10-31-2013

Cuba Seeks Greater Role in Transatlantic Trade with Mariel Megaport and Foreign Trade Zone

Daniel Vázquez

Follow this and additional works at: https://digitalrepository.unm.edu/noticen

Recommended Citation


This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiCen by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.
Cuba Seeks Greater Role in Transatlantic Trade with Mariel Megaport and Foreign Trade Zone

by Daniel Vázquez
Category/Department: Cuba
Published: 2013-10-31

Mariel Bay, 45 km from Havana, will become Cuba's main port when the expansion now underway is completed at a cost of about US$950 million and, in addition, a foreign-trade zone will open to attract international business, foreign investment, and new technology, all part of President Raúl Castro's attempts to update the socialist economic model.

Work began in 2011 with US$682 million budgeted for the project funded by Brazil's Banco Nacional de Desenvolvimento Econômico e Social (BNDES). The project is aimed at generating exports, employment opportunities, funding, technology transfer, and logistics systems and encouraging domestic and foreign companies to set up business, according to the legislative decree signed by the president and published on Sept. 23 in the Gaceta Oficial de Cuba.

Among the government-granted advantages is a special exemption that will excuse the zone from taxes for ten years because of the boost it will provide to work-force numbers and profits. It will also be freed from sales and services taxes for the first year of operations, and the project's investors will be able to transfer their funds and net profits abroad without paying tariffs or levies.

While the state seeks to reduce the bureaucratic system and eliminate subsidies and gratuities, the implementation of this new development is intended to generate new employment. The government has announced the goal of reducing state employees by a half million; they are expected to be hired by the emerging private sector and by new economic enterprises under the tutelage of the state.

Considered the most complex work implemented in Cuba, the megaport will necessitate the modernization of the road system that links the capital with Mariel. Havana Bay, besides being the city that was founded in 1519 and a World Heritage Site since 1982, will be earmarked to receive cruise ships in a colonial setting where waterfront promenades and tourist facilities will be built next to the antique wharfs.

Transit point

The port will commence operations in December. The facilities associated with this development cover an area of 465 sq km, and the zone includes several municipalities. Mariel gained worldwide notoriety during the mass exodus of 124,000 Cubans bound for the US during the Mariel Boatlift from April to October 1980 (NotiCen, June 24, 1999) and now will become the main entrance and exit for Cuban foreign trade.

Until the 19th century, Cuba was known as the key to the New World because it was the stopover point for the commercial and military fleet that linked the Spanish colonies to Spain. Now it is betting on becoming a stopover point for transoceanic traffic on its way to Panama and will transfer freight from the deep-draft ships that cannot pass through the Panama Canal.

Mariel Bay was dredged to accommodate ships with twice the depth than currently allowed by the Port of Havana. With its old facilities and contaminated water, the Port of Havana's expansion
capabilities were frustrated in 2009 because of the existence of a vehicular underwater tunnel built in the early 1950s at the narrow entrance to the bay.

The megaport will be able to handle 3 million containers a year, and it will be an enclave of industries, factories, and assembly plants. Its strategic location near the coast of Florida, just 193 km away, seems to envision a future without the US embargo on the communist island, implemented in the early 1960s.

Mariel intends to be a bridge between Asia, the Caribbean, Europe, and South America. Its storage capacity is estimated to be 1 million containers, and a 700-meter pier is expected to be completed in December. Activity should increase in 2015 upon completion of the Panama Canal expansion that will attract more traffic from the giant post-Panamax container ships.

The creation of this foreign-trade zone has been interpreted as further evidence that the Castro administration is using as a reference the experiences of China, whose economic model since the late 1970s has combined socialism with capitalism. Raúl Castro, a confessed admirer of the Chinese experience, made his most recent visit to that country in 2012.

Cuban government officials, including Minister of Foreign Trade and Foreign Investment Rodrigo Malmierca, traveled to China in September to promote interest in the new facility, a possible strategic point in the growing relations between China and Latin America. Cuba hopes to have "a large presence of Chinese entrepreneurs" and to "promote Chinese capital investments" on the island, said Malmierca about his visit to Beijing.

**Increased Brazilian presence**

The container terminal is being built by the Brazilian group Odebrecht and will be operated by the Port of Singapore Authority (PSA International). In January 2012, Brazilian President Dilma Rousseff toured the foundations at the Port of Mariel's new facilities and is expected to travel to Cuba in early 2014 to inaugurate part of the project.

In July, the two countries opened a new direct flight to facilitate tourism, as well as to accommodate Brazilian companies interested in setting up in Mariel's development zone, José Felicio, Brazilian ambassador to Cuba, told the local press.

Brazil thus reaffirmed its growing presence in economic projects on the island. Brazil is Cuba's sixth-largest trading partner and second in Latin America after Venezuela. Bilateral trade has increased sevenfold during the last decade to almost US$662 million in 2012. Both nations have agreements in areas such as biofuels, civil construction, food security, and transportation.

Brazilian exports to the island grew by 36.8% between 2010 and 2012, according to Brazil's Ministério das Relações Exteriores sources. The South American country supplies food to Cuba and is a major buyer of Cuban drugs and vaccines.

In the Cienfuegos province in the island's center, Brazil's Companhia de Obras em Infraestrutura (COI) manages the 5 de Septiembre sugar mill with the intention of increasing production of cane, sugar, and energy. In addition, among the most recent bilateral agreements is the contract for 4,000 Cuban doctors to provide care in underserved rural Brazil.

The influx of Brazilian tourists has increased with 16,000 vacationers visiting the island in 2012; between January and May, some 7,565 Brazilians visited, 2.6% more than the same period last year.
This ranks Brazil as 18th in the island's market share during that period. Cuba is trying to attract visitors from Latin America because European visitor numbers have dwindled because of the economic crisis.

This year a US$176 million loan was negotiated from Brazil for modernizing five Cuban airports in localities frequented by international tourists: Havana, Santa Clara (center), Holguín (eastern), Cayo Coco (north coast), and Cayo Largo (south coast). The airport expansions will be carried out by the Odebrecht group, considered Brazil's largest construction company, which is also working on the expansion of the Port of Mariel managed by Odebrecht subsidiary COI, indicated the Brazilian press.

The Port of Mariel and the airport expansions show the expectation that modernizing infrastructure will permit a greater flow of trade, investment, and visitors to a country that for decades was dependent on trade and subsidies from the former European communist camp. The Cuban people hope that the changes will mean direct access to goods and higher salaries paid in convertible currency.

-- End --