

CUBA

Executive Summary

This country fact sheet provides key trade, investment and tourism related statistics for Cuba. Specifically, it shows global trade and investment flows including an analysis of top markets and products for Cuba in relation to South Africa and the Western Cape, highlighting the largest and fastest growing products and sub-sectors. It also analyses tourism trends between Cuba and the world. The key highlights in the Cuba fact sheet are provided below:

TRADE

- Between 2007 and 2016 Cuba had a negative trade balance with the value of imports exceeding the value of exports. Exports declined from USD3.62bn in 2007 to USD1.52bn in 2016, while imports declined marginally from USD6.95bn in 2007 to USD6.82bn in 2017.
- Canada (USD294.26m) was Cuba's largest export market and accounted for 19% of all its exports in 2016. China (USD273.75m) and Spain (USD145.43) were the second and third largest export destinations.
- In 2016, China was also Cuba's largest source market importing goods to the value of USD1.78bn to Cuba, this equated to 26% of all Cuba's imports.
- Accounting for 35% of South Africa's exports, polymers of ethylene were the largest export in 2016, valued at USD1.8m.
- In 2017 the Western Cape was a net exporter of goods to Cuba the province exported goods to the value of USD1.8m to Cuba. In the same year the province imported goods to the value of USD905 thousand.

FDI

- Between January 2003 and September 2017 a total of 102 FDI projects were recorded into Cuba.
- Spain and the United States contributed the highest amount of investment projects into Cuba with 32 and 9 projects respectively, they were followed by Russia (7) and Canada (6).
- Between January 2003 and September 2017 a total of 8 FDI projects were recorded from Cuba. These projects represent a total capital investment of USD182m which is an average investment of USD23m per project.

Tourism

- The Cuban Ministry of Tourism reported that arrivals surpassed 4.7m in 2017, up roughly 17.% y-o-y from 2016 on the back of a 191.% increase in arrivals from the United States, which accounts for roughly one-quarter of all arrivals to Cuba.
- However, BMI anticipated a decline in the 2018 growth figures and this can be attributed to the damage to infrastructure caused by Hurricane Irma and the deteriorating relations with the US will weigh on the tourism sector.

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1. General Information

Cuba is officially called the Republic of Cuba, the country is comprised of the island of Cuba as well as Isla de la Juventud and several minor archipelagos. Cuba is located in the northern Caribbean where the Caribbean Sea, the Gulf of Mexico, and the Atlantic Ocean meet. It is south of both the United States' state of Florida and the Bahamas, west of Haiti, and north of Jamaica. Havana is the largest city and capital; other major cities include Santiago de Cuba and Camagüey. Cuba is the largest island in the Caribbean, with an area of 109,884 square kilometres (42,426 sq mi), and the second-most populous after Hispaniola, with over 11 million inhabitants.

Cuba's business environment is considered to be poor by international standards, given that the country's centrally-controlled economy, based on communist principles, is inherently hostile to private markets. According to Business Monitor International, the pace of reforms in the country is likely to slow in the coming years, as the rollback of the détente between Cuba and the US will negatively impact the island's economic development. However, in recent years the government has slowly eased restrictions on some types of private enterprise, while aggressively courting foreign investment into priority sectors, including energy, shipping, and tourism.



| GENERAL INFORMATION - CUBA | |
|-----------------------------|---|
| Capital | Havana |
| Population (July 2017 est.) | 11,147,407 |
| Government type | Communist |
| Chief of State | Gen. Raul Castro Ruz (president since 24 February 2008) |
| Life expectancy (2017 est) | 78.8 years |
| Literacy | 99.80% |
| Ethnic groups (2012 est) | White 64.1%, mulatto or mixed 26.6%, black 9.3% |
| Religion(s) | Nominally Roman Catholic 85%, Protestant, Jehovah's Witnesses, Jewish, Santería |
| Languages | Spanish (official) |

Source: CIA World Factbook, 2018

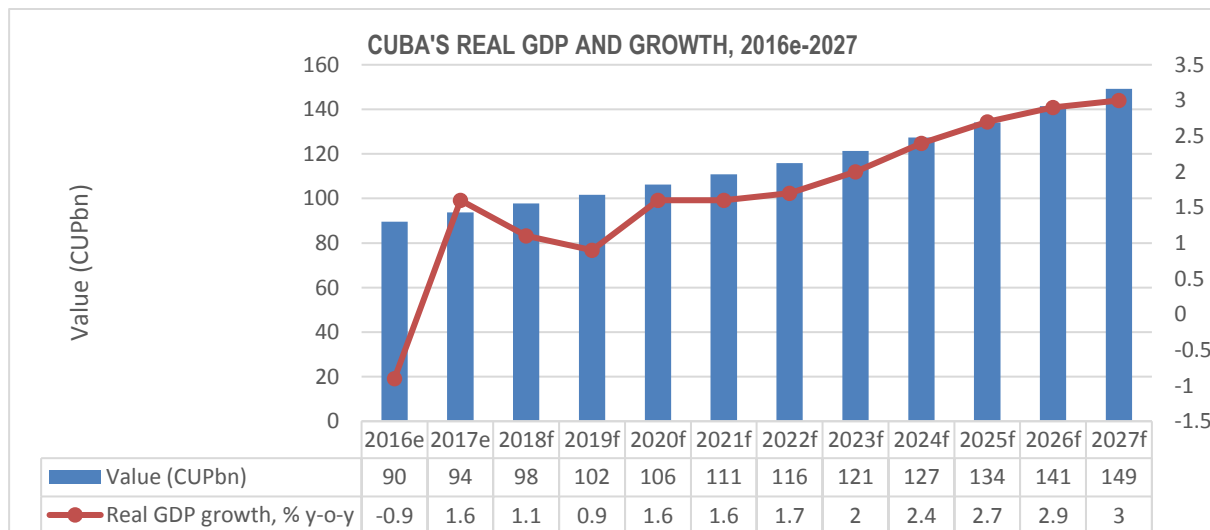
2. Economic Overview

According to Business Monitor International (2018) private consumption as a share of GDP is said to expand to 65.4% by 2027, from an estimated 57.8% in 2017, maintaining its position as the main driver of economic growth. Substantial economic reforms will support household purchasing power by allowing the creation of new, higher paying jobs in the private sector. In addition, the proposed unification of Cuba's dual exchange rate regime, while inflationary in the short term, is said to reduce distortions in the labour market and create a single pricing mechanism for all goods in the economy. Slower fiscal spending growth in light of declining support from key ally Venezuela and reductions in the size of the public workforce will modestly reduce government spending as a share of GDP in the coming years.

| ECONOMIC INFORMATION | |
|------------------------------------|------------------|
| GDP (PPP) (2016 est.) | USD132.9 billion |
| GDP growth (2016 est.) | -0.9% |
| GDP per capita (2016 est.) | USD11,900 |
| Inflation (2017 est.) | 4.80% |
| Commercial Bank Prime lending rate | N/A |
| Unemployment rate (2016 est.) | 2.20% |
| Public debt | 35.8% |
| Total Exports (2017 est.) | USD2.885 billion |
| Total Imports (2017 est.) | USD10.84 billion |

Source: CIA World Factbook, 2018

According to BMI (2018) Cuba will see steady real GDP growth over the next ten years as economic reforms take hold provided the United States relations remain relatively supportive of tourism inflows and fixed investment. Furthermore, the country's economic growth will not return to the level of growth seen in the past 15 years given a significant decline in support from Venezuela. However, Cuba features significant upside potential given its relatively large population, proximity to the US market and potential for reform to spur investment. BMI has delayed their forecast for the unification of Cuba's dual exchange rate regime, now expecting it to take place by the end of 2018. A lack of information regarding the timeline for unification, combined with policymakers' failure to address it during the Communist Party's congress in April 2016, suggest that it will take longer to come to fruition than we previously expected.



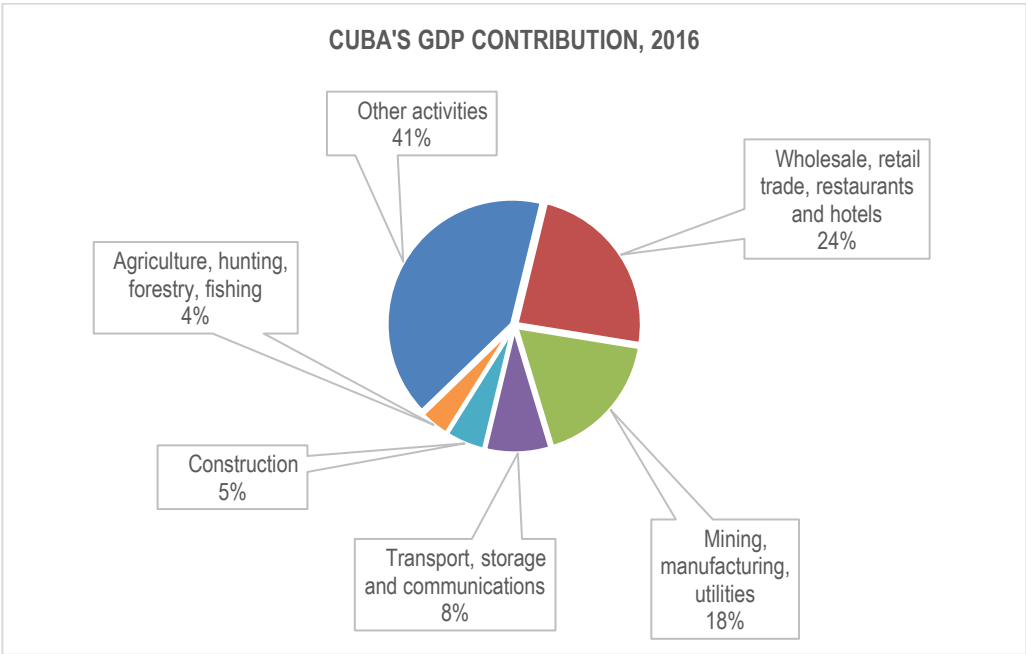
Source: IMF, 2018

Dual Currency: the dual currency system has meant the simultaneous circulation of two domestic currencies: Cuban Pesos (CUP) and Convertible Cuban Pesos (CUC), which is pegged to the U.S. dollar. The system includes multiple exchange rates: one for households that allows individuals to exchange 24 CUP for one CUC in *Casas de Cambio SA* (Currency Exchange House—CADECA) and the official exchange rate for companies and the public sector of one CUP for one CUC. This system operates under an institutional framework that differentiates markets and prices depending on the currency of transaction and whether the exchanges are made by citizens or enterprises. The dual currency system was enacted by Cuba to help mitigate the economic shock from the collapse of the Soviet Union, the dual currency was set to stimulate production in the then-emerging sectors of tourism and foreign direct investment.

United States embargo on Cuba: Since the 1960s, the United States has imposed an embargo against Cuba. The embargo, known among Cubans as "el bloqueo" or "the blockade," consists of economic sanctions against Cuba and restrictions on Cuban travel and commerce for all people and companies under US jurisdiction. On Mar. 15, 2016, the Obama administration announced that two Cuba embargo restrictions would be relaxed, allowing easier travel to Cuba and more commerce between the countries. Most other embargo restrictions remain in effect. The United States and Cuba have not always been at odds. The breakdown in the relationship started when Fidel Castro overthrew the US-backed President Batista and established Cuba as the first Communist state in the Western Hemisphere. In the process he seized USD1.8 billion of US assets in Cuba, making it the largest uncompensated taking of American property by a foreign government in US history. The US government was also concerned about Castro close relationship with the Soviet Union and the threat posed by having a new Soviet ally so close to America's shores. (Procon.org, 2018)

The diagram below shows Cuba's industry contribution to Gross Domestic Product in 2016. The largest industry contributors in 2016 were:

- Wholesale, retail trade, restaurants and hotels (24%)
- Mining, manufacturing and utilities (18%)
- Transport, storage and communications (8%)
- Construction (5%)



Source: Unctad, 2018

2.1 Cuba's Risk Ratings

In 2017 Moody's Investors Service affirmed Government of Cuba's Caa2 foreign currency issuer rating, assigned a Caa2 local currency issuer rating, and changed the rating outlook to stable from positive. The key drivers of the change of outlook were firstly the rapprochement process with the United States has stalled resulting in a reversal of measures to ease the economic embargo, and in recent months US-Cuba relations have deteriorated. Secondly, Moody's expectations of continued reform momentum and favourable macroeconomic performance have not materialized due to a series of climate shocks, strained relations with the US and the upcoming domestic political transition. Cuba's Caa2 sovereign rating reflects credit weaknesses that include limited access to external financing, structural inefficiencies, political transition risk, and importantly, limited data transparency. The rating also incorporates the economic impact of the growing tourism sector, nickel-related mining activities, and the potential for future economic diversification.

| CUBA'S COUNTRY RATINGS | | | | |
|------------------------------------|-------------------------|----------------|---------------|-----------------|
| STANDARD & POORS SOVEREIGN RATINGS | | | FITCH RATING | MOODY'S RATINGS |
| Local Currency Rating | Foreign Currency Rating | T&C Assessment | Credit Rating | Credit Rating |
| - | - | - | - | Caa2 |

Source: Standard & Poors, 2018

The table below shows Cuba's risk assessment in terms of export transactions and direct investments. Ratings are between 1 and 7, and between A and C, with 7 and C being the maximum risk indicators. The table shows that the political risk in Cuba is extremely high both in the short and long-term. Commercial risk and special transaction risk is also viewed as high. The remaining categories pertaining to direct investments, are all high. In February 2018 president Raul Castro said he will be stepping down, this signified the relinquishing of six decades of presidential power by the Castro family. This potentially poses risks to political stability and increasing uncertainty over economic policy and prospects. Moody's believes that risks to economic liberalization are substantial given the state's wavering commitment to private enterprise and Cuba's lack of experience with implementation of market policies.

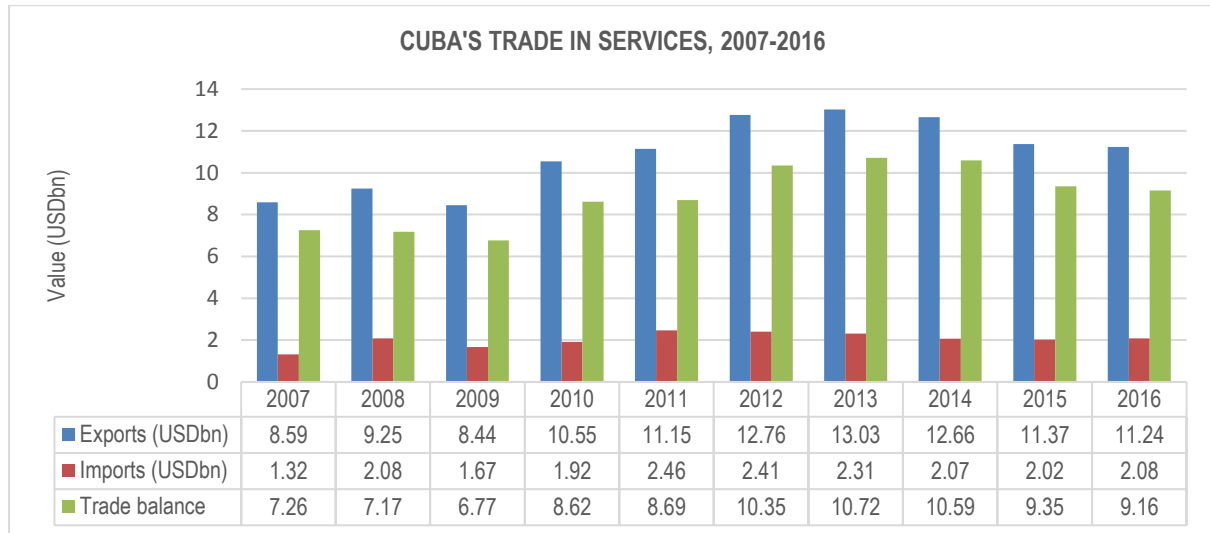
| CUBA'S RISK ASSESSMENT, 2018 | | |
|---|----------------------|---|
| EXPORT TRANSACTIONS | | |
| Political Risks | Short Term | 7 |
| | Medium-Long term | 7 |
| | Special Transactions | 7 |
| Commercial Risk | C | |
| DIRECT INVESTMENTS | | |
| War risk | 7 | |
| Risk of expropriation and government action | 7 | |
| Transfer risk | 7 | |

Source: ONDD, 2018

3. Trade

3.1 Cuba's Trade in Services

The table below shows Cuba's trade in services, over the reviewed period Cuba was a net exporter of services. In 2016 travels services were the only exported services by Cuba.



Source: TradeMap, 2018

3.2 Cuba's Global Trade with the World

In the past ten years Cuba has maintained a negative trade balance as imports have exceeded exports. Exports have continued declined, with exports declining from USD3.62bn in 2007 to USD1.52bn in 2016, while imports declined marginally from USD6.95bn in 2007 to USD6.82bn in 2017.



Source: TradeMap, 2018

Canada (USD294.26m) was Cuba's largest export market and accounted for 19% of all its exports in 2016. China (USD273.75m) and Spain (USD145.43) were the second and third largest export destinations. South Africa was the 33rd ranked export market for Cuba in 2016. Businesses all acknowledge that Cuba and the United States have natural trade ties and that the two countries are complementary markets. However, after the ascension of the new government in 1960 US

applied trade restrictions which saw Cuba descend from being ranked as the seventh-largest U.S. export market to the 111th largest export market in 2016. The Trump administration implemented new Cuba travel and financial restrictions effective Nov. 9, 2017 that require US visitors to Cuba to travel with an organization rather than on their own. A statement from the US Department of the Treasury explained that, "Individual people-to-people non-academic educational travel will no longer be authorized as announced by the President."

| TOP 10 DESTINATION COUNTRIES FOR CUBAN EXPORTS, 2016 | | | |
|--|--------------|-------------------|--------------------|
| RANK | COUNTRY | VALUE 2016 (USDm) | % GROWTH 2012-2016 |
| 1 | Canada | 294.26 | -13 |
| 2 | China | 273.75 | -17 |
| 3 | Spain | 145.43 | -12 |
| 4 | Germany | 56.80 | -6 |
| 5 | Brazil | 55.04 | -16 |
| 6 | Portugal | 51.88 | 1 |
| 7 | Belarus | 48.16 | -1 |
| 8 | Hong Kong | 46.67 | 5 |
| 9 | Cyprus | 42.86 | -2 |
| 10 | Switzerland | 34.91 | 1 |
| 33 | South Africa | 0.02 | -17 |
| TOTAL EXPORTS | | 1 518.67 | -14 |

Source: TradeMap, 2018

In 2016, China was also Cuba's largest source market with goods to the value of USD1.78bn, this equated to 26% of all Cuban imports. Spain (USD1bn) was the second largest import market, with Italy (USD350m) third.

| TOP 10 SOURCE MARKETS FOR CUBA IMPORTS, 2016 | | | |
|--|---------------|--------------------|--------------------|
| RANK | COUNTRY | VALUE 2016 (USDbn) | % GROWTH 2012-2016 |
| 1 | China | 1.78 | 12 |
| 2 | Spain | 1.01 | 1 |
| 3 | Italy | 0.35 | 2 |
| 4 | Mexico | 0.32 | -4 |
| 5 | Argentina | 0.32 | 24 |
| 6 | Brazil | 0.32 | -11 |
| 7 | Canada | 0.31 | -8 |
| 8 | Germany | 0.27 | 4 |
| 9 | Panama | 0.26 | 1 |
| 10 | United States | 0.25 | -18 |
| 39 | South Africa | 0.10 | -59 |
| TOTAL IMPORTS | | 6.82 | 1 |

Source: TradeMap, 2018

Cane or beet sugar (USD414.57m) was Cuba's largest export and constituted 27% of the products exported by Cuba. Cigars (USD259.45m) were the second largest export product followed by undenatured ethyl alcohol (USD104.68m). Meat and edible offal of fowls (USD179.08m) were Cuba's largest import product in 2016, followed by maize (USD169.38m) and wheat and meslin (USD168.27m).

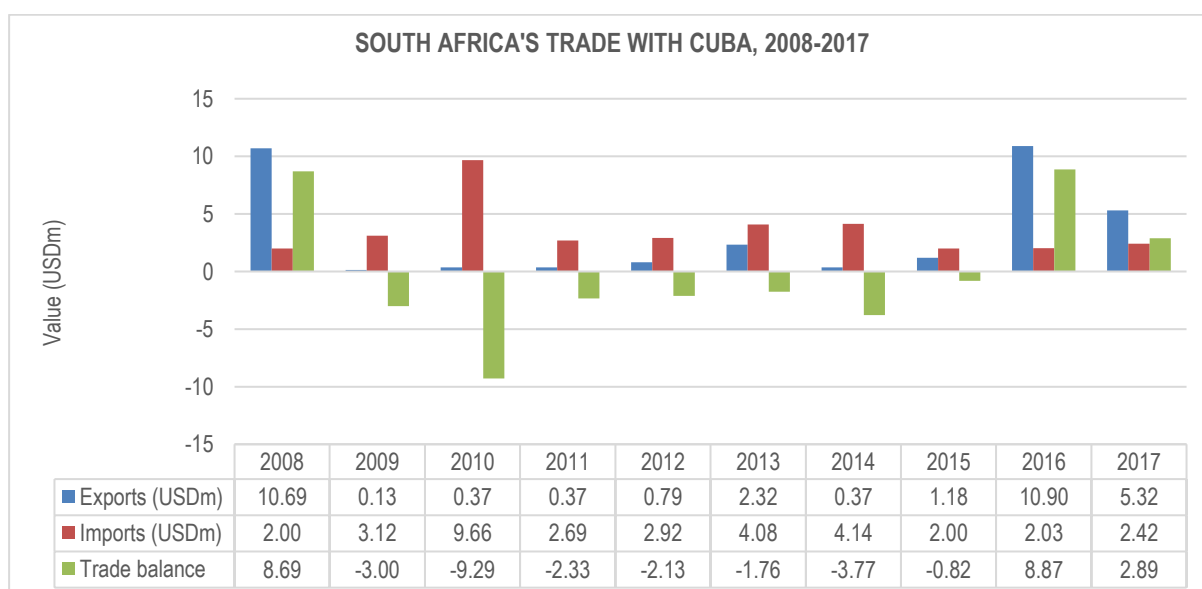
| TOP 10 PRODUCTS EXPORTED BY CUBA, 2016 | | | | TOP 10 PRODUCTS IMPORTED BY CUBA, 2016 | | | |
|--|---|-------------------|------------------------|--|---|-------------------|------------------------|
| RANK | PRODUCT | VALUE 2016 (USDm) | % AVG GROWTH 2012-2016 | RANK | PRODUCT | VALUE 2016 (USDm) | % AVG GROWTH 2012-2016 |
| 1 | Cane or beet sugar | 414.57 | 9 | 1 | Meat and edible offal of fowls | 179.08 | -4 |
| 2 | Cigars | 259.45 | | 2 | Maize | 169.38 | -5 |
| 3 | Undenatured ethyl alcohol | 104.68 | -15 | 3 | Wheat and meslin | 168.27 | -8 |
| 4 | Nickel mattes | 77.35 | | 4 | Refined petroleum oils | 142.43 | -18 |
| 5 | Crustaceans | 77.10 | -12 | 5 | Oilcake and other solid residues | 133.69 | -4 |
| 6 | Dried glands and other organs for organo-therapeutic uses | 51.29 | 18 | 6 | Parts and accessories for tractors | 131.83 | 0 |
| 7 | Wood charcoal | 43.54 | -20 | 7 | Milk and cream | 116.69 | -7 |
| 8 | Semi-finished products of iron or non-alloy steel | 28.48 | 13 | 8 | Motor vehicles | 110.35 | -1 |
| 9 | Human blood | 0.03 | | 9 | Crude petroleum oils a | 102.51 | -23 |
| 10 | Waste and scrap, of copper | 24.93 | 8 | 10 | Preparations of a kind used in animal feeding | 100.88 | 1 |
| TOTAL EXPORTS | | 1 518.67 | -14 | TOTAL IMPORTS | | 6 823.53 | -4 |

Source: TradeMap, 2018

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3.3 Cuba's trade with South Africa

The graph below shows South African and Cuban trade for the past ten years. In this period Cuba has been the more dominant trade partner with the country's exports exceeding imports. In 2017 South African exports to Cuba accounting for 69% of trade between the two nations. In the same year imports were valued at USD2.42m appreciating by 19% from the previous year.



Source: Quantec; 2018

Accounting for 35% of South Africa's exports to Cuba, polymers of ethylene were the largest export in 2016, valued at USD1.8m. New pneumatic tyres and seeds (fruit and spores) were the second and third largest exports, valued at USD588'000 and USD561'000 respectively.

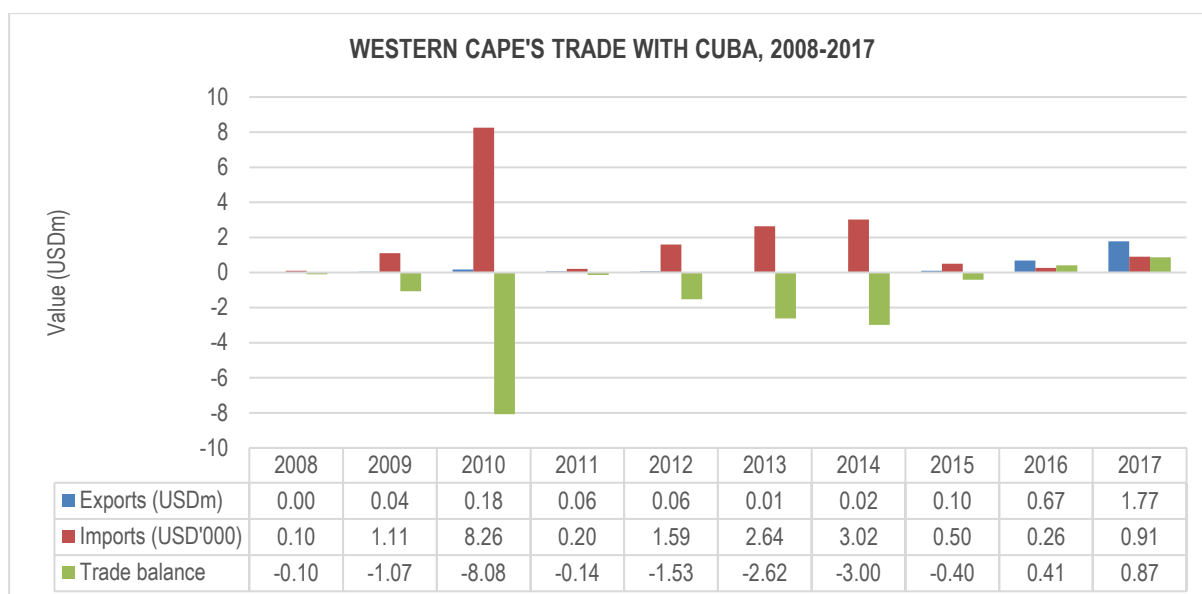
South Africa imported USD1.5m worth of cigars from Cuba in 2017, making it the largest imported product followed by human blood (USD576'000) and undenatured ethyl alcohol.

| TOP 10 SOUTH AFRICAN EXPORTS TO CUBA, 2017 | | | | TOP 10 SOUTH AFRICAN IMPORTS FROM CUBA, 2017 | | | |
|--|--|-------------------|--------------------|--|---|-------------------|--------------------|
| RANK | PRODUCT | VALUE 2017 (USDm) | % GROWTH 2016-2017 | RANK | PRODUCT | VALUE 2017 (USDm) | % GROWTH 2016-2017 |
| 1 | Polymers of ethylene | 1.85 | 75% | 1 | Cigars, cheroots, cigarillos and cigarettes | 1.49 | -15% |
| 2 | New pneumatic tyres | 0.59 | -89% | 2 | Human blood | 0.58 | - |
| 3 | Seeds, fruit and spores | 0.56 | 86% | 3 | Undenatured ethyl alcohol | 0.35 | 28% |
| 4 | Jerseys, pullovers, cardigans | 0.42 | 174% | 4 | Coffee, | 0.01 | -34% |
| 5 | Parts and accessories of the motor vehicles | 0.37 | 866% | 5 | Antiques | 0.00 | - |
| 6 | Machinery for sorting/ screening/ separating kneading earth, stone | 0.30 | -88% | 6 | Machines and mechanical appliances | 0.00 | - |
| 7 | Other made up clothing accessories | 0.23 | 24917% | 7 | Wrist-watches, pocket-watches and other watches | 0.00 | - |
| 8 | Parts suitable for use solely or principally with pulley tackle and hoists | 0.18 | -11% | 8 | Monitors and projectors | 0.00 | - |
| 9 | Men's or boys' suits, ensembles | 0.16 | 33853% | 9 | Fish, frozen | 0.00 | - |
| 10 | Women's or girls' slips, petticoats, briefs | 0.14 | 988557% | 10 | Animal products | 0.00 | - |
| TOTAL EXPORTS | | 5.32 | -51% | TOTAL IMPORTS | | 2.42 | 19% |

Source: Quantec, 2018

3.4 Trade with the Western Cape

In 2017 the Western Cape was a net exporter of goods the province exported goods to the value of USD1.8m to Cuba. In the same year the province imported goods to the value of USD905.33 thousand.



Source: Quantec, 2018

Seeds (USD577'000) were the province's largest export, followed by jerseys, pullovers and cardigans valued at USD577'000. Cuba's imports were mainly products from the clothing and textile sector. The Western Cape's largest import product from Cuba were antiques (USD560'000), followed by women's or girl's suits, ensembles and jackets (USD343'000) and knitted and crocheted women's or girl's suits, ensembles and jackets (USD98'000).

| TOP 10 WESTERN CAPE EXPORTS TO CUBA, 2017 | | | | TOP 10 WESTERN CAPE IMPORTS FROM CUBA, 2017 | | | |
|---|---|-------------------|--------------------|---|--|----------------------|--------------------|
| RANK | PRODUCT | VALUE 2017 (USDm) | % GROWTH 2016-2017 | RANK | PRODUCT | VALUE 2017 (USD'000) | % GROWTH 2016-2017 |
| 1 | Seeds, fruit and spores | 577.26 | 102.25% | 1 | Antiques | 560.11 | - |
| 2 | Jerseys, pullovers, cardigans etc. | 423.95 | 195.58% | 2 | Women's or girls' suits, ensembles, jackets etc. | 343.17 | -99.87% |
| 3 | Clothing accessories | 234.02 | 26859.16% | 3 | Women's or girls'knitted or crochetedsuits, ensembles etc. | 0.98 | - |
| 4 | Men's or boys' suits, ensembles, jackets etc. | 166.76 | 36401.16% | 4 | Men's or boys' suits, ensembles etc. | 0.75 | - |
| 5 | Women's or girls' slips, petticoats, briefs ect. | 141.04 | 1080403.95% | 5 | Monitors and projectors | 0.28 | - |
| 6 | Panty hose, tights, stockings, socks and other hosiery | 89.45 | 254.33% | 6 | Men's or boys' nitted or crocheted underpants, briefs etc. | 0.02 | - |
| 7 | Bed linen, table line etc. | 49.87 | 2075.97% | 7 | Other printed matter, including printed pictures and photographs | 0.00 | - |
| 8 | Onions, shallots, garlic, leeks and other alliaceous vegetables | 25.29 | - | 8 | Footwear with outer soles of rubber | 0.00 | - |
| 9 | Antiques | 23.60 | - | 9 | Knitted or crocheted Jerseys, pullovers, cardigans | 0.00 | - |
| 10 | Men's or boys' shirts | 18.66 | 81.02% | 10 | Trunks, suit-cases, vanity-cases, executive-cases etc. | 0.00 | 0.00% |
| TOTAL EXPORTS | | 1.77 | 162.87% | TOTAL IMPORTS | | 905.33 | 246.64% |

Source: Quantec; 2018

3.5 Trade Agreements

South Africa has an Economic Assistance Agreement with Cuba to enhance trade. Under the agreement South Africa has set aside R350 million worth of grants and loans to help Cuban enterprises when procuring local products. In November 2010, the South African cabinet had approved the principle of an EAP Economic Assistance Package to Cuba, both to assist in addressing the effects of the natural disasters, and in strengthening bilateral relations. The total package was R350 million, and the final agreement was concluded on 25 November 2011 and signed on 3 February 2012. The EAP was a three part agreement. Facility A was a R40 million grant for purchase of seeds by Cuba, R5 million from South Africa, R35 million from any country, including South Africa. This was non-repayable. Facility B consisted of a R100 million solidarity grant that was also non-repayable. Facility C consisted of a R210 million credit line, to be paid in two tranches of R70 million and R140 million. The first tranche had to be repaid after two years, and once this was done, the second tranche would be paid, and would become repayable over five years. The money was provided through the African Renaissance Fund, the Industrial Development Corporation (IDC) would hold an account for the R350 million and would manage the payment on behalf of the Department of Trade and Industry (dti). Cuba would identify the goods it sought to purchase, IDC would pay the authorised companies for exporting the goods, and in all, R35 million would leave South Africa, and all funds would be used to purchase South African goods.

3.6 Tariffs

Tariffs imposed by Cuba on South African exports are listed below.

| TARIFFS IMPOSED ON SOUTH AFRICAN EXPORTS TO CUBA, 2016 | | | | | |
|---|------------|---|------------|--|------------|
| HS CODE AND PRODUCT DESCRIPTION | TARIF F, % | HS CODE AND PRODUCT DESCRIPTION | TARIF F, % | HS CODE AND PRODUCT DESCRIPTION | TARIF F, % |
| H01: Live animals | 8 | H33: Essential oils, perfumes, cosmetics, toiletries | 15 | H65: Headgear and parts thereof | 24 |
| H02: Meat and edible meat offal | 10 | H34: Soaps, lubricants, waxes, candles, modelling pastes | 24 | H66: Umbrellas, walking-sticks, seat-sticks, whips | 11 |
| H03: Fish, crustaceans, molluscs, aquatic invertebrates | 8 | H35: Albuminoids, modified starches, glues, enzymes | 6 | H67: Bird skin, feathers, artificial flowers, human hair | 11 |
| H04: Dairy products, eggs, honey, edible animal product | 14 | H36: Explosives, pyrotechnics, matches, pyrophorics | 11 | H68: Stone, plaster, cement, asbestos, mica, articles | 8 |
| H05: Products of animal origin | 10 | H37: Photographic or cinematographic goods | 9 | H69: Ceramic products | 12 |
| H06: Live trees, plants, bulbs, roots, cut flowers | 2 | H38: Miscellaneous chemical products | 5 | H70: Glass and glassware | 5 |
| H07: Edible vegetables and certain roots and tubers | 10 | H39: Plastics and articles thereof | 11 | H71: Pearls, precious stones, metals, coin | 6 |
| H08: Edible fruit, nuts, peel of citrus fruit, melons | 6 | H40: Rubber and articles thereof | 11 | H72: Iron and steel | 10 |
| H09: Coffee, tea, mate and spices | 18 | H41: Raw hides and skins (other than fur skins) and leather | 9 | H73: Articles of iron or steel | 6 |
| H10: Cereals | 6 | H42: Articles of leather, animal gut, harness, travel goods | 17 | H74: Copper and articles thereof | 3 |
| H11: Milling products, malt, starches, inulin, wheat gluten | 3 | H43: Fur skins and artificial fur, manufactures thereof | 27 | H75: Nickel and articles thereof | 6 |
| H12: Oil seed, oleagif fruits, grain, seed, fruit, | 5 | H44: Wood and articles of wood, wood charcoal | 8 | H76: Aluminium and articles thereof | 3 |
| H13: Lac, gums, resins, vegetable saps and extracts | 8 | H45: Cork and articles of cork | 5 | H78: Lead and articles thereof | 4 |
| H14: Vegetable plaiting materials, vegetable products | - | H46: Manufactures of plaiting material, basketwork, etc. | 3 | H79: Zinc and articles thereof | 5 |
| H15: Animal, vegetable fats and oils, cleavage products, | 6 | H47: Pulp of wood, fibrous cellulosic material, waste | 0 | H80: Tin and articles thereof | 2 |

| | | | | | |
|---|----|--|----|---|----|
| H16: Meat, fish and seafood food preparations | 15 | H48: Paper & paperboard, articles of pulp, paper and board | 8 | H81: Other base metals, cermet's, articles thereof | 12 |
| H17: Sugars and sugar confectionery | 22 | H49: Printed books, newspapers, pictures | 4 | H82: Tools, implements, cutlery, of base metal | 8 |
| H18: Cocoa and cocoa preparations | 29 | H50: Silk | 7 | H83: Miscellaneous articles of base metal | 10 |
| H19: Cereal, flour, starch, milk preparations and products | 11 | H51: Wool, animal hair, horsehair yarn and fabric thereof | 8 | H84: Nuclear reactors, boilers, machinery | 11 |
| H20: Vegetable, fruit, nut food preparations | 16 | H52: Cotton | 4 | H85: Electrical, electronic equipment | 9 |
| H21: Miscellaneous edible preparations | 21 | H53: Vegetable textile fibres paper yarn, woven fabric | 14 | H86: Railway, tramway locomotives, rolling stock, equipment | 12 |
| H22: Beverages, spirits and vinegar | 24 | H54: Manmade filaments | 14 | H87: Vehicles other than railway, tramway | 2 |
| H23: Residues, wastes of food industry, animal fodder | 9 | H55: Manmade staple fibres | 15 | H88: Aircraft, spacecraft, and parts thereof | 6 |
| H24: Tobacco and manufactured tobacco substitutes | 30 | H56: Wadding, felt, nonwovens, yarns, twine, cordage | 16 | H89: Ships, boats and other floating structures | 13 |
| H25: Salt, sulphur, earth, stone, plaster, lime and cement | 5 | H57: Carpets and other textile floor coverings | 15 | H90: Optical, photo, technical, medical apparatus | 16 |
| H26: Ores, slag and ash | 8 | H58: Special woven or tufted fabric, lace, tapestry | 12 | H91: Clocks and watches and parts thereof | 14 |
| H27: Mineral fuels, oils, distillation products, | 2 | H59: Impregnated, coated or laminated textile fabric | 15 | H92: Musical instruments, parts and accessories | 18 |
| HS28: Inorganic chemicals | 5 | | 15 | H94: Furniture, lighting, signs, prefabricated buildings | 15 |
| H29: Organic chemicals | 10 | H61: Articles of apparel, accessories, knit or crochet | 15 | H95: Toys, games, sports requisites | 15 |
| H30: Pharmaceutical products | 2 | H62: Articles of apparel, accessories, not knit or crochet | 19 | H96: Miscellaneous manufactured articles | 0 |
| H31: Fertilizers | 2 | H63: Other made textile articles, sets, worn clothing | 11 | H97: Works of art, collectors pieces and antiques | - |
| H32: Tanning, dyeing extracts, tannins, derivatives, pigments | 8 | H64: Footwear, gaiters and the like, parts thereof | 15 | H99: Commodities not elsewhere specified | - |

Source: *TradeMap, 2018*

NOTE: Exporters should not take the HS2 tariff as conclusive and as the actual tariff that will be applied to the exported product. The tariffs indicated above are average tariffs and for products within the category it may be higher or lower than indicated. Where the tariff is zero it can be assumed that there is zero tariff applicable to all products within that HS code. Tariffs are determined according to the importing country's national tariff line from the HS6 level and upwards. Exporters are advised to visit www.macmap.org to determine the exact tariff applicable to the product at HS6.

3.7 Import Requirements and Documentation

Cuba is the only Latin American country to be party to the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention) signed in 1995, and ratified the revised Kyoto Convention in 2009, 455 suggesting that improving customs procedures is a focus of the Cuban government. Cuba's Chamber of Commerce, the Cámara de Comercio de la República de Cuba, is tasked with cooperating with foreign entities and expanding trade relations between Cuba and the world. Information provided by the Chamber on customs procedures for trading with Cuba includes the following:

- (1) Foreign companies are not required to have an office or prior registration in Cuba to conduct business with national entities;
- (2) There are no import quotas;
- (3) All goods entering into Cuba are subject to customs inspections;
- (4) Cuba respects the bans associated with Article XX of the GATT (General Agreement on Tariffs and Trade);
- (5) Sanitary and phytosanitary (SPS) regulations conform with the WTO's guidelines; and
- (6) Receipts and payments cannot be made using U.S. dollars or include transactions involving U.S. banks. Although the bulk of Cuban imports flow through one of the country's many state trading enterprises, some foreign firms are allowed to import directly. Little is known about these firms' experiences with direct importing and exporting. (Source: USDITC.GOV, 2018)

3.8 Logistics

Currently, Cuba has 37,815 miles of roads, of which about 18,259 miles (48 percent) are paved and about 19,286 miles (51 percent) are unpaved. About 70 percent of the total amount of goods transported within Cuba are moved by road, while less than 30 percent moved by rail and less than 1 percent by water and air. Nonetheless, roads in Cuba suffer from a lack of investment. Cuba's highway system was originally built for military purposes, and as a result roads often bypass major cities and towns that have since been connected to the highway network via unpaved secondary roads. Cuba has one of the most advanced transportation infrastructure networks in Latin America. However, by the end of the Cold War, the lack of capital available domestically and from foreign investors left the system in need of repair. More recently, a resurgence in investment partnerships between the Cuban government and Brazil, Russia, and other countries has aided the repair and modernization of Cuba's infrastructure. As a result, Cuba is considered the most connected island in the Caribbean in terms of transportation, and the infrastructure used today to transport goods is considered by some to be adequate to handle trade at ports of entry and distribution requirements within the country. Owing to Cuba's economic reliance on tourism, the government invests heavily in airport infrastructure. Recent upgrades to international airports have helped to bring Cuba up to international standards and could facilitate more trade.

As an island nation, Cuba sees its port infrastructure as an integral element connecting it to the international trade system. There are more than 70 ports in Cuba, 31 of which are involved in international trade, and 8 to 12 of which can be categorized as "major." The investments in the Port of Mariel have significantly improved access to the island for importers.

| TRANSIT TIME FROM CAPE TOWN TERMINAL TO CUBA, 2018 | | |
|--|----------|--------------|
| TERMINAL | DISTANCE | TRANSIT TIME |
| Havana Port of Havana | 11986.24 | 21 days |
| Manzanillo Port of Manzanillo | 11986.24 | 21 days |
| Mariel Port of Mariel Matanzas | 11986.24 | 21 days |
| Port of Matanzas | 11986.24 | 21 days |
| Santa Lucia Port of Santa | 11986.24 | 21 days |
| Lucia Santiago de Cuba Port of Santiago de Cuba | 11986.24 | 21 days |

Source: SeaRates, 2018

3.9 Western Cape's Export Opportunities to Cuba

The DSM results, indicated in the table below, show the top 20 realistic export opportunities (reos) for Western Cape exports to Cuba.

| TOP 20 REALISTIC EXPORT OPPORTUNITIES FOR WESTERN CAPE FIRMS EXPORTING TO CUBA | | | |
|--|---|----------|---|
| HS6 | HS4 DESCRIPTION | HS6 | HS6 DESCRIPTION |
| HS340120 | Soap in other forms | HS721720 | Wire of iron/non-alloy steel, plated/coated with zinc |
| HS841391 | Parts of the pumps for liquids | HS220210 | Waters |
| HS841391 | Structures and parts of structures of iron/steel | HS340119 | Soap and organic surface-active prods. & preps (excl. for toilet use) |
| HS210390 : | Sauces and preparations therefor | HS841830 | Freezers of the chest type |
| HS220421 | Wine other than sparkling wine of fresh grapes, | HS284910 | Carbides, of calcium, whether or not chemically defined |
| HS481910 | Cartons, boxes and cases, of corrugated paper/paperboard | HS820600 | Tools of 2/more of the headings of 82.02-82.05, put up in sets for RS |
| HS392329 | Sacks and bags (incl. cones), of plastics other than polymers of ethylene | HS721631 | Angles, shapes & sections of iron/non-alloy steel |
| HS340111 | Soap and organic surface-active products & preparations | HS841319 | Pumps for liquids, fitted/designed to be fitted with a measuring device |
| HS480256 | Paper and paperboard | HS843139 | Parts suitable. for use solely/principally with the mach. of 84.28 (excl. of 8431.31) |
| HS820719 | Rock drilling/earth boring tools other than those with working parts of cements | HS381400 | Organic composite solvents & thinners |

Source: DSM, 2018

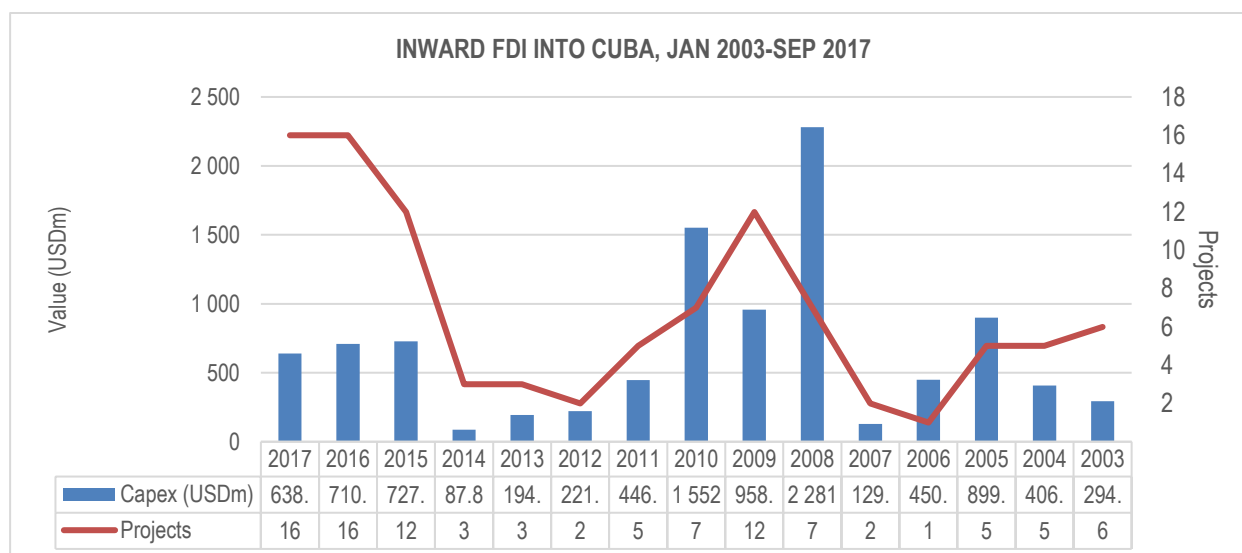
Disclaimer re DSM Model and Findings

While the Decision Support Model (DSM) can offer varying degrees of input for identifying, prioritising, designing, planning and executing export promotion activities, the results of the DSM are inescapably based on statistical data which are at least two years old. Accordingly, it would be unwise to rest all export promotion decisions upon the DSM results alone, and there is a need to have the realistic export opportunities identified assessed by experts 'in the field' such as panels of exporters, representatives of sector organisations and commercial attaches at diplomatic missions abroad. Diplomatic and political issues also need to be taken into consideration. While the DSM results provide input in the process of concrete export strategy formulation, much more concrete and detailed information is required for designing an appropriate export promotion strategy. This important input should come from market research and further competitive intelligence on given export opportunities. This information should in no way or form be construed as advice as to where an investor should invest or undertake to invest. The model's findings and results are mere indications as to where potential realistic export opportunities (REO's) exist, and it is the responsibility of the user to use these in conjunction with additional competitive intelligence and other relevant market information as outlined above. While Wesgro has taken every effort to ensure that the information in this publication is accurate, we provide said information without representation or warranty whatsoever, whether expressed or implied, and cannot be held responsible for the contents of the publication in any way. © Wesgro, 2018

4. Investment

4.1 Global Investment into Cuba

According to BMI, investment will become an increasingly important driver of economic growth over the next decade, should relations with the US materially improve, there could be surge in investment into Cuba given the abundant opportunities present on the island. Between January 2003 and September 2017 a total of 102 FDI projects were recorded into Cuba. These projects represent a total capital investment of USD10bn which is an average investment of USD98mper project. During the said period, a total of 27 802 jobs were created. The largest capex value (USD1.5bn) was recorded in 2010, while the largest number of projects (16 investment projects respectively) was seen in 2016 and 2017.



Source: FDi Intelligence, 2018

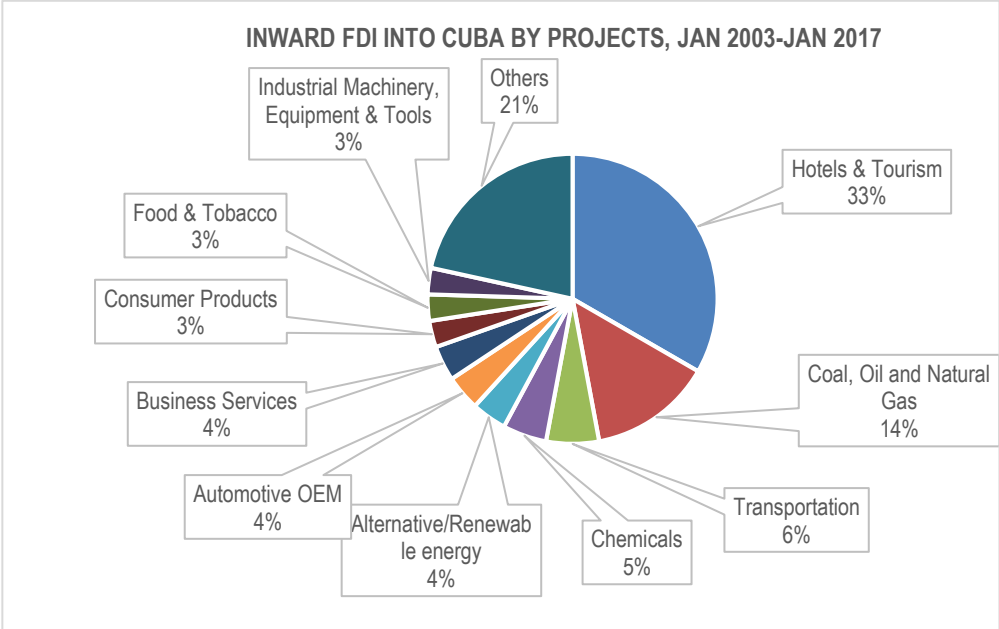
Spain and the United States contributed the highest amount of investment projects into Cuba with 32 and 9 projects respectively, they were followed by Russia (7) and Canada (6). Of the top 10 countries Venezuela contributed the highest in terms capital expenditure. The two countries had strong economic ties in the past, Venezuela provided oil to Cuba at favourable prices in exchange for doctors and other professional services.

| TOP 10 SOURCE MARKETS FOR FDI INTO CUBA, JAN 2003- SEP 2017 | | | | | | |
|---|---------------|------------|----------------|-----------------|----------------|-----------|
| RANK | COUNTRY | PROJECTS | % PROJECTS | CAPEX (USDm) | % CAPEX | COMPANIES |
| 1 | Spain | 32 | 31.37% | 1 885.3 | 18.86% | 18 |
| 2 | United States | 9 | 8.82% | 350.1 | 3.50% | 9 |
| 3 | Russia | 7 | 6.86% | 1 141.3 | 11.41% | 5 |
| 4 | Canada | 6 | 5.88% | 1 031.5 | 10.32% | 4 |
| 5 | Venezuela | 5 | 4.90% | 2 045.2 | 20.45% | 1 |
| 6 | Brazil | 4 | 3.92% | 270.2 | 2.70% | 2 |
| 7 | China | 4 | 3.92% | 1 440.2 | 14.40% | 4 |
| 8 | Germany | 4 | 3.92% | 168.8 | 1.69% | 3 |
| 9 | Singapore | 4 | 3.92% | 259.6 | 2.60% | 1 |
| 10 | UK | 3 | 2.94% | 538.1 | 5.38% | 3 |
| TOTAL | | 102 | 100.00% | 9 998.60 | 100.00% | 73 |

Source: FDi Intelligence, 2018

The two diagrams below represent inward investment into Cuba by the various sectors. When looking at sector investment by the number of projects, the following sectors received the most investment:

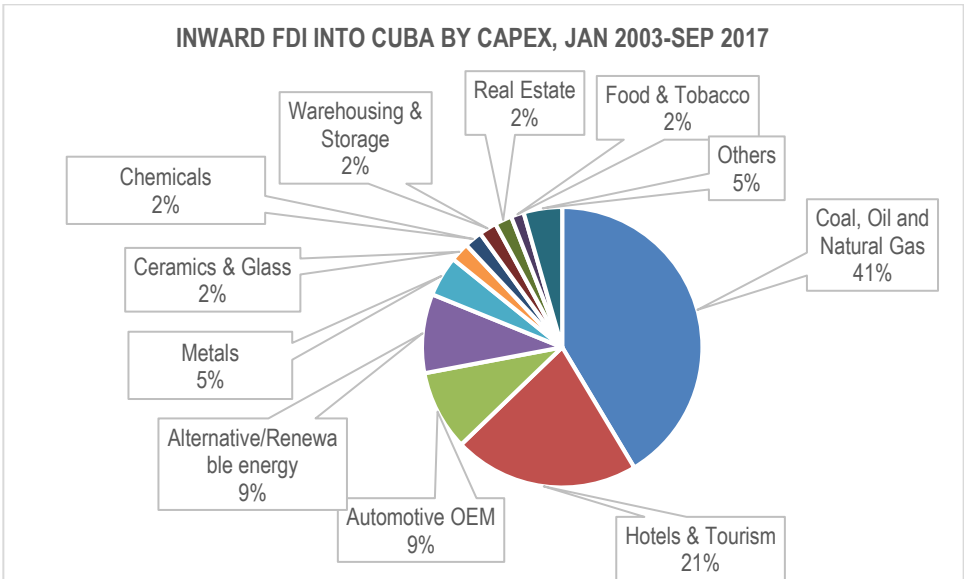
- Hotels and Tourism: 33%;
- Coal, Oil and Natural Gas: 14%
- Transport: 6%



Source: FDi Intelligence, 2018

In terms of capital expenditure, the following sectors received the largest investment:

- Coal, Oil and Natural Gas: 41%
- Hotels and Tourism: 21%;
- Automotive OEM: 9%
- Alternative/Renewable energy : 9%



Source: FDi Intelligence, 2018

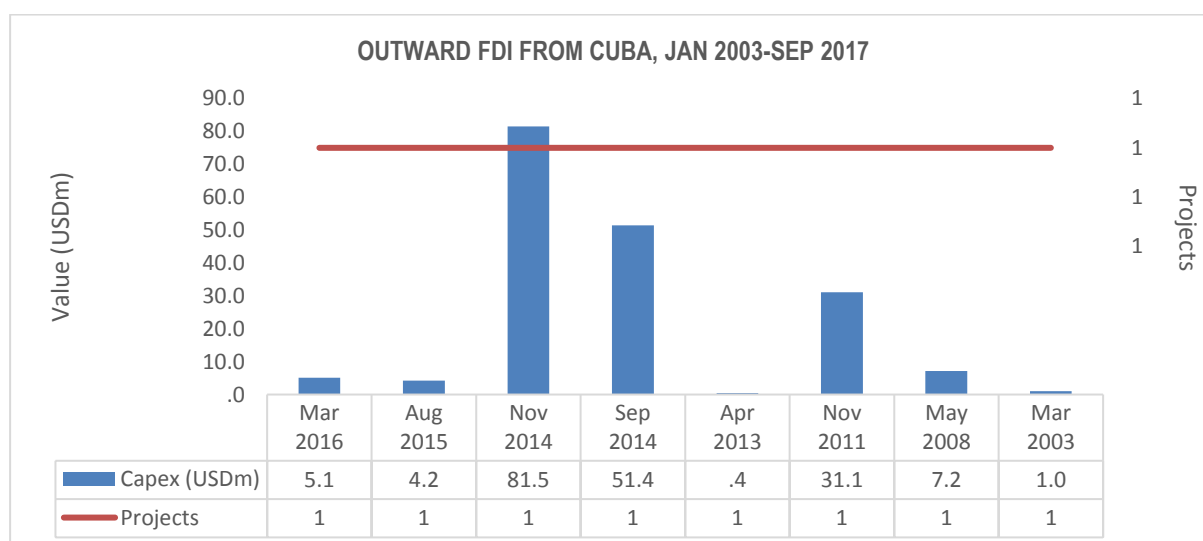
The table below shows the largest companies investing into Cuba:

| TOP 10 COMPANIES INVESTING IN CUBA, JANUARY 2003-SEP 2017 | | | | | |
|---|--|---------------------------|------------|----------------|---------------|
| RANK | INVESTING COMPANY | SECTOR | PROJECTS | CAPEX (USDm) | JOBS |
| 1 | Melia Hotels International | Hotels and Tourism | 8 | 505.3 | 3 048 |
| 2 | Iberostar | Hotels and Tourism | 7 | 454.3 | 2 744 |
| 3 | Petroleos de Venezuela (PDVSA) | Coal, Oil and Natural Gas | 5 | 2 045.2 | 584 |
| 4 | Banyan Tree | Hotels and Tourism | 4 | 259.6 | 1 568 |
| 5 | Pebercan | Hotels and Tourism | 3 | 448.0 | 269 |
| 6 | Petrobras | Coal, Oil and Natural Gas | 3 | 50.2 | 61 |
| 7 | Barcelo Hotel and Resorts | Hotels and Tourism | 2 | 129.8 | 784 |
| 8 | Inter RAO Unified Energy System of Russia (UESR) | Coal, Oil and Natural Gas | 2 | 408.6 | 197 |
| 9 | Kamaz | Hotels and Tourism | 2 | 461.6 | 1 768 |
| 10 | Otto Bock Holding | Hotels and Tourism | 2 | 5.4 | 62 |
| TOTAL | | | 102 | 9 998.6 | 27 802 |

Source: FDI Intelligence, 2018

4.2 Global Investment from Cuba

Between January 2003 and September 2017 a total of 8 FDI projects were recorded from Cuba. These projects represent a total capital investment of USD182m which is an average investment of USD23m per project. During the period, a total of 1 080 jobs were created.



Source: FDI Intelligence, 2018

Bolivia received the most investments from Cuba while China ranked first in terms of capital expenditure.

| TOP 10 DESTINATION MARKETS FOR FDI INTO CUBA, JAN 2003 – SEP 2017 | | | | | | |
|---|---------|----------|------------|--------------|---------|-----------|
| RANK | COUNTRY | PROJECTS | % PROJECTS | CAPEX (USDm) | % CAPEX | COMPANIES |
| 1 | Bolivia | 2 | 25% | 55.6 | 30.57% | 1 |
| 2 | Angola | 1 | 13% | 31.1 | 17.10% | 1 |
| 3 | Brazil | 1 | 13% | 1.0 | 0.55% | 1 |
| 4 | China | 1 | 13% | 81.5 | 44.80% | 1 |

| | | | | | | |
|--------------|---------------|----------|-------------|--------------|----------------|----------|
| 5 | Grenada | 1 | 13% | .4 | 0.22% | 1 |
| 6 | UAE | 1 | 13% | 7.2 | 3.96% | 1 |
| 7 | United States | 1 | 13% | 5.1 | 2.80% | 1 |
| TOTAL | | 8 | 100% | 181.9 | 100.00% | 6 |

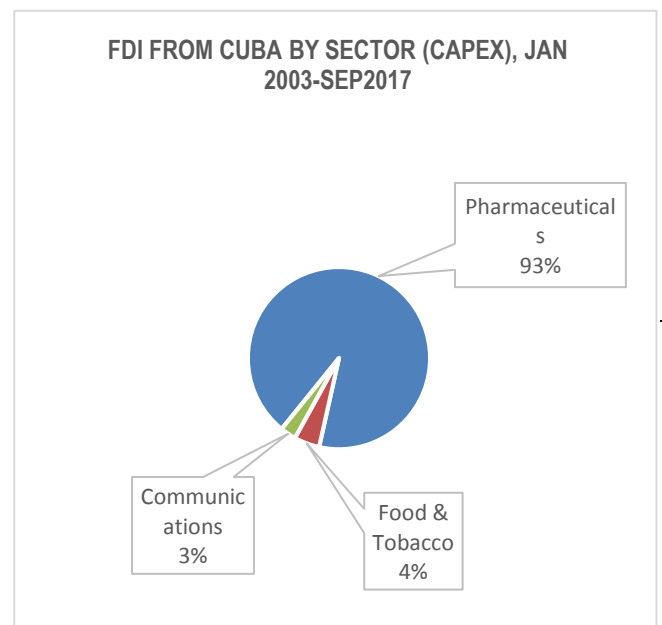
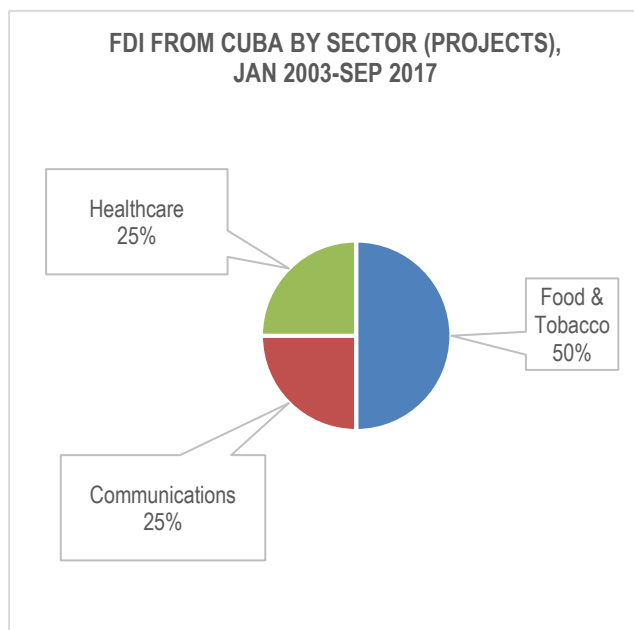
Source: FDI Intelligence, 2018

The two diagrams below represent outward investment from Cuba by the various sectors. When looking at sector investment by the number of projects, the following sectors received the most investment:

- Food & Tobacco: 50%;
- Communications: 25%
- Healthcare: 25%

In terms of capital expenditure, the following sectors received the largest investment:

- Pharmaceuticals: 34%
- Food & Tobacco: 5%;
- Communications: 3%



Source: FDI Intelligence: 2018

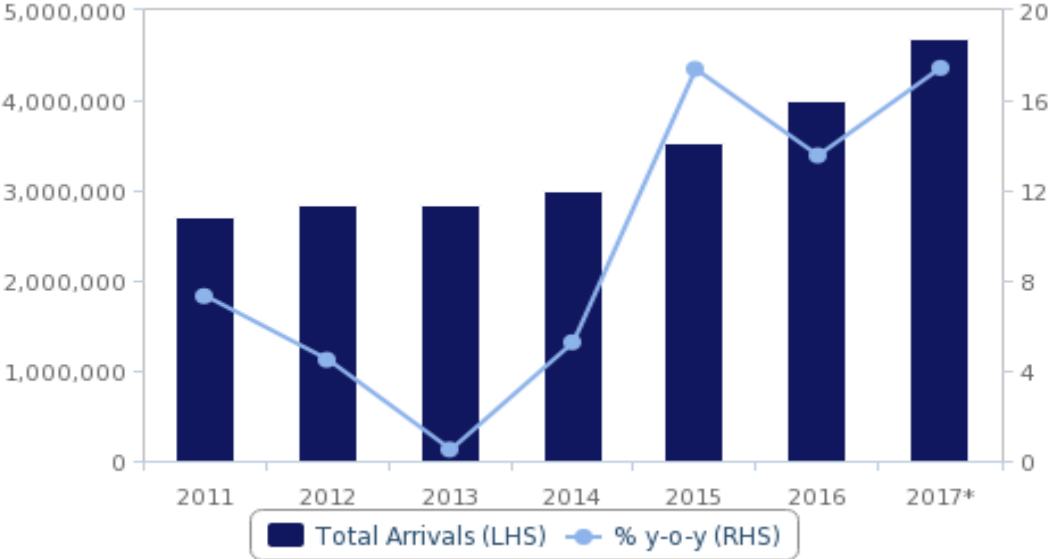
The table below shows the largest companies from Cuba that have invested in other economies:

| TOP 10 INVESTING COMPANIES FROM CUBA , JANUARY 2003-SEP 2017 | | | | | |
|--|-------------------------|------------------|----------|--------------|--------------|
| RANK | INVESTING COMPANY | SECTOR | PROJECTS | CAPEX (USDm) | JOBS |
| 1 | Labiofam | Pharmaceuticals | 3 | 86.7 | 624 |
| 2 | BioCubaFarma | Pharmaceuticals | 1 | 81.5 | 74 |
| 3 | Habanos | Food and Tobacco | 1 | 7.2 | 212 |
| 4 | La Bodeguita del Medio | Food and Tobacco | 1 | 1.0 | 120 |
| 5 | One Stop Medical Centre | Healthcare | 1 | .4 | 12 |
| 6 | Shoot Cuba | Communications | 1 | 5.1 | 38 |
| TOTAL | | | 8 | 181.9 | 1 080 |

Source: FDI Intelligence, 2018

5. Tourism

The Ministry of Tourism reported that arrivals surpassed 4.7mn in 2017, up roughly by 17.0% y-o-y from 2016 on the back of a 191.0% increase in arrivals from the United States, which accounts for roughly one-quarter of all arrivals to Cuba. However, BMI expects this key driver of growth will be diminished in 2018 as damage to infrastructure following Hurricane Irma and deteriorating relations with the US will weigh on the sector.



Source: BMI, 2018

There was no record of South African tourist arrivals to Cuba as the sample size was too small.

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