

# CLIENT ALERT

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## Plenty of Challenges

Cuba offers a rare opportunity for businesses and investors to enter semi-untouched markets. There's plenty of hype and excitement, but let's not lose track of reality. Risks abound and there is still a long way to go before U.S. companies can fully enter the markets of the Caribbean's largest island.

Almost one year has passed since President's Obama and Castro jointly announced their desire to normalize relations. The President has used his executive authority to expand a few trade openings allowed by the embargo, and the Treasury and Commerce Departments have published regulations expanding the ability of US businesses to sell food and medicine to Cuba, as well as equipment to improve the agricultural, medical, construction and telecommunications industries on the island. The US emphasis is in empowering an emerging private sector.

Foreign Direct Investment has been selected by Cuba as the most adequate remedy for shoring up this funding gap. In 2014, Cuba approved the Foreign Investment Law as a strategy for attracting over US \$8B in investments in sectors including manufacturing, agriculture, tourism and construction. Infrastructure will account for 17% of this investment and productive sectors 57%.

Last week Cuba started to promote an additional 80 joint venture/investment opportunities; there are now 326 on the portfolio listing, but no deals have closed since the original publishing last year of the catalogue of opportunities. Also last week, Reuters' reported that a senior State Department official had said that President Obama could again soon use executive authority to further relax the trade embargo.

Improved relations with the US could help Cuba achieve this target and begin to get its macroeconomic fundamentals in order. This could translate into opportunity for US-based companies to take part in upgrading Cuba's infrastructure -- which has suffered from years of underinvestment -- and remove risks for companies from third countries doing business with Cuba, but despite the many areas of optimism, the island still has a long way to catch up to the regulatory changes. Their banking system is not yet ready for American investment, its dual currency system needs to end, and its foreign investment laws need work.

This month we are attaching an announcement for a comprehensive Cuba workshop that we are co-hosting in Miami, Florida on Thursday, December 17th; the one year anniversary of the Obama-Castro announcement. We hope you can attend.