



November 2014
N°8

In this issue

Summary.....	1
Structural and Institutional reforms	2
Foreign investment law	3
Currency reform	3
Investment projects	
- Golf Real Estate	4
- Sugar plants with bioelectrical units	4
- Multipurpose Terminal in Santiago de Cuba	4
- Japanese Companies seek opportunities	4
Import export Belgium-Cuba (7 month 2014) ..	5
Import export UE - Cuba (2004 - 2013)	6
Key macroeconomic indicators (2005 - 2013)..	7
Next events	8

Summary

In the ordinary session of the National Assembly, the Minister of the Economy and Planning announced that in the first half of the year the GDP had barely increased by 0.6%, and presented an adjusted official projection for the coming year of 1.4%.

The minister explained in his report that this was mainly influenced by a 3.4% decrease in manufacturing (this excludes the sugar industry) and a drop in mining. The nickel sector has been unable to take advantage of the rise in the metal's world price because production capacity plummeted due to the closure of the unprofitable Nicaro plant, and because maintenance for the Che Guevara plant has begun.

Other branches grew, but did not meet expectations. The sugar industry had planned to grow 17.5%, but only achieved 5.3%. Agriculture grew 5.6%, and hotel and restaurant management 3.7%, again both falling below forecasts. In the retail sector, the predicted growth of 9.3% was undermined by the reality of a disappointing 2.9%. Investments will probably stand at 5% below expected. The minister pointed out that the highest-growth activities in the six months were transportation and communications, with a 6.2% growth.

Another piece of information that has been circulating but was not presented in the minister's report was the reduction in Venezuelan oil shipments from 100,000 barrels to 70,000 barrels a day. This is a clear signal revealing that the Cuban economy is beginning to feel of the economic troubles of its main trade partner.

Moreover, Belgians exports to Cuba continue to grow, showing an increase of 28.5% in the 7 first months of 2014 (in comparison with the same period in 2013). In an interesting note, Cubans will finally taste by the end of the year their first Belgian beer.

In conclusion, the 0.6% GDP growth logged in for the first six months reinforces the perception that the reforms have not yet touched the key factors to speed up economic growth. Within the reform program through 2016, and for the next two years, in order to accelerate GDP growth, the government should pay special attention to foreign investment.

Wishing you a pleasant (and useful) reading,

Jean-Serge R. Dias de Sousa
Trade Commissioner

Structural and institutional reforms

THE SENSE OF INSUFFICIENT REFORMS INCREASES



The 0.6% GDP growth logged in for the first six months reinforces the perception that the reforms have not yet touched the key factors in order to speed up economic growth.

The government points out that, as part of the reforms (Lineamientos), more than 250 measures on various aspects of the economy have been adopted; however, this has not yet been reflected in “real” terms: macroeconomically, growth is lagging behind predictions. And if we look at the economy a bit more closely, it seems like skilled workforce is being under-utilized, the agricultural sector is shrinking, and the real income of citizens is plunging.

No doubt, the Cuban government is implementing a structural reform. However, excessive milestones and the absence of results are turning the reform unpopular. Not only that, but the government continues to “create” time and arguments to the sectors of the government and Party that resist change and, little by little, it could simply crumble under the pressure.

Until now, the reform only seems to benefit to a greater extent the families that make up the private and cooperative sector. The opening to the private sector has had an undeniable impact on the employment structure and income distribution, although this has also shown signs of a slowdown. After its spectacular response in 2011, the sector has been overwhelmed by the strengthening of tax and audit controls, lack of supplies, general economic slowdown, and low salaries, which keep aggregate demand depressed.

The self-employed (cuentapropistas) and micro-entrepreneurs are allowed to practice only 201 types of activities, almost all of low technological content and productivity. Furthermore, political and ideological limits on income and capital accumulation are weighing on the sector; these limitations have been laid out explicitly in the Outlines approved by the 6th Congress of the Communist Party. All this blocks a qualitative transformation and the creation of a virtuous circle with major impact on the national productive structure.

Decisive for the Cuban macro economy in the next two years will be the measures that will be taken in relation to resource management and allocation of state companies, the transformations of the monetary and exchange system, and the implementation of the new legal framework approved for foreign investment and the Mariel Special Development Zone (ZEDM).

The first two actions are vital for the reorganization and efficient functioning of the economy, but an immediate effect on GDP growth should not be expected, as the government itself has already announced that in both cases it will maintain its strategy of gradual change. Does foreign investment remain then the government’s sole option in the next two years to accelerate GDP growth?

Foreign investment law

The new foreign investment law became effective on June 28, and the government has announced that its ministries are working on feasibility and profitability studies to put together a portfolio of projects that would be open to international capital.

However, after more than 8 months of its official launch, not a single business has materialized in the Mariel Zone. The authorities have explained that around 20 projects are in an advanced phase of the approval process. The container terminal as such already began operations, as some 57 ships and around 15,000 tons of goods have been handled at the port. It is hoped that the Mariel Zone will constitute one of the main elements to attract foreign direct investment and foster value chains to the interior of the country.

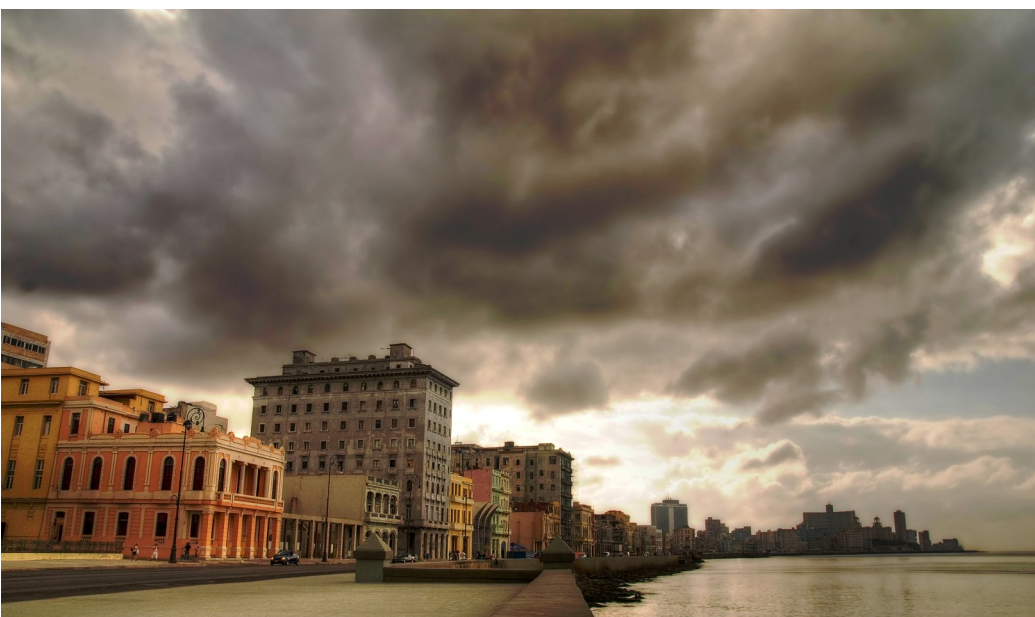
All actions the government may take to attract foreign investment will face the challenge of having to deal with U.S. government sanctions, their extraterritorial reach, and particularly their strengthening in the financial sphere (the recent BNP Paribas case highlights this statement...).

Currency reform

Cuba's central bank president has provided more details about the planned unification of the Cuban Peso (CUP) and convertible peso (CUC), saying that the merger will require putting more CUP into circulation and issuing higher denomination bills.

The elimination of the CUC, a process that could trigger inflation, is one of the most complex reforms ahead. No date has been set for the merger.

Reducing the supply of cheap CUC for state businesses will force Cuba to either raise prices for consumers or spend more money on subsidies for basic goods. In an interview with official news agency AIN, Central Bank President Ernesto Medina insisted that consumer prices won't change.



Investment projects

Golf Real Estate

Earlier this year, the Cuban state company Palmares Group and the British company Esencia Hotels and Resorts, formed the first joint venture partnership for the development of real estate, through the creation of The Carbonera Golf and Country Club. That first project involves the construction of a golf course with two thousand units, a shopping center and a hotel, near Varadero; in short, a \$350 million investment.

According to official sources, the negotiations for the establishment of a second joint venture company, which will have as partners Palmares and China's *Beijing Enterprises Holdings Limited* to develop a project Bellomonte area, east of Havana, have concluded. These agreements were signed with China in Havana in June 2014. Cuba is now preparing two other projects in the West: one located in the El Salado, west of Havana, and one in Punta Colorada, in Pinar del Río, both with the participation of Spanish companies.

Sugar plants with bioelectrical units

Of the 56 existing sugar plants, six of them are currently inactive; Azcuba has included 20 in a foreign portfolio investments with a priority for the eight plants built after 1959.

The first plants fed with sugarcane biomass production will get off in 2016 and will be managed by Biopower, the joint venture formed in 2012 between Zerus and the British firm Havana Energy Ltd. This is a 45 - 55 million investment project.

Furthermore, the Company of Works and Infrastructure (COI), a subsidiary of Brazilian construction company Odebrecht, agreed with *Cienfuegos Sugar Company*, also a subsidiary of Azcuba, the administration for 13 years of the sugar plant *September 5th*, located in the province of Cienfuegos, 256 kilometers from the capital. In this case, the commitment is to restore the productive capacity of the mill's 90,000 tons of sugar per harvest and even increase it. The investment for this project exceeds \$ 100 million and also includes a bioelectrical plant.

Multipurpose Terminal in Santiago de Cuba

In June, China granted to Cuba a concessional credit line for the construction of a multipurpose terminal in the port of Santiago de Cuba, according to the agreements signed during the visit to the island of the Chinese President Xi Jinping. Other loans are meant to postpone the Cuban debt re-payment to Beijing and to install digital television on the island, which is done with Chinese technology.

Japanese Companies seek opportunities

Japanese business executives met with their Cuban counterparts at a conference in Havana organized by the Cuba-Japan Economic Conference in order to seek opportunities and sign agreements. Fishing, pharmaceuticals and tourism were on top of the agenda.

Foreign Trade and Investment Minister Rodrigo Malmierca said Cuba looks forward to making a donation of equipment worth more than \$1 million to five pilot-project rice farms in Cuba.

Import export Belgium -Cuba

(7 month 2014)

Belgian exports to Cuba

Produits		Quantité en tonnes		Valeur en 1000 EUR		Variations en %	
		01-07/2013	01-07/2014	01-07/2013	01-07/2014	2012/2013	2013/2014
S01	ANIMAUX VIVANTS ET PRODUITS DU RÈGNE...	2.096	4.625	6.309	15.949	0,2	152,8
S07	MATIÈRES PLASTIQUES ET OUVRAGES EN CES...	1.766	4.321	3.482	6.111	142,7	75,5
S06	PRODUITS DES INDUSTRIES CHIMIQUES OU...	3.523	739	4.119	3.188	-8,1	-22,6
S16	MACHINES ET APPAREILS, MATÉRIEL...	395	82	5.308	2.676	175,9	-49,6
S18	INSTRUMENTS ET APPAREILS D'OPTIQUE, DE...	6	3	841	1.194	7,8	42,0
S05	PRODUITS MINÉRAUX	1.982	541	3.303	1.041	38,5	-68,5
S13	OUVRAGES EN PIERRES, PLÂTRE, CIMENT,...	382	1.307	195	957	-68,0	390,9
S04	PRODUITS DES INDUSTRIES ALIMENTAIRES;...	658	406	593	950	73,0	60,2
S15	MÉTAUX COMMUNS ET OUVRAGES EN CES MÉTAUX	1.109	969	1.887	820	542,6	-56,5
S17	MATÉRIEL DE TRANSPORT	15	13	267	725	155,2	171,8
S02	PRODUITS DU RÈGNE VÉGÉTAL	219	639	203	592	-66,8	190,8
S10	PÂTES DE BOIS OU D'AUTRES MATIÈRES...	4	1.038	20	457	-96,1	2.183,4
Total		12.415	14.698	27.093	34.820	31,5	28,5

Source : Eurostat – concept communautaire

Cuban exports to Belgium

Produits		Quantité en tonnes		Valeur en 1000 EUR		Variations en %	
		01-07/2013	01-07/2014	01-07/2013	01-07/2014	2012/2013	2013/2014
S05	PRODUITS MINÉRAUX	99.047	10.115	69.151	6.716	208,6	-90,3
S04	PRODUITS DES INDUSTRIES ALIMEN- TAIRES;...	1.175	3.984	4.240	3.767	29,9	-11,2
S01	ANIMAUX VIVANTS ET PRODUITS DU RÈGNE...	18	126	49	307	-6,1	532,6
S09	BOIS, CHARBON DE BOIS ET OUVRAGES EN...	977	717	327	242	98,0	-26,3
S15	MÉTAUX COMMUNS ET OUVRAGES EN CES MÉTAUX	669	45	1.182	233	459,6	-80,3
S02	PRODUITS DU RÈGNE VÉGÉTAL	18	54	54	180	NA	233,0
Total		101.904	15.042	75.081	11.474	187,4	-84,7

Source : Eurostat – concept communautaire

Import export UE/ Cuba (2004 to 2013)

European
Commission

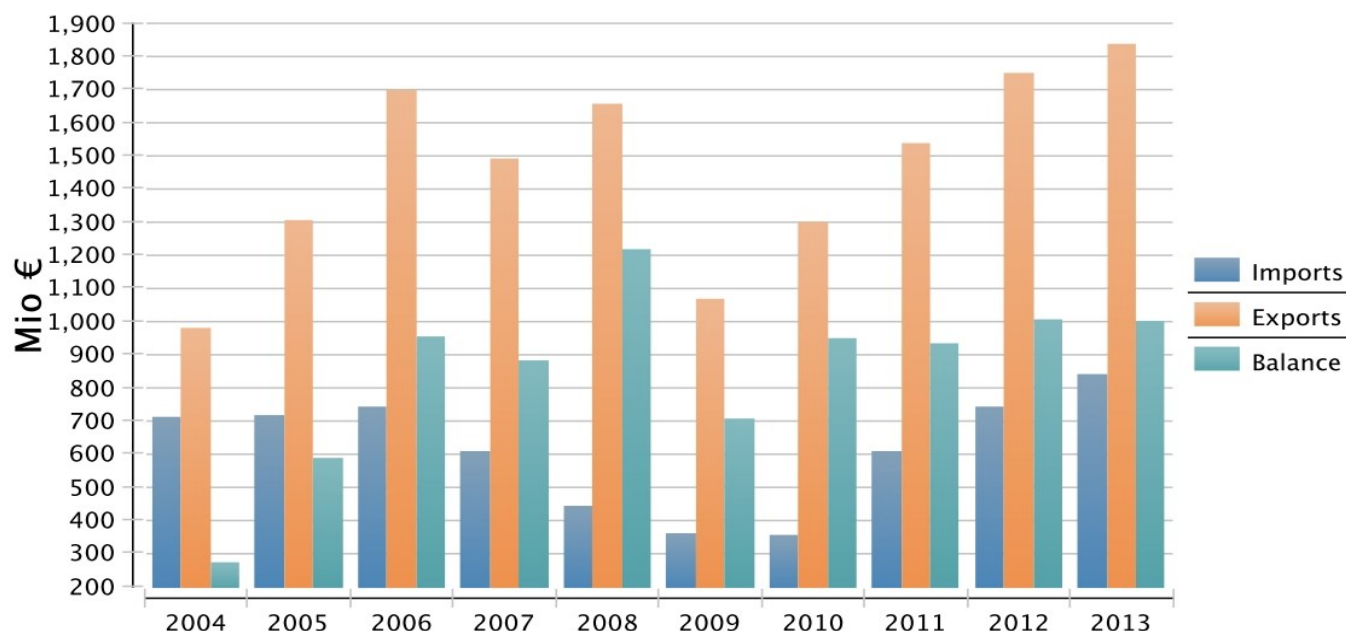


Directorate-General
for Trade

European Union, Trade with Cuba

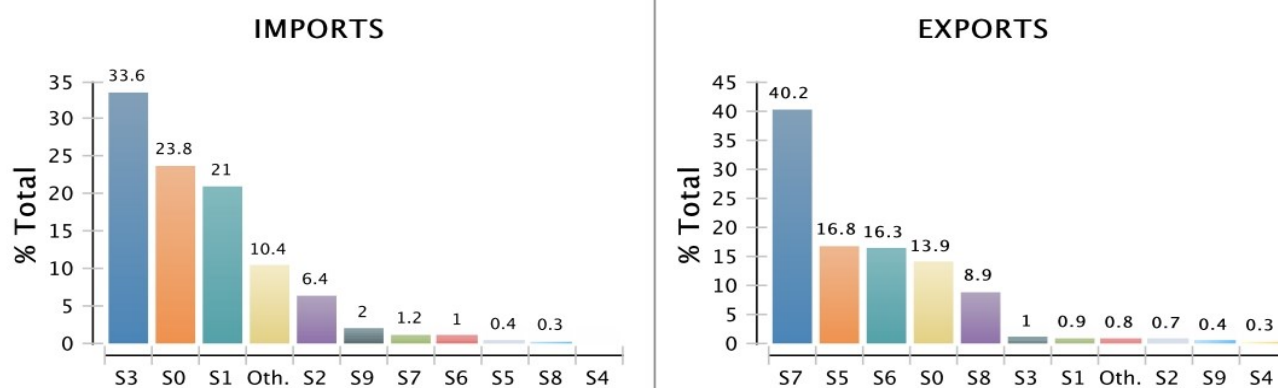
Total goods: EU Trade flows and balance, annual data 2004 - 2013

Source Eurostat Comext
Statistical regime 4



Total goods: EU Trade flows by SITC section, annual data 2013

Source Eurostat Comext
Statistical regime 4



SITC Sections

Section	label	Section	label
	Total	S5	Chemicals and related prod, n.e.s.
S0	Food and live animals	S6	Manufactured goods classified chiefly by material
S1	Beverages and tobacco	S7	Machinery and transport equipment
S2	Crude materials, inedible, except fuels	S8	Miscellaneous manufactured articles
S3	Mineral fuels, lubricants and related materials	S9	Commodities and transactions n.e.c.
S4	Animal and vegetable oils, fats and waxes	Oth.	Other

Key macroeconomic indicators (2005 - 2013) and forecast 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP (constant prices, % change)	11.2	12.1	7.3	4.1	1.4	2.4	2.8	3.0	2.7	0.8
Investment (constant prices, % change)	33.8	25.2	2.4	21.9	-19.0	-0.7	7.1	8.6	6.0	3.5
Exports (constant prices, % change)	47.5	1.3	13.8	11.6	3.1	13.8	3.9	1.9	1.0	-3.0
Imports (constant prices, % change)	25.8	20.4	-1.1	7.4	-14.9	35.7	-1.9	0.8	-1.0	-5.0
Terms of trade (% change)	-6.8	5.1	-1.0	-29.5	10.3	31.5	-12.2	7.0	-10.0	3.0
Fiscal balance (% of GDP)	4.6	3.2	3.2	6.9	4.9	3.6	1.7	3.6	1.2	4.7
Inflation (%)	3.7	5.7	2.8	-0.1	-0.1	1.6	1.4	2.1	1.0	3.0
Unemployment rate (%)	1.9	1.9	1.8	1.6	1.7	2.5	3.2	3.5	3.1	3.8

Sources:

- [Www.cubastandard.com](http://www.cubastandard.com)
- « Trabajadores »
- « Granma »
- AFP
- ONE
- Service Études et Statistiques / ACE
- [Www.gacetaoficial.cu](http://www.gacetaoficial.cu)
- AIN
- www.congressesincuba.com

Next events

Dec. 1-5: Biotecnología Habana 2014. Organized by the Center for Genetic Engineering and Biotechnology of Havana (CIGB), the conference and trade show will focus on “Ag-Biotech for food sustainability.” Info at <http://bh2014.cigb.edu.cu> or bh2014@cigb.edu.cu

Dec. 4-14: Festival Internacional del Nuevo Cine Latinoamericano — one of the largest film festivals in Latin America. Contact: festival@festival.icaic.cu; www.habanafilmfestival.com

Feb. 12-22, 2015: 24th International Book Fair — the hemisphere’s largest book fair, at the Morro Castle in Havana.

February 2015: 17th International Habanos Festival — cigars. Havana, several venues. whernandez@habanos.cu.

April 4-8: Geociencias 2015 — 6th Cuban Earth Sciences Convention and Fair (mining, oil and gas). Havana, www.cubacienciasdelatierra.com

April 20-24: salud para Todos — 13th fair on healthcare, pharmaceuticals and biotechnology, organized by the Ministry of Health, Palacio de Convenciones, Havana, martha@palco.cu.

May 5-7, 2015: International Tourism Fair (FITCuba 2015) — Cuba’s biggest trade show and convention for the tourism industry. Cayo Coco, Jardines del Rey, direccion@publicitur.cu

June 22-26, 2015: International Scientific Congress (CNIC 2015) — congress and convention for medical, pharmaceutical and biotechnology industries. <http://www.congresocnic2015.sld.cu>.

November, 2015: Cuban - Belgian enterprise seminar—Seminar about the Belgian products and enterprises presents in Cuba. Open to all Belgian enterprises who wanted to presents new products to Cuban prospects.

Editor:

Service Economique et Commercial
Brussels Invest & Export / La Havane
Cuba.

Contacts:

Embajada de Belgica
Calle 8 #309, entre 3ra y 5ta ave.
Miramar La Habana CUBA
Tel. : ** 53 7 204 46 87/88
Havana@brusselsinvestexport.com

In charge of the publication:

Jean-Serge R. Dias de Sousa
Havana@brusselsinvestexport.com

Non-accountability clause:

Brussels Invest & Export cannot be held accountable for the use and interpretation of the information contained in this publication, whose sole purpose is to inform.

The contact details presented as well as the information and data contained in this document have been thoroughly verified. However, Brussels Invest & Export cannot be held accountable for any eventual change.

