

Cuba

Since 1982, when Cuba had few more than 20 foreign joint-venture operations, investment interest has grown steadily. Today, there are over 200 foreign investment operations in Cuba, valued at US\$2.1 billion. Over 30 Canadian joint ventures are already in place, and several are under negotiation. Cuba seeks foreign investment as a means of recovering from the economic affects that followed the collapse of the U.S.S.R. Its infrastructure, in particular, requires immense investment. Cuba is well endowed with ports, railways, paved roads, airports, and warehousing. Although Cuba's infrastructure is well developed, it has received little maintenance and investment since 1989. Well-capitalized economies that can afford relatively long and complex negotiations should explore investment opportunities, perhaps in conjunction with Cuba's resource-based industries.

Since June 1994, Cuba is eligible to benefit from CIDA's Industrial Co-operation Program, CIDA-INC. Under this program, Canadian firms can submit applications to obtain co-financing for performing feasibility studies of potential joint ventures or partnerships.

Sector Opportunities

Canada's exports to Cuba consist mainly of agri-food and natural resource products and services. Significant opportunities exist in tourism and related industries and services.

The Cuban government has designated tourism as one of the priority sectors in its economic development program. On April 1, 1994, Cuba announced its long-awaited reorganization of the tourism industry. The key thrusts were the creation of a ministry of tourism to deal with policy issues and create additional autonomous tourism corporations.

Cuba initiated a program during the mid-1980s to construct many new hotel rooms and to upgrade its hotel infrastructure. Currently, Cuba has 25,000 hotel rooms of international standards and 3,000 rooms are being added each year, representing strong potential for investment, management, hotel equipment and food products.

Some 620,000 tourists visited Cuba in 1994 with one-third coming from Canada.

Many companies are interested in acquiring property in Cuba either to build hotels and resorts or for personal enjoyment. The laws governing property and property rights in Cuba have undergone a dramatic transformation in recent years. Private ownership of property is permitted only under specific circumstances. Under a new law adopted in 1994,

Cuba now welcomes proposals (which must be made in association with a Cuban state agency) from foreign companies to renovate and upgrade existing office and apartment buildings, or to build new ones.

Cuba faces a unique situation in the Americas as it is the only country that is subject to a trade embargo and other restrictive measures from the United States. Firms contemplating exporting goods with U.S. content or of U.S. origin, should contact the Export Controls Division of the Department of Foreign Affairs and International Trade (613-996-2387) to enquire about possible requirements for export permits.

Canada Reaffirms Stand on Trade with Cuba

Canada does not tolerate the extra-territorial application of laws adopted by other governments and encourages Canadian companies to carry out business under the laws and regulations of Canada, not those of a foreign country.

In this context, the Canadian government enacted a blocking Order under the Foreign Extraterritorial Measures Act (FEMA) in October 1992. The Order was designed to block efforts of the U.S. government to apply its embargo on trade of goods with Cuba on an extraterritorial basis.

The Order requires that Canadian companies receiving instructions not to trade with Cuba to both disregard the instructions and to report the receipt of such instructions to the Attorney General of Canada.

On January 15, 1996, the Order was amended. The changes extend the scope of the Order to include trade in services, as well as trade in goods, and the blocking of both current and future U.S. extraterritorial measures that could affect Canada-Cuba trade.

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