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Iran agreed on Tuesday to restructure Cuba's debts to its export credit agency as part of a deal struck during a visit by President Hassan Rouhani to the Latin American country.

The agreement was signed by the Export Guarantee Fund of Iran, Export Development Bank of Iran and Banco Exterior de Cuba to settle debts dating back to 2012.

"Negotiations for settling Cuba's debts began during Foreign Minister Mohammad Javad Zarif's visit to Cuba last month. Now Havana has agreed to clear its debts by 2019, after meetings between officials from the Central Bank of Cuba and Banco Exterior de Cuba on Monday," Arash Shahraini, EGFI deputy chief, told the Financial Tribune.

Cuba will start repaying debt from 2018.

"Back in 2006-2008, EDBI released a €200 million credit for Cuba to import goods and services from Iran, €80 million of which was used. EGFI also agreed to cover the repayment of the money, as it was backed by the Cuban government's sovereign guarantee."

Iranian exporters received their money on time, he added.

The Cubans were supposed to repay the credit within two years. However, they failed to meet their commitments due to financial difficulties, according to Shahraini.

However they started to repay after a while. “By 2012 Cuba had cleared a portion of its debt to Iran. However, the tightening sanctions against Iran disrupted the process.”

“The remaining amount was about €43 million, which now totals €50 million with interest.”

Noting that some Iranian companies also owe money to the Cuban government he said, “These companies are set to repay their dues to the EGFI.”

President Hassan Rouhani traveled to Havana for an official visit on Monday. He met with President Raul Castro and the former president and revolutionary leader Fidel Castro. An MOU was also signed to strengthen Cuba-Iran cooperation in health care.

Iran and Cuba had signed a memorandum of understanding to strengthen commercial ties during the first business forum between the two nations earlier in August and during Zarif’s visit. The two countries discussed enhancing ties in various sectors, namely industry, mining, pharmacy, medicine, food, trade.

In an indication the two countries are serious about strengthening ties, the week prior to Zarif’s visit, Cuban Economy Minister Ricardo Cabrisas traveled to Tehran and met with President Hassan Rouhani and other senior officials.

Future Plans

Shahraini also noted that Cuba is keen on another credit line from Iran, which “will be discussed after the existing issues are resolved.”

A credit line would help boost bilateral commercial relations, he added.

Iranian exports to Cuba amounted to \$2 million during the previous Iranian fiscal year, according to the official.

While the two countries have been politically close since the Islamic Revolution in 1979, there was limited space for two-way economic cooperation until recently.

Having the experience of rebuilding some key factories in Cuba, Iranian contractors now have the chance to take part in infrastructure projects in that country.

Moreover, Iran and Cuba are keen on expanding tourism ties.

Cuba is implementing some fundamental changes to ease foreign cooperation, including launching the first free trade zone.

Sharani noted that Iran will keep offering credit coverage for domestic exporters, as one of the mechanisms to boost non-oil exports. “The government has reportedly considered \$2 billion for this purpose.”

The National Development Fund of Iran will provide agent banks with the money at 3.5% interest, the banker said.

EDBI, as Iran’s exim bank, and EGFI, Iran’s state-owned export credit agency, are set to play a significant role in enhancing trade relations with the outside world in the post-sanctions era. The two have managed to revive and establish links with foreign banks and export credit agencies after the lifting of the sanctions in January.
