

INVESTMENT TRENDS
KEY SECTORS
EXPORT OPPORTUNITIES



MARKET ASSESSMENT CUBA



Market Assessment: Cuba

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JAMPRO
TRADE & INVESTMENT JAMAICA

JAMPRO explores new marketing opportunities, targeting non-traditional markets in the Caribbean and around the world...

JAMPRO is seeking to increase its targeting of non-traditional export markets. The objective of this thrust is to diversify Jamaica's export markets by taking advantage of the many opportunities available under trade agreements that Jamaica has signed. This thrust is expected to result in an increase in the country's volume and value of exports in the short to medium term.

A key rationale driving this export development and promotional plan is the country's national export led growth strategy. The National Export Strategy (NES) was introduced in 2008 to address the regulatory and environmental factors that have hindered the development of the sector and it is currently being revised in light of new market trends.

JAMPRO implemented two programmes in 2011 and 2012 respectively, **Export Max** and **Export Plus**, which were designed to assist export companies in diversifying their products and target new markets. The success of the **Export Max** programme has led to the implementation of an **Export Max II** programme.

The Market Assessment Business Guidebook Series is an information resource that supports the NES and Export Max Programmes.

MARKET ASSESSMENT SERIES

This **Market Assessment** is an essential business resource, providing useful, up-to-date information for Jamaican investors and businesses wishing to explore trade opportunities overseas. The first in the series include the following countries:

BAHAMAS
BRAZIL
CUBA
DOMINICAN REPUBLIC
HAITI
MEXICO
RUSSIA
SOUTH AFRICA

(Please check with our office for additional countries that will be included in the Market Assessment series).

Each Market Assessment takes an in-depth look at how business is done in each country and provides information on:

- THE ECONOMY, STRUCTURE & POLICIES
- MAIN INVESTMENT SECTORS
- BUSINESS & COMMERCIAL ENVIRONMENT
 - MARKET FORCES
 - COMPETITIVENESS
- INFORMATION RESOURCES



Quick Facts about Cuba

Largest Caribbean island with a population of 11,047,251.

Capital is Havana.

Has one official party, led by Raul Castro.

Spanish-speaking nation.

Currency - Cuban Peso.

Literacy rate of 99.8%

About 85% of Cubans are Roman Catholic.

Highly trained professional and technical workforce.

Main trading partner is China.

Services industry accounts for 75.2% of the economy.

Has seven main seaports.

Cuba is an island in the West Indies and lies approximately 90 miles equidistant between Jamaica and Florida.

It is one of the most beautiful islands in the Caribbean, with a magnificent mountain range, rolling hills and broad grasslands. The coastline is spectacular with deep bays and stretches of sandy beaches.



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Overview

ALTHOUGH A CLOSE CARIBBEAN NEIGHBOUR TO JAMAICA, CUBA IS NOT YET ONE OF OUR MAJOR TRADING PARTNERS. HOWEVER, NEW INITIATIVES AND TRADE OPPORTUNITIES ARE BEING DEVELOPED TO ENCOURAGE THE EXPORT OF JAMAICAN PRODUCTS AND SERVICES TO CUBA.

Cuba, a Spanish speaking country, is unique in many ways. It is the largest island in the Caribbean where it is flanked by the United States to its northwest, Hispaniola to the west and Jamaica to the south. The island has one of the most beautiful topographies and coastline among its Caribbean peers.

Cuba and Jamaica have long enjoyed close cultural affiliations and this is a valuable leverage for circumventing some of the inherent barriers to trade with the country. Some of Cuba's greatest demands lie in areas that Jamaica can easily meet, that is, in agriculture, processed foods, beverages and nutraceutical products. Since Barack Obama's installment as President of the United States in January 2009, there has been intense debate and numerous calls at the national and international level for lifting the US embargo and sanctions against Cuba. On December 17, 2014, President Obama announced a restoration of diplomatic relations between Cuba and the United States.

Cuba has for many years operated as a closed economy. However, since the 1990s, in tandem with globalization, Cuba has been slowly responding to the pull of trading with more diverse countries, rather than trading with a few markets similar to its own. However, a key debilitating factor to trading with Cuba has been its economic model that restricts trading on a business-to-business basis – most trading with Cuba is done with government trading agencies and via a very bureaucratic system.



Cuba's relations with other countries is expected to improve gradually and will, it is believed, have a significant impact on their socio-economic and political landscape. One of the realities of the Cuban economy is that the state remains the largest employer of the Cuban workforce, with approximately 5 million persons or 76% of the labour force on the government payroll. The majority of these persons earn predominantly low wages. Hence, the society is built mainly on thrift. Products that are considered 'must haves' in some societies are luxury items in Cuba and are unaffordable to Cubans. This should be a critical point for consideration for companies planning to penetrate the Cuban market for the first time, or even for existing exporters hoping to increase their sales to Cuba.

Self-employment however is increasing incrementally as there are currently 473,000 people in Cuba registered as self-employed in 188 activities in which private enterprise is permitted. There was an increase of 5.9% in the number of new entrants to this category in 2014.

Cuba's Society & Economy

Like many other Caribbean islands, Cuba is a multi-ethnic society; it is composed of mainly four ethnic groups: Whites (64.1%); Mulattoes and Mestizos (26.6%) and Blacks (9%). There is also a growing number of Chinese living in Cuba (estimated 1%). Approximately 70% of the population falls within the 15 to 64 age group. The median age in Cuba is 41.29 and the society is now considered an aging one; meanwhile their population growth rate has also been falling over the last few years. The gender ratio in Cuba is 1:2 male/female as at 2014. Seventy five percent (75%) of the population is urban.

The majority of Cubans earn low wages.

The society is built mainly on thrift.

'Must have' products in some societies are luxury items in Cuba and are unaffordable.



Cuba was once a highly stratified society, however, the hierarchy changed after the Cuban Revolution in 1959, rendering most persons 'equal' after the government confiscated the riches of the ruling class and became the primary employer. Nonetheless, the nation still has distinct social classes.

Cuba is one of the highest ranked countries on the Human Development Index (44th in 2013). Cubans have exemplary health due to a sophisticated health system which is accessible by all. There is a high literacy rate of 99.8% resulting from more than 15% of the state's budget being allocated to the education system (which is compulsory and free, starting at the primary level, with free University education for those who qualify). Additionally, Cuba has a low infant mortality rate and a reasonably high life expectancy of up to 78 years on average.

ON THE CUSP OF FULL LIBERALIZATION, ONE OF CUBA'S GREATEST ASSETS WILL BE ITS PEOPLE as the country boasts a workforce of highly trained professionals and technicians. The disparity between social groups in Cuba is not very vast: The most privileged groups are government and party officials and the military – although their incomes are moderate they have access to state resources and the best of otherwise rationed commodity items. There is also a newly emerging expatriate class of foreigners residing in Cuba. These persons are well-off and are allowed to make any purchases they can afford. The areas in which they reside are restricted and ordinary Cubans do not have immediate access to them.

Cuba has a distinct middle-class – made up mainly of persons with high professional training, such as doctors and lawyers, small businesses owners, government executives and some tourism industry workers; but at this time incomes are low, particularly for the many Government employees. The income differential between the salaries of professionals, skilled labourers and unskilled labourers has narrowed considerably since the Revolution.¹ Nonetheless, in the near future, assuming continued liberalization of the market, there should be a range of business persons with incomes to support middle-class demands. The current privileged segment will want to access 'better' products at competitive pricing.

High literacy
rate of 99.8%

Sophisticated
health system

Low infant
mortality

High life
expectancy
of 78 years

1 | http://www.countriesquest.com/caribbean/cuba/people/social_structure.htm



The ideal time for strong Jamaican brands in Cuba

This is the ideal time for strong Jamaican brands to start the groundwork to penetrate Cuba and cement their presence there. This will ensure that when the market is fully opened and market prices are dictated by demand, supply and income levels, these brands will be top of mind for Cubans with more disposable income.

Cuba has essentially remained a centrally-planned economy that is state-run by the Cuban Government since the 1959 Revolution. The country's economic model was largely based on communist principles that advocated a closed, protectionist economy controlled by the government in its denouncement of capitalism and adoption of the principle of self-reliance.

For many years, this stance led the country to trade mainly with countries of a similar political persuasion, such as China and Russia, from whom they benefited from subsidies, particularly during the Cold War era (1960 – 1989).

During that era, Cuba's economic stagnation was further exacerbated by the long-running United States trade and travel embargo enforced in 1960. The embargo, which was initially taken as a diplomatic sanction against the Fidel Castro Government, was instituted because the Cuban Government nationalized US properties and businesses after the Revolution. The embargo prohibited the US from exporting all items except food and certain medicines and supplies to Cuba.

By 1962 (AFTER THE BAY OF PIGS INVASION BY THE US), CUBA WAS ALSO EMBARGOED FROM exporting to the US and the 'Trading with the Enemies Act' took effect. This situation long denied Cuba the opportunity of trading with the US, its most developed near-shore neighbour. However, more importantly, it curtailed the degree of business that third world countries were able to openly carry out with Cuba for fear of penalty from the US, as stipulated in the Act.

Cuba has been slowly trying to change its image from that of a closed economy to one that is more open and willing to do business with the rest of the world.

The situation with the U.S., has eased somewhat particularly since the age of globalization, but specifically as a result of reforms to the embargo in 2000 which allowed approved products to be exported from the US to Cuba and the relaxation of the US Embargo on Cuba in 2006 by the Obama regime.² In his announcement at that time, President Obama indicated plans to overhaul the longstanding policy of isolation towards Cuba and stated that his government will be moving for a lifting of the sanctions against Cuba.

Since then, Cuba has been slowly trying to change its economic image from that of a closed economy to one that is more open and willing to do business with the rest of the world. Some of the strides made in this regard include the opening of the telecommunications market which has resulted in more inward and outward communication with Cuba, enabling increased business activity.

Despite Cuba's efforts to engender economic reform since the early 1990s, such as encouraging trade and tourism and foreign direct investment in infrastructure, the move towards a fully opened economy has been delayed for a number of reasons, some of which are mainly internal.

The Government has been encouraging private ownership of businesses since 2010, but most of these efforts have evolved as micro businesses – small restaurants, snack bars and own-account taxi services. The major change in Cuba so far has been the freeing up of the real estate market where persons are now able to buy and sell houses.

In April 2012 President Raul Castro promised to give 40% of production to the private sector within the next five years; but meanwhile, Cuba continues to struggle economically in the absence of full liberalization. Nonetheless, Jamaica can access the Cuban market through the opportunity provided by the CARICOM Cuba Free Trade Agreement signed in 2000. ■

2 | The situation also eased due to the breakup of the Soviet Union and the dismantling of the Communist Bloc, to which Cuba belonged.

THE CUBAN ECONOMY: PROFILE OF KEY SECTORS

The Cuban economy has transformed from a single agriculture based economy to a country that is largely driven by its services sector. The contribution of the Cuban industry to the country's GDP has declined from around 37% in 1996 to only 20% in 2009. Cuba's last reported GDP figure was US\$ 77.15 billion in 2013 and increased at a rate of 2.7% for that year.

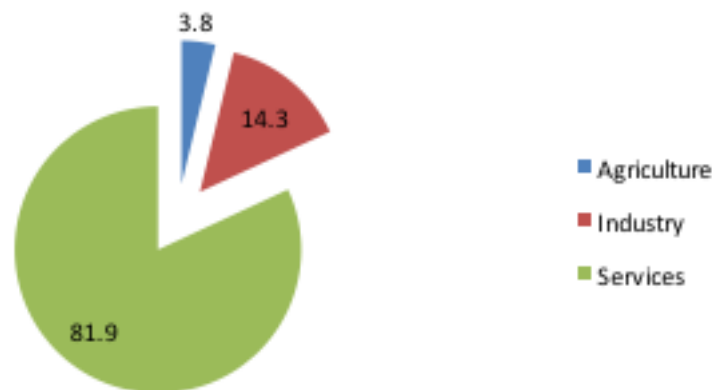
Cuba is rich in natural resources, boasting extensive deposits of nickel, petroleum, copper, ore and gold. It also produces a variety of high-value agricultural products such as sugar, tobacco and coffee.

Structure of the Cuban Economy (2013)
Agriculture: 3.8% | Industry: 14.3% | Services: 81.9%

In 2013, the Cuban economy recorded 2.7% GDP growth, lower than in 2012 (3.0%), at a time when the terms of trade were worsening. The prices of exportable products such as nickel and sugar fell, while those of various foods imported into the country rose in the international market. Exports of services continued to expand, so that the balance of trade in goods and services closed with a surplus of US\$ 1.256 billion.

On the domestic front, GDP growth was hampered by a lower investment rate than expected by the government. Although it is growing at a rate of 8% a year, fixed investment as a percentage of GDP is still low (at around 12.6%). The fiscal deficit closed the year at 1.2% of GDP, much lower than the expected level (3.6%), mostly owing to the fact that, contrary to projections, spending cuts outpaced the decline in revenues. Lastly, in 2013, inflation stood at 0.6% (average from January to December).

SECTOR CONTRIBUTION TO GDP (%)





Key Sectors

Agriculture and Manufacturing

CUBA'S AGRICULTURE SECTOR HAS TRADITIONALLY BEEN VITAL TO THE ECONOMY, WITH NOTABLE production of sugar, tobacco, citrus products, and tropical fruits. However, despite the traditional high productivity of these sectors there remain opportunities for exports of agricultural and manufactured goods from Jamaica to Cuba. This view is supported by the following factors:

More than 80% of all food consumed in Cuba is imported, which is worth approximately US\$1.5 billion annually. This is due to the fact that the agricultural sector faces several challenges including lack of technology and investment needed to significantly modernize production. Notwithstanding, Cuba continues to discourage imports but is mindful of food security amidst its low production in this area.³

Since the approval of the Trade Sanctions Reform and Export Enhancement Act (TSRA) in 2000, U.S. food and agricultural exports to Cuba have increased significantly. In 2001, the year when the TSRA became effective, the total value of U.S. agricultural and food exports to Cuba was \$4.6 million. This figure reached \$460 million in 2012. In 2001, U.S. agricultural and food exports to Cuba represented a negligible fraction of the island's total imports in these categories.

At the present time, the U.S. accounts for close to 40% of Cuba's agricultural and food imports, followed by imports from the European Union, Brazil, and Canada. Wheat, corn, poultry meat and concentrated milk are amongst Cuba's top five most imported items.

The growth in Cuba's biotechnology and pharmaceutical industry is gaining in its importance to the economy. Among the products sold internationally are vaccines against various viral and bacterial pathogens, and promising anti-cancer vaccines are undergoing exhaustive clinical trials as well as glands, organs and human and animal blood.

³ | Canadian Trade Commissioner. <http://www.tracommissioner.gc.ca/eng/document.jsp/did=13137>



Tourism

TOURISM IS THE SECOND LARGEST CONTRIBUTOR TO THE CUBAN ECONOMY BEHIND TECHNICAL and professional services. Based on the last set of figures available, revenues from tourism was US\$2.5 billion in 2011, compared with US\$2.2 billion the previous year. Cuba now has an impressive tourism sector, with visitors from across the globe.

In 2014 over 3 million tourists arrived in Cuba – this represented a growth of 6% over the previous year. The visitors were mainly from Canada 38%; United Kingdom 3.9% Germany 3.7%; Italy 3.5%; France 2.8%; Mexico 2.7%; and other countries, including the Caribbean, 29.9%.

Tourism is one of Cuba's major revenue earners and one of the sectors poised to take advantage of increased investor interest upon the amendment of US legislation, such as the Helms-Burton Act. Once the embargo is lifted tourism leads from the U.S. can be fully explored and it is anticipated that Cuba will benefit from increased tourism from the U.S. Of note, however, is the fact that Cuba currently has its fair share of global tourists, and there is no strong evidence indicating that a lifting of the embargo will lead to increased travel to Cuba by tourists outside of the U.S. Over the decades the ban on U.S. tourist travel to Cuba has also had a negative impact on the U.S. as it has been noted that tourist agents in the U.S. have experienced losses of over US\$500 million based on the number of U.S. tourists wanting to visit Cuba.

Cuba's tourism sector is the second-largest source of foreign revenue, earning around US\$2.6 billion dollars a year, (after the export of professional services, mainly in the area of healthcare), which brings in more than US\$10 billion dollars. Cuba attracted three million tourists in 2014, representing a growth of six per cent over the previous year. Revenues from international tourism reached US\$1.077 billion in the first half of 2014, or 4 percent more than that over the same period in 2013. Visitors spent the most on food and beverage, which registered US\$422 million dollars, or 39% of total revenue, followed by US\$367 million dollars, or 34%, for accommodations, which traditionally represents the largest amount of earnings.

Cuba's tourism sector is the 2nd largest source of foreign revenue, and earns more than US\$2.6 billion dollars per year.

Tourism attracted over three million visitors in 2014.

Currently, 38% of tourist arrivals are from and through Canada.



Medical Tourism & Pharmaceuticals

Medical Tourism is a growing sub-sector in Cuba, based on the country's large number of physicians and other medical professionals – there are over 76,000 doctors and over 12,000 dentists in Cuba providing a range of treatments including neurological disorders, night blindness, orthopedics and eye surgery being very popular. This, along with the low cost of medical care in Cuba presents a strong value proposition for building the industry in that country. This sector generates over \$40 million in annual revenues.

Cuba has been attracting medical tourists from overseas for decades as they boast high quality doctors and healthcare professionals.

Export of medical services is a source of foreign income to Cuba as state employed doctors and nurses travel abroad to work in 15 countries contracted to Cuba for medical services; including Algeria, China, Portugal, Ukraine, Qatar, Suriname and Jamaica. Cuba has been attracting medical tourists from overseas for decades as they boast high quality doctors and healthcare professionals. The government controls access to all local hospitals for overseas patients. The government pay for care deals and inbound medical tourism are both controlled by the government agency *Empresa Comercializadora de Servicios Médicos de Cuba S.A.*, known as *Servimed*. A government-owned for-profit medical services company, *Servimed* caters to foreigners.

While tourism to Cuba is growing and 2013 recorded three million tourists, there are no figures on how many of those were medical tourists. Specialist expertise is on offer for rehabilitation, eye-care and cosmetic surgery at relatively competitive prices.

In 2014, Cuba's exports (goods and services), was calculated at 28% of its GDP.

Exports are comprised of both goods and services. Cuba's main export commodities are: sugar, nickel, tobacco, refined petroleum, liquor, glands and other organs and crustaceans.

The country's once dominant sugar industry has been in decline as several plants have either closed down or are operating at very low capacities. However, sugar and its derivatives still form an important part of Cuba's exports.

Other products exported by the island nation are :



NICKEL
CIGARS
FISH AND SHELLFISH
MEDICAL PRODUCTS
CITRUS FRUITS
COFFEE

Cuba's nickel industry is again a significant contributor of foreign exchange through exports to the Netherlands and Canada. Cuba boasts the second largest reserves of nickel in the world and produced approximately 60,000 tons of nickel and cobalt in 2013.

Imports to Cuba have continued to surpass exports in both volume and value.

Cuba's main import commodities are cars, computers, crude petroleum, packaged medicaments, broadcasting equipment and refined petroleum. Cuba has traditionally traded mainly with similar economies and this list of countries includes Venezuela, China, Brazil, Spain and Algeria.

The total import value of goods entering Cuba in 2014 was US\$14.77 billion. Imports from Venezuela accounted for 38.7% of Cuba's imports. The main item imported from Venezuela is refined petroleum. Imports from China accounted for 18% of Cuba's imports at a value of US\$ 1.11 billion. The main goods Cuba imported from China were machinery, nuclear reactors and boilers. Trade figures with Cuba's other main trading partners are: Spain 16%; Brazil 9.4% and United States 7.6%.



Investment Trends

IN THE FIRST QUARTER OF 2014 THE CUBAN GOVERNMENT PASSED THE NEW FOREIGN INVESTMENT ACT (which replaces the 1995 Act). According to a statement by the Cuban Minister of Foreign Trade and Foreign Investment, direct investment of the order of US\$ 2 billion to US\$ 2.5 billion is needed each year to boost the country's economic development. In addition, the government announced important measures designed to strengthen the autonomy and competitiveness of the State-run enterprises. These include the freedom of companies to set prices for their surplus production, payment of workers on the basis of earnings and the retention of a higher percentage of profits.

The latest value for Foreign Direct Investment, net inflows (BoP, current US\$) in Cuba was \$110,000,000.00 as of 2011. Over the past 41 years, the value for this indicator has fluctuated between \$110,000,000.00 in 2011 and (\$10,250,000.00) in 2000. Investment interest in Cuba continues to increase with two Canadian companies staking their claim in the island nation in the tourism sector via hotel and cruise-line investments. As the U.S. relaxes trade and investment sanctions with Cuba it is projected that the country's FDI portfolio will increase exponentially, particularly in the tourism sector.

While completely lifting the embargo will require legislative changes within the United States Congress, President Obama's recent announcements signals a move by the United States to normalize relations with Cuba and suggests that the long term plan is to remove the embargo completely. Regularisation of relations includes the establishment of embassies in each country's capital city. A relaxation in the flow of commerce and transportation by the United States to Cuba, exactly how this will be implemented will be revealed in the coming months. President Obama's announcement is a first step in the journey to lifting the US/Cuba embargo.

It should be noted that there is staunch resistance from Republicans, which constitute the majority of Congress, to reestablish diplomatic relations and eliminate sanctions against Cuba. As a result, it is felt that, free trade between Cuba and the US will not occur in the short or medium term. It is therefore an opportune time for Jamaica to forge ahead with plans to strengthen trade relations with Cuba in the short term.

It is an opportune time for Jamaica to forge ahead with plans to strengthen trade relations with Cuba, as it is expected that free trade between the United States and Cuba will not occur in the short or medium terms.

In 2011, Cuba's exports (goods and services), was calculated at 19.96% of its GDP.

Jamaica's Trade with Cuba

Since 2012 Jamaica has enjoyed a trade surplus with Cuba with earnings being recorded at US\$ 5,526,821 in 2012. Jamaica's balance of trade with Cuba has fluctuated over the past decade with the current surplus trend set to continue, provided demand and supply does not decrease.

In 2013 and 2014 there was a positive trade of US\$2,377,144 and US\$1513,523 respectively. However in 2007 Jamaica's trade deficit with Cuba fell to a worrisome low when it was valued at US\$-10,615,548.⁴

Jamaica's major exports to Cuba are chemicals and related materials, such as insecticides, fungicides, herbicides and nematicides; as well as boxes, cases, crates and other similar articles of plastics, mixtures of juices and unsweetened biscuits.

The main re-exports have generally been parts and accessories for tractors, cotton t-shirts (knitted/crochet), and refrigerating and freezing equipment.

Cuba is a big food importer and Jamaica has been tapping into that demand. However, the volume and value of food exports (as opposed to beverages) from Jamaica to Cuba has been very low when compared to the value of exports to major markets such as the United States, Canada and England. In 2011 the main items Jamaica exported to Cuba were chemicals, followed by manufactured goods.

JAMAICA'S MAIN EXPORTS TO CUBA 2014

EXPORT ITEMS BY CATEGORY	VALUE US\$
Chemicals & related produces, N.E.S.	3,146,337
Manufactured goods classified chiefly by material	142,236
Crude materials, inedible, except fuels	122,486

⁴ In 2007 there was a drastic increase in Jamaica's trade deficit (-US\$10,615,548). This was due to the surge in imports of fluorescent lamps (US\$4,620,542), steel bars (US\$6,261,896), and building cement (US\$3,641,706) from Cuba.

Jamaica's Trade Opportunities

Jamaica is currently enjoying a trade surplus with Cuba with the balance of trade recorded at US\$1,916,348.00 in 2013. There is scope for increased trade and for Jamaican producers to benefit from trade with Cuba. With one of the largest varieties of nutraceutical products, exporters should explore opportunities for supplying these nutraceutical products to Cuba for joint venture initiatives. For example Cuba imports from the Dominican Republic and other countries, pharmaceutical products such as animal shampoo.

Cuba is a viable market for Jamaican products, particularly agricultural and industrial chemicals, cleaning products, cosmetics and beauty products (hair products, soaps, shampoo), meats and other food products. Jamaica export companies should also explore the opportunities to supply the restaurants and hotels in Cuba with high quality Jamaican food brands. Well-known brands such as Blue Mountain coffee and other premium products would definitely appeal to Canadian and European tourists in visiting Cuba who would be able to afford these types of products.

JAMAICA'S IMPORTS & EXPORTS TO CUBA

	Imports	Dom. Exports	Re-exports	Balance of Trade
2000	2,838,770	1,035,304	115,048	-1,688,418
2001	4,605,904	704,833	70,357	-3,830,714
2002	3,992,748	3,232,177	27,850	-732,721
2003	7,351,284	2,204,465	161,492	-4,985,327
2004	3,790,130	1,948,347	75,003	-1,766,780
2005	5,082,886	1,537,957	3,924	-3,541,005
2006	2,006,042	4,771,590	134,479	2,900,027
2007	16,733,166	5,858,984	258,634	-10,615,548
2008	6,527,425	7,787,340	137,689	1,397,604
2009	4,011,881	3,350,645	485,944	-175,292
2010	4,912,339	2,673,680	268,875	-1,969,784
2011	4,992,562	4,474,222	62,954	-455,385
2012	1,124,824	6,635,534	16,111	5,526,821
2013	2,252,978	3,648,469	520,858	1,916,348
2014	2,133,562	3,411,058	236,026	1,513,523
2015	248,206	294,802	0	46,597
(Jan-Mar)				

Source: Statistical Institute of Jamaica

In 2007 light bulbs were imported, steel and cement were also high value items.

Major Imports: Food (mainly ice-cream); Manufactured goods (mainly wire).

Major Exports: Chemicals (mainly fungicides & herbicides).

Market Access

Trade Agreements & Facilitation and Market Entry Strategy

The overarching trade protocol between Jamaica and Cuba is governed by the World Trade Organization (WTO) Agreement. However, there are more specific trade and cooperation agreements between Jamaica and Cuba that have facilitated ease of exports to Cuba as follows:

CARICOM PARTIAL SCOPE AGREEMENT

In 1980, CARICOM, including Jamaica, signed a Partial Scope Agreement with Cuba. Essentially, this agreement provided a list of goods that could enter Cuba duty-free from CARICOM countries. The Partial Scope Agreement of 1980 was superseded by an FTA that was signed between CARICOM and Cuba in 2000. This agreement was signed on July 5, 2000. Its main feature is that it grants free market access for goods and provides for the elimination of non-tariff barriers to trade. The agreement incorporates a rules of origin system as well as the harmonization of technical,

sanitary and phytosanitary measures between the member states.

There are no quantitative restrictions to trade in the agreement. (Cuba has operationalized their side of the agreement; however legislation is yet to be passed to allow goods from Cuba to enter Jamaica duty-free so the agreement is only partly implemented). The Agreement commits parties to working towards the eventual conclusion of a full Free Trade Agreement. The agreement also allows for progressive liberalization of trade in services.

JAMPRO and Cuba Chamber of Commerce Cooperation Agreement (2004)

This agreement serves to develop and promote trade and economic relationships between Jamaica and Cuba. The agreement identifies the exchange of publications, ideas for taking advantage of trade opportunities between the two countries.

The Exim Bank of Jamaica has introduced the Cuban Line of Credit through the Banco Nacional de Cuba in a bid to support Jamaican companies who wish to export to the Cuban market. Up to 100% of the invoice is available from Banco Nacional in Cuba. The loan pool available is CDN\$12 million. The line of credit covers a specific list of goods that includes chemicals, consumer goods (edible and durable) and paper products to name a few.

The Exim Bank's website has the complete list of products eligible for export under this arrangement. Both banks will guide prospective exporters/importers on how to access the service.

Doing Business with Cuba

Logistics

Getting goods to Cuba is sometimes a challenge for Jamaican exporters if they have less than a shipping container load but more than a few hundred kilograms of goods to ship to Cuba.

AIR

Currently there is limited direct air freight facility going between Jamaica and Cuba. (1) Jamaica Air Shuttle is a fairly new domestic and regional airline that flies small aircraft into Cuba and offers only limited space for exports to Cuba (2) Aerogaviota is also a Cuban based airline that offers limited cargo capacity between Jamaica and Cuba

SEA

Global French shipping line CMA CGM, provides direct sea freight service to Cuba from Jamaica for container loads. It takes two (2) days between Kingston and Havana and seven days between Kingston and Santiago de Cuba (The ship stops in Havana first).

DISTRIBUTION

Goods being exported to Cuba must be registered with the respective ministry there, prior to leaving Jamaica. Trade is facilitated through import-export companies established by the Government (e.g. Alimport and Quimimport).

Exporters may also enter joint venture arrangements to sell directly to small importers such as restaurants and shops who must hold import permits. Direct exporting is the simplest way of accessing any retail market but Cuba is a little more structured in its approach to importing. Hence, a company may choose to contract an agent to represent them there or to open a branch office in Cuba for dealing with imports. For these options, a request must be sent to the Cuban Chamber of Commerce. There is no need for a Jamaican company involved in exporting to Cuba to register their business in Cuba.

Dossiers on the exporter and the products to be exported must be sent in Spanish. Exporters should observe the usual documentation required for shipping overseas, such as commercial invoice, packing list, transport documents and Certificate of Origin where applicable, in sending shipments to Cuba. All documents should be in Spanish.

Travel & Accommodation

Cuba's market is not a sophisticated market. However, there are systems in place that, if followed, will serve to ease market entry and penetration.

- A tourist Card is required for visiting Cuba to visit a trade show or meet with a client (A7 Visa). If an exporter is conducting business and travelling back and forth, a Business Visa then becomes necessary (AD7 Visa). Visas are issued by the Cuban Embassy in Kingston (<http://www.frommers.com/destinations/cuba/778232>)
- Proof of health insurance is still required.
- Cuban authorities will not stamp passports of persons who visit Cuba (as this could create a problem if they need to visit the United States).
- The US dollar is not officially accepted in Cuba for commercial transactions. Travellers' cheques are accepted by specific banks. A 10% fee is charged for converting US dollars to pesos. US credit cards are not accepted in Cuba.
- Persons planning to visit Havana, Cuba for business should look for accommodation in the hotel area in the Miramar business district as this is a central location.
- It is useful to know a few Spanish words and phrases when travelling to Cuba, as this is the official language. However many business persons in Cuba also speak some English. If required the Cuban Chamber of Commerce can provide an interpreter/translator for a fee.
- Since May 2010, proof of health insurance must be shown on entering Cuba; if a traveller has none he/she will be expected to purchase it from a Cuban health insurance service provider at the airport.

Conducting Business

Cubans are very polite and proud of their culture and visitors should be respectful of this and try to enjoy the culture.

Relationship marketing is appreciated in Cuba and business meetings may start with a cup of Cuban coffee. Business travelers should have their business cards ready for exchange.

Business travelers should find out as much about the market in Cuba – and particularly the sector of interest that they intend to enter and try to find the right business partner there. Pricing is a key element in the market. Cubans expect timely responses to their communication efforts and this is important for building trust and for closing the business. Cuba has a very bureaucratic system so establishing business will take a longer time than in the average market.

Travellers are not allowed to carry meat or fruit into Cuba.

Business Etiquette & Dress code

Avoid using slangs when conducting business

Be prepared to have business lunches

Avoid discussing politics

Men should wear long sleeves and women should avoid clingy/revealing clothing

Doing Business with Cuba

Payment Conditions

Before being allowed to set up a presence in Cuba, foreign companies are expected to establish a substantial trade relationship for at least three years. It is for this reason that consignment sales are becoming more popular. Goods can be shipped to Cuba under consignment provided that they are covered by a contract for sales of merchandise imported as consignment.

Contracts related to consignment must stipulate that the consignee holds title to the goods, which the consignee must sell on behalf of the consignor according to the terms set out in the contract. The consignee must pay for the goods at the time they are sold.

* Source: Doing Business in Cuba, CEDA 2007

Annual Trade Show: Havana International Trade Show (FIHAV)

FIHAV is a consolidated fair held annually since 1983. It is held at the Expocuba venue. The organizing team includes the Ministry of Foreign Trade and Investments of the Republic of Cuba and The Cuban Chamber of Commerce.

It is Cuba's 'biggest and most important trade show' focusing on agriculture, food, beverages and other manufactured commodities. It is attended by high-level business persons from the industrial and commercial sectors.

FIHAV hosts over 4,500 foreign nationals from 60 countries and welcomes approximately 150,000 visitors, with participation of major foreign official delegations and businesses.

Through this channel, JAMPRO has facilitated the introduction of over twenty-six companies to the Cuban market.

Product Packaging, Pricing & Documentation

Goods shipped to Cuba must bear labels in Spanish (as well as local language, in Jamaica's case, English).

Labels should indicate: Specific name of the product(s); List of ingredients; Expiry date; Net content; Units (measurement).

Most Cubans have limited incomes so ideal size of packages of consumer products should be relatively small 'near sample' size, for maximizing sales.

Government sets most prices in Cuba. This has led to price distortions in the market rather than real market prices prevailing.

As a price sensitive society, Cubans are looking for the best deal. Exporters must balance quality, size and price of the consumer goods being offered for sale in order to successfully penetrate the Cuban market.

Export documents required include:
At least two copies of a bill of lading.
Copies of the Airport Bill (if the goods are being sent by air)
Commercial Invoice
Packaging List
Full details about the origin of the goods.
Contents and weight must be identified on the documents.

Useful Contacts in Cuba

Cuban Chamber of Commerce

Provides contacts with government officials and business executives.
The chamber supports incoming missions. Facilitates meetings.
Tel: 537-838-1321, 838-1322, 838-1654, 838-1746, 838-1852, 838-8284, ext. 253
Email: www.camaracuba.cu, elacaribe@camara.com.cu; esteeuro@camara.com.cu

Alimport

Agent for imports of agricultural/food products
Tel: 537- 836-9583 to 86. Ext. 136 and 137, 537-836-3376
Email: alimport@alimport.com.cu secretarias@alimport.com.cu, aortiz@alimport.com.cu

Quimimports

Agent for imports of herbicides and pesticides, etc.
Importers for the Ministry of Agriculture & Ministry of Sugar.
Tel: 537-836-3789
Fax: 537-836-2617
Email: danialmeida@quimimport.cu omar.copperis@quimimport.cu / quimimport@quimimport.cu

Banco Nacional de Cuba (National Bank of Cuba)

Tel: 537-862-8896 - 537-866-9512
Fax: 537-866-9390

Oficina Nacional de Normalization (National Bureau of Standards)

Tel: 537-830-0803 - 537-830-0821
Fax: 537-836-8048
Email: nc@ncnorma.cu

Ministry of Foreign Trade (MINCEX)

Tel: 537-838-0393, 838-0423
Fax: 537-838-0516
Email: Correo electrónico: belsis.llorente@mincex.cu

CONTACTS IN JAMAICA

Ministry of Foreign Affairs and Foreign Trade
Andrea Dubidad Dixon
Acting Deputy Director (Bilateral and Regional Affairs)
Foreign Trade Department
Tel: 926-4220 Ext 3230
E-mail address: andrea.dixon@mfaft.gov.jm

Jamaica Promotions Corporation
Robert Scott
Vice President
Export Market Development Division
18 Trafalgar Road, Kingston 10
Tel: 978-7755
rscott@jamprocorp.com

Online and Other Publications

Caribbean Export Development Agency: Doing Business with Cuba.

http://www.carib-export.com/login/wp-content/uploads/2009/08/doing_business_with_cuba.pdf

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<http://www.gistnet.com/cidb-sample/ar-cu.import.html>

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http://www.ehow.com/about_5280006_cuban-business-etiquette.html

EXIM BANK JAMAICA. CUBAN LINE OF CREDIT.

<http://www.eximbankja.com/loans/cuban-line-credit>

FDI MARKETS.

www.fdimarkets.com

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<http://www.miamiherald.com/2008/12/23/824031/after-50-years-cubas-economy-stillhtml>

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<http://globaledge.msu.edu/countries/cuba/memo>

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<http://atlas.media.mit.edu/profile/country/cub/>

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THE CANADIAN TRADE COMMISSIONER SERVICE. TRADE COMMISSIONER SERVICE – CUBA

<http://www.tradecommissioner.gc.ca/eng/office.jsp?oid=121>

UNCTAD Statistics

<http://unctadstat.unctad.org/TableViewer/tableView.aspx>

UNDP Human Development Reports.

<http://hdr.undp.org/en/countries/profiles/CUB>

Victoria Law Group. Doing Business in Cuba FAQ.

<http://www.thevictorialawgroup.com/cuba-faq/>

World Bank - GDP statistics

<http://data.worldbank.org/country/cuba>

Cuba Population

<http://www.indexmundi.com/cuba/population.html>

Cuba sex ratio http://www.indexmundi.com/cuba/sex_ratio.html

http://www.indexmundi.com/cuba/demographics_profile.html.

Ages 01-14 20% and 65 and over 10%

Canadian Trade Commissioner.

<http://www.tradecommissioner.gc.ca/eng/document.jsp/did=13137>

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Layout & Design:
Deeks Designs Limited.



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THAT MARKETS, PROMOTES AND FACILITATES
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THAT ADD VALUE TO THE JAMAICAN ECONOMY.

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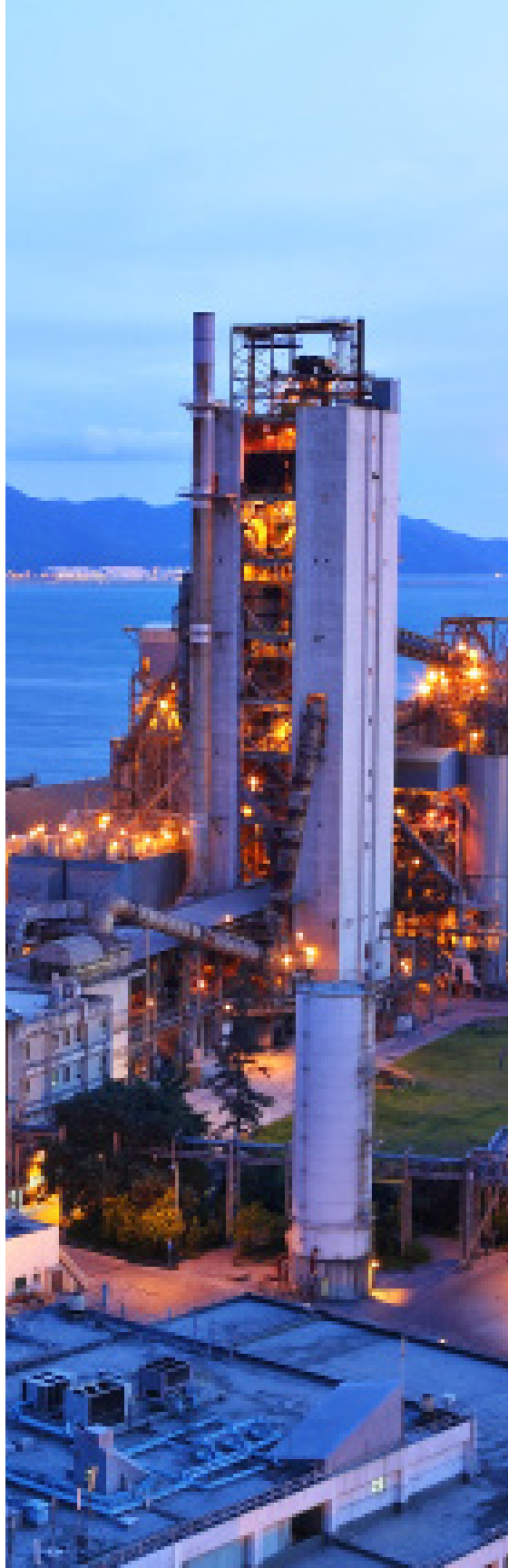
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Published by
JAMAICA PROMOTIONS CORPORATION
Kingston, Jamaica
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