



INVESTMENT OPPORTUNITIES IN CUBA



Cuba

- **Official name:** Republic of Cuba
- **Capital:** Havana
- **Official language:** Spanish
- **National day:** 1st January
- **Area:** 110,992 sq. km
- **Population:** 11.2 million
- **Average life expectancy at birth:** 79 years
- **Infant mortality rate:** 4.3 per 1,000 live births (2015)
- **Public health system:** free, open and universal
- **Literacy rate:** 98%
- **Education:** free, public and universal
- **Index of Human Development:** 67 UNDP(2015)

Cuba



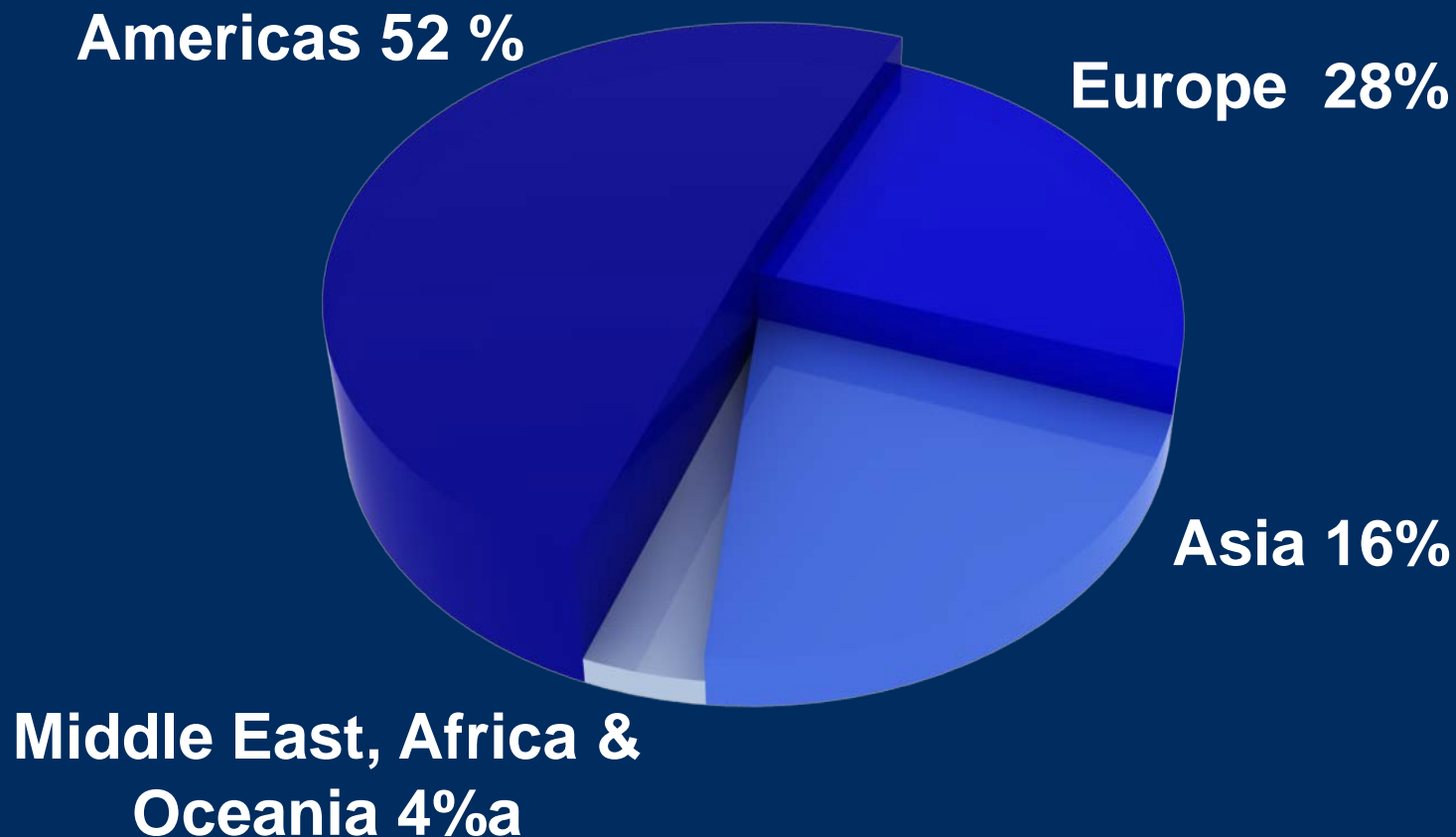
ADMINISTRATIVE DIVISIONS: 168 BOROUGHES (INCLUDING THE ISLA DE LA JUVENTUD SPECIAL BOROUGH) IN 15 PROVINCES

MAIN CITIES: HAVANA, SANTIAGO DE CUBA, HOLGUÍN, CAMAGUEY and SANTA CLARA

Economic Performance in 2015

- GDP growth 4%
- 9.9 % growth in manufacturing industry
- 11.9% construction sector
- 16.9 % growth in sugar production

Foreign Trade by Regions (*)



(*)2014 data

Cuba's Main Trading Partners in 2014

Venezuela
China
Spain
Canada
Brazil
Netherland
Mexico
Italy
Germany
Argentina



Trading with Cuba

- ✓ A base and/or registration in Cuba are **not required** of foreign firms trading with Cuba.
- ✓ A foreign firm wishing to establish a commercial presence may opt for :
 - opening a foreign mercantile company **branch**, or
 - entering into a mercantile **company agency agreement**
- ✓ Requirements for opening a branch, under **Decree 206 of 1996**:
 - **5 years'** existence in the country of origin.
 - **3 years'** stable dealings with Cuba involving a volume of business with Cuban firms worth at least **US \$500,000 p.a.**
 - **US \$50,000 capital stock.**

Foreign Direct Investment in Cuba

The promotion of foreign investment is one of the most important tasks in the process of updating the Cuban economic model.

This statement is based on the importance of attracting external resources through FDI, because domestic savings are insufficient to achieve accumulation rates over 20%, allowing to increase steadily the growth rate of GDP.

It has been estimated that to achieve growth rate of GDP from 5 to 7% we have proposed, it is required to attract substantial foreign investment flows annually.

In line with the recognizing of the importance of foreign investment for economic development of the country, we have taken actions to enhance it, such as:

- ❖ The approval of the Foreign Investment Policy
- ❖ The approval of Law 118, Law on Foreign Investment, and the issuing of its supplementary regulations
- ❖ The creation of the Special Development Zone Mariel
- ❖ The conformation of the Portfolio of Opportunities for Foreign Investment



**FOREIGN
INVESTMENT
POLICY**

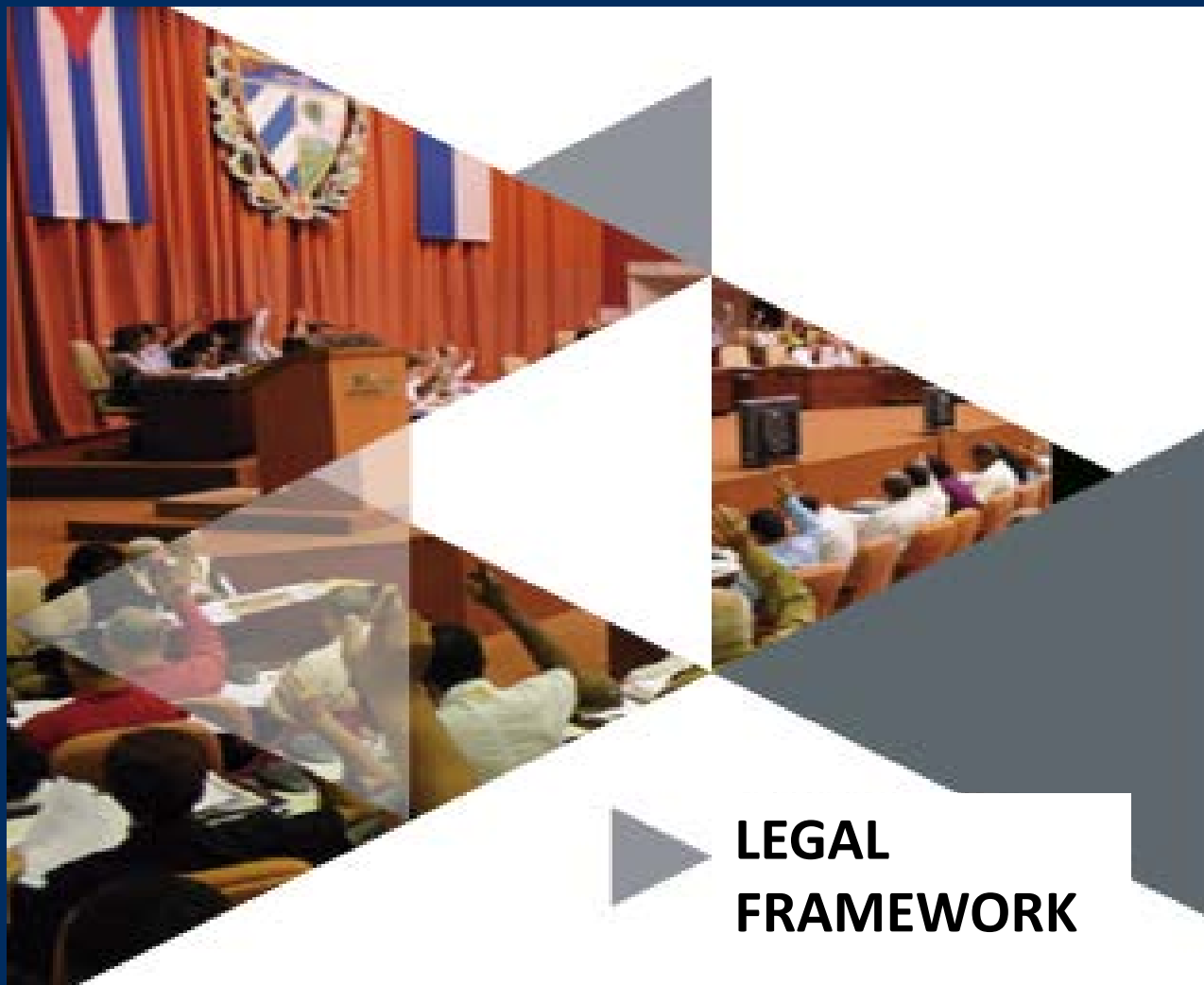
Some General Principles

- ✓ Foreign investment is an active and fundamental component for the growth of certain sectors and economic activities.
- ✓ Foreign Investment is focused on export and import substitution industries, and to eliminate bottlenecks in production lines, favoring modernization, infrastructure development and technological change pattern.

Sectoral Principles

The main objectives for attracting foreign capital in selected sectors, are expressed in sectoral policies. Prioritized activities are mentioned and, in some cases, those in which we have not planned foreign investments. In addition, these policies contain other details of interest.

- ✓ Agricultural and Forest
- ✓ Food Industry
- ✓ Pharmaceutical and Biotechnological
- ✓ Tourism
- ✓ Construction
- ✓ Energy (oil and renewable) and Mines
- ✓ Wholesale
- ✓ Health
- ✓ Industries: Metallurgical, Light manufacturing, Chemical and Electronics
- ✓ Transport
- ✓ Audiovisual



The New Legal Framework for Foreign Investment Consists of:

- ✓ Law No. 118/2014 “Law of Foreign Investment”.
- ✓ Decree No. 325/2014 “Regulations of the Law on Foreign Investment”.
- ✓ Resolutions No. 46/2014 and No. 47/2014. Central Bank of Cuba.
- ✓ Resolutions No. 128/2014 and No. 129/2014. Ministry of Foreign Trade and Foreign Investment.
- ✓ Resolution No. 16/2014 and 42/14 Ministry of Labour and Social Security.
- ✓ Resolution No. 920/14 Ministry of Economy
- ✓ Resolution no. 535/14 Ministry of Finance
- ✓ Agreement No. 7567 of the Council of Ministers in May 2014.



It is published in the Official Gazette of the Republic of Cuba (Special Issues No. 20 and No. 53) from April and December 16th, 2014.

Some Peculiarities of the Law

- ✓ Foreign investment may be authorized in all sectors except health care and education to the population and the armed forces. The exceptions do not include their enterprise systems.
- ✓ Foreign investors can make their contributions in cash or in tangible and intangible assets.
- ✓ Foreign investments shall adopt one of the following modalities:

- ❖ Joint ventures
- ❖ Totally foreign capital companies (subsidiary, branch office, natural person)
- ❖ International economic association agreement



Special Taxation System (*)

TAX	SPECIAL REGIME LAW 118/2014	SDEZ Mariel	TAX SYSTEM ACT LAW 113/2012
On Profits	0% for 8 years, and exceptionally for a longer period. Then 15%. 0% for reinvested profits. If natural resources are exploited, it can rise up to 50% (maximum 22.5%)	0% for 10 years and exceptionally for a longer period. Subsequently 12%. Application of Law 118 for profits reinvestment	35%
On using labor force	Exempted	Exempted	Progressive reduction from 20% (2012) to 5% (2016)
On imports of equipment, machinery and other means	Exempted for the investment process.	Exempted for the investment process	It is fixed in the Customs Tariff
On sales and services	0% for the first year, then 50% bonus on wholesale (1%) and services (5%).	0% during first year of operations, subsequently 1%	2% on wholesale and 10% on services. New taxable items shall be gradually incorporated

Special Taxation System (*)

TAX	SPECIAL REGIME LAW 118/2014	SDEZ Mariel	TAX SYSTEM ACT LAW 113/2012
On personal incomes to partners or parties	Exempted	Law 118 applies	15%
Land tax to contribute to local development	0% during investment recovery	Exempted	It is gradually set in the Budget Act.
Environmental taxes	50% discount during investment recovery	Law 118 applies	For the use of beaches, waste disposal into hydrographic basins and terrestrial waters: defined in the Annual budget Law Use of bays and forestry resources to taxable items in Law 113

***Applies only to joint ventures and foreign partners involved in International economic association agreement.
Excludes totally foreign capital companies .**

Taxes Applicable to Totally Foreign Capital Companies

Profit tax	35% that may go up to 50% for the exploitation of natural resources
Workforce tax	It is gradual reduce until 5% in 2016.
Sales tax	5% on wholesale sales, 10% on retail sales.
Services tax	10% gradual application until 2016
Special products and services tax	No tax is paid on sales, specially for products and on services for: goods constituing raw material for industrial production; goods and services destined for export
Environmental tax	For the use or exploitation of beaches, approved waste disposal in hydrographic basins , for the use or exploitation of bays, forestry resources, the right to use terrestrial waters. Most of these taxes to be established in the Annual Budget Law.
terrestrial contribution	Gradually established in the Budget Law.
Customs	To be set in the Customs Tariffs.

Guarantees to Investors

- ✓ The Cuban State shall see to it that the benefits granted to foreign investors and their investments are maintained throughout the entire period for which they were granted.
- ✓ They enjoy all-out protection and legal security and could not be expropriated, unless such action is executed for reasons of public or social interest as previously stated by the Council of Ministers.
- ✓ The State shall guarantee foreign investors the free transfer abroad, in freely convertible currency, free from taxes or any other fees associated to said transfer, of dividends or profits.
- ✓ They shall be protected against legal claims by third parties or the extraterrestrial implementation of other States' laws.
- ✓ The term of the authorization granted for the development of operations could be extended by the very authority that granted it.



**CUBA:
A PLACE FOR
FOREIGN
INVESTMENT**

Favorable Business Environment

Investing in Cuba is favored by:

- ✓ The political, social and legal stability.
- ✓ The high educational level and high qualification of the workforce.
- ✓ The safety climate.
- ✓ The excellent geographical location.
- ✓ The existence of policies that prioritize and promote the processes of research and technological innovation.
- ✓ Access to Cuban domestic market and its consumers, including the tourism and to international markets supported by the international multilateral and bilateral agreements (LAIA, CARICOM, ALBA, MERCOSUR, WTO) in which Cuba is a signatory.



PORTFOLIO OF OPPORTUNITIES FOR FOREIGN INVESTMENT 2015-2016

- ✓ The Portfolio of Opportunities for Foreign Investment contains 326 projects to be developed with foreign capital.
- ✓ The projects included in the Portfolio have been presented by Cuban companies, in line with sectoral development strategies and policies adopted.
- ✓ Most projects have viability studies or technical and economic pre-feasibility studies, developed by organizations specialized in this activity.
- ✓ The Portfolio is introduced with information about the benefits of investing in Cuba, data from the existing foreign investment in the country, the general policy principles and a summary of the taxation legislation.

The projects included in the portfolio are distributed in all provinces, including the special municipality of Isla de la Juventud.



The Special Development Zone Mariel has an important weight in the portfolio of opportunities.

- ✓ The Portfolio of Opportunities for Foreign Investment is organized into two sections: Mariel Special Development Zone (ZEDM) contains useful information about the ZEDM and the specification sheets of projects; Investment projects for the rest of the national territory.
- ✓ Opportunities are grouped by sector: It is divided into 12 sectors. It Includes information of interest to each of them, the approved sectoral policies and the specification sheets of projects.
- ✓ Each project has a specification sheet showing its main features: Description, modality of foreign investment, Cuban counterpart, the estimated investment amount, location, market, expected results and contact details.
- ✓ The Portfolio of Opportunities will be updated annually.



**SPECIAL
DEVELOPMENT
ZONE MARIEL**

- ✓ The creation of the Special Development Zone Mariel (ZEDM) promotes the attraction of foreign investment.
- ✓ The ZEDM has favorable location and logistical conditions, especially since the investment in its port and container terminal.
- ✓ It provides an attractive special treatment for foreign investors, more favorable than the one applied in the rest of the country.
- ✓ Its operation is regulated by Decree Law No. 313, Decree No. 316 and other regulations issued in September 2013.



The Mariel Special Development Zone is placed 45 km west of Havana and has an area of 465.4 km².



It is located in the center of trade in the Caribbean and the Americas. Its port is designed with an integrated approach which includes the application of best practices of port marine development and environmental protection.



20 Projects in the Following Sectoring:

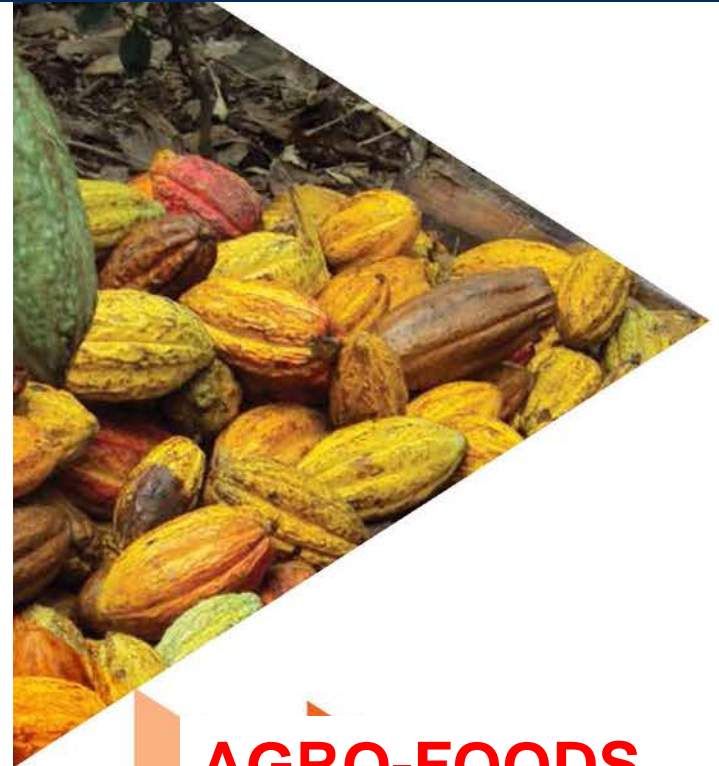
- ✓ **Industrial:** Production of radial tires; Manufacturing of aluminium cans; Manufacturing air conditioning equipment, Manufacturing light automobiles; Manufacturing valves for pressurized bodies; Manufacturing glass bottles for beverages and various lines of glassware; Engineering and technological products Enterprise (8 projects)
- ✓ **Pharmaceuticals and biotechnology:** Manufacture and commercialization of expendable materials for medical use; Plant to produce solid oral medicines (tablets, caplets and capsules); Complex to produce cephalosporins, injectable carbapenemas and oral penicillin; Investment partnerships providing auxiliary services; Biomaterial plants; Plant for producing monoclonal antibodies to produce biodrugs for the treatment of cancer and other chronic diseases; Good manufacturing practices plant for development and production of oral biological medicines; Blood-based products plants - (9 projects)
- ✓ **Agro-foods:** Soy processing (refined oil factory); Production of instant dry yeast (2 projects)
- ✓ **Energy:** Installation and operation of photovoltaic solar farms (1 project)



**ZED MARIEL
BUSINESS
OPPORTUNITIES**

20 PROJECTS

- ✓ Production of beef (2 projects); Pork production, Buffalo cattle production; Poultry meat production,
- ✓ Rice production; Peanut production
- ✓ Processing and commercialization of elite quality conventional coffee
- ✓ Making use of biomass for production of vegetal charcoal (4 projects)
- ✓ Development of the production of citrus and fruits in two provinces
- ✓ Increased production potential for shrimp farming
- ✓ Industrial processing of cacao and increased production of chocolater products
- ✓ Production of confectionary and cereals; Soy sauce production
- ✓ Increased aquaculture production and its industrialization
- ✓ Increasing the production of sea aquaculture
- ✓ Development of dairy products
- ✓ Increased and diversified production and bottling of fruits and vegetables
- ✓ Refrigeration and boiler services
- ✓ Production and domestic/international distribution of Perla del Norte Brand Rum
- ✓ Production and domestic/international distribution of Cubay Brand Cuban Rum



AGRO-FOODS

38 PROJECTS

MECHANICAL-METAL, LIGHT, CHEMICAL AND ELECTRONICS

- ✓ Production and commercialization of products and services for infomatics solutions; of land phones and smart cell phones
- ✓ Production and commercialization of mesh sacks
- ✓ Production and commercialization of flexible printed matter
- ✓ Manufacturing and marketing disposable diapers
- ✓ Production and commercialization of footwear
- ✓ Production and commercialization of standart continuous forms, commercial printed matter
- ✓ and lasser-cut reamed paper
- ✓ Production and commercialization of newsprint and bond paper
- ✓ Production and commercializaiton of tissue paper and its conversion
- ✓ Solid urban waste handling system
- ✓ Production and commercialization of car batteries and UPS and others
- ✓ Production and commercialization of long productsmade of stainless steel and alloys



INDUSTRIAL
12 PROJECTS

- ✓ Building and commercializing top-quality hotels and villas in Cienfuegos, Covarrubias, Santa Lucia and Guardalava resort areas
- ✓ Building and commercializing top-quality hotel accommodations in the Trinidad resort area
- ✓ Real estate development associated with The Chorrera Ancon Golf Course – Trinidad Ancon resort area
- ✓ Hotel management and commercialization contracts
- ✓ Marina management contracts
- ✓ Extension of Cayo Guillermo Marina, Jardines de Rey resort area
- ✓ Extension of the Marina Darsena Varadero, Varadero resort area
- ✓ Extension of the Santa Lucia Marina Santa Lucia resort area
- ✓ Extension of the Siguanea Marina, Isla de la Juventud resort area
- ✓ Extension of the Tarará Marina, La Habana resort area
- ✓ New marina at Trinidad, Trinidad resort área



TOURISM

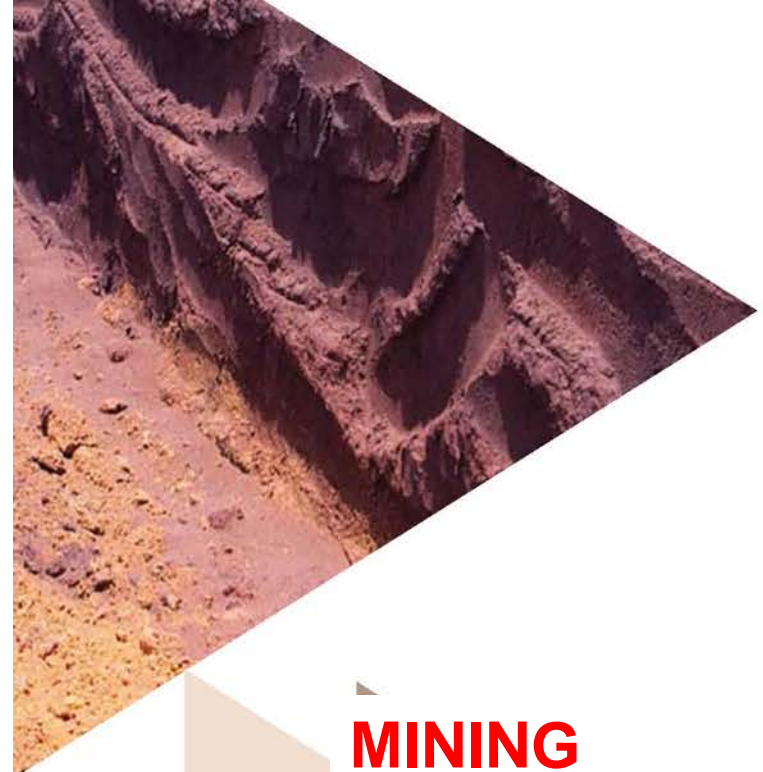
94 PROJECTS

- ✓ Risk oil exploration and shared production contracts in coastal water blocks in national territory (8 blocks)
- ✓ Risk oil exploration and shared production contracts in EEZ blocks in the Gulf of Mexico (52 blocks)
- ✓ Risk oil exploration and shared production contracts in terrestrial blocks in national territory (25 blocks)
- ✓ Secondary recovery contracts for deposits being exploited
- ✓ Generating electrical energy from forestry biomass
- ✓ 50 MW bioelectrical plants – 16 projects
- ✓ Photovoltaic solar parks in the western zone:

- ✓ Wind Farms
 - 174 MW Maisi wind farm
 - 102 MW Banes wind farm
 - 51 MW Gibara wind farm



- ✓ Project for the exploitation of the Hiero Mantua Copper deposit
- ✓ Reconnaissance or geological investigation (prospecting exploration at risk for precious metals – gold and silver – base metals – copper, lead, zinc – and other metals of interest in the central region of Cuba and in the Ciego – Camagüey – Tunas and Sierra Maestra regions
- ✓ Reconnaissance or geological investigation (prospecting exploration at risk for precious metals (gold and silver), base metals (copper, zinc and their metals of interest) in the Holguin region
- ✓ Reconnaissance or geological investigation (prospecting exploration at risk) for chrome and other metals in the Sagua – baracoa massif, and for base and precious metals in the Sierra del Plurial
- ✓ Geological investigation (prospecting-exploration at risk) for wolfram at the “Lela” prospect
- ✓ Reconnaissance or geological investigation (prospecting exploration at risk for technical minerals (mica and kaolines) at various prospects on the Isle of Youth
- ✓ Black tail sand red tails projects, Holguin province
- ✓ Cajalbana project, Pinar del Rio province;
San Felipe project, Camagüey province
- ✓ Repairs and maintenance for mining equipment, Holguin province



MINING

15 PROJECTS

- ✓ Development, operation and management of port facilities to receive cruise ships (5 projects)
- ✓ Operation and management of Astillero del Caribe (ASTICAR)
- ✓ Modernization of infrastructure and equipment for the development of bodywork and painting of automobiles in the Motor Centro network of shops
- ✓ Modernizing infrastructure and equipment for the manufacturing of and repairs to motors and accessories at the José María Pérez UEB Motor Centro
- ✓ Modernizing infrastructure and equipment for repairs and for checking fuel injection systems for internal combustive engines in the Motor Centro network of car shops
- ✓ Exploitation of the electrical railway system between the cities of Havana and Matanzas
- ✓ Operation and management of Astilleros Casa Blanca
- ✓ Overall management of an urban transportation base in Havana
- ✓ Overall management of a transportation base for tourism workers in the cays of the central region of Cuba



TRANSPORTATION

15 PROJECTS

Extending production of Surfacen®
natural pulmonary surfactant



**BIOTECHNOLOGICAL
AND DRUG INDUSTRY**

1 PROJECT

- ✓ Vacation hemodialysis service
- ✓ International sports medicine and the control and antidoping education clinic
- ✓ Quality of life services projects



HEALTH

3 PROJECTS

- ✓ Manufacturing light panels
- ✓ Modernizing engineering systems for construction and setting up
- ✓ Building the 400 –room Melia Trinidad Hotel
- ✓ Building the real estate tourism complex for the “Carbonera Golf and Country Club”
- ✓ Building the real estate tourism complex for the Bellomonte Golf Course
- ✓ Production of unpainted framing for flooring and roofing wooden structures
- ✓ Increasing the potential of marble
- ✓ Modernization and expansion of manufactured bathroom fixtures
- ✓ Converting the Holguin plant for tiles to a single-firing porous type factory
- ✓ San Jose ceramic plant
- ✓ Manufacture of bathroom fixtures in San José
- ✓ Manufacturing ceramic flooring
- ✓ Manufacturing plaster-based items



CONSTRUCTION

14 PROJECTS



- ✓ Marketing hardware and construction materials
- ✓ 3PL Logistical operator for managing chains of refrigerated food suppliers
- ✓ Wholesale textiles, dry goods, accesories and textile products
- ✓ Importing and wholesale marketing of automotive spare parts and accesories



**WHOLESALE
4 PROJECTS**

- ✓ Building and setting up a forum for high-definition audiovisual productions and/or co-productions in Managua (Managua Forum)
- ✓ Establishing pay-per view channels for Cuban TV
- ✓ Informatics and audiovisual media for education



AUDIOVISUAL
3 PROJECTS

Conclusions

- ❖ Cuba strongly bets to use the benefits associated with foreign investment to boost the development of its economic model and achieve prosperous and sustainable building socialism to which we aspire.
- ❖ Important steps have been taken to stimulate the attraction of foreign capital and to promote the business environment in the country. We are committed to solve obstacles that may hinder the fulfillment of the goals we have set.
- ❖ The Portfolio of Opportunities that we provide will be a useful tool for authorities and entrepreneurs interested in developing business in Cuba.

Investment Promotion Institutions



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