Foreign Investment in Cuba
Cuba: Place to invest and do business.

- Privileged geographical location.
- Favorable conditions to be a productive and commercial hub for the region.
Cuba: Place to invest and do business.

Access to the Cuban domestic market, including the growing tourism industry, and the countries of the region.

- **GDP**
  - Gross Direct Products: 80.656 billion dollars

  - Imports of goods and services: 13 billion dollars

  - Export of goods and services: 17.812 billion dollars
Cuba: Place to invest and do business.

- Human Capital Development.
- Highly educated and qualified labor force.
  
  - Scientific potential from investing for over 50 years in education and science.
  - More than 20 universities, dozens of research centers and prestigious scientific institutions.
Cuba Place to invest and do business.

- Natural conditions that represent comparative advantages in tourism.

- Potentialities of the sector.
  +3 million visitors in 2014.
  +3.7 million in 2015, it grew by 17.4%.
Cuba — Place to invest and do business.

- Relatively wide transport, communications and industrial infrastructure.
- Investment in the Mariel Port and its Container Terminal.
- Other ongoing investments at ports, airports and railroads.
- Information society process and efforts to increase Internet access.
Cuba has expanded and diversified its economic relations.

- Increased exchanges in trade, finance, investment and cooperation.

- Trade relations with over 75 countries.

- The trade has been tripled in the last 10 years.
Cuba: Place to invest and do business.

- Commitment to the Latin American and Caribbean integration.
- Signature and implementation of mid- and long-term bilateral economic agendas with several countries.
- Reorganization of international financial obligations and strict compliance with the commitments.
- Access to finance medium- and long-term infrastructure projects in China, Russia, Brazil, among others.
Foreign investment is one of the aspects for updating model that have had greater significance.

| Policy | To consider foreign investment as an important source of development.  
**Objective:** To attract foreign investment flows between 2 and 2.5 billion dollars a year. |
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Regulatory Framework</td>
<td>A new law and a package of complementary standards was issued. Updating the legal framework.</td>
</tr>
<tr>
<td>ZED Mariel</td>
<td>Creation of a Special Development Zone with special systems that encourage the attraction of foreign capital and new technologies.</td>
</tr>
<tr>
<td>Foreign Investment Portfolio</td>
<td>The Portfolio was unveiled in November 2014 and has been widely spread.</td>
</tr>
</tbody>
</table>
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 ZEDM is placed 45 km west of Havana and has an area of 465.4 km$^2$.

- 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.
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.
SECTORIAL PRINCIPLES

The main objectives for attracting foreign capital in selected sectors, are expressed in **sectorial 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
- Sugar Industry
- Pharmaceutical and Biotechnological
- Tourism
- Construction
- Energy and Mines
- Wholesale
- Health
- Industries: Metallurgical, Light manufacturing, Chemical and Electronics,
- Transport
The new legal framework for foreign investment consists of:

- Law No. 118/2014 “Law on Foreign Investment”.
- Decree No. 325/2014 “Regulations of the Law on 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 Law

Foreign investment **may be authorized in all sectors** except health care and education services 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. FI **shall adopt one of the following modalities:**

- **Joint Ventures**
- **Totally foreign capital companies** (subsidiary, branch, natural person)
- **International economic association agreement**
## Special tax system *

<table>
<thead>
<tr>
<th></th>
<th>SPECIAL REGIME LAW 118/2014</th>
<th>TAX SYSTEM ACT LAW 113/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit tax</td>
<td>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%)</td>
<td>35%</td>
</tr>
<tr>
<td>Taxes on the use of labor force</td>
<td>0%</td>
<td>Progressive reduction from 20% (2013) to 5% (2017)</td>
</tr>
<tr>
<td>Customs taxes for the imports of equipment, machinery and other means</td>
<td>Exempt for the investment process.</td>
<td>It is fixed in the Customs Tariff</td>
</tr>
<tr>
<td>Sales and Service tax</td>
<td>0% for the first year, then 50% bonus on wholesale (1%) and services (5%).</td>
<td>2% wholesale and 10% services. Gradual implementation until 2016.</td>
</tr>
<tr>
<td>Environmental taxes</td>
<td>Reduction of 50% over the period of payback.</td>
<td>5 taxes</td>
</tr>
<tr>
<td>Land tax to contribute to local development</td>
<td>0% during the payback</td>
<td>It is gradually setting in the Budget Act.</td>
</tr>
</tbody>
</table>

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

The Cuban State makes sure 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 to freely transfer abroad the dividends or profits.

- The term of the authorization granted for the development of operations could be extended by the very authority that granted it.
PORTFOLIO OF OPPORTUNITIES FOR FOREIGN INVESTMENT 2015
New Opportunities Portfolio
...larger and more diverse

It considers projects in all sectors which are defined as priority for attracting foreign investment.

It contains 326 projects. 80 more than in 2014.

20 opportunities in ZEDM
306 opportunities in the rest of the country

40 projects listed in the 2014 portfolio have been removed.
The estimated investment amount of the projects contained in the portfolio exceeds 8.173 billion dollars.
Especial Development Zone of Mariel: 20 projects.

Opportunities grouped by sector: It is divided into 12 sectors. It includes information of interest to each of them, the approved sectorial 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, potential market, expected results and contact details.

The Portfolio of Opportunities will be updated at the next International Fair of Havana.
New Opportunities Portfolio
...larger and more diverse

- The projects included in the Portfolio have been presented by Cuban companies, according to sectorial 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 presents information about the benefits of investing in Cuba, data from the existing foreign investment in the country, the 25 general principles of the aforementioned policy and a summary of the taxation legislation.
New Opportunities Portfolio

... larger and more diverse

The projects included in the portfolio are distributed in all provinces, including the special municipality Isla de la Juventud.
FOREIGN INVESTMENT OPPORTUNITIES BY SECTOR

- Agricultural Food: 15 opportunities
- Construction: 94 opportunities
- Renewable Energy: 86 opportunities
- Industrial: 15 opportunities
- Mining: 40 opportunities (2 at ZED Mariel)
- Oil: 21 opportunities (9 at ZED Mariel)
- Tourism: 22 opportunities (1 at ZED Mariel)
- Business: 4 opportunities
- Transportation: 3 opportunities
- Audiovisual: 3 opportunities
- Healthcare: 3 opportunities
- Biotechnology and Medicine: 9 opportunities (8 at ZED Mariel)

TOTAL 326 opportunities
### 10 largest US exports to Cuba, 2015

<table>
<thead>
<tr>
<th>2015 Ranking</th>
<th>Products</th>
<th>Value (USD)</th>
<th>% of total US exports to Cuba</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>frozen chicken</td>
<td>69.809.491,00</td>
<td>43,6</td>
</tr>
<tr>
<td>2</td>
<td>soybean oil cake</td>
<td>41.605.643,00</td>
<td>26,0</td>
</tr>
<tr>
<td>3</td>
<td>herbicides, anti-sprouting products</td>
<td>12.595.190,00</td>
<td>7,9</td>
</tr>
<tr>
<td>4</td>
<td>soybean flour / meals</td>
<td>11.157.300,00</td>
<td>7,0</td>
</tr>
<tr>
<td>5</td>
<td>soybeans</td>
<td>10.348.865,00</td>
<td>6,5</td>
</tr>
<tr>
<td>6</td>
<td>calcium phosphates</td>
<td>9.237.753,00</td>
<td>5,8</td>
</tr>
<tr>
<td>7</td>
<td>corn</td>
<td>4.882.492,00</td>
<td>3,0</td>
</tr>
<tr>
<td>8</td>
<td>whiskies, bourbon</td>
<td>61.335,00</td>
<td>0,04</td>
</tr>
<tr>
<td>9</td>
<td>soups / broths</td>
<td>32.400,00</td>
<td>0,02</td>
</tr>
<tr>
<td>10</td>
<td>biscuits / bread with chocolate</td>
<td>18.000,00</td>
<td>0,01</td>
</tr>
<tr>
<td></td>
<td><strong>Total value of largest exports to Cuba</strong></td>
<td><strong>159.748.469,00</strong></td>
<td></td>
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<tr>
<td></td>
<td><strong>Total US exports to Cuba</strong></td>
<td><strong>160.124.269,00</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Ten largest as % of 2015 US exports to Cuba</strong></td>
<td><strong>99,99</strong></td>
<td></td>
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</table>
### US exports to Cuba (2001 - 2015)

<table>
<thead>
<tr>
<th>Reporting year</th>
<th>US Value of Authorized Exports to Cuba (USD)</th>
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<tbody>
<tr>
<td>2001</td>
<td>4.318.906,00</td>
</tr>
<tr>
<td>2002</td>
<td>138.634.784,00</td>
</tr>
<tr>
<td>2003</td>
<td>256.901.471,00</td>
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<tr>
<td>2004</td>
<td>391.990.382,00</td>
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<tr>
<td>2005</td>
<td>350.218.040,00</td>
</tr>
<tr>
<td>2006</td>
<td>340.433.442,00</td>
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<tr>
<td>2007</td>
<td>437.564.824,00</td>
</tr>
<tr>
<td>2008</td>
<td>710.086.323,00</td>
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<tr>
<td>2009</td>
<td>528.482.955,00</td>
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<tr>
<td>2010</td>
<td>366.467.782,00</td>
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<tr>
<td>2011</td>
<td>358.457.389,00</td>
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<tr>
<td>2012</td>
<td>457.318.357,00</td>
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<tr>
<td>2013</td>
<td>348.747.293,00</td>
</tr>
<tr>
<td>2014</td>
<td>291.258.881,00</td>
</tr>
<tr>
<td>2015</td>
<td>160.124.269,00</td>
</tr>
<tr>
<td><strong>Total Sales</strong></td>
<td><strong>5.141.005.098,00</strong></td>
</tr>
</tbody>
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