba Trade and Economic Council, Inc.

The government of the Republic of Cuba may believe, and not without some reasonableness, that if the OFAC does not want United States companies to save on transaction fees, and gain from the potential savings in terms of increased product exports, then so be it.

The government of the Republic of Cuba has a responsibility to gain as much as possible from each bilateral commercial relationship; and United States companies can provide high quality product, with competitive pricing, on a consistent basis, through efficient ground and rail and port transportation networks. That's a benefit to the 11.3 million citizens of the 800-mile long archipelago.

United States companies (large, medium and small; and individual farmers) who engage in authorized transactions with any country should not be financially penalized.

There exists an available use of the OFAC licensing pathway to solve a payment problem. Home BancShares and BICSA should make use of it. The USDA and DOC should support it.

Link To Previous Blog Post:

<https://www.cubatrade.org/blog/2017/12/12/president-trump-deserves-opportunity-to-right-an-obama-administration-wrong-sftcp-dcb?rq=Stonegate%20Bank>