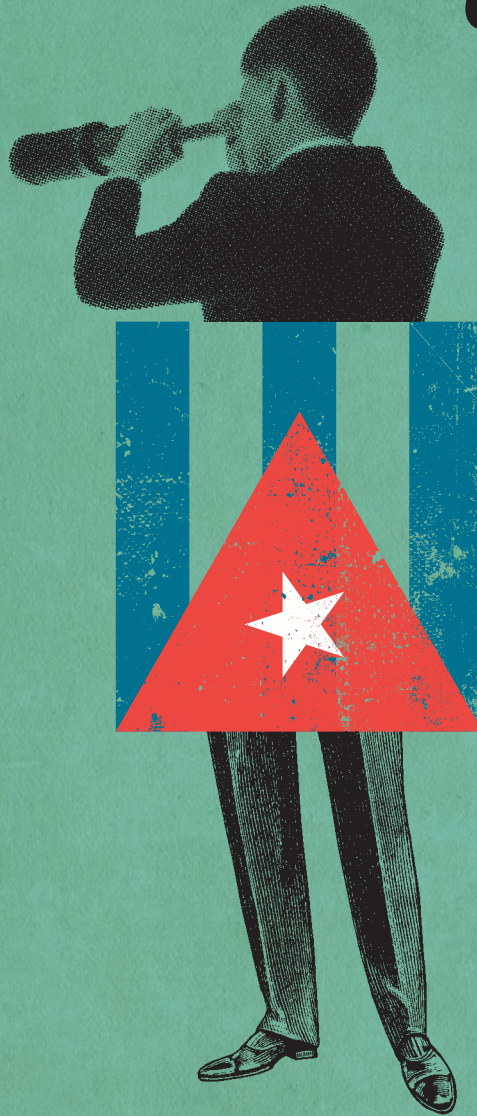


2016 no. 25

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LLORENTE & CUENCA



***CUBA, NEW CHALLENGES
and Opportunities***

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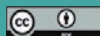
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LLORENTE & CUENCA

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Ambassador of Spain to Cuba. Born in 1958, Juan graduated in Law and Political Science from the Universidad Complutense in Madrid. He also holds a master's degree in International Relations from the London School of Economics and a Ph.D. in Political Science from the Universidad Nacional de Educación a Distancia (UNED), with a doctoral thesis on the democratic transition in Mexico. He entered into diplomatic service in 1985 and has since held diplomatic posts in Mozambique, Nicaragua, Mexico and at the OECD in Paris. He directed the Office of Planning and Evaluation of Spanish Cooperation and was the chief executive of cooperation with Latin America. He has served as ambassador of Spain to El Salvador and Bolivia, and has been Spain's ambassador to Cuba since June 2012. [Spain]

Roberto Verrier



Roberto was vice dean and dean of the University of Pinar del Rio from 1972 to 1989, chairman of the National Association of Economists and Accountants of Cuba from 1992 to 2013 and chairman of the Association of Economists of Latin America and the Caribbean from 2005 to 2013. In addition, he served as the general auditor of the Inter-Parliamentary Union from 2005 to 2011 and has been the **director of ProCuba** since September 2013. [Cuba]

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He is an economist from the Pontificia Universidad Católica, with a master's degree in Economics. He is currently the **representative of District 22 for Santiago Center** and a member of the congressional committees on human rights, indigenous peoples and education. President of the independent right-wing *Evolución Política (Evópoli)* party, Felipe actively participated in former President Sebastian Piñera's government, first as Planning Minister and then as a presidential delegate for the emergency shelters and tented settlements occupied by the victims of the February 2010 earthquake in Chile. [Chile]

Roberta Lajous



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WHO **ARE** OUR **contributors?**

Jorge Telerman



Born on 29 November 1955, Jorge studied Social Communication and Semiotics. He is currently the director of the Theatre Complex of Buenos Aires under the government of the City of Buenos Aires. Between 2003 and 2006, **he served as deputy head of government of the City of Buenos Aires**. In 2006 Jorge took over as mayor of Buenos Aires, completing his term at the end of 2007. Before that, **he was Argentina's ambassador to Cuba**, and had also served as the press attaché in Argentina's Embassy in Washington, D.C. Jorge has also acted as Secretary of Institutional Relations and spokesman for the Foreign Ministry in Argentina. [Argentina]

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Israel Hernández



He is **deputy director of the Mexican Council of International Affairs (COMEXI)**, a premier think tank in Mexico and one of the leading advocacy organizations in the world, Israel currently coordinates a special project for dialogue between the civil societies of Mexico and Cuba. He is the founder of "Internacionalistas," an analytical magazine of young International Relations experts. He was a member of global leadership initiatives "Latin American Forum for Global Governance (Getulio Vargas Foundation and ZEIT)" and "Global Village for Future Leaders of Business and Industry (Lehigh University)." Israel has worked as a consultant in market research and on the implementation of public policies. He is a global media analyst. [Mexico]

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He is **partner and CEO for Latin America at LLORENTE & CUENCA**. Since 1997, he has led the company's expansion process into Latin America, launching operations in Peru, Argentina, Colombia, Panama, Ecuador, Mexico and, most recently, Miami. He has also spearheaded communication strategies for three of the 10 most important mergers and acquisitions operations in the region: Telefonica Group's acquisition of BellSouth's wireless operations, SABMiller's acquisition of Grupo Empresarial Bavaria and Citibank's acquisition of Grupo Financiero Uno. In 20 years, he has managed to position the firm as the leading communications consultancy in Latin America. [USA]

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Campos De Moya



In addition to acting as **vice president for Institutional Communications and Relations at INICIA**, a private asset management firm, he is **president of the Industry Association of the Dominican Republic (AIRD)**, the largest and most important industrial cluster in the Dominican Republic, and honorary consul general of India to the Dominican Republic. In the past he has held various positions, including special assistant to the vice president of the Dominican Republic, ambassador assigned to the Foreign Office and member of several banking and business councils, associations and NGOs. [Dominican Republic]

Anselmo Crespo



The **deputy director at TSF**, one of Portugal's leading radio stations, Anselmo was previously a political editor at SIC, one of the country's oldest television channels, and at SIC Notícias, the country's first 24-hour news channel and an audience leader. A journalist for 18 years, 14 of them with SIC, Anselmo has been an economic reporter, coordinator of the station's main news program, *Jornal da Noite*, and later a political editor. He was also the author, coordinator and co-host of the programs *Conversas Improváveis* and *Quem Diria* on SIC Notícias. He holds an undergraduate degree in communication sciences from the Universidade da Beira Interior and a master's degree, also in communication sciences, from the Universidade Autónoma de Lisboa. He also teaches a course on social and multimedia communications at the Instituto Politécnico de Leiria. Anselmo has written two books: *Um Mundo Faz de Conta* and *Improváveis no Sofá*. [Portugal]

María Umbert



María holds a degree in journalism with a specialization in economic reporting and is a member of the superior body of civil administrators of the state. She has worked for a variety of economic media outlets, such as *La Economía16* and *Cinco Días*, and did freelance work for various publications until she joined the public administration in 1994. After serving as secretary-general of INSALUD in the Balearic Islands, María returned to the world of communications, working as CEO of the regional TV station of the Balearic Islands, which she coordinated and directed until 2007. Since 2007 María has been **director of Corporate Communications at Meliá Hotels International**, where she leads the group's internal and external communications. [Spain]

Paulo Velasco



The **assistant professor of international policy for the international policy graduate program at the Universidade do Estado do Rio de Janeiro (PPGRI-UERJ)** and a professor of Brazilian foreign policy for the MBA in international relations program at FGV-Rio, Paulo holds a doctorate degree in political science from the Instituto de Estudos Sociais e Políticos (IESP) at the Universidade do Estado do Rio de Janeiro (UERJ), a master's degree in international relations from the Instituto de Relações Internacionais at Pontifícia Universidade Católica do Rio de Janeiro (IRI/PUC-Rio) and a bachelor's degree in law from UERJ. He has focused his research on Latin America and Brazilian foreign policy, with particular emphasis on regional integration, and has published several articles and book chapters on the subject. Paulo is a frequent collaborator at GloboNews. [Brazil]

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Felipe has been a **partner with the Integral Legal Management law firm** since its establishment and is also a professor of commercial law at the Universidad de Valencia. Though he is familiar with other aspects of commercial law, such as company law, he has focused his research mainly on issues related to competition and industrial property law, as well as agency and contract distribution and arrears. Felipe has written several pieces and articles for Spanish and foreign journals. He also provides legal advice on commercial matters. [Spain]

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He is **managing director of operations in Cuba at LLORENTE & CUENCA**. Pau holds a master's degree in Business Administration and a postgraduate degree in Foreign Trade and International Business Management, and has extensive experience in the globalization of companies, public affairs and negotiations in international and multicultural environments. He speaks English, French and Italian, and has previously worked in Brussels at the European Parliament delegation for Central America and Cuba. [Spain]

CUBA, NEW CHALLENGES
and Opportunities





José Antonio Llorente

Founding partner and chairman of LLORENTE & CUENCA / Brazil - Spain

“ *We are witnessing a new era, one that has generated a very positive outlook for the possibilities around Cuban trade and economic openness*

Following the historic meeting between Raúl Castro and Barack Obama, bilateral relations between the United States and Cuba and Cuba's relations with the rest of the world are entering a new phase.

We are witnessing a new era, one that has generated a very positive outlook for the possibilities around Cuban trade and economic openness. This is a virtually untapped market, from which interesting business opportunities are arising for companies that know how to identify new business projects and investment opportunities that are profitable for both parties.

However, Cuba's institutional and business environment bears no resemblance to that of any other country in the world, and its economic model has some unique characteristics. Despite the country's growth potential, its GDP has not increased as expected and is lower than the regional average. Additionally, there has been a decline in exports of goods and services, as well as a reduction in revenue from traditional exports such as sugar and oil products. The Cuban government, aware of the need to boost the economy, is seeking to attract foreign investment in order to establish sustainable economic development for the country (aiming for \$2.5 billion a year, according to the Minister of Foreign Trade and Investment, Rodrigo Malmierca).

In this edition of UNO, we seek to examine this new political and economic phase the island is going through, providing different perspectives and points for reflection. Cuba has a close relationship with Latin America and the companies in the region, which, taken together with the important presence of Spanish companies, can play a leading role in helping Cuba take advantage of its position, as long as it develops a comprehensive, global and strategic method for deploying business intelligence that stays in line with its reality.



CUBA, STANDING BETWEEN THE *past* AND THE *future*



José Antonio Zarzalejos

Journalist, former director of ABC and El Correo / Spain

When Barack Obama's presidential plane landed at the Havana airport March 21, 2016, Cuba did not throw a party. The last visit by an American president to the island dated back to John Calvin Coolidge in 1928, 88 years earlier. Cuban authorities were aware Obama was making history, as Nixon did with his openness to China or Reagan with the fall of the Berlin Wall, but the Castro regime maintained its political identity while opening the door –more out of necessity than virtue– to the United States, whose president craved a decisive milestone to mark his name in his country's foreign policy books. Thus, Raul Castro and his government issued stringent instructions: Obama would be coldly received, with no popular support shown to him and no mass gatherings. And there were none, though the media was able to capture a majority sentiment of approval and relief regarding the U.S. president's new policy. Obama was thus able to add –in addition to the Paris Conference on Climate Change and the signing of the Free Trade Agreement with Asia and the Nuclear Agreement with Iran– the reopening of diplomatic relations with Cuba to his list of international successes. The reopening entailed, among other things, the removal of the Caribbean country from the ominous list of states sponsoring terrorism.

“Cuban authorities were aware Obama was making history, as Nixon did with his openness to China or Reagan with the fall of the Berlin Wall

A few days earlier, the European Union took the first step toward promoting Western acceptance of the Castro regime. March 11, Brussels lifted the veto on political dialogue with Cuba and restored diplomatic relations. Thus, the so-called “common position” –supported by the Spanish government– that deferred a new and open relationship with the island until it was irrefutably proven that its government was democratizing the regime and respecting human rights, came to an end. Furthermore, the “common position” tried – and, for almost two decades, succeeded– to prevent the United States from establishing a policy with Cuba independent from that of the European Union. The European Union had strong economic reasons, as well as pressure from the United States, to put an end to the “common position”: it was the first foreign investor in the island, the second largest trade partner after Venezuela and accounted for one-third of the tourists who visit the country. Europe's good neighborly measures toward Raúl Castro affected Obama as well, allowing his visit to the country to take place in a general climate of detente despite the U.S.'s embargo on the island since 1960 –which is expected to be re-examined– and the absence of any direct transportation of passengers and goods between the island and mainland, an issue that has already been handled positively by both the U.S. and Cuban governments.

Despite the arrogance of Cuban authorities, who have maintained the essence of the Castro regime against all odds, the certainty of economic collapse and the resulting possibility of a social revolt eroded their resolve. Cuba is not a member of the International Monetary Fund, the World Bank or the Inter-American Development Bank, and is in many ways as isolated as the People's Republic of Korea was. Their situation was –and still is– one of an international political stranglehold, especially after recent events in other Latin American countries, in which the slow fall of sympathetic parties in power –as is occurring in Venezuela and Argentina, for example– undercuts support for Raúl Castro and the regime established by his brother Fidel, who remained completely on the margin of these historical events, remaining only a reference to the revolution he led and established on the island.

Because of these measures, Cuba has positioned itself between a partially-overcome past and an uncertain future. In other words, Cuba's trajectory has been disrupted, and the country now finds itself in an unstable and provisional present that will not begin to be resolved until the Communist Party of Cuba Congress takes place in 2018. It is expected that Raúl Castro will formally retire from politics and Miguel Diaz-Canel Bermudez, currently the first vice president of the country, will be inaugurated as the new leader by then. Politically, both the United States and the European Union have opted for what is called "the biological solution," which consists of not forcing structural political changes –in a democratic sense– until the Castro brothers are defeated by their age and replaced by a new ruling class that is generationally distant from the historical events that shaped the Cuban communist regime and mutual hostility between the U.S. and Cuba. The "biological solution" might be plausible and even probable, but it is not completely guaranteed to work. Hence, many skeptical observers believe the island will be the "China of the Caribbean" for decades to come, or even indefinitely, if lifting

“The European Union had strong economic reasons, as well as pressure from the United States, to put an end to the “common position”—it was the first foreign investor in the island, was the second largest trade partner after Venezuela and accounted for one-third of the tourists who visit the country

the economic veto fails to cause Havana to lift the democratic veto. Obama and the European Union itself are well aware that this is the great gamble in the operation in Cuba, but are trusting that the socioeconomic relaxation will permeate the population, creating middle and professional classes, new self-employed workers and more tourism, resulting in a natural transition toward a democratic system. It is certain, however, that, despite the frustration of the Cuban diaspora in the United States, Castro will end his days in a bed, being praised by the multitudes.

Cuba's significance is both political and geostrategic, thanks to its physical proximity to the coast of Florida. The island is like a huge aircraft carrier in the Caribbean Sea that no longer attacks the United States, but reminds Washington that it has some serious problems in its traditional backyard, which has been transformed into a strategic area that, like the Roman god Janus, looks in two directions: The Pacific and the Atlantic. If it were not for this substantial geostrategic importance, Cuba would not have been the flagship of Obama's foreign policy. Its population is small (only 11 million), growth is extremely limited and wages are not only low but strictly controlled by the state. Cuba's debt amounts to 5 percent of its GDP; exports to ALBA (the Bolivarian Alliance for the Peoples of Our America, an alternative to the Free Trade Area of the Americas (FTAA)) are suffering greatly and its



hotel infrastructure –which plays a significant role in tourism, the No. 1 national industry– is in need of a decisive boost. The same applies to other areas of infrastructure (such as roads and ports), logistics, energy, the food industry and services in general. There is a future, but the Castro revolution that formally began Jan. 1, 1959, isolating the island politically and blocking it economically, has not only failed to lift the Cuban population from underdevelopment but has also failed to restore the freedoms the dictators who preceded Fidel Castro had taken away from the people.

In this context, Spain has represented the middle of the road: it was not one of the first countries to initiate open relations -France was first- but, as early as May 2016, the Minister of Foreign Affairs and Cooperation and the Minister of Development traveled to Havana where, after being received by Raúl Castro, they established a favorable economic framework both for Cuba and the Spanish hotel and infrastructure industries (40 percent of hotel beds on the island are provided by Spanish

companies). In the near future, a visit by the head of the Spanish government will be necessary to establish a new phase of collaboration, working with the assistance of other countries to drive the Republic of Cuba toward not only economic welfare, but also political transformation. Allowing an economic capitalist system and post-communist authoritarian regime to become entrenched in the Caribbean, just a stone's throw away from the United States, during a time of instability in Latin America, introduces concern and leaves a bittersweet taste –from a democratic point of view– regarding the scope and consequences of efforts to reshape the relationship with Cuba, whose past is being overcome but whose future is still unclear, at a time filled with uncertainty and fear. The goal would be to undertake a great historic initiative: help Cuba on its path toward a duly corrected market-based economy incorporating greater freedoms, which could definitively insert it into the international community.

“Both the United States and the European Union have opted for what is called “the biological solution,” which consists of not forcing structural political changes -in a democratic sense- until the Castro brothers are defeated by their age and replaced by a new ruling class that is generationally distant from the historical events that shaped the Cuban communist regime

CUBA AND **SPAIN** LOOK TO THE FUTURE AND **strengthen ties**



Juan Francisco Montalbán

Ambassador of Spain to Cuba / Spain

The reforms President Raúl Castro is driving in Cuba are attracting great international interest including, without a doubt, Spain's. This is due to our shared history and traditions, the depth of our current relations and Spain's desire to strengthen this relationship going forward. Some of these reforms are well-known and are making good progress, while others are still under discussion or being questioned.

The process of diplomatic normalization strengthens ties, involving successive milestones with important symbolic and practical repercussions. The negotiation of an agreement promoting political dialogue and cooperation between Cuba and the European Union concluded successfully –its text was signed in Havana before EU High Representative Federica Mogherini– and is being worked on so that it can be provisionally enforced soon. The restoration of diplomatic relations with the United States, involving the respective opening of embassies and President Obama's recent visit to the island, received the maximum amount of media attention and allowed various sectoral negotiating tables to be opened, as well as a constant flow of high-level bilateral visits. The conclusion of negotiations on

“The reforms that President Raul Castro is driving in Cuba are attracting great international interest including, without a doubt, Spain's. This is due to our shared history and traditions, the depth of our current relations and Spain's desire to strengthen this relationship going forward

medium- and long-term debt with Cuban creditors at the Paris Club created a new and very positive outlook in the financial and credit sphere. International high-level visits to Havana have multiplied in the last year and a half—there were six at the ministerial level from Spain, which included Minister García-Margallo and our entire economic cabinet on two occasions.

The economic reforms focus on building a “prosperous and sustainable socialism” whose final definition will be outlined in a document that conceptualizes

the model, whose first version was approved at the Seventh Congress of the Communist Party of Cuba and is now being discussed in diverse popular power forums. We do know, based on new guidelines, that the process will strengthen state-owned companies, increase opportunities for self-employment and small and medium enterprise, provide a greater role for foreign investment (according to the provisions in law 313/2013 of Mariel's Special Development Zone and law 118/2014 on foreign investment) and promote monetary unification, though it still does not have a date or final format.

As for political reforms, only vague public statements have been made. They are subject to a replacement at the Presidency of the Council of State and the Council of Ministers following President Castro's resignation after two terms in office February 2018, and to the announced, rather than explicit, reforms for the Constitution, electoral and association's law and composition of the National Assembly of People's Power.

Spain has worked hard in recent years to expand its presence in the country and collaborate on reforms that aim to build a better Cuba. We have done this through all possible means: institutional visits, development cooperation programs, the strengthening of cultural ties, business support and opening credit lines, social assistance to the Spanish-Cuban population and continued support for the dialogue between Cuba and the European Union, among others. There is an ongoing citizenship application analysis for Cubans of Spanish origin, with 140,000 having been granted already—a number that will double by the end of the process. There is also a large group of Cubans living in Spain, which generates both fraternal ties and consular cooperation responsibilities between both countries.

We believe that, as Cuba's third-largest trade partner and its first investor in the tourism industry, with a large network of companies of all sizes that have been present in Cuba for decades, we must make a special effort to revitalize its economy. This would help both countries to successfully negotiate, in the short-, medium- and long-terms, the bilateral debt amounting to 2.4 billion euros, of which 1.88 billion was written off- two counterpart funds will receive 415 million euros, which will provide financing for joint interest projects- and the rest restructured with the goal of stimulating growth and productivity.

Bilateral relations are not only being developed at the governmental level; Regional governments, municipalities, universities, companies, foundations,

“ We believe that, as Cuba's third largest trade partner and its first investor in the tourism industry, with a large network of companies of all sizes that have been present in Cuba for decades, we must make a special effort to revitalize its economy

professional associations, artistic groups, sports and religious associations, regional societies, etc. are aware that their involvement can also enrich and strengthen bilateral relations.

We eagerly await the outcome of this course of events, attentively reading President Castro's July 8 speech before the National Assembly, in which he explained how the Cuban economy is temporarily and circumstantially facing difficulties due to declining revenue from exports, falling prices of international items and the changes in relations with Venezuela and other countries, while simultaneously insisting on complying with international debt payment commitments and on resolving delays in some current payments to suppliers. We maintain at all times an earnest willingness to negotiate and explore new, mutually beneficial avenues of friendship and cooperation between our countries.



CUBA, A SAFE PLACE FOR *foreign investment*



Roberto Verrier

Director of the Center for the Promotion of Foreign Trade and Investment
(ProCuba) / Cuba

With a seductive atmosphere favorable to foreign investors, Cuba has become an excellent place for investment. Guarantees and incentives go hand in hand with an environment of political, social and legal stability; a safe environment for foreign staff; highly qualified labor; and positive indicators regarding social security and health.

Other advantages of investing in Cuba include its existing natural resources and minerals; the government's development and promotion of research and technological innovations; and the country's geographical location, placing it at the center of an expanding market.

Furthermore, Cuba has a developed infrastructure that includes 10 international airports located throughout the island; ports that support docking for large ships; a power service grid that covers more than 95 percent of its territory; and railways and roads that extend across the country.

Along with these benefits, potential investors can count on support from the Center for the Promotion of Foreign Trade and Investment, ProCuba, which offers a variety of specialized services, including:

“*Cuba has become an excellent place for investment. Guarantees and incentives go hand in hand with an environment of political, social and legal stability*

- Advice and guidance on how to negotiate in Cuba.
- Assistance in identifying business opportunities.
- Networking to link potential investors with corresponding Cuban entities.
- Meeting agenda preparation.

ProCuba is also involved in promoting the Portfolio of Opportunities for Foreign Investment, a useful tool that provides summaries of the business interests being developed with foreign capital and information on industrial sector policies. This document, which is updated every year at Havana's International Trade Fair (FIHAV), focuses on the 12 sectors that are key for the national economy, selected by Cuban companies for their organizational processes; updated and modern technologies; management methods; and comprehensive development of all branches in accordance with the country's economic and social development in the context of the global economy, based on attracting foreign capital.

The Portfolio of Opportunities for Foreign Investment currently outlines 326 projects and a total investment estimated to be at over \$8.1 billion. Among the new developments are proposals for: the tourism sector, with 94 projects, including

service administration contracts in seven of the country's marinas (including Marina Tarara and Marina Dársena Varadero); the oil sector (86); the agro-food industry, standing out with the highest number of opportunities in this edition (40), including new projects for the development of mariculture, aquaculture and production and marketing for two Cuban rums (Perla del Norte and Cubay); and the transportation sector (15), with five new projects for the development, operation and management of port reception facilities for cruise ships (including in Havana, Cienfuegos and Santiago de Cuba). Feasibility studies have been carried out for each project.

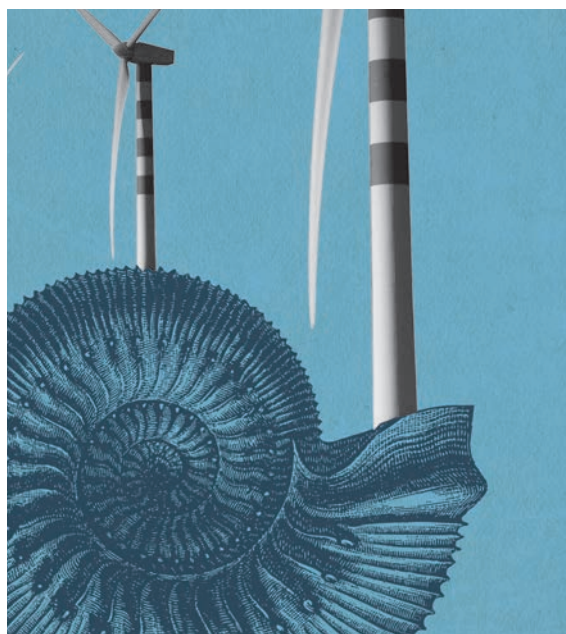
Other distinctive features included in the document are health sector projects related to creating facilities to export health and tourism services, a second project related to sports and three projects pertaining to the audiovisual sector, which aim to boost the development of this industry. It also includes new projects in the commercial sector, such as the commercialization of

“ These projects are all in line with the measures for the implementation of economic and social policy guidelines to enhance foreign investment

hardware and building materials, supply chains of refrigerated food and fabrics and textile production, as well as the diversification of activities in the construction industry by incorporating production of marble, bathroom fixtures, ceramic flooring, and more. There are also projects to develop bioelectric, wind, and photovoltaic energy in the country.

These projects are all in line with the measures for the implementation of economic and social policy guidelines to enhance foreign investment, which outline the need for maintaining a constantly-updated investment portfolio of potential foreign investment opportunities.

Cuba is an attractive destination to expand business, so we invite you to read this document and identify any projects of interest in industry sectors the country prioritizes.





Felipe Kast

Congress Member from Chile / Chile

After 56 years, Barack Obama and Raúl Castro announced a historic shift in the bilateral relationship between the United States and Cuba. However, whether this emblematic opportunity will be harnessed is still in question, as is the sincerity of Cuba's intentions to generate structural changes, given that it is a country that has historically been closed off from the rest of the world. The economic embargo is an issue that remains unresolved. There are also a new series of challenges that the island should take into account if the government wants to make the leap.

On the economic front, although there is the possibility of migrating to a capitalist model such as the Chinese one, there is also the alternative of remaining in the status quo or adopting an intermediate position. Economic freedom is an oxygen valve for the Cuban government, and it could work as long as they release workers from their chains. Any investor must still pass through the government's filter, however, and that level of intervention could influence the smooth operation of the labor market.

On the political level, it has been clear so far: There are no signs of change nor openness to civil or political liberties, and restoring democracy and human rights will remain nothing more than

“Human capital is invaluable in areas such as culture, art, heritage conservation, scientific development and business hubs, which have taken on a strategic nature

a dream. I am convinced that a transitory mechanism to give guarantees to those who have been living in the shadow of the dictatorship should be pursued, one that may provide incentives to leave power and, above all, restore human and civil rights.

In terms of resources that could aid in Cuba's takeoff, human capital is invaluable in areas such as culture, art, heritage conservation, scientific development and business hubs, which have taken on a strategic nature.

Today, education, innovation and technology on the island are not in good standing, and teachers have little access to research and development; poor internet access and restrictions for leaving Cuba, among other issues, means they have limited access to the world of knowledge.

It is difficult to be certain about what the political and economic situation will be by the end of Castro's government, but it is possible to imagine two scenarios: The first is based on a climactic moment that would lead to an accelerated transition into a fully democratic regime, while the second, more likely scenario, is one in which political power remains under the authoritarian control of those who govern the island today.



“ *Transition processes are complicated because they involve any difficult decisions. The economic issue is key to achieving a fundamental change* ”

Transition processes are complicated because they involve many difficult decisions. The economic issue is key to achieving a fundamental change, and Cuba could make a relatively quick jump if efficient models for foreign capital and Cuban non-state (human and capital) resources are generated. Tourism, culture, education and research are essential factors in order for Cuba to be able to begin its path toward modernization. However, countries cannot achieve substantial change while human rights and individual freedom remain unresolved issues.

Looking at the situation in the United States, we see that they are going through a very uncertain time due to the change of government. A future with Donald Trump at the helm could take all the developments with Cuba back to square one. The U.S. agenda for the island is not that clear, and it seems a unilateral agreement with very few requirements is emerging (especially concerning human rights), which is why a substantial change in foreign policy has not taken place yet.

AN **OPPORTUNITY** FOR **Cuba** AND ITS **friends**



Roberta Lajous

Ambassador of Mexico to Spain / Mexico

I left the Mexican embassy in Havana in 2005, after three fascinating years. I do not have a crystal ball, but I am optimistic about Cuba's future and the opportunities it presents for countries it has had a close historical connection with, such as Spain and Mexico. Cuba, as seen in its national emblem, is the key to the Gulf of Mexico, which merges into the Caribbean Sea. The "Pearl of the Antilles" was the strategic springboard for Spain's entry into the Americas, a continent where it spread -across a large part of its territory- its language, culture and worldview. The normalization of diplomatic relations between the U.S. and Cuba sets in motion a process of political, economic and cultural openness that will strengthen the vitality of the Spanish-speaking world, consisting of more than 500 million people worldwide.

I have great admiration for the Cuban people. I witnessed firsthand their high education standards, their ability to overcome adversity, their high level of social integration and their creativity. With just over 11 million inhabitants and a large diaspora community, Cubans are known around the world for their excellence in the arts, sports and scientific research. Cuba's rich expressions of identity celebrate its European and African origins, as well as, of course, its indigenous origins. The Western

“With just over 11 million inhabitants and a large diaspora community, Cubans are known around the world for their excellence in the arts, sports and scientific research

end of the island, which almost touches the Yucatán, resembles Mexico, while the East is more Caribbean, a difference reflected in the music, which moves between the guitar and the bongo. In Cuba, I have always felt at home, as I now do in Spain. Both experiences, combined with that of Bolivia, where I also served as ambassador, have

convinced me that there is a Latin American culture that transcends language and grows in importance alongside the sum of our respective economies.

From my time in Cuba, I remember the positive impression its education system left on me. I visited several schools in Punta de Maisí, the place where Cuba almost meets Haiti. Even in its remotest areas, we were greeted by perfectly uniformed and cheerful children. The children received food upon starting and completing their school day, while their parents were busy working in the fields. I also visited rural schools in the west, where there were simple computers powered by solar energy. I never ceased to be amazed that Cubans produced their own educational "software," which I thought could be used in Mexico as well. I was struck by the emphasis placed on learning foreign languages, especially English. Something else I noticed was the attention given to the disabled, who were fully integrated into the classroom,



resulting in a positive learning experience for all children. Adult education is also excellent; at the time, several Mexican governors had hired Cuban literacy services for remote areas, with very good results. Cuba has one of the highest rates of schooling in Latin America and illiteracy is almost nonexistent.

During the 36 years I have spent in the Mexican foreign service, I have seen for myself the high standards of my Cuban counterparts and the wide and effective network of embassies around the world. When Mexico had to run campaigns in order to win an election in the United Nations (U.N.), we relied on Cuba's support to introduce our candidates. In Africa, and even the Anglophone Caribbean, we received more invaluable support. I have always found Cuban diplomats to be among the best informed. When they apply their work discipline to making their economy competitive in the world, I hope they will use the same economic integration framework as we do, because they have much to contribute.

“ I have always found Cuban diplomats to be among the best informed. When they apply their work discipline to making their economy competitive in the world, I hope they will use the same economic integration framework as we do, because they have much to contribute

Since the beginning of the Cuban Revolution, social investment was prioritized over infrastructure, and equality as a goal over economic efficiency. However, Cuba has already set down the path of economic openness and liberalization in order to increase its productivity. If Cubans succeed in opening their economy to international competition, nothing and nobody will stop them. They are already a privileged tourist destination with enormous growth potential thanks to their unsurpassed geographical location. Spain contributes with hotel and tourism investments to facilitate “multi-destination” tourism in the Caribbean, which is becoming increasingly attractive in light of the security challenges faced by other regions of the world. Countries that have been friends of Cuba through a shared history and despite its forced isolation, such as Spain and Mexico, should support this openness so the island can develop successfully at the pace, in the time and in the manner determined by the Cubans themselves. A globally-integrated and prosperous Cuba will strengthen Latin America as a whole.

UNDERSTANDING CUBA AND MAKING THIS *process virtuous*



Jorge Telerman

Former Argentine ambassador to Cuba and former Mayor of Buenos Aires / Argentina

This article is being written only a few hours after the United Kingdom decided to leave the European Union. Their situation highlights how beneficial it is for our hemisphere to seek regional integration and move in the opposite direction of the old nationalist models that have done so much damage to Europe and the world.

Argentina and Cuba have the means by which to contribute to this process of regional integration.

Cuba is currently undergoing an opening process, which many hope will also be one of convergence and improvement. Following several decades in which ideology played a leading role, a guiding premise upon which nations have been built in favor of or against certain postulates, today a new Cuba is emerging.

Today's Cuba differs greatly from that of 1959, just as the world today differs from what it was at that time. This is part of the course of history, although it is likely that certain values will persist emblematically. The discussion about whether freedom or equality is more valuable has dominated the debate for the past few decades, and finding harmony between the two will always be on the horizon of a more just society. That is why we want Cubans to have the opportunity to integrate into the regional community without

“Cuba faces the need to and challenge of adapting to modern times, which differ greatly from those of its revolutionary origins

conditions, allowing them to combine the best of their recent legacy –such as their widely acclaimed educational and health systems, mentioned by President Obama in his historic visit– with the necessary transformations so the country can play an important role in the region's economic, social and political development.

Putting aside differences and striving for harmony is also part of the course of history.

The ties between our two countries have persisted despite our differing political systems and historical junctures. Issues such as immigration in the 20th century or the socio-cultural development of our peoples are commonalities and similarities that led to residents of the island being called the “Argentines of the Caribbean.” The conditions are there for our two countries to deepen their relationship both in terms of material and commercial interests, as well as in promoting common values.

According to the best doctrine in foreign relations, respect for self-determination and the pursuit of peace, as well as the aforementioned concepts of equality and freedom, are universal principles upon which exchange and reciprocity are developed.

Values and symbolic constructions are drivers in nations that define both their identities and

organizational models. In a world of change, transformation and uncertainty, such as the one in which we live, it is possible our nations could move in the same direction toward a world that pursues tolerance, peace, freedom and equality. Cuba faces the need to and challenge of adapting to modern times, which differ greatly from those of its revolutionary origins. Regardless of the pace and manner in which Cuba decides to do this, it is important it be done with thought and genuine decision to ensure it has solid foundations. This challenge should receive support from the entire continent in order to strengthen regional ties.

From an international relations perspective, Argentina and Cuba have been close at times, while at others far apart.

Our two countries have gone from being close to being distant at different moments in our shared history.

These moments of proximity and distance were more influenced by postwar ideology than by a genuine defense of national interests, as we understand them today.

As Argentina's ambassador to Cuba, I was able to experience the affection that unites our peoples, drawing us closer together rather than farther apart, and see how much closer these ties could bring us in the future.

My work as ambassador coincided with Pope John Paul II's historic visit, when he said, "Let Cuba open itself to the world and the world open itself to Cuba," which takes on renewed significance today. Whether this happens out of necessity or conviction is irrelevant; what is certain is that Cuba has begun to open itself to the world, which is why it should begin to conceive of and develop new methods and systems of production. Argentina has a potential role to play there, as the level of understanding and proximity shown by our people and societies is significant in so many areas. Both

“*Argentina's duty, and that of all countries in the region, lies in strengthening and enabling a better and more effective integration for Cuba*”

countries –like almost all countries– have a history of ups and downs, with setbacks and difficulties as well as promising moments. Cuba has begun a process that, without a doubt, will culminate in its full integration into the continent. Understanding Cuba will allow this process to take place in the most ethical way possible. Argentina is one of the countries that can best understand it.

This is so for many reasons, most of which are historical in nature, such as the origin of immigration flows and the vicissitudes of history. Therefore, making the most of this situation is beneficial not only for Cuba, but also for the interests of the Argentinian people, who could have a much greater presence in the Caribbean. Argentina has the tools to accompany Cuba on this process of successful integration into the hemisphere, generating a stream of benefits without losing the common ground of shared values such as freedom, equality and respect for the other.

Argentina's duty, and that of all countries in the region, lies in strengthening and enabling a better and more effective integration for Cuba, creating a context in which equality and freedom are not contradictory notions, nor in which one takes precedence over the other.



CUBA: FROM *Fidel* TO *Chanel*



Francisco Huerta

Deputy Director of *Expreso* newspaper in Guayaquil / Ecuador

INTRODUCTION

Let the reader make no mistake: I try to cultivate objectivity in my writing, and the current title simply tries to reflect and summarize the complexity of a process that will hardly be devoid of subjectivities and will never be judged with impartiality. As all serious revolutionary processes, it has involved countless lives and many deaths.

All recent events in Cuba (just over half a century) are a profusion of tropical passions, or better still, Caribbean passions, mounted on a substrate of Spanish spirit combined with African voluptuousness.

Let's look at this in three periods.

THE HEROIC PERIOD (La Sierra Maestra)

In the introduction, which includes a short autobiography, of his greatest literary work, *The strategic victory*, Fidel Castro wrote, "In the 1940s', anti-communism and the induction of mechanical thinking and mind control through mass media had emerged with force. The basis had been created

“*The guerrillas that came before or after them, for example in Colombia, ended up becoming guardians of drug trafficking, and, despite the authenticity of Camilo Torres and others, the legend ended there*

for the military and political domination of the world. Very little of the revolutionary spirit of the 30s' was left in our higher education centers.”

“Changes, everything changes,” and it changes increasingly quickly as time goes by.

In the third chapter of his book, Castro stated, “There are things that neither despots nor their

subordinates can understand. It is not the same to fight for a wage, rent out a person to a miserable tyrant or load a rifle for payment as a vile mercenary, as it is to be a soldier for a patriotic ideal.” And it continues, “The man of ideals does not care about life because he cares about the ideal: he does not receive a salary, but gladly bears all the sacrifices entailed by a cause he has selflessly embraced... The ideal is a superior way of life in which an individual death does not count.”

That man of ideals (of those ideals) is an endangered species. The last heroic guerrillas were Cuban. The guerrillas that came before or after them, for example in Colombia, ended up becoming guardians of drug trafficking, and, despite the authenticity of Camilo Torres and others, the legend ended there. Although the myth of Che Guevara persists throughout the generations of the past century, he has been trivialized because, rather

than being based on ideological foundations, he has been turned into a commercial product.

THE SPECIAL PERIOD (The end of the Soviet Union's support)

The so-called "special period" was hard, very hard for Cubans. Everything was in short supply. "Believers" lived off their mystique, sustained by their sense of dignity alone. The leader's resentment of Americans came from afar and had been successfully planted, thanks in part to Martí's influence, in the hearts of Cubans.

In a letter to Celia, written after the bombing of farmer Mario Sariol's home with rockets bearing the inscription "Made in the USA," Castro wrote, "Upon seeing the rockets they shot at Mario's house, I swore to myself that the (North) Americans would pay dearly for what they were doing. When this war is over, a much longer and bigger war will begin for me: the war I will wage against them. I realize this is going to be my true destiny."

A stubborn Galician, Fidel began his long war, but the old empire upon which he relied suddenly collapsed, and he had to continue tilting at windmills alone.

His people, like a good Sancho, mostly accompanied him, responding to every problem with "it can be resolved" and seeking a "socio-listo" ("intelligent ally," wordplay in Spanish around the word for socialist) amongst Socialists. "The effort was not sufficient. Nor could Venezuela maintain its role as the revolution's generous brother, and then Raúl came along... and put an end to it."

“While Miami is overflowing with nostalgia, Obama recognizes the futility of the embargo and the opportunity being open toward Cuba offers him, papal blessing included. What seemed impossible is happening

THE CURRENT PERIOD (Obama's practical realism)

Despite the enormous suffering caused, the embargo imposed by the United States never broke the will of the Cubans in charge of the regime—at least not in their anti-imperialist rhetoric.

So, while Miami is overflowing with nostalgia, Obama acknowledges the futility of the embargo and the opportunity which being open toward Cuba offers him, papal blessing included. What seemed impossible is happening.

Then Karl Lagerfeld, creative director of Chanel, made an appearance in Havana, a city of newly-gained media interest, "because Cuba has great cultural richness and is opening up to the world, making it a source of inspiration." Karl made the island the first Latin American destination for his prestigious fashion house, contributing to the country's economic revitalization, turning it into a showcase for one of the greatest contemporary manifestations of luxury but also of cultural sophistication, one to which Havana has never been immune: fashion.

Nor, for similar reasons, should it come as a surprise that Havana's ports will soon be populated by cruise ships bearing flags from all over the world, with musicians from every continent arriving at its docks. Cuba has always been and will remain one of the world capitals of musical creation. Not to mention one of the favorite destinations for Spaniards, who have always had a presence there.

MORE PLAYERS, MORE VOICES: **THINK TANKS** IN THE **Mexico-Cuba relationship**



Israel Hernández

Deputy Director of the Mexican Council of International Affairs / Mexico

More than 50 years have passed since the establishment of the Communist Party of Cuba (*Partido Comunista de Cuba, PCC*) became the only political entity that designed and implemented national projects in that country. Cuba's economic situation, now in a global context very different from that of the 1960s', has pushed the PCC in recent years to develop a plan to "update and improve" its economic and social model.¹

Under the leadership of Raul Castro, the greatest signs of change in the regime have occurred, such

“ *The renewed bilateral dialogue, led by the government of Mexico- which has offered to support the transformations taking place in Cuba- has aroused the interest of Mexican businessmen*

as new economic and political provisions. As part of this, for example, small loans for home repairs have been granted; buying and selling of cars² and private homes has been legalized;³ and the issuance of licenses for self-employment has increased.⁴ Also noteworthy are the legalization plans for Cuban SMEs⁵ and the creation

of a Foreign Direct Investment (FDI) Law (2014)⁶ and Special Economic Zones (2013)⁷ to aid development in sectors classified as "complementary" to the economy. All these measures have sparked interest among global investors.

"The perfection of socialism," as conceptualized by Cuban leaders, has also shown signs of change regarding foreign policy. One of the turning points with the greatest impact was the renewal of Cuba's relations with North America. On one hand, during Raul Castro's state visit to Mexico in November 2013, relations between the two countries were re-established and the Cuban leader made the surprise announcement about his resignation from the Presidency in February 2018.⁸ On the other hand, Cuba re-established diplomatic relations with the United States, which allowed for, among other things, a mutual reopening of their embassies and the removal of the Caribbean nation from the list of states sponsoring terrorism.

¹ *Granma* Publication: A Debate on the Future of Cuba. 2016. <http://bit.ly/2964Qa5>

² *Cuba Debate*. Cuba authorizes buying and selling of cars. 2011. <http://bit.ly/29gM67Z>

³ Cuban Embassy in Venezuela. New home sales law in Cuba. 2011. <http://bit.ly/29ebwpC>

⁴ *El Nuevo Herald*. Cuba publishes rules for new self-employed workers. 2011. <http://hrl.us/294bfVv>

⁵ *El País*. Cuba announces that it will legalize SMEs. 2016. <http://bit.ly/1TCvZlm>

⁶ *Cuba Debate*. What does the new Law on Foreign Investment in Cuba say? 2014. <http://bit.ly/1TCvZlm>

⁷ Chamber of Commerce of the Republic of Cuba. Mariel Special Development Zone. 2013. <http://bit.ly/293M813>

⁸ *Diario de Cuba*. Raúl Castro will leave power on February 24, 2018, he says in Mexico. 2015. <http://bit.ly/29cdMMF>

“Beyond any ideological inclination or rhetoric and in light of the recent economic, social and political transformations initiated in Cuba, think tanks have proven to be an ideal vehicle for establishing the objectives of governmental policies

On an internal level, the release of some political prisoners has been authorized, as well as the prohibition of all forms of discrimination (e.g., race, sexual preference, etc.) in the recruitment of Cuban citizens by companies and/or agencies. During the Seventh Congress of the PCC in April, President Castro said that by 2017, age limits would be set for party leadership positions.⁹ On the other hand, the amendments to the telecommunications sector include authorization for Cuban citizens to purchase cellular phones (2008),¹⁰ as well as the establishment, primarily in public squares and parks, of wireless hotspots in different cities across the country.¹¹

The renewed bilateral dialogue, led by the government of Mexico –which has offered to support the transformations taking place in Cuba¹²– has aroused the interest of Mexican businessmen. There are opportunities to increase political cooperation and investments. However, it also provides a tangible opportunity to extend the bilateral relationship into the social sphere

emerging from within, in which Mexican think tanks are able to share their experiences and discuss relevant issues with their Cuban partners.

Today, organized civil societies around the world play complementary roles to the work of the state, with the ultimate goal of maximizing the scope and impact of public policies in favor of development. Mexican organized civil society –in the form of think tanks and activist organizations– has gained an increasingly important role in the debate and implementation of policies on issues such as gender equality, citizen participation, transparency, accountability, social entrepreneurship and climate change, in which the country is considered to be a regional and global leader.

In Mexico, think tanks have driven, for example, a transformation in the concept of the term “gender equality,” which evolved from mere advocacy for rights to the need to design and implement public policies that guarantee equality. In this context, Mexican civil organizations have spoken about the catalytic power of diversity and equality in both innovation and competitiveness. The opportunity for Mexican-Cuban social collaboration lies in Cuba’s important legislation in this regard, which has the potential to expand its scope and application regarding participation in organized civil society.

Similarly, the dialogue between think tanks and civil society organizations from both countries could be useful in the areas of social entrepreneurship for promoting innovation, talent and creativity; climate change, the scope and impact of which is global; and the development of human capital, which goes along with the new Cuban economic policies, to mention only a few examples of potential collaboration areas between organizations.

Beyond any ideological inclination or rhetoric and in light of the recent economic, social and political transformations initiated in Cuba, think tanks have proven to be an ideal vehicle for establishing the

⁹ Castro, Raúl. *Central Report for the Seventh Congress of the Cuban Communist Party*. 2016. <http://bit.ly/28MVx2c>

¹⁰ *Cuba Debate*. How do Telecommunication Services function in Cuba? 2013. <http://bit.ly/299o2Vo>

¹¹ ETECSA. ETECSA implements public Wi-Fi areas for Internet access. <http://bit.ly/1LybjYg>

¹² Presidency of the Republic. 10 Facts about the Mexico-Cuba relationship. 2015. <http://bit.ly/291HXSX>



objectives of governmental policies for very clear reasons: they create public awareness, promote good practices and strengthen citizen participation in addressing their common problems.

In addition to sharing a geographical area and having common goals for tackling current global problems, it is just the right time for Mexico and Cuba to perfect their relationship, which stretches back more than 100 years, while this time including the social arm—essential to ensuring recent objectives for economic development and welfare are achieved.

**The views of the directors and partners of COMEXI do not reflect an institutional position. Individual statements are the responsibility of those who make them.*



THE **CUBAN** TRIATHLON: A HUGE EFFORT, BUT THINGS ARE *changing*



Alejandro Romero
Partner and CEO for Latin America at LLORENTE & CUENCA / USA

Erich de la Fuente
Partner and CEO for the United States at LLORENTE & CUENCA / USA

A sports competition in Havana becomes the best reflection of the Cuban reality after Obama's visit

In Cuba Today is the digital edition of the *Miami Herald's* Cuba section, reporting news from the island. Culture, politics and business are the main sections in this publication, which serves as source of information for the Cuban community in South Florida and especially for U.S. businesses, which are increasingly interested in the changes taking place on the island. In June, *In Cuba Today* reported a Miami-based venture capital firm's plan to invest in several sports events held on the island.

Among them is the increasingly popular triathlon in Havana, which brings together athletes from around the world every year, attracted by a competition that is run through the most emblematic locations of the Caribbean capital. Just like this triathlon, the normalization of relations between Cuba and the U.S. and the opening of the country to foreign investment will be a long race full of obstacles, only suited to well-prepared and tenacious professionals who believe in medium- and long-term results.

“ *The country's political, social and economic opening seems to be moving at a different pace for citizens, businesses and governments in both countries* ”

This sporting event is the best reflection of a process that began December 2014. In two coordinated press conferences, Barack Obama and Raul Castro announced to the world the normalization of diplomatic relations between the two countries. As a consequence, the last 12 months have seen milestones of great historical

importance that we cannot fail to emphasize: the mutual opening of embassies in both countries, the lifting of travel restrictions for U.S. citizens and Obama's visit to the island –the first by a U.S. president since 1928– are just some of the most obvious signs of the normalization of bilateral relations.

Although certain things, such as the economic embargo, can only be lifted by the U.S. Congress, opposition from prominent lawmakers and a small but strong Cuban community against any concessions to the Castro regime, as well as part of the internal Cuban opposition, pose obstacles to the normalization process under current conditions. The country's political, social and economic opening seems to be moving at a different pace for citizens, businesses and governments in both countries, and it seems this will be difficult to stop.

“Traditional Cuban ingenuity, combined with these new opportunities, mean that, as it is often the case, the private sector is moving faster than current legislation and governments

Following international expectations, media attention and the most symbolic milestones of this normalization, the political reality of the island has revealed its traditional nature. For Cuban analysts, the announcement that Raul Castro will remain as leader of the Communist Party until 2021 poured cold water on the most optimistic hopes for change. The youngest faces of the Communist Party, such as Vice President Miguel Díaz-Canel, must wait for their chance to take over from the octogenarian commanders of the revolution, whose retirement will likely occur more due to geriatric issues than to any dynamics of political change or popular pressure. Members of civil society and independent journalists still do not have the freedoms they long for in Cuba.

But it should be noted that some reforms regarding the opening of Cuba’s private sector have been announced, aiming to improve conditions for the self-employed and small businesses, which are beginning to arise more thanks to will than resources. Traditional Cuban ingenuity, combined with these new opportunities, mean that, as it is often the case, the private sector is moving faster than current legislation and governments.

Firstly, with the aim of improving training and possibilities for these entrepreneurs, several U.S. universities have established collaborative partnerships. Florida International University (FIU) has developed the InCubando@FIU program, the first class of which, made up of 15 self-employed Cubans, spent six weeks studying at FIU’s Business School in Miami. The increased mobility of citizens

and international tourists to and from the island, as well as new ways of collaborating with civil society, has created unprecedented opportunities for a society that is eager for economic and political change.

Secondly, when visiting relatives on the island, Cubans settled in southern Florida have historically carried in their suitcases not only products difficult to find on the island, but also provisions for family businesses and the self-employed; Chairs and tables in Cuba are repaired with nails from Home Depot. The embargo has been resourcefully and skillfully circumvented by visitors to an island that is more accepting than ever of trends from abroad.



Thirdly, the first truly American multinational is already operating on the island; today there are over 300 rentals available on Airbnb's website, from Havana to Baracoa, ranging from apartments in the historic center of Cienfuegos to houses by the sea on many of the island's beaches. This digital reality, often underground, is an entrepreneurial opportunity for many Cubans who, since they do not have internet access, put family and friends outside of the country in charge of managing these properties.

Fourthly, the end of the seventh season of *Game of Thrones* premieres in Havana just hours after it does in the U.S. In another usual stroke of ingenuity, groups of IT-literate young people download the series and circulate a portable memory known as "package" through the streets of Havana, making hundreds of copies to circumvent the internet access restrictions on the island. Spielberg's latest release or the newest Netflix series are available via this analog trade of digital content shortly after a teenager in Chicago or New York can watch it on HBO.

Sometimes little-known, these and other examples of entrepreneurship, budding business initiatives and new business models borne in the streets of the country rather than in high places show that many of the changes taking place in Cuba are happening away from the eye of the media.

When the triathlon begins next February in Havana, many national and international athletes will participate in this endurance test, running through the streets of the Cuban capital. One of the challenges of the triathlon, as with Cuba's economic openness, is that after coming out of the water, there are still several kilometers to do on a bike and several more kilometers to run. It is a challenge apt only for the most prepared and tenacious athletes. We, as a company, are already participating in this race and are learning how it is possible to participate in the opportunities that have already opened up, but, above all, in those that are still to come.

Today, we are all a little more Cuban.

CUBA AND THE **DOMINICAN REPUBLIC**, A **development** HUB IN THE **Caribbean**



Campos De Moya

Vice President of Communications and Institutional Relations at INICIA and
President of the Association of Industries of the Dominican Republic / Dominican Republic

Cuba and the Dominican Republic are the most important independent economies in the Caribbean. What's more, they are Hispanic countries, making our relations even tighter. Therefore, despite the economic embargo that has affected Cuba, there has always been respect and cooperation between these countries, as well as limited commercial trade.

The Dominican Republic exported industrial products, such as processed foods for humans and animals, beers, fertilizers, cosmetics, plastics, wheat, cleaning chemicals, garments and more, while exports from Cuba have mainly been of ferrous raw materials.

The amount of exports has been limited due to the trade embargo imposed by the government of the United States—about \$52 million in 2015, taking into account that during that year, 26 companies exported products for over \$200,000. More important still is that, of that total, 20 companies exported industrial products, giving the Dominican Republic a trade surplus and an opportunity for rapid growth within the new political and economic framework.

“With the United States’ decision to change its policy toward its neighboring country, the possibilities for economic collaboration and expanding the export market, with an eye to ensuring opportunities of interest and investment, and the normalization of commercial relations mean that unique opportunities are foreseen for both countries

With the United States’ decision to change its policy toward its neighboring country, the possibilities for economic collaboration and expanding the export market, with an eye to ensuring opportunities of interest and investment, and the normalization of commercial relations mean that unique opportunities are foreseen for both countries.

At the Association of Industries of the Dominican Republic (AIRD), we have watched the influx of travelers begin to arrive in Havana immediately after the reestablishment of commercial

flights and the lifting of the restrictions that have weighed upon Cuba since the 1960s’, and we have noted the new requirements that come with serving these visitors to the standard those who travel for pleasure are accustomed to.

At the AIRD, we believe and have communicated to our associate members that Cuba presents a unique and immediate market of opportunity for the Dominican Republic in the construction, food, clothing and pharmaceutical industries as a first step.

Secondly, the conditions for investing in Cuba have improved thanks to the new Law for Foreign

Direct Investment (Law No. 118), which expands non-state management methods in production and services, supporting the development of an internal wholesale market that seeks to meet the needs of the non-state sector of the economy and create non-agricultural and livestock cooperatives and mini businesses. These are just some of the elements that make up the second stage.

Data show us that, at a trade level, Cuba represents 0.6 % of our exports and is only our 18th largest export destination, despite its proximity. Cuba, after the U.S. and Haiti, could become our third trade border. At the AIRD, we believe we should forge a policy that will contribute to making Cuba a powerful economic hub in the hemisphere, allowing Cuba to recover and develop the economic significance it deserves.

A DEVELOPMENT HUB IN THE CARIBBEAN

Cuba and the Dominican Republic are capable of heading up a powerful economic and social development hub in the Caribbean. Therefore, education centers in both nations have already reached cooperative business agreements, with the aim of providing Cubans with the necessary modern tools.

Due to the proximity of the islands and inherent cultural differences, both nations can benefit equally from tourists coming from around the globe to enjoy the beauty of the Caribbean from two combined destinations. The first to benefit from this policy will be American citizens, many of them of Cuban origin, who have seen the barriers that previously prevented them from traveling to Cuba be removed.

The increase in the number of visitors to Cuba demands an increasingly high number of fresh agricultural products to both satisfy the needs of travelers and increased demand from its own population, who has more purchasing power—

which presents an opportunity for Dominican exports.

From the point of view of commerce regarding tradable goods, it must be noted that the Dominican Republic has been open to free trade with more than 40 countries, while Cuba focuses solely on European countries, such as Spain, Holland and Great Britain, and other countries, including Canada, China and Venezuela. In fact, the Dominican Republic has one of the most open economies in the world. A close relationship between both nations could give Cuban products access to new markets and strengthen the Dominican Republic's presence in Central America and the Caribbean islands immediately, while helping Cuba normalize its commercial relationship with the world.

Cuba and the Dominican Republic are also potential destinations for foreign direct investment (FDI), as both are countries in which legal certainty for foreign capital has been strengthened. The construction of the Mariel Industrial Park and Mariel Port Terminal presents an opportunity for Cuba to establish free-trade industrial zones. The Dominican Republic was a pioneer in this area, providing experience and technology useful for both nations and their populations.

The Dominican industrial sector, led by the AIRD, has taken a proactive stance in order to ensure these opportunities materialize, for the benefit of both the Cuban and Dominican economies. Recently, we visited Havana with a significant delegation from the industrial sector, and Cuba immediately sent a large delegation in return. As a result of these exchanges, important business has been conducted. At the AIRD, we regard Cuba and the Dominican Republic as the key, together, to a powerful social and economic hub in the Caribbean that would be beneficial for both nations and for the region. We will continue our efforts to identify the new windows of opportunity opening each day.



HOMELAND OR DEATH?

Homeland



Anselmo Crespo

Deputy Director at TSF / Portugal

It is 11 p.m. in Havana. The day was not exactly a dream for a tourist visiting Cuba for the first time after saving up for months to go there, just hoping to have a good time. It poured rain all afternoon, and the Caribbean Sea looked more like the sea in northern Europe: Rough, seeking to swallow the land before it, indifferent to the tourists who had crossed the Atlantic in search of a few days of rest. After dinner, I was left with the consolation of the human goddesses awaiting me in a paradise under the stars. The tickets were not easy to get, and the show at Tropicana, one of the oldest and best-known cabarets in Havana, promised to be unforgettable. "There is a power outage, so tonight's show has been canceled," I was told at the door. The cold front that had arrived in Havana that afternoon had left half of the city in darkness. It was not a hurricane, nor a tropical storm; it was just rain and wind, but it was enough to wreak havoc on the city's weak electrical grid and, though there are generators, they either don't work or can't solve anything. It was my first clash with the embargo that has lasted decades. I told the taxi driver to turn around and go back. I returned to the hotel, giving up. My night ended there.

I remembered that evening when I saw the photograph of Air Force 1 arriving in Havana.

“One of the most common mistakes in politics is believing it is sufficient in and of itself. That from an ideological platform, whatever it may be, you can build a state

The image is remarkable, not for its beauty, but rather for the symbolism it carries. It is all history. The tin houses, museum cars, tangle of electrical cable scattered haphazardly throughout the city, eyes of the people focused on the sky, the plane carrying a U.S. President to Cuba after 88 years. The longest 150 kilometers in history—the

distance from Cuba to the U.S.—suddenly grew shorter. But in the end, what has changed? Why so much time, so much suffering? What changed in the world, in the United States and Cuba, to make everything so seemingly simple? Historic leaders have changed.

One of the most common mistakes in politics is believing it is sufficient in and of itself. That from an ideological platform, whatever it may be, you can build a state, regardless of the people who are leading that state. That the processes are more important than the people. Whoever thinks like this tends to dream that, one day, history will agree with them. That all those who disagree with their viewpoint are just limited, dangerous reactionaries avid for power. It was this type of thinking that led to several conflicts throughout history, causing distress, suffering and death. It hindered civilizations, impoverished nations and made the world less equal.

“Homeland or death. The phrase made and went down in history not as a question, but as a choice given to Cubans

In the case of Cuba, there are no innocent parties. If the people's struggle for sovereignty is as legitimate as their struggle for life, the arrogance of those who think they own the truth, who chase, arrest and kill free thought, can completely destroy any victory. Even if it is a victory against dictatorship. This is what happened in Cuba: The replacement of one dictator with another. But there is another type of arrogance, the kind that believes economic power is a blank check in politics, both at home and abroad. The arrogance of blackmail, of blockade, of pressure—an arrogance that wants to force the people to revolt. The arrogance of a state—the U.S.—that allied itself with Fulgencio Batista, a dictator the world barely remembers but that Cubans will never forget. What changed in Cuba, what changed in the United States, were the leaders.

The process was not, is not and will not be easy. Just think that, in 1977, Jimmy Carter took the first step, resuming diplomatic relations, although in a very limited manner. It has taken 37 more years to get to 2014 and hear Barack Obama announce the reopening of the diplomatic dialogue between the two countries, which allowed, among other things, the resumption of regular flights between Cuba and the U.S. Families reunited, hugging and kissing each other for the first time in decades. People, like us, who have never been like us. At the end of his term, Barack Obama wanted to leave another mark on history, regardless of what the U.S. Senate thought, aware that history is just that: history. It cannot be erased and should not be ignored, but there is always a blank page waiting to be written.

On the other hand, in Cuba, there is a Castro who is different from his brother. Very different? Enough for a U.S. President to be able to visit the country 88 years later and for the embassy to be able to reopen its doors. That is no small thing. The bitter taste that Fidel Castro could not, or did not want, to hide after seeing Obama next to his brother proves it. “We don't need the empire to give us anything,” wrote the former Cuban president in Granma, the official newspaper of the Cuban communist party.

Homeland or death. The phrase made and went down in history not as a question, but as a choice given to Cubans. Unless we are free, it would be better for death to take us. Cubans made the right choice, but they were fooled. They chose homeland, but were never truly free. There were those who wanted to continue the fight for freedom, and who have done so with bravery, without fear of death, even if that was the price they were forced to pay. Homeland or death? Add a question mark to this, so we can find the right answer to that question. Given the new circumstances, we can finally bring Cuba into the 21st century and end a cold war that has long ceased to make sense. Homeland or death? Homeland. Because death only makes sense when hope is gone and there is no alternative. Because in democracy, there is always an alternative, and hope has no expiration date.

CUBA, **30 YEARS** OF SUCCESSFUL *tourism*



María Umbert

Director of Corporate Communications of Meliá Hotels International / Spain

In the 1990s', Cuba focused on developing its tourism sector. Despite its incredible natural beauty, its culture and its unique idiosyncrasies, this wonderful island, known as the "the pearl of the Caribbean," was seen as risky for investors—especially after the 1996 enactment of the so-called "Helms-Burton" Law, which, in practice, forced international companies to choose to do business with either Cuba or the United States.

However, Cuban authorities clearly foresaw the tourism potential in their beautiful country and had the strategic clout to seek the best possible partner for the development of a high-quality hotel industry whose standards could be internationally competitive. In this situation, Gabriel Escarrer Juliá, founder and president of Meliá, true to his visionary spirit, offered his know-how and began a nearly three-decade successful and productive collaboration.

At the time, the Meliá Group had existed for 40 years, and had a well-established, market-leading position in Spain as a result of its unstoppable expansion along the coast and through the islands, as well as the acquisition of hotel chains Hotasa and Meliá during the 80s'. This family chain of Majorcan origin also offered a "plus" in terms of its values and service culture, which was highly valued by the Cubans. The philosophy of Gabriel

“U.S. companies are already positioning themselves in Cuba for this moment, and this will especially affect the big U.S. hotel chains

Escarrer, for whom tourism possesses an incomparable capacity to connect people and contribute to greater prosperity and social well-being, fit well with the expectations generated in Cuba, setting in motion a period of tourist development and resulting in a shared success story that, to date, has been uninterrupted.

Commitment, loyal collaboration, transparency and legal certainty are key indicators when it comes to explaining Meliá's background in Cuba, and those same factors make the link between our company and this Caribbean country unbreakable, especially in light of the country's new stage since Presidents Castro and Obama announced the restoration of diplomatic relations between Cuba and the United States at the end of 2014.

According to USTOA (United States Tour Operators Association), between one and 2 million U.S. citizens will travel to Cuba annually over the next 10 years, once the existing embargo is lifted. U.S. companies are already positioning themselves in Cuba for this moment, and this will especially affect the big U.S. hotel chains that, in some cases, had to leave the country in the early 60s'. Recently, OFAC (Office of Foreign Assets Control of the U.S. Treasury Department) granted special authorization to two large U.S. chains -Marriott and Starwood, which are currently in the process of merging- to open

“Cuba will be able to take advantage of the major opportunities this process will undoubtedly provide without forgetting the principles that shaped the sustainable development of its tourism industry, nor, of course, its colorful character and unique idiosyncrasies

the first U.S. hotels in Havana, also authorizing a significant increase in direct flights from the United States beginning at the end of the year.

Spanish companies have historically maintained close relationships with Cuba, a special tie that, in the words of the Cuban Tourism Minister Manuel Marrero, will be sustained regardless of the unstoppable process of the country's progressive globalization, especially with those companies that supported their country from the beginning, regardless of its political circumstances. In this regard, we are certain international competition will not pose a threat to the Spanish tourism industry in Cuba, but will rather serve as an incentive to raise our excellence and standards even higher.

The restoration of diplomatic relations between Cuba and the United States represents one of the most exciting challenges of their extraordinary history, and is a unique “case study” in modern history. The key will be to manage it responsibly, without losing an essential value: the cultural specificity and philosophy of life characteristic of Cubans.

I am sure Cuba will be able to take advantage of the major opportunities this process will undoubtedly provide without forgetting the principles that shaped the sustainable development of its tourism industry, nor, of course, its colorful character and unique idiosyncrasies.

As Minister Marrero recalled, “Foreign companies will no doubt be welcome, but they will have to dance to the beat of Cuban music.”

In the first decades of the 21st century, Cuba will once again become a desirable place for investors and tourism companies around the world, this time in an international environment favorable to overcoming old barriers, based on more than 30 years of authenticity, experience and uncontested leadership in tourism.

TRANSFORMATIONS IN CUBA AND *opportunities* FOR BRAZIL



Paulo Velasco

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In 2015, the handshake between Barack Obama and Raúl Castro during the Summit of the Americas in Panama confirmed their choice to resume dialogue and commitment to the progressive growth of mutual trust between the two countries. Shortly after, the removal of Cuba from the list of countries that sponsor terrorism and the reopening of the U.S. embassy in Havana were milestones. In 2016, the entire process gained further notoriety with President Obama and his family's visit to the Cuban capital.

In addition to the political and historical symbolism, there are already concrete results underway, such as the permission granted by the Cuban government for U.S. banks to process transactions in U.S. dollars, the relaxation of the rules for U.S. citizens to travel to Cuba and negotiations for the U.S. to invest in the island.

Pressure to end the embargo against Cuba, a decision to be made by the U.S. Congress, is increasing, with support from most U.S. citizens. U.S. companies, interested in gaining access to the nearby market, are also encouraging the revision of the barriers that have been in effect for over 50 years.

“ *One of the most significant moves has been Brazil's funding for the renovation of Mariel Port*

While enthusiastically supporting the progressive normalization of relations between the United States and Cuba, interpreted as a victory over the last vestiges of the Cold War in the Americas, Brazil has been encouraging increased trade with the

Caribbean island, as well as a greater presence of Brazilian investments in the country.

One of the most significant moves has been Brazil's funding for the Mariel Port renovation, which was reopened in 2014. Despite the controversy involving the project's funding by the Brazilian Development Bank (BNDES), with a loan of around \$682 million, Brazil's rewards from the project are indisputable, not only from an economic point of view, but also strategically.

In fact, it is estimated that close to \$800 million invested in the project were spent in Brazil, buying Brazilian goods and services and generating more than 100,000 direct and indirect jobs. In addition, the modern Cuban port is on the same level as the best Caribbean ports, such as those of Kingston in Jamaica and Freeport in the Bahamas, with the ability to accommodate vessels up to 18 meters deep and move 1 million containers per year. The big difference, however, is the fact that it is located only 150 kilometers from the world's largest



market, a considerable advantage for any Brazilian company doing business on the island, especially given the prospect of an eased embargo.

Over the last decade, there has been significant expansion in bilateral trade, with Brazilian exports going from \$70 million in 2002 to over \$500 million in 2015, placing Brazil as the third largest exporter to the island, behind China and Venezuela. Brazilian exports consist mostly of products such as refined soybean oil, soybean meal, rice, corn, fresh chicken meat and raw coffee, among others.

With regard to support for exports and the internationalization of Brazilian companies, it is worth noting the role played by the Brazilian Trade and Investment Promotion Agency (Apex-Brasil), which has an office in Havana and takes care of, for example, the development of market research and support for Brazilian companies seeking to establish themselves on the island.

The growing opportunities for business with Cuba can be glimpsed in the annual editions of the Havana International Fair (FIHAV). Since 2003, the Brazilian pavilion has been organized by Apex-Brasil, and in 2014, Brazil was recognized as the country that had most increased its participation in the fair, with 45 exhibitors from industries such as fashion; home and construction; food and drink; hygiene and cosmetics; and machinery and equipment, among others.

It is worth noting that incentives to invest in Cuba have increased greatly in recent years. The inauguration of the Special Development Zone (SDZ) in Mariel Port, for example, is an auspicious initiative that tends to attract foreign investors to the region, particularly given the prospect of the U.S. easing the embargo.

“Companies that are established in the SDZ will be allowed to negotiate salary directly with employees without being subject to the limitations imposed by the Cuban government

Companies that are established in the SDZ will be allowed to negotiate salary directly with employees without being subject to the limitations imposed by the Cuban government. In addition, a new foreign investment law was approved March 2014, establishing strong tax incentives to help attract foreign capital, such as a 50 percent reduction in taxes on profit for most investors, with a 15 percent rate on net income.

Considering the promising prospects of the U.S. easing the embargo on Cuba, the progressive effects of the modernization of the Mariel Port and the incentives given by the Cuban government to attract foreign capital, this market of 11 million people can be considered a new focal point for Brazilian companies able to identify opportunity amid an era of change and challenge in the Caribbean and Latin American regions.

ARE **INVESTMENTS** IN CUBA **guaranteed?**



Felipe Palau

Partner at Law Firm Integral Legal Management / Spain

Cuba and Spain's cultural proximity, as well as our country's appreciation of everything associated with Cuba, contrasts sharply with the lack of knowledge about Cuba's current socioeconomic situation and the measures it has taken to open itself up to a market economy. Regardless of changes in the structure or organization of the state, the transition to a market economy requires, above all, the promotion of foreign investment, which is the only way to capture the necessary capital to facilitate an urgent change in the country's productive sectors and infrastructure. To that end, it is necessary to have guarantees for the execution and amortization of investments, as well as for repatriation of profits. Such guarantees have been strengthened since the enactment of the Law of the Republic of Cuba No. 118 on Foreign Investment.

This law establishes a legal framework for foreign investment in the country, guaranteeing that the benefits granted to foreign investors and their investments will be maintained throughout the entire period for which they were awarded. That is to say, investments enjoy full protection and legal certainty and cannot be expropriated, except for reasons of public utility or social interest, in which case the foreign investor would be adequately compensated. Furthermore, the expropriation

“Investments enjoy full protection and legal certainty and cannot be expropriated, except for reasons of public utility or social interest

process must respect other legal guarantees, such as the prior declaration of the Council of Ministers, the Constitution and international treaties, as well as current legislation. This compensation is also guaranteed by the agreement between the Kingdom of Spain and the Republic of Cuba on the promotion and reciprocal protection of investments, which requires compensation payments be made in convertible and freely transferable currency. In the event of a conflict, such compensation will be determined by an international arbitrator.

Investors would be able to request an extension to the period granted for carrying out the investment, as long as they do so before the period ends. If the authorities do not grant the extension, they must compensate the investor. Furthermore, once the investment has been made, subject to prior authorization, foreign investors would be able to fully or partially assign their rights.

One of the most important guarantees for foreign investors is the ability to freely transfer convertible currency abroad, without incurring taxes or other charges related to the transfer of dividends or returns obtained from the investment, from the assignment of rights, or from compensations received due to its expropriation or the denial

of an extension. This right is also guaranteed to foreign legal individuals who offer their services to an investor.

One of the most frequent questions asked by businesspeople is whether it is necessary to channel investments through public Cuban companies, to which the answer is no; direct investments can also be channeled through a completely foreign capital company. This way, foreign capital companies may coexist with mixed companies and so-called international economic association contracts.

In order to guarantee efficient execution for the investment, the right to directly export and import what is necessary to comply with the objectives of the investment has also been established, though it is considered preferable to acquire



“ One of the most important guarantees for foreign investors is the ability to freely transfer convertible currency abroad, without incurring taxes or other charges

needed goods or services in the national market should they be available at the same quality, price and delivery times as those of the international market. This efficiency is also guaranteed by the governing bodies for mixed companies, foreign capital companies and the parties in international economic association contracts who decide which high-ranking executive and/or technical positions will be performed by nonpermanent residents in the country and, in those cases, can decide on the applicable work regime.

Alongside these guarantees, plentiful benefits, mainly fiscal, are granted to foreign investors, as is the possibility of establishing areas of investment priority, such as the Mariel Special Development Zone, with a modern port for ships with a draft of up to 17 meters and the most modern technology. These are worthy of special attention on another occasion.



TRANSFORMATION

COMES FROM THE **sea**



Oscar Ruano

Managing Director at Baja Ferries / Mexico

In May 2015, the United States granted a number of permits that will allow a ferry service to operate between the U.S. and Cuba, a historic move restoring a service that has been discontinued for over 50 years.

During the first half of the 20th century, ferry trips between Cuba and Florida were unique to the region and represented one of the primary methods of travel for Americans, who arrived on the island every week by the hundreds—a reality that, today, seems unthinkable.

From most people's point of view, the permits represent an important achievement for tourism, business and the strengthening of the bilateral diplomatic relationship, as well as a path to recovering the flow of travelers that existed before the Cuban revolution. However, this milestone is much more than a mere business tool or trigger for tourism; it represents a catalyst for Cuba's future transformations. Allow me to explain why.

A ferry is more than a simple naval carrier that moves people and cargo from point A to point B. The world's most important ferries have the capacity to transport any material or good, ranging from containers, frozen foods and fuels to building materials and machinery.

“This service offers important financial savings, allowing for optimal administration and cost reductions when acquiring goods and merchandise

In addition, they offer passengers a unique travel experience, relying on high quality amenities in terms of the food service, leisure, entertainment and cargo carriage they offer. For island conditions, no means of transportation offers similar luxury, and, although its travel time is longer than a plane's, the experience and comfort are unparalleled.

Cuba's geographic context makes it an ideal location for these types of services. In fact, vessels represent the most suitable way to connect to the island, establishing a reliable, fluid and permanent sea bridge between the island and the continent—and its main urban and production centers.

Current ferry projects foresee 3 weekly departures to Cuba, using vessels with a carrying capacity of approximately 2,000 passengers. This means a single ferry trip is equal to 10 Boeing 737 airplane trips, an advantage that adds to this method's superior cargo capabilities. These needs will continue to evolve in line with the island's gradual growth.

This service also offers important financial savings, allowing for optimal administration and cost reductions when acquiring goods and merchandise. Ferries make it possible to buy the

“We have seen historic openness toward investment and business proposals in Cuba, not only in our field, but in many different economic sectors that are key to the island

right amount of product, avoiding the purchase of whole shipments, which involve additional costs due to factors such as storage and distribution.

These are just some examples, but they give us an idea of the magnitude of this type of operation and the fruitful relationship that could develop between the two countries in the near future.

These characteristics, qualities and benefits transform the ferry into much more than a simple means of transportation, instead elevating it to a true pillar of the socioeconomic development of a region that is difficult to access. Currently, maritime freight services act as the main supply channels for the island, but they are not sufficient to cover Cuba’s economic needs and are limited by the current commercial embargo. However, especially following a likely lift, ferries would be the ideal solution to meet the challenge of reestablishing economic dynamism, which would benefit the island’s development programs.

Nowadays, we have a similar operation in Mexico that could be replicated in Cuba—after accounting for their dissimilarities and the contextual differences. If we look at a map of Mexico, we see there is an important stretch of land separated from the continent in the northeast: the Baja California Peninsula. This is an isolated region, far away from the main socioeconomic hubs, with a complicated geographic situation that makes connecting by land practically impossible.

Going around the peninsula is not feasible due to the high costs involved in transporting goods long-distance over land, and air channels are so insufficient and expensive that it is not possible to even consider a connection through that medium. How, then, has this region managed to flourish and become a major center of investment and tourism? The answer is the ferry, which allows the area to be adequately supplied with the goods it needs for its proper economic development.

Currently, the United States has set up all the facilities necessary to make this a reality -a move my company, Baja Ferries, is proud to be part of-. Also, in recent months we have witnessed other important steps in realizing the resumption of this service: the prohibition for Cuban citizens to travel on commercial ships has been lifted, and the first permit to operate a cruise to the island has been granted.

In recent months, we have seen historic openness toward investment and business proposals in Cuba, not only in our field, but in many different economic sectors that are key to the island. We have been pushing for a ferry to the island for over 10 years, during which time we encountered many obstacles and a great deal of negativity, making the inauguration of this service unfeasible for a long time.

Now, however, the scenario and business outlook have changed. For the first time in years, we are encountering a policy of openness and understanding. Today, business proposals are received, analyzed, discussed and voluntarily monitored; certainly, there are still several factors that influence the outcome of these agreements, but we can easily conclude that this is the best moment to invest in the island in over 50 years.



This is still a pending project, but we respect authorities' time and analyses and are willing to follow the government's recommendations. Our challenge is to make this topic a priority in the government's agenda: there is the will, investment and necessary expertise to make it a reality in the short term.

The island will experience dramatic transformations in the coming years, but, without a doubt, the change arriving by sea will play an important role by influencing the promotion of new businesses, aiding the reformulation of the tourism industry, generating a new business spectrum, creating sociocultural links to the world and, ultimately, supporting the construction of a new Cuba.



CUBA, THREE BIG *challenges* AND ONE *destiny*



Joan Navarro
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Managing director of operations in Cuba at LLORENTE & CUENCA / Spain

Never before has a country so small captured so much attention and passion on an international scale. Cuba's appeal is difficult to describe. It is an island that, due both to its geostrategic location and its past and present history, has been called to play a leading role in the coming years. The restoration of relations with the U.S. and President Obama's historic visit to Havana in March ushered in a new stage of bilateral relations, and in Cuba's relations with the rest of the world. All of this, as well as the need to open up its economy to foreign investment, is generating new internal and external dynamics that have put the island once again at the center of the political world's and international economy's attention.

We are witnessing a new era that has generated many expectations, both inside and outside the country, but despite the many obstacles and tensions expected throughout this complex process, the openness, modernization and liberalization of its economy is an irreversible process that will have to tackle three big challenges.

Firstly, the generational handover. For biological reasons, the revolutionary leadership, with the Castro brothers at the helm, will have to step down and make room for a new generation of

“*The country could transition toward an economic model without giving up its core principles of equality and distribution of wealth*

political leaders. This handover will be far from easy given that the Cuban regime is not known for linear or transparent processes. The process and time for decision-making have always been unpredictable and not devoid of surprises. In the Seventh Congress of the Cuban Communist Party, President Raul Castro himself confirmed the date of this handover to be 2018, sparking a guessing game as to who will be his successor. Attempts have always been made from abroad to identify, pinpoint and even influence his possible successor, but we must be prudent in our affirmations and evaluations. Perhaps it is more likely to consider a future university-educated leadership, headed by a prestigious figure who will try to bring continuity to fundamental socialist principles but who will move toward a new form of government that is more in line with modern times: A smooth political transition process that tries to reconcile the characteristics of a closed political system with a more participative and plural one. This is a decision that, in any case, should be made by the Cuban people in sovereign fashion and without foreign interference.

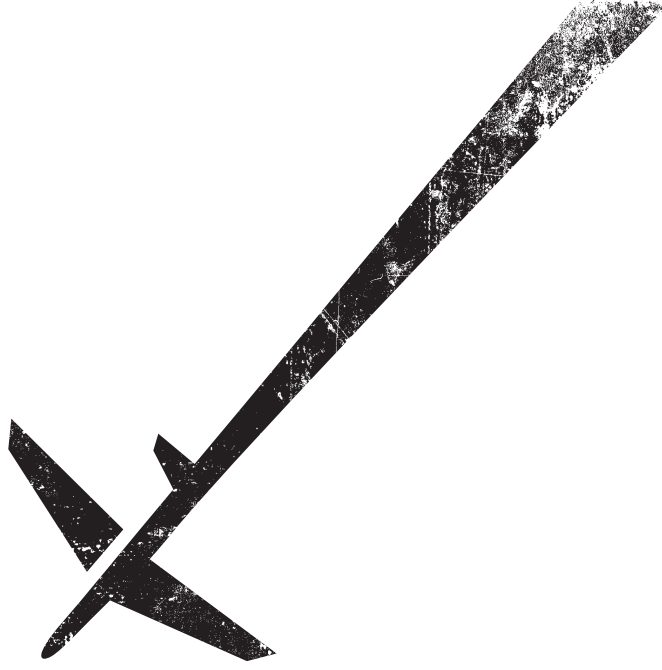
Secondly, Cuba faces the urgent challenge of economic modernization. Its transition depends largely on its capacity to generate a virtuous circle of growth that can, in turn, generate wealth

“All this requires the introduction of efficient criteria, incentives and self-government, rooting out and updating the bureaucratic apparatuses that render a good part of its economic system inefficient and obsolete

and prosperity for the Cuban people, removing the obsolete foundations of an economic system from older times. The Cuban people have the right to leave behind their 60 years of economic rarities, restrictions and hardships in order to build a competitive social economy. The country could transition toward this economic model without giving up its core principles of equality and distribution of wealth by modernizing its public companies and enhancing the country's large cooperative sector, its small- and medium-sized enterprises and its self-employed, autonomous workers. However, all this requires the introduction of efficient criteria, incentives and self-government, rooting out and updating the bureaucratic apparatuses that render a good part of its economic system inefficient and obsolete. The country boasts positive examples of successful industries and companies in tourism, biotechnology, health services and culture and has an excellent opportunity to boost and manage other driving sectors of the economy, such as food, energy, transport and infrastructure.

Finally, Cuba's third challenge lies in capitalizing on and promoting the enormous human capital it has and generates. If there is something that characterizes Cuba in relation to other developing countries, it is precisely the level of education and creativity of its population. Over the last few decades, Cuba has displayed a capacity for resilience unlike that of any other nation in the world, thanks to its people. Cuba's future has to be based on liberating the talent, skills and potential of its young people to allow them to become the protagonists of this new Cuba.

In conclusion, these three titanic, but perfectly feasible, challenges should point toward a new horizon, a new destiny to turn all this potential, wealth and plurality into a new inclusive, shared project that will position the country in its rightful place in the political, economic, social and cultural spheres.





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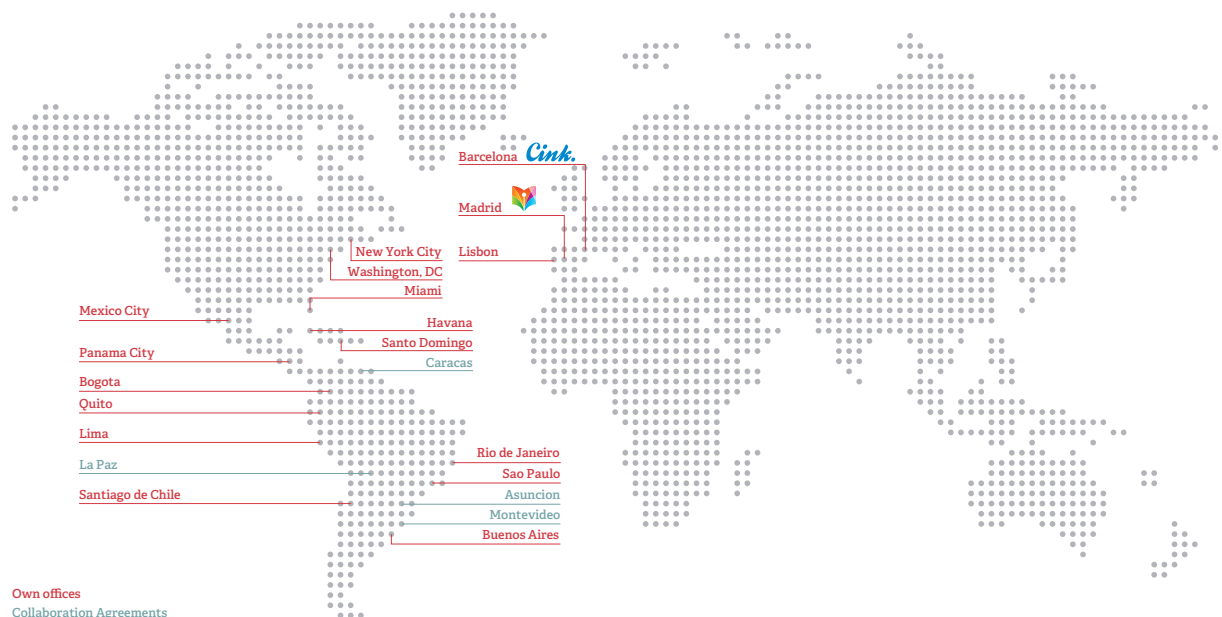
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