

Companies should consider doing business in Cuba

Jonathan Blue 12:55 p.m. EDT August 6, 2015



When the startling announcement came from the White House on Dec. 17 that new rules for Americans traveling and engaging with Cuba and its people would be established, it set off a chain of events that has led many to consider doing business in a market from which Americans were disallowed for more than 50 years. On Aug. 14, the U.S. flag will once again fly above the U.S. Embassy in Havana, signaling the start of a new era between the United States and one of its closest southern neighbors.

Although the decades-old trade embargo is still in effect and business between the United States and Cuba is proceeding slowly, there is significant movement. Just last week, the first formal correspondent relationship between a U.S. bank and Cuba's Banco Internacional De Comercio was formally established and implemented. Airbnb now offers several thousand listings for places to stay throughout the country of Cuba. American companies are at last permitted to sell computers and telecommunications equipment to the Cuban market. Netflix, American Express and others have now entered the market in a country just 90 miles from the United

States.

Perhaps the most significant movement has been that progressive states have established trade and other missions to Cuba, with the intention of serving as the bridge between businesses residing in those states and the opening of the Cuban market. Cubans are more than welcoming and keen on receiving business leaders from the United States, especially when accompanied on official visits or with the endorsement of political leaders or trade organizations.

What exactly is happening in Kentucky's region with respect to the Cuban market? Let's start with Georgia, where Atlanta Mayor Kasim Reed recently returned from a trip to Cuba with the President of the World Affairs Council of Atlanta and stated that (<http://saportareport.com/mayor-kasim-reed-atlanta-can-be-a-gateway-to-cuba/>) "Atlanta can become the business gateway to Cuba" and that the "timing could not be better."

In Illinois, Caterpillar, in a *Bloomberg* article this past week, stated that Cuba could end up being a bigger market for Caterpillar than Puerto Rico. Bill Lane, Global Government Affairs Director at Caterpillar said that, despite its recent debt-related economic troubles, Puerto Rico recorded gross domestic product of more than \$103 billion (<http://data.worldbank.org/country/puerto-rico>) in 2013. Cuba's GDP that year was already \$77.2 billion, (<http://data.worldbank.org/country/Cuba>) according to the World Bank.

In Minnesota, Chief Department of Agriculture Economist Su Ye has estimated (<http://www.startribune.com/cuba-has-market-potential-for-minnesota/287426501/>) that changes in the Cuban market will lead to an "incremental conservative estimate of an additional \$20 million in sales to Cuba in such areas as corn and soybeans from Minnesota." Ye added, "It will not happen right away, but gradually it will reach that level."

In April 2015, Governor Mario Cuomo visited Cuba with several business executives from New York with the intention of exploring ways to simply open up a business dialogue. In actuality, the trip led to the closing of a software transaction as well as the finalization of an agreement (<http://story/news/politics/albany-watch/2015/04/21/ny-gov-cuomo-ends-trip-cuba-deals/26142699/>) between the Buffalo-based Roswell Park Cancer Institute and the Cuban Center of Molecular Immunology. Cuban researchers have developed a possible vaccine for lung cancer, and Roswell Park will now be able to work with the Cubans on that project.

Oklahoma is ying very hard (<http://newsok.com/cuba-could-become-big-buyer-for-oklahoma-wheat/article/5436125>) to once again provide wheat to Cuba, where it has not sent a shipment since 2004 when it last sent a 25,000 metric ton vessel to the Island. Surely, Kentucky, with our unparalleled logistics hub, is as strategically located and positioned to ship our products to Cuba as Oklahoma.

Kentucky should take a very hard look at what is happening around us before the first-mover advantage is lost.

With respect to expansion of higher education, another new frontier, the state of Alabama, the city of Mobile and the universities of Alabama (http://www.al.com/news/index.ssf/2015/02/university_is_alabama_works_to.html), Florida, and others have all made themselves known to Cuba. Florida International University, Auburn University (http://www.al.com/news/index.ssf/2015/06/auburn_university_signs_pact_w.html), and several other top

schools have documented Cuban initiatives, including one school that plans to build not one, but two campuses in Cuba when permitted. All of the colleges and universities in Kentucky should quickly take note of this.

Dozens of U.S. Senators, Representatives, mayors, and other important delegation members have all recently traveled to Cuba in search of opportunities in the new market.

While there are still issues to be resolved and challenges that remain between the two countries, it is time for the CEOs and Government Affairs personnel of Kentucky's companies to take the initiative to develop relationships and contacts in this very important new market and one that remained closed for the majority of every Kentuckian's lifetime. Kentucky's natural resources and commercial products, strategic logistical hub, geographic location, and unique companies within the state are in an excellent position to establish inroads to promote products and services to the Cuban market.

Kentucky businesses should do everything in our power to begin to identify and pursue legal business opportunities in Cuba. Today, it is difficult to compete in one's own mature markets, not to mention against markets in other competing states. The fact that a new market has opened and Kentucky companies can do business there for the first time in more than a generation is something that has to be considered and capitalized upon quickly.

Kentucky has been late to the party on many national economic and sociodemographic trends, and our neighboring states within close proximity have simply surpassed us with progressive and forward-thinking laws that have fostered growth in their respective business markets. A myriad of these states are now making it a priority to enter the Cuban market fast and before other states. Kentucky companies should act now.

Some of the most prominent Kentucky industries -- health services, agriculture, manufacturing, education, spirits, transportation and logistics -- should emerge as a force in a new Cuban market that craves U.S. products and services. Let's capitalize on this new day and lead the effort before others pass us by and we are on the outside looking in at an unprecedented new market.

Jonathan Blue began visiting Cuba almost a decade ago on a cultural visa to explore and learn about the emerging Cuban art scene. He is the chairman and managing director of Louisville private equity firm, Blue Equity, LLC (www.blueequity.com (<http://www.blueequity.com/>))

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