APRIL 2016 No.2

THCG Business Report

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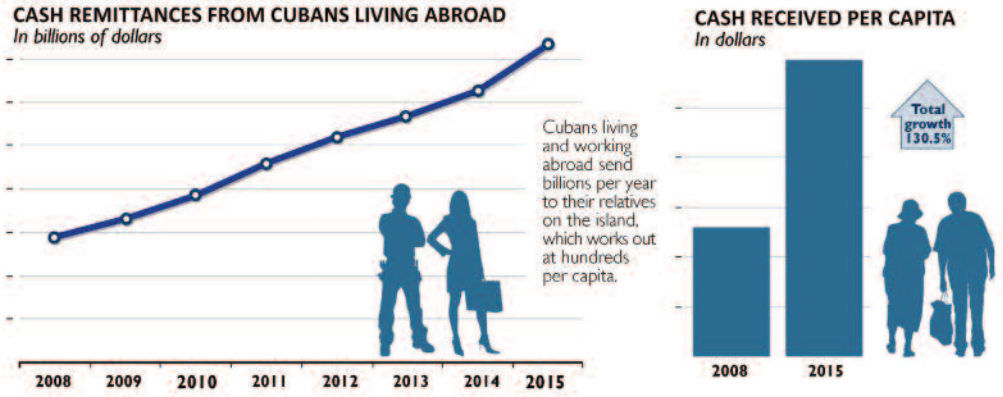
Bimonthly

Cuba: The fastest growing remittances market

By Emilio Morales



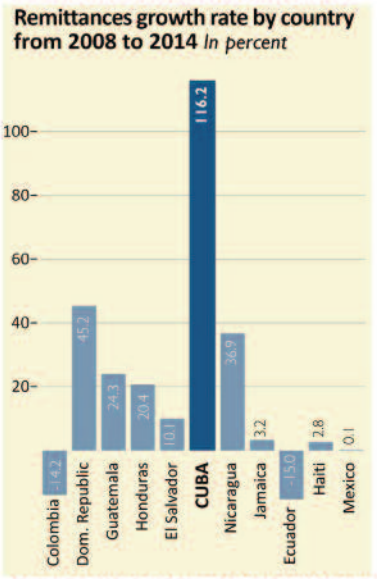


Figure 1. Remittances sent to Cuba more than doubled in six years, which is by far the strongest growth in the hemisphere

For close to half a century, the Cuban remittances market was buffeted by U.S. embargo legislation and restrictions from Cuban socialism. No other remittances market in Latin America suffered so many limitations.

Today, the situation is quite different: sending remittances to the island is one of the sectors that has been most favorably affected by the rapprochement policies pursued by President Obama's Administration since his arrival at

CUBA 2016: THCG prognosis

By David Adams

A hotly debated topic curre
Cuban economists is Cuba's p
into the Inter
THCG analyst
rulers are ready for such a step
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and debt accrued to inte
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Cuentapropistas: Re-shaping Cuba

By Carmelo Mesa-Lago

Mason

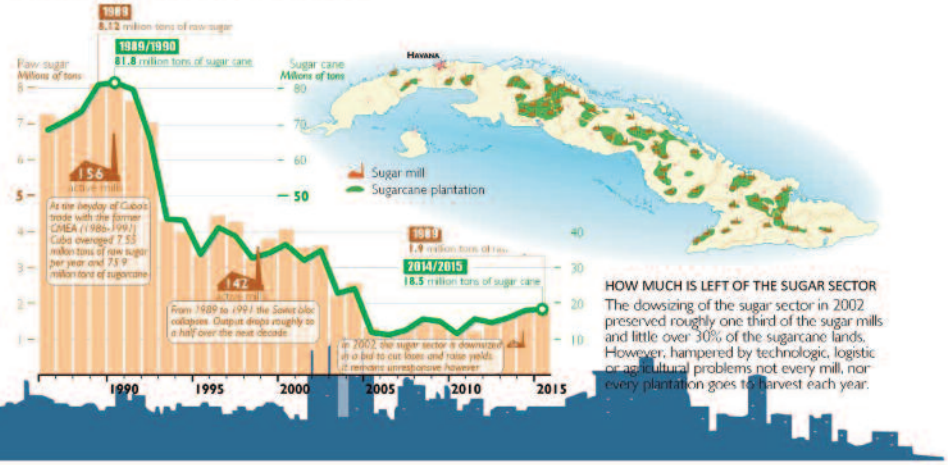
2.6%

There are thousands of licensed masons working on their own in Cuba. Two out of every five work in Havana and Matanzas, the most visited cities by tourists, surely not a coincidence.

Does the Cuban sugar industry have a future?

By Jorge Pérez-López

Sugar cane and raw sugar output 1986-2015



HOW MUCH IS LEFT OF THE SUGAR SECTOR

The dowsizing of the sugar sector in 2002 preserved roughly one third of the sugar mills and little over 30% of the sugarcane lands. However, hampered by technologic, logistic or agricultural problems not every mill, nor every plantation goes to harvest each year.

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The Port of HAVANA

Thinking big, thinking new in times of change

Alternatives for the Future

By Archibald Ritter

Since 2010, Cuba has been implementing a redesigned institutional structure of its economy. At this time it is unclear what Cuba's future mixed economy will look like. However, we can be sure that it will continue to evolve in the near, medium and longer term. A variety of institutional structures are possible in the future and there are [illegible] of types of

Trademarks: How to protect them in Cuba

By THCG Legal Insider

Many U.S. companies present in Cuba before 1959 have maintained the registration of their products on the island despite not being able to do business because of the embargo laws. A significant development since December 2014 has been the efforts to register in Cuba well-known brands of consumer goods that previously had never been registered in the country, and also service trademarks associated with credit cards, travel agencies, airlines and hotel chains.

Rights and obligations in Cuba's industrial property legislation

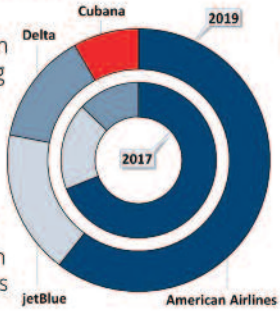
Cuban industrial property legislation gives foreign legal entities and individuals the same rights and obligations as nationals, in accordance with Article 7 of Decree-Law No. 203. The only exception is that foreign applicants who are not domiciled or do not have an industrial or commercial presence in the country must be represented by an Agent of Industrial Property registered in Cuba in order to carry out any procedures at the OCPI. Providing this service are several law firms dedicated to Industrial Property located in the main Cuban cities.

As in most co[illegible]gislation h[illegible] prohibitions fo[illegible]ese [illegible]nces in which the s[illegible]ve c[illegible]t[illegible]s, is a single color, [illegible]or c[illegible]b[illegible]e product or ser[illegible]: a g[illegible]ic[illegible]duct, or consists of [illegible]of p[illegible]gi[illegible]mong others.

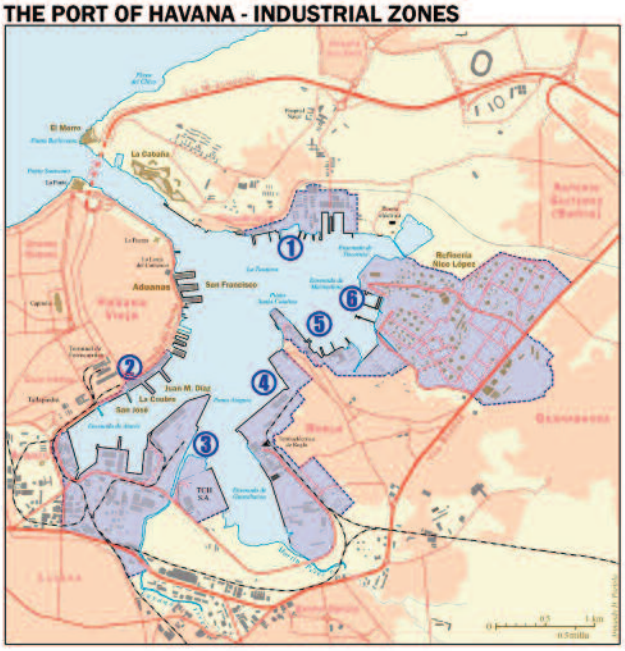
if a sign is i[illegible]d al[illegible]y [illegible]tered or for whi[illegible]s be[illegible]re[illegible]ed in Cuba fo[illegible]s or[illegible]vic[illegible]/hen the produc[illegible]e id[illegible]al[illegible]ery close to th[illegible]y a th[illegible]ad[illegible]heir use could give[illegible]o co[illegible]f[illegible]. the brand commercial val[illegible]

Commercial air travel will stunt charter

At present, U.S. flights bound for Cuba originate mainly from the Miami and Tampa Airports, with some flights also departing from New York, Orlando, New Orleans and Los Angeles. With the resumption of commercial air travel, the number of U.S. cities originating air travel to Cuba is likely to rise. In the island, the charter flights from the U.S. currently land at six destinations: La Habana, Villa Clara, Cienfuegos, Camagüey, Holguín and Santiago de Cuba. The reestablishment of commercial air travel could increase the number of destination airports in Cuba to 10, with attractive locations such as



THE PORT OF HAVANA - INDUSTRIAL ZONES



INDUSTRIAL ZONES

1. **CDM Havana Shipyards** 74.75 acres
2. **Maritime railroad port** 17.80 acres
3. **Old Havana's port area** 379.18 acres
4. **Port area A** 212.51 acres
5. **Port area B** 36.57 acres
6. **Ñico López Refinery** 626.17 acres

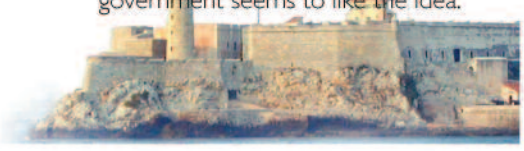
TOTAL AREA 1,346.0 acres

The Port of HAVANA

Thinking big, thinking new in times of change

A Potential Tsunami in the Caribbean

Havana is once more the focus of attention for potential multibillion-dollar investments that could transform it into the Caribbean's most modern and important tourism center... and the Cuban government seems to like the idea.



A few opening words

In March 2016, before Cuba's ruling Communist Party held its 7th Congress, U.S. President Barack Obama visited the island and delivered a message of hope for change that was well received by ordinary Cubans, calling on them to leave the past behind and to work for the future. His message also smoothed the path for Americans interested in investing and doing business on the island, increasing the interest and excitement that Cuba has attracted as a new investment destination in the Caribbean following Obama's December 17, 2014 initiative to normalize relations.

Setting the scene for the visit, the Starwood Group signed the first agreement with Cuba by a U.S. hotel chain since the Revolution, to operate the Inglaterra, Santa Isabel and Quinta Avenida hotels in Havana. A month before, Cuban and U.S. aviation authorities inked an accord that will permit 110 daily flights between the two countries.

So far, the tourism sector is showing the greatest movement by U.S. companies to initiate business on the island, a further example of which is the planned start of Cuba operations by the U.S. cruise line Carnival Corp. from May.

The Cuban Communist Party Congress ended up sending a message of a closing of political and ideological ranks by the island's leadership. It announced amendments to the constitution to put limits on the age of future leaders of the nation, a strategic halt in the expected reshuffle of the party hierarchy, measures to trace limits for the private sector and other defining details of an economic model for the country and its future that will be worked out in the coming years.

This response came amid a scenario that appeared to offer a great opportunity to improve Cuba's economy and the well-being of its people. The Party Congress maps out the destiny of the Cuban people for the next few years. What impact might this have on the economy and future investments? That remains to be seen. Will we see an acceleration or will the leadership stick with its frustrating and dangerously discouraging tempo of "without haste, but without pause"?

Meanwhile, the market shows that the hard currency purchasing power of the Cuban population has grown considerably, boosted both by President Obama's policy towards Cuba and by the reform moves made by the Cuban government since 2010.

As result of the changes made by President Obama, Cuba has become the most dynamic destination market for remittances in all of Latin America in the last seven years. In our report you can learn the secrets of this spectacular growth, which makes Cuba one of the most attractive targets for money transfer and financial remittance companies in the region. International companies which have been absent for more than 20 years are now preparing to return to a market that up to now has been dominated by Western Union and by dozens of small agencies.

Our report also describes the investment opportunities that exist in the task of restoring what was once the island's top industry and a leader in the hemisphere 20 years ago: the Cuban sugar industry.

The main offering of our latest report is an analysis of the Tourism Mega-Project planned for the Port of Havana. This is an ambitious future-looking plan, which, if it becomes a reality, will transform the Bay of Havana and its surroundings into one of the most modern and attractive tourism poles in the Caribbean region. The strategic project could create job opportunities for more than half a million Cubans and could be as important for the island's development as the Mariel Special Development Zone (ZEDM).

Our report also provides guidance for foreign business executives who aim to commercialize their product brands on the island. Our legal team fills in the details on what CEOs and companies need to know about registering and protecting their trademarks in Cuba.

We also take a close look at what are Cuba's own "ambassador" product brands. Which rum brands could be successful exports, especially to the U.S. market once the embargo is fully lifted? Besides world-famous Havana Club, other Cuban rum brands could become part of the products range of global liquor distributors and compete with Bacardí and other market leaders. We tell you who are these Cuban brands and also give you the Top 10 favorite local and international brands in the Cuban market. This gives you a taste of what the competition looks like and what are the current preferences of Cuban consumers.

In addition, THCG presents an in-depth study of the emerging private sector in Cuba, including the challenges and difficulties it faces. This is a key segment to be taken into account by anyone who is thinking of investing or doing business in the country. It is a sector which is making advances despite the limitations on its development put in place by the state.

Finally, we look at the swelling numbers of tourist arrivals on the island, which has propelled Cuba up in the Caribbean regional tourism rankings in the last two years. However, this phenomenon could be affected by the threat of the spread of the Zika virus in the Caribbean zone.

Subscribe to the THCG BUSINESS REPORT and get an edge over the competition. Deepen your knowledge of the Cuban economy and get an inside look at an exciting new market which has been off the radar for more than 50 years.

We hope you enjoy our Second Bulletin.

Sincerely,

Emilio Morales
Presidente y CEO
The Havana Consulting Group & Tech LLC

ABOUT THCG BUSINESS REPORT

The team of expert consultants who prepare this Business Report is composed of experienced analysts and researchers with vast knowledge of the internal dynamics of the Cuban economy, the social and political situation, and the legal framework as well as the island's international and commercial relations.

The team consists of some of the most prolific and cited authors in the academic world, experienced journalists who have taken Cuba's pulse for an extended period of time, executives who are familiar with the world of business in the U.S. as well as in Cuba, and lawyers who are able to navigate the peculiar Cuban legal environment.

It is important to listen to experts particularly at a time when Cuba is attempting to reform its economic system to improve efficiency and create sustainable economic growth that improves the standard of living of the population.

Frank, clear, and independent analysis and opinions are needed, based on the most recent information available. The experience and authority that The Havana Consulting Group offers fills this demand.

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