



T. K. Hernández

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# The Cuba Interviews

Conversations on  
Foreign Investment and  
Economic Development

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T. K. Hernández

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Conversations on Foreign Investment and  
Economic Development

Foreword by Dr. John M. Kirk

With Contributions by  
Mark A. Entwistle  
Dr. Juan Triana Cordoví  
Élise C. Hartill

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T. K. Hernández  
ON, Canada

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*To my mother for her tireless strength, support, and belief in this work.*

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## NOTES ON CONTRIBUTORS

**Dr. John M. Kirk** is professor emeritus of Latin American Studies, Dalhousie University, Canada, and the author/co-editor of 17 books on Cuba. Some of his recent works include *Healthcare Without Borders: Understanding Cuban Medical Internationalism*, *Cuba at the Crossroads*, *Cuban Medical Internationalism: Origins, Evolution, and Goals*, and *Jose Marti: Mentor of the Cuban Nation*. He is currently working on a book analyzing Canada–Cuba relations.

**Dr. Juan Triana Cordoví** is a senior professor at the Center for the Study of the Cuban Economy, University of Havana. He holds a Bachelor's in Economics, a Master's in Cuban and Latin American Studies, and a Ph.D. in Economy. From 1995 to 2004, Dr. Triana was Director at the Center for the Study of the Cuban Economy, University of Havana. In 1997, Dr. Triana was awarded for his work in Economics by the Ministry of Science, Technology and the Environment (CITMA). He is also a four times winner as coauthor for *Best Book in Economy* from the National Social Sciences Prize from CITMA. He is an internationally published author of more than 25 books as a coauthor and numerous articles on strategies for economic change, opportunities, challenges, perspectives, reflections on economic matters pertaining to Cuba.

**Mark A. Entwistle** was the former Canadian ambassador to Cuba from 1993 to 1997. He is also co-founder and co-managing director of Acasta Cuba Capital Inc. an advisory and specialist business development firm in

Toronto Canada enabling clients to understand the market in Cuba and pursue commercial opportunities.

**Élise C. Hartill** holds an M.Sc. in Marine Biology from the School of Marine Science at the University of Maine. During her undergraduate career, Ms. Hartill studied tropical coral ecosystems in Bonaire and the Dominican Republic with Dr. Robert Steneck and cold-water coral with Dr. Rhian Waller. Her undergraduate thesis describes the reproductive biology of an Antarctic deep-sea coral, and her master's thesis describes the ecology of cold-water corals in Alaskan fjords. She is a National Geographic Explorer, having received an "Early Career Grant" in 2019 to develop and expand place-based science programming for students in rural Alaska. Her research was published in the journals *PLoS One* and *Frontiers in Marine Science*. She is now the Communications Coordinator with Maine Youth for Climate Justice, a coalition of over 400 youth across the state of Maine who organize for climate justice, she is also co-chair of the Climate Education working group with the Nature-Based Education Consortium.

**T. K. Hernández**, with many years of experience in Cuba prior to its official opening to international tourism, is co-founder and editor at Cuba Business Report. As a journalist, her work has been published in various online news media publications. She has supported fundraising for Cuba's last two hurricane disaster relief campaigns and is a member of the Canadian Network on Cuba (CNC-CCFA). She graduated from Western University with a bachelor's degree in European Literature and holds a certificate in Economic Development from Oxford University. She is also a member of the Society of Professional Journalists, and ACES International Alliance of Editors. Ms. Hernández is the author of two published books.



## ABBREVIATIONS

ANEC	Asociación Nacional de Economistas y Contadores de Cuba
BCC	Banco Central de Cuba (Central Bank of Cuba)
CECMED	Cuban Regulatory Authority
CEOG	Cuba Energy Oil and Gas (conference)
CIDEM	Center for Pharmaceutical Research and Development
CIGB	Center for Genetic Engineering and Biotechnology
CIM	Center of Molecular Immunology
CIPI	Center for International Policy Research
CITMA	Ministry of Science, Technology and Environment
CNEURO	Center for Neuroscience
CSMC	Comercializadora de Servicios Médicos Cubanos (CSMC S.A)
CUPET	Unión Cuba-Petróleo
ECLAC	Economic Commission for Latin America and the Caribbean
EDF	Environmental Defense Fund
ELAM	Latin American School of Medicine
FDA	U.S. Food and Drug Administration
FDI	Foreign Direct Investment
FEMA	Foreign Extraterritorial Measures Act (Canada)
FIHAV	Feria Internacional de la Habana/Havana International Trade Fair
INDER	National Institute of Sports, Physical Education and Recreation
MEP	Ministry of the Economy and Planning
MICONS	Ministry of Construction
MINAG	Ministry of Agriculture
MINCEX	Ministry of Foreign Trade and Foreign Investment
MINEM	Ministry of Energy and Mines
MINJUS	Ministry of Justice

MINREX	Ministry of Foreign Affairs
MINSAP	Ministry of Public Health of the Republic of Cuba
MLCs	<i>Moneda Libremente Convertible</i> : Freely Convertible Money (Foreign Currency)
MOU	Memorandum of Understanding
MSMEs	Micro, Small, or Medium Enterprises
NDA(s)	Non-Disclosure Agreement (s)
OCPI	Cuban Industrial Property Office
OFAC	Office of Foreign Assets Control
ONRM	National Office of Mineral Resources
PAHC	Pan American Health Organization
PCC	Communist Party of Cuba
PSC	Production Sharing Contract
SMC	La Comercializadora de Servicios Médicos Cubanos (CSMC S.A.)
SMEs	Small, Medium-Sized Enterprises
TSRA	Trade Sanctions and Export Enhancement Act of 2000
UN	United Nations
UNDP	United Nations Development Program
USACC	United States Agriculture Coalition for Cuba
USDA	United States Department of Agriculture
WB	World Bank
WHO	World Health Organization
WTTC	World Travel & Tourism Council

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## CHAPTER 1

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# Foreword by Dr. John M. Kirk

*John M. Kirk*

Having taught about Cuba for over four decades at the university level in the United States and Canada, I am fully aware of the lack of positive information about the island published in North America—other than travel coverage about the wonderful beaches, salsa music, and mojitos. Misinformation is sadly a common feature of the (limited) coverage of life in Cuba today, with an extraordinary mixture of lies and half-truths being commonplace. In addition, there are many areas of the Cuban development model that are simply ignored.

So little is said, for instance, about the healthcare system (with results rivaling those found in many countries of the Global North, at a fraction of the cost), or the achievements in education (Cuba has a higher literacy rate than Canada or the United States). Likewise, little attention was paid to Cuba's approach to COVID-19. Few people know that, in addition to a remarkably low level of COVID-related deaths (when adjusted for population, 1/50 the rate found in the United States), Cuba

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J. M. Kirk (✉)  
Halifax, Canada  
e-mail: [John.Kirk@dal.ca](mailto:John.Kirk@dal.ca)

Dalhousie University, Halifax, Canada

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also sent almost 5,000 medical specialists to 40 countries to participate in campaigns against the virus.

Moreover, next to nothing is said about the economy of Cuba (other than criticizing its inefficiencies), much less the potential of investing in Cuba. Indeed, many people are unaware that it is even possible for foreigners to invest in the island, despite the fact that there are over 200 foreign companies established with offices there. That is why this collection of insightful interviews, gathered with great care by T. K. Hernández over the past six years, is so important—since it breaks some of the more common myths about these topics. The bottom line found in these interviews is very clear: Cuba is in the process of introducing significant economic reform, and medium-and long-term investments are definitely worth considering.

This book is a veritable treasure trove of pertinent information on the economic system, and investment scenario, in contemporary Cuba. Anybody interested in wanting to find out how the Cuban economy works, and what the experience of foreign investment in Cuba has been, will find it extremely informative and helpful. This is particularly relevant in light of the election of the Biden administration in the United States (and indications that U.S. policy will revert to the lines adopted by the Obama administration), as well as significant economic changes in Cuba.

There are many questions that need to be considered when reflecting on investing in Cuba today. What is the current economic situation there? How attractive is the investment scenario? What are the principal investment opportunities and challenges? What is the experience of companies that have invested there? How significant are the recent economic reforms in Cuba? How will the election of Joe Biden affect U.S.-Cuban relations, and the potential to invest there? This book seeks to provide insights into these, and other crucially important matters related to the economy and investment experience.

Cuba is at a significant crossroads in its history. For four years the Trump administration had introduced scores of measures in an attempt to destroy the socialist system and bring about regime change there. Laws limiting the amount of remittance money from members of the diaspora had been passed, causing severe difficulties for many Cuban families that depended upon that support. Cruise traffic—bringing annually hundreds of thousands of American vacationers—had been outlawed, resulting in the cancellation of 800,000 bookings on cruise liners.



Washington also prohibited flights to all cities in Cuba apart from Havana, again creating major obstacles for Cuban Americans seeking to visit families on the island. Bills were passed limiting the potential for companies (anywhere in the world) to trade with Cuba, and any who dared to trade with Cuba using U.S. dollars faced legal charges and hefty fines. Despite the clear limitations of international law, Americans and Cuban Americans were encouraged to use the Helms–Burton legislation, enacted in 1996, and sue any foreign investors who were “trafficking” in property on the island allegedly owned by the complainants.

Fortunately, the Trump era has passed. The election of Joe Biden has made it clear that his government will be reverting to some of the key initiatives of the Obama administration in its Cuba policy. It is important to remember the significance of this. The Obama years had shown clear possibilities in improving U.S.-Cuban relations and had resulted in meaningful economic reforms on the island. Small businesses sprang up, hundreds of private restaurants and bed-and-breakfast operations (many listed on Airbnb) opened, tourism soared with hundreds of thousands of Americans visiting the island annually, and the administration by American hotel chains of several Cuban hotels (for the first time in sixty years) started. At the same time the Cuban government initiated a series of modernizing reforms, supporting these changes. With the election of Joe Biden, Obama’s vice president, it now looks as if a return to some of the Obama initiatives will result.

Meanwhile, significant changes have been occurring on the island, despite the ravages of COVID-19. For instance, after fully a decade of debating the need to bring about monetary unification (uniting the two monetary systems, the Cuban peso—mainly used by Cubans—and the Convertible peso, or CUC used by foreigners), this reform actually took place in early 2021. This is an enormous benefit for foreign investors, making planning and administration cost transparent after decades of two very different monetary systems. Investment has immediately become more cost-effective and attractive.

The Cuban government has also brought about a significant reform in labor law. Until 2021 self-employment was reduced to just 127 types of businesses or occupations that Cuban citizens could seek. This has now changed drastically, and while the government has provided a list of 124 activities which will continue to be controlled by the state, everything else (over 2,000 different employment opportunities, trades, and business areas) is now open to individuals and businesses. The self-employed sector

(600,000 strong, or 13% of the workforce) continues to grow, and cooperatives and small and medium-sized businesses now have the potential to develop. In addition, subsidies to state companies have been reduced, as the government seeks to develop a more robust economy. Private businesses have also been granted access to wholesale suppliers and markets, and are now allowed to import and export products (although only through government agencies). These changes have all been introduced in the early months of 2021, and illustrate the government's intention of supporting self-employment and the small business sector. In the past these had been shunned; now they are seen as an essential part of the economy.

In terms of an opening to foreign investment, in March 2021 the Cuban government announced its intention to continue offering investment opportunities to the international community, listing over 500 specific project possibilities. Another significant change is that, for the first time since 1959, the government has now stated that Cubans living abroad were also welcome to invest in the island. In addition, as a means of reducing bureaucratic hurdles and red tape, a "single window" has been introduced by the government to facilitate foreign trade and investment. As can be seen, following decades of tight, central government control, important innovations and initiatives have been introduced. There is a clear opening to the private sector, both on the island and abroad, and foreign investment is both sought and needed. Given these circumstances it is important to have updated, pertinent information on the realities of the Cuban economy, and investment opportunities.

The collection of interviews found in this book goes a long way to inform readers about the impact of these changes, particularly in terms of investment experience in several key areas. In this book we see the opinions of ambassadors, ministers, economists, lawyers, academics, scientists, journalists, and ecologists, in all an international "Who's Who" of international (and Cuban) insights into the economy and investment practices. The actual interviews—which are the main core of the book—are preceded by an insightful introductory chapter by one of Cuba's leading economists, Juan Triana, setting the scene and explaining the nature of economic realities in Cuba today.

The interviews, concise and focused, are divided into 12 sections: government, economy and foreign investment, industrial zones, banking, business, law, oil and energy, health and biotechnology, tourism,

agriculture, the non-state sector, and NGOs, with an array of specialists providing information on both possibilities and specific investment experiences. These are the key sectors of the Cuban economy, the areas of greatest potential. There are two central thrusts to the collection of interviews—information on the economic reality of the island (with excellent contributions from British academic Emily Morris and her Cuban colleague, Triana) and information on the sectors with the greatest investment potential. The actual experiences presented by individuals involved in these areas are particularly helpful.

There are many different perspectives, ranging from various Cuban government representatives to participants in U.S. trade missions, from investors in key sectors to managers of investment projects. Particularly helpful are the views of Mark Entwistle, the former Canadian ambassador to the island and in recent years a consultant on trade with, and investment in, Cuba. In addition, given the long-standing U.S. opposition to Cuba (and in particular, the Helms–Burton legislation introduced during the Clinton administration) the legal analysis provided in the two interviews is instructive and helpful.

There is a nucleus of niche investment areas in Cuba, and information on all is provided in this collection. These areas of greatest potential are energy, tourism/hospitality, and health/biotechnology, and specific direct experiences from each sector are provided here. The oil and gas section contains an interview with the CEO of an Australian oil exploration company and also with a representative of a Chinese company. Cuba produces about one-half of the oil and gas it needs and is keen to increase this potential (as well as to develop “green energy”), and therefore be less dependent upon foreign sources.

The tourism/hospitality industry, the best-known internationally, has been shown to have enormous potential in Cuba, with the number of tourists rising from 745,000 in 1995 to 4.7 million in 2018. After the COVID-19 pandemic is finally over, it is expected that this will again prove to be one of the key drivers of the Cuban economy, as vacationers flood to the pristine Cuban beaches. Insights and advice are presented by several international investors in this area, including the managing director of a global investment firm, the president of a U.S. company that had offered people-to-people travel opportunities, the portfolio manager of an investment company with several hotels in Cuba, and the managing Director of a South Asian company managing several hotels on the island.

The wealth of their experience is impressive, and their advice, extremely helpful.

Insight into the health sector is provided in six interviews. It is not well known that the major source of hard currency income for the Cuban government comes from the exportation of medical services, in large part because the country has a surplus of medical personnel (on a per capita basis three times the number of physicians found in either Canada or the United States). At present there are over 30,000 medical personnel from Cuba working overseas. On the island, the company *Servicios Médicos Cubanos* provides a wide variety of medical services for foreigners (from cancer and hip surgery to diabetes treatment and cosmetic surgery), and two of the interviews speak to this service. Medical tourism is an area yet to be fully developed in Cuba and offers enormous potential, given the low costs and high quality of medical care. Cuba has also produced a variety of internationally recognized pharmaceutical products (including CIMAvax, a lung cancer vaccine in trials at Roswell Park Cancer Center in New York, as well as four COVID-19 vaccines), and Gail Reed provides insights into the potential in this sector.

It is often said that Cuba (population 11.2 million) is a small country with a large international footprint. But little is mentioned, or indeed known, about the investment opportunities in Cuba. This book seeks to fill that gap. Following years of sanctions and a variety of pressures from the Trump administration, and as it emerges from COVID-19, Cuba has brought about a series of significant economic reforms. Little is known about these changes in economic policy and the opening to foreign investment, and there is a great deal of misinformation about the significance of these developments.

A new investment climate, combined with changes in national economic policies, make this an opportune time to explore the investment potential on the island—particularly in the post-Trump era. No finer source of updated information on this topic exists than this collection of interviews, replete with advice, and the experience of specialists in various investment areas in Cuba. The book, painstakingly edited by Ms. Hernández, represents obligatory reading for all traveling along this road. Despite widespread media ignorance and misinformation, the economic reality on the island is changing dramatically. Cuba is indeed open for business, as this book shows clearly.



## CHAPTER 2

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# Introduction

I never initially intended to gather these interviews into book format. The value of these conversations from a historical perspective, and as a story of economic development, inspired me to do so. I realized they presented an “open window” into a nation perceived by the Americans as “shuttered” to the outside world (Jones, 2012).

These interviews occurred between 2016 and 2022 in London, Washington, DC, Toronto, Ottawa, and Havana.

## MOTIVATIONS

I admit, the excitement of the Obama years captured me. This was my initial motivation in conducting the interviews collected here. My approach was structured by the contextual history and politics of the Barack Obama and Raúl Castro announcement in December 2014, when for the first time in nearly sixty years, Cuba and the United States opened a path toward normalized relations. It came to be equally influenced by the bleak days of the Trump presidency and the emergence of the so-called Havana Syndrome, a series of health incidents reported by more than a dozen American and several Canadian embassy staff starting in late 2016. Finally, the project was shaped by the onset of the global pandemic, the election of Biden in 2020 and his “unmet promises” regarding Cuba,

along with the winding down of the syndrome through to the economic recovery of the island under the post-pandemic new normal.

My second motivation was the desire to address the difficulty in obtaining interviews and information in Cuba that hinders attempts to present a clear picture of foreign direct investment (Feinberg, 2012). This work aspires to fill some of those gaps and supplement future analysis.

I have attempted to present a “balanced perspective” throughout the book—this can only be arrived at by assuming an international viewpoint. The interviews contain the thoughts and opinions of stakeholders who work and invest within and beyond Cuba’s borders. One of this book’s main objectives is to supplement FDI analysis through participants’ direct experiences—which demonstrate both a continued global interest and participation despite the limitations imposed by the government of the United States of America.

These interviews paint a more complete picture of Cuba. They provide an open window through which to examine its economic changes and investment potential, an understanding of which is vital for anyone who wishes for a deeper insight into Cuba. This “open view” will be useful to those who want and need to know more about the island, ninety miles south of the United States.

Having an international perspective is important because few journalists or authors can write without a lifetime of political socialization shaping their construct of the world. As an outsider to the United States, I, like many others, view the American press as engaged in a sort of media war against Cuba best analyzed by author Keith Bolender in his book, *Manufacturing the Enemy: The Media War Against Cuba*. Of course, there are those who write objectively about Cuba, but the norm is a daily barrage of criticism, “*contra-Cuba*,” most especially from the corporate media.

This compilation of interviews, conducted for the publication *Cuba Business Report* took place with government representatives and international businesspeople from a variety of industry sectors. These individuals discuss their experiences, bilateral relations, trade and investment, economic development, collaboration, and legal issues. They talk candidly of goals, achievements, and challenges in Cuba. We hear the voices of reason and progress. The ones who lead and invest, who create opportunities for themselves and others, initiate change, trigger sustainable development, build infrastructure, improve lives, strengthen the economy, lessen suffering, and create hope. They stimulate forward progress. They