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INTERNATIONAL TRADE

By Tom Manning



Business opportunities for NZ in Cuba

Lucrative business and investment opportunities are emerging in Cuba as a result of the growing normalisation of US/Cuban relations, as well as its business and banking sector reforms.

The 2014 Cuban Foreign Investment Act allows foreign investment in utilities, administrative concessions, real estate, hotel management and professional services sectors.

Cuba allows 100 per cent foreign ownership and repatriation of profits; the corporate tax rate is 15 per cent; investors in joint ventures (JVs) receive an eight-year exemption from all taxes on profits; and foreign investors’ IP is recognised.

The expanded Panama Canal has improved New Zealand’s access to Atlantic markets and particularly to Cuba where quick-off-the-mark NZ exporters could build significant first-mover advantages to establish strong brand recognition and customer loyalty before other entrants to the market.

According to the World Bank, Cuba’s population is 11.2 million and 2015 GDP was \$78.394 billion, comprised of 74 per cent services, 21.6 per cent industry and 4.4 per cent agriculture.

Cuba imports twice as much as it exports, as evidenced in 2014 when imports were \$7.99bn, including 70 per cent of its food worth US\$2.6bn including \$145 million of New Zealand milk powder and dairy products. Exports were \$2.35bn.

Cuba’s ambassador to New Zealand, Mario Alzugaray Rodriguez, and the president of the Cuban Institute for Friendship, Kenia Serrano who visited Auckland last year, have highlighted opportunities for New Zealand exporters in the Cuban tourism, food, renewable energy, IT and agriculture sectors.

Tourism in Cuba has been severely restricted by the US economic blockade and a federal travel ban. But this is in the process of changing as a result of the US Department of Transportation allowing flights to Cuba from the US mainland for a range of approved travel purposes, although vacation travel has not yet been approved.

Cuba has around three million visitors per annum (principally from Canada, Europe, Russia and South America) and with the addition of US visitors, the number is expected to reach five million by the end of 2017.

Tourism, technology and more

In provisioning for Cuba’s rapidly burgeoning tourism sector there are significant openings for New Zealand’s premium food and beverage products. New Zealand exporters need to make themselves known to Cuban traders to ensure that New Zealand’s offer is well-known when fresh food orders are made to meet the needs of sophisticated US and European visitors.

Adventure tourism in Cuba is completely undeveloped, and savvy New Zealand operators can gain a huge first-mover advantage in this sector by forming JVs with local investors and established tourism operators.

More than 95 per cent of electricity in Cuba is produced from fossil fuels, with the balance supplied by a hydroelectric dam, solar parks and wind generators. As Cuba has set a target to produce 24 per cent of its electricity from renewable sources by 2030, New Zealand green energy companies can make profitable investments by sharing their world-leading technologies and expertise.

Around a quarter of the Cuban population is able to access the internet despite serious problems accessing US websites. There are

three million cell phones in use, which are currently the easiest and most affordable way to access the internet, although the Cuban government is making substantial investments in fixed-line networks and it has a target to ensure every classroom in the country has internet access by 2018.

There are particularly strong opportunities for New Zealand services and technology providers in the rebuild of Cuban agricultural capacity, which is presently much reduced due to the US economic blockade, given that before the blockade Cuba produced more sugar than even the US and had more cattle than inhabitants (the national herd is now around four million).

Cuba places high priority on food security. It is actively looking at ways to improve production and in particular wants technologies in mapping for agriculture including fertiliser and pesticide dosing, and for food packaging, as well as animal husbandry and cropping.

Despite the thaw in US/Cuban relations, the US commercial blockade (on banking services in particular) still remains in force, which can make getting paid reasonably complex. However, international banking services will improve once the blockade is fully lifted, as is expected after the forthcoming US presidential and congressional elections.

It’s imperative potential investors, exporters, tourism service and technology providers personally visit Cuba to clarify the opportunities, understand market structures and build productive personal relationships, key elements in profitably positioning New Zealand products and technology.

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