

# CUBA OPPORTUNITIES

27 November 2015 | Madrid  
Legal Briefings

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Cuba is in the process of updating its economic model, the aim of which is to diversify and expand in a bid to build a sustainable socialist economy.

## GOVERNMENT INITIATIVES

The Cuban government's objective is to attract foreign investment and, in order to achieve that aim, it has taken steps to stimulate change by means of the following initiatives:

### 1. Mariel Special development area:

Free-trade and industrial zone, aiming to become the point of entry for foreign investment and stimulate the economy.

### 2. Foreign investment law 118:

A new, more attractive legal framework for investors was enacted in 2014 with the aim of increasing the volume of transactions made by foreign companies in Cuba. Major changes were introduced by offering steep tax cuts and promising a climate of investment security.

### 3. Portfolio of foreign investment opportunities\*:

On 3 November 2015, the government has published a new portfolio of 326 projects valued at US\$8.2 billion focused on projects related to tourism, oil exploration, energy and agriculture. There are opportunities in the following sectors:

- Energy: Approximately 96% of electricity in Cuba is generated from oil. The government's objectives for the energy sector are: i) to reduce inefficiency in the electricity system; ii) to reduce external dependence on fossil fuels; and iii) to modify the energy matrix.

- Renewables: It is one of the country's principal priorities. The target is to increase electricity generation from renewable resources from the current 4.6% to 24% by 2030.
- Oil & gas: Large oil reserves in the special economic zone in the gulf of Mexico, with an estimated reserves equivalent to 22 billion barrels. Production is currently 25 million barrels of oil per year due to a lack of foreign capital and technology to develop oilfields.
- Mining: The aim is to create, broaden and modernise production capacities, to promote projects for exploration, extraction and processing minerals.
- Infrastructure:Industrial: To promote projects to modernise and create new capacities in the aim of covering national demand, replace imports and stimulate exports.
- In the tourism sector, foreign investment in the sector will be aimed at developing new hotels through new building projects, or via reconstruction, accommodation as well as ancillary infrastructure.
- In transport, the goal is to develop port infrastructure, building and repair of vessels in shipyards, the purchase and management of ships, technical assurance and the operation of automotive transport.
- In the construction sector, the objective is to access new technologies to improve construction efficiency. To aim is to promote the building of infrastructure and industrial maintenance.
- Biotechnological and Drug Industry: To promote projects in Cuba with strategic partners for the manufacture of finished products and active drug ingredients for generic medicines.
- Health: To encourage foreign investment to develop the export of Cuban medical and health services.
- Agriculture: The objective is to promote projects that increase production, excluding tobacco products and the premium cigar industry.

- Sugar Industry: The goal is to promote projects directed towards modernising and increasing the use of installed capacities.

## **TYPES OF FOREIGN INVESTMENT**

The investment types for the private companies are:

1. PPP (Public Private Partnership)
2. International joint venture
3. Agreement and foreign-capital company

## **US - CUBA RELATIONSHIP**

As well as the government's efforts to attract foreign investment, historic progress has also been made in US-Cuban relations this year. Those changes are already beginning to have an impact on Cuba's economic activity and positioning in the global market. Since President Obama's announcement of the relaxation of the US embargo on 16 December 2014, there has been a surge of interest from foreign investors - both in North America and Europe - to establish operations in Cuba.

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\*The information has been taken from the document "Portfolio of opportunities for foreign investment" published by the Cuban Ministry for Foreign Trade and Foreign investment.

## **KEY CONTACTS**

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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