

# William Peace University

## Doing Business in Cuba

Product: cars



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Located 100 miles south of Florida in the Caribbean Sea, Cuba is an island slightly smaller than the state of Pennsylvania. Home to a population of 11,248,000 in 2015, the majority of Cubans spoke Spanish. For the past 53 years companies in the U.S. have been unable to do business with Cuba as a result of a trade embargo put in place by John F. Kennedy in 1962 because of a number of events such as the Cuban Revolution in 1953, the Bay of Pigs in 1961 and the Cuban Missile Crisis in 1962. All this has caused Cuba to fall behind over the years and this paper will examine what Cuba looks like today and whether or not it would be advantageous to sell cars there.

The U.S. Interest Section for Cuba is located in Havana Cuba. Reopening in 1977 the six story building is in the former U.S. Embassy building. Open every day between 8am and 4:30pm the Interest Section can be reached on the main switchboard at (53)(7) 839-4100 or by email at [havanaconsularinfo@state.gov](mailto:havanaconsularinfo@state.gov). Some of the key officers who work in the Interest Section include; Ambassador Jeffrey DeLaurentis- Chief of Mission, Conrad Tribble- Deputy Chief of Mission, Thomas Palaia- Political/Economic Chief, Timothy P. Roche- Consul General, Martina Polt- Management Officer and Lynn W. Roche- Public Affairs Officer (United States Interests Section Havana, Cuba).

Mr. Jorge A. Bolaños Suarez is the representative for Head of Mission for the Embassy of Cuba in Washington D.C. Located at 2630 16<sup>th</sup> St. NW Washington D.C. 20009 the Embassy can be contacted by phone at (+1) 202 797 85 18-20 or by email at [recepcion@sicuw.org](mailto:recepcion@sicuw.org). They also have a website which is [www.cubadiplomatica.cu/sicw/](http://www.cubadiplomatica.cu/sicw/) (Interest Section of Cuba in Washington).

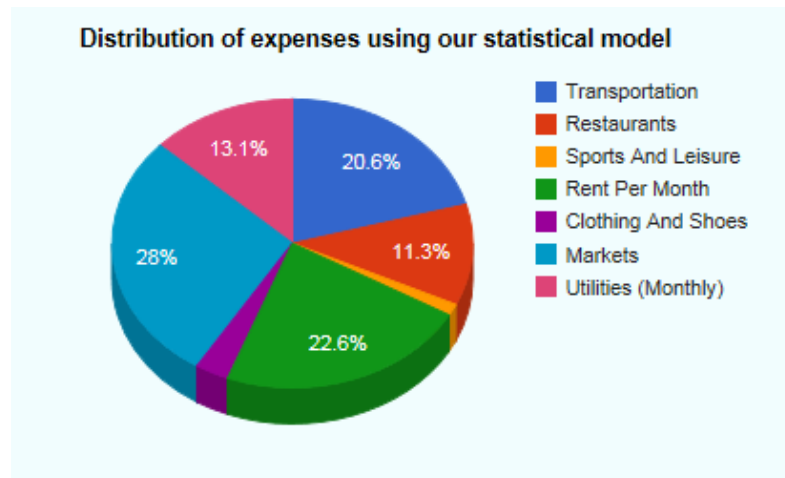
At once being one of the most advanced countries in Latin America now Cuba's infrastructure, power system and communications are all in need of an upgrade. Depending on where you are in Cuba will determine what condition the roads are in. Roads near the cities are in better condition while in other areas some back streets are not even paved at all. 18,467 miles of roads that were recorded as paved in 1996 were done so before 1959 and out of 170 Cuban airports only 77 of them have paved runways (Cuba - Infrastructure, Power, and Communications.). As a result of the trade embargo in 1959 the cars in Cuba consist mainly of 1950's and 1960's American classic cars. In poor running condition many have makeshift replacement parts to keep them running, since there is no way to access real parts. Another reason is because up until a few years ago Cuban residents were forbidden from buying and selling vehicles without permission from the government. Only cars from before the Cuban Revolution in 1959 could be freely traded (Marati, Jessica). Before the Cuban Revolution water and sewage systems were installed, but since they were installed using U.S. made equipment replacement parts have been unavailable because of the U.S. trade embargo. (Cuba - Infrastructure, Power, and Communications) As a result of this, blocks in drainage pipes are affecting more than 60% of capital residents putting them at risk for diseases. (Robertson, Leo) Although many parts of Cuba's infrastructure are not so good, healthcare is. With one doctor for every 220 people Cuban healthcare is community based, prevention oriented, holistic and free (Sankara, Thomas). Medical records are still on paper, medicines can be hard to come by and you may have to wait a while to be seen, but everyone is covered. With an aging population and few nursing homes local health workers educate and have classes for families on how to prevent falls and recognize problems that need prompt care. This way people are able to take care of their

loved ones and promote long healthy lives. In 2012 the life expectancy of Cuba and the U.S. were both 79 (Ladden, Maryjoan).

Cuba is also way behind in the area of communication. In 2000 Cuba had the same number of phone lines as it did in 1959 (Cuba - Infrastructure, Power, and Communications). In 2012 with a population of 11,270,957 only 1.2 million main lines were in use and 1.6 million cellular lines (Cuba Telephone Statistics). One of the reasons less than 20% of the people have access to phones is because the cheapest cell phone in Cuba costs about \$55 U.S. dollars, the equivalent of around 2.5 months earnings for the average Cuban (Baker, Christopher P.). It is estimated by the Cuban government that 1.8 million people or 13% of the population has access to the internet. This is the lowest level of internet penetration in the hemisphere and one of the lowest in the world. The internet in Cuba is mainly used in schools, government offices and for tourist (Piccone, Theodore J., Christopher Sabatini, and Carlos Saladrigas.). There are currently 300 public internet access centers across the country where just checking email cost \$2.50 an hour and using the internet costs \$4.50 an hour (Rainsford, Sarah). The internet that is available is restricted. There is a censored version of the internet that can only be accessed if users are “approved by Etecsa, the state-owned telecommunications company and a commission linked to the committee for the defense of the revolution act” (Piccone, Theodore J., Christopher Sabatini, and Carlos Saladrigas). Most Cubans do not have access to cable TV so they have had to find other ways to get news and entertainment. The weekly packet is the solution for thousands because it provides users with foreign movies, TV shows and digital copies of magazines and websites. The weekly packet is obtained by taking an empty computer hard drive to clandestine distributors, it is then loaded with a selection of the latest movies, TV episodes and music videos that Cubans take home and watch on their computers for the next week. Although this is against

party rules they seem to tolerate the system (McClatchy, Tim J.). Regulation in Cuba is strict. The press situation is one of the most restrictive in Latin America. Freedom of expression and freedom of press are nonexistent in an information monopoly maintained by the Castro regime (Press Reference.). All local media is state owned and no foreign newspapers are allowed on the island (Rainsford, Sarah.).

Cuba does however have the best educated workforce in Latin America and one of the highest literacy rates in the world, 96%. This is because the Cuban Revolution placed a very strong emphasis on literacy thinking it would be an essential component of empowering the population. Education in Cuba is thought of as a human right, this is because education at all levels is free, class sizes are small and if a child is sick there are mobile teachers that go to the child's home (Sankara, Thomas.). "No one in Cuba is talking about a future scenario of making baseballs in sweatshops. They have people who would be adept in pharmaceuticals, computer engineering, and advanced mechanical machinery." -Philip Brenner, a professor of international relations at American University in Washington (Cuba's Skilled Workers Likely to Lure Investors). As of January 2014 Cuba's unemployment rate was 3.3%. ("Cuba Unemployment Rate.") With 40% considered to be in the middle class (Moreno, Carolina) the average monthly salary is around the equivalent of \$24 (Cost of Living in Cuba).



(Cost of Living in Cuba)

Cuba's current form of government is Communist, led by Raul Castro and Miguel Diaz-Canel Bermudez. Raul Castro takes responsibility as commander and chief of the Cuban Republic and heads both executive bodies of the nation's government, the Council of Ministers and the Council of State. Miguel Diaz-Canel Bermudez serves as vice president to these bodies (Cuba Politics, Government, and Taxation). Adopted in 1976 the Cuban constitution "Establishes Cuba as an independent, sovereign, and socialist state of workers whose governmental bodies are the National Assembly of the Popular Power, the State Council, the Council of Ministers, the Supreme Popular Court, and remainder of the courts" (Cuba: Government). The National Assembly is the legislative body consisting of 601 members whose terms last five years. When it is time for reelection the Council of State nominates candidates who are then directly voted upon by the Cuban people. The National Assembly is also responsible for electing the judicial branch. At the local level members of Municipal Assemblies are chosen by direct election. Even though candidates are elected, local government is closely overseen by the Communist Party and Cuban people have little influence over government policies. Cuba's economy is largely state controlled. 75% of the labor force is employed by the government (Cuba Politics, Government, and Taxation).

Beginning in 1962 the U.S. trade embargo with Cuba has prevented all trade including food and medicine. It has also prevented travel between the two countries up until 2014 (What Is the U.S. Embargo against Cuba). As of February 2015 lawmakers introduced legislation to lift the trade embargo. “According to its sponsors, the bill would eliminate legal barriers to Americans doing business in Cuba and pave the way for new economic opportunities for American businesses and farmers”. In order for congress to lift the embargo Cuba must comply with the Helms Burton Act of 1996 that states, “the embargo stays in place until Cuba holds free and fair elections, releases political prisoners and guarantees free speech and workers’ rights” (Adams, Chris).

Manufacturing cars in Cuba might seem like a good idea since the majority of cars there now are over 50 years old, but actually now is not the best time and doing business there could result in first movers disadvantages. With so many restrictions between the U.S and Cuba still in place it would make transporting things between the two countries difficult. It would also be a bad idea to sell cars there now because their roads are not in good shape and the monthly income of the average worker could not cover the high cost of a new car. Although selling cars in Cuba is a bad idea selling car parts might not be. Many Cubans have been repairing their cars with makeshift parts to keep them working so if a company were to sell car parts they could potentially make some money.

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