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**“Trade and Foreign Investment in
Cuba: New Legal Framework”**

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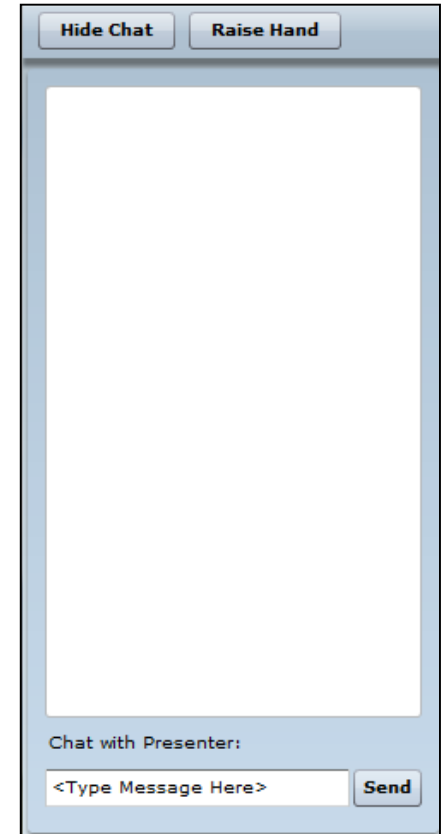
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The Cuban Desk

- Launched September 1st. , 2016
- Reasons?
 - “It’s in the firm’s DNA”
 - Cuba - D.R.: Historical nexus; cultural / legal similarities
 - RVHB’s history of representing clients with Cuban Issues
 - Cuban - U.S. “Rapprochement”
- Make up of Cuban Desk

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What's new in Cuba...beyond the hype?

- A vibrant – and legal – private sector.
- A government actively seeking foreign investment.
- A changing legal framework.

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“Cuentapropistas”

- After much hesitancy, the government finally allowed individuals and small enterprises to operate legally.
- There are some very active Cuban entrepreneurs... trying to operate ‘under the radar’.
- More foreign investment is coming in:
 - Big projects
 - Small enterprises (restaurants, purchase of homes)

Government actively seeking foreign investment

- Difficult economic situation. Venezuelan aid shrinking.
- Increased migration and the internet have put additional pressure on the government for better living conditions.
- Changing political leadership.



Legal framework: changing gradually

- Foreign investments and the establishment of branches have been allowed for many years, but...
- Areas of permitted foreign investment have been increased (*“Cartera de oportunidades”*).
- Wholly-owned investment projects are still rare: Must joint-venture with the Cuban Government.

But...

- Foreign investors can now associate with local entrepreneurs... although the Government must participate.
- Foreign investors are driving up real estate prices... buying via Cuban nominees.
- Large foreign players, including American, are meeting with government officials exploring large projects, e.g. the managing of the dozens of idle sugar mills.
- More welcoming attitude towards Cuban-Americans.

Many challenges remain:

- Still a rigidly centralized economy, where the state controls the principal means of production.
- Foreigners can't own real estate.
- Difficult to do business; massive red tape.
- The creation of wealth is still viewed with suspicion.

Challenges remain (cont.):

- The application of laws can be influenced by political directives.
- Foreign branches or joint ventures cannot hire employees directly.
 - Must be via employment agencies (that pay the employees about 2% of the “fees” they receive from the foreign branches or joint ventures).
- No independent law firms.

The U.S. Embargo is still a major issue

- The long arm of U.S. jurisdiction may affect non-U.S. nationals.
- OFAC license still needed for trade, investment and most travel by Americans.
- Many bilateral issues remain. Ongoing Cuban-US negotiations.



Current Legal Framework

- Trade:
 - Selling to and buying from Cuba
- Foreign Investment:
 - Wholly-owned subsidiaries
 - Industrial Zone of Mariel
 - Joint Venture projects
 - Establishment of branches
 - Non-agricultural cooperatives.
- Intellectual property
- Legal security: Investment protection agreements
- Conflict resolution

In short...

Cuba is still not for the faint of heart, but change seems to be in the air and opportunities are emerging.

Thank you.

Questions?

P.S. We are putting together a more detailed newsletter of Cuban laws and regulations. Anyone interested in receiving it, please drop us a line at: gsantoni@rvhb.com



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