



FR-06-99

Cuba's Infrastructure And Industrial Plant

February, 1999

Prepared By

CubaCaribbean Development Co.

INVESTMENT OPPORTUNITIES DATA CENTER

P.O. Box 561954 • Miami, Florida 33256

Phone 305/379-1234 • Fax 305/370-1019

E-Mail Cubadata@Icanect.net

WEB: WWW.CUBADATA.COM

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Teo A. Babun, Jr., President of Cuba-Caribbean Development Co., Ltd. and author of *A Business Guide to Cuba*, wrote this article for HDR Engineering, Inc. for their corporate workshop, February 8-9, 1999.

Cuba is experiencing accelerated change. Some say that relations with the USA is eminent. This prediction of a soon-to-be opening of a new Caribbean market has created excitement among U.S. and European entrepreneurs who consider the country ripe for trade and investment.

The country's existing inventory of industrial plants along with its sea, air and transportation infrastructure could attract significant foreign interest and become a focal point that enables it to fulfill its economic potential.

Cuba, with about 11 million inhabitants, is larger than Belgium, Holland and Ireland combined, and it is longer than the State of Florida. Its strategic location at the crossroads of the Atlantic Ocean, the Gulf of Mexico and the Caribbean Sea, together with its proximity to the USA, makes it a potential target as a regional transshipment center. It is also a huge potential consumer of everything from ammonia to X-ray equipment.

But any foreign firm must consider both, the condition of Cuba's infrastructure and the best way to enter this pre-emerging market before planning a future investment. The rundown below should help:

- **Road and highways.** One of the island's strong points is its transportation system, which is in acceptable conditions. There are more than 21,100 miles of highways. Of these, 6,290 miles are paved and 7,391 miles have gravel surface. The road network will require less investment to upgrade than other parts of the infrastructure. There is a relatively new intra-island expressway, but there are only 800 gas stations in the country, of which 120 are located in Havana.
- **Railways.** With 9,270 miles of track, Cuba's main railway system presents unique opportunities for cargo transportation. The country maintains one of the Caribbean's two remaining passenger railroads (the other is in Jamaica). The sugar industry, Cuba's largest, uses approximately 5,900 miles of track to transport cane from the fields to the mills. The railway equipment needs to be upgraded and modernized.
- **Airports.** There are six international airports. The largest commercial facility, located in Havana, handles more than 700,000 passengers each year and has the capacity to process 1,800 per hour. Perhaps, Cuba's biggest air "wild card" is its nine strategically located military airports, all of which have substantial runways. These could easily be converted to civilian international airports.
- **Ports.** Cuba's coastline sports a total of 70 ports, 31 with cargo operations. Ten of these can be categorized as major ports. The island's seaports are deep, protected harbors with narrow entrances but spacious anchorage. The port system can handle 150,000-ton oil tankers, accept modern roll-on, roll-off vessels, discharge all types of grain and fertilizers in



bulk, handle modern 40-foot containers in experimental gantry cranes, and even dock up to six nuclear submarines in state-of-the-art facilities.

- **Telecommunications.** The telephone infrastructure cannot support adequate services by developed-country standards. A penetration rate of 5.3 phones per 100 persons is among the lowest in Latin America. Telecommunications facilities are made up of a mix of obsolete US and former Soviet-bloc equipment and modern European systems. Much of the domestic equipment outside of Havana is more than 25 years old and in need of repairs and modernization.

- **Energy.** There are 14 electrical-power plants with a total generating capacity of 3,192 mega-watts. The system consists of pre-1959 US-built plants as well as newer Japanese, French and Soviet-bloc facilities. One-third of its plants are more than 35 years old and in need of constant repair. Spare parts are difficult to obtain at best. There is a partially constructed nuclear-power plant located near the city of Cienfuegos. Once completed it will add another 834 mw to the system.

The petroleum and petrochemical industry is one of Cuba's lesser known. There are oil refineries in Havana(two), Santiago de Cuba, Cienfuegos and Cabaiguan with a combined capacity of 13 million tons/year. The country extracts about 1.4 million tons/year and there are at least two major international oil companies drilling on the island.

- **Mining.** The history of mining in Cuba dates back to 1512 when the first mine in the western hemisphere was established by colonists there. Cuba has identified over 200 mining deposits, many of which have not been exploited due to a lack of capital and know how, but include: Copper, Lead, Zinc, Manganese and a number of other minerals, including 27% of the world's reserve of Nickel and Cobalt. There are 53 active mining operations in the country extracting and processing such diverse products as nickel oxides, nickel sulfur, cobalt concentrates, diverse copper concentrates, gold, chromite, and others.

- **Construction.** Perhaps one of the most obvious future investment opportunities in Cuba will be in the area of construction of new homes, apartments and office buildings. Other new developments can be expected in hotels, tourist resorts and commercial construction. The island is well poised to deal with this issue. There are six cement plants with a combined capacity of 5.3 million Mt/year, as well as, 22 facilities to produce prefabricated homes and 11 brick plants scattered throughout the country.

- **Industrial Facilities.** Cuba's industrial plants are surprisingly diverse in capabilities, quality and products produced. There are more than 290 large factories with more than 500 employees manufacturing products as varied as cranes, engines, steel containers, elevators, railway cars and complete sugar mills. Recent economic problems and the loss of the former-Soviet-bloc markets have kept most of them from operating at full capacity.

- **Agriculture.** Of course, Cuba is best known for its agricultural industry. There are 156 sugar mills and eight white-sugar refineries with installed capacity of 8.5 million tons/year of raw sugar. The country also produces citrus products, tobacco, coffee, bananas, potatoes, rice, winter vegetables, tropical fruits, and other crops.



Financing Considerations

Cuba is a bankrupt country with defaulted foreign loans and no positive trading position to justify credit. The extent to which the needs of the Cuban infrastructure and the pent-up demands of its citizens will be met within a reasonable time after Cuba becomes free will be a function of the availability of financing. In some measure the demand existing within Cuba for consumer products will be satisfied, in part, by donations and gifts from the exile community located mainly in Miami. Cuba's banking infrastructure will also need to be re-established.

United States firms can be expected to replace a significant part of the trade previously handled by their offshore subsidiaries, which totalled over \$2.7 billion during the past decade. Prior to the enactment of the Cuban Democracy Act of 1992, this trade was estimated at something under \$1 billion on an annual basis.

Florida & Cuban-American Partners

It is projected that trade between Florida and Cuba, following normalization of trade relations between the United States and Cuba will surpass \$5 billion after the first few years. This rate of trade will make Cuba the second largest trade partner, after Brazil, with Florida. American companies with properties or operations in pre-Castro Cuba or which previously did significant business with Cuba will be poised to take advantage of the re-opening of that market. Numerous businesses have contingency plans for trade with and investment in Cuba utilizing Cuban-Americans as their managers or partners for such ventures.

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For more information on Cuba, you can contact the author as follows:

Teo A. Babun, Jr.
President & CEO
Cuba-Caribbean Development Co., Ltd.
P.O. Box 561954
Miami, Florida 33256
Telf: 305-379-1234
Fax: 305-379-1019
E-Mail: cubadata@icanect.net
Home page <http://www.cubadata.com>

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