

Practice Update

Cuba Practice Update

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Cuba Details Rules for Special Economic Zone

The Cuban government last week released details of customs reforms for a long-planned free trade industrial manufacturing and maritime shipping facility in the Mariel Special Development zone, some 25 miles west of Havana.

Mariel will become Cuba's first special economic zone and is slated to host facilities to manufacture products for export, as well as for domestic consumption. The new zone will also host Cuba's first mega port, which will be capable of accommodating Panamax supertankers in transit to or from the soon-to-be newly expanded Panama Canal.

The development of the zone has been overseen by Cuba's ministry of finance at a total price tag of approximately \$900 million. Of that figure, Brazilian entities have contributed approximately \$640 million, led by construction conglomerate Odebrecht whose investments include several industrial plants in the zone. The government had previously reported that the area will enjoy a special customs regime, but the publication of last week's highly detailed new rules came sooner than many analysts expected.

Minister of Foreign Trade and Foreign Investment Rodrigo Malmierca last November said that the opening of the zone is part of President Raúl Castro's

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plan to “increase exports and effectively replace imports” and represents “an interesting opportunity for foreign capital.” Castro has taken steps to modernize the economy, such as trimming public sector payrolls and allowing greater private economic activity, but the state remains firmly in control of most economic sectors.

It is still not clear when manufacturing in the new free trade zone will begin, but reports indicate that limited port operations will start this month. Mariel is Cuba’s closest major port to the United States.

Tampa Congresswoman Calls for Normalization of U.S.-Cuba Relations

Tampa, Florida’s Democratic Congresswoman Kathy Castor on Monday publicly called for an easing of U.S. sanctions on Cuba following a three-day fact finding mission to Havana during which she met with both Cuban officials and U.S. State Department representatives in Cuba.

Castor has historically tended to favor engagement over continued isolation and was a major supporter of initiating air charter service to Cuba from Tampa’s international airport, but she went considerably further in Monday’s remarks, saying the Cubans “have embarked on economic reforms that the United States of America should promote. The United States of America now should normalize relations and begin a constructive dialogue with the island nation.”

During her remarks, Castor focused on the likely economic benefits that easing sanctions would bring to her district. “I am confident that change is on the horizon...we’ve seen improvements in the economic situation in Cuba. We can improve our own situation in Tampa. Think about what can happen at the Port of Tampa, ports all around the Southeast. All across America,” she said.

Castor also touched on the issue of Cuba's designation by the U.S. Department of State as a state sponsor of terrorism, indicating that she favored the country's removal from that list. Cuba's state sponsor of terrorism status has wide-ranging implications and has long been a sticking point in bilateral relations. The determination is subject to annual review and this year's decision is likely to be announced by May 1st.

Tampa again made headlines in Cuba coverage this week on a separate note when a Florida couple abducted their two young children during a custody dispute and sailed to Havana to seek refuge. Although there is no formal extradition agreement between the U.S. and Cuba, the kidnapping set off a flurry of diplomatic communication and eventual cooperation. The couple was returned to Florida to face criminal charges within 48 hours of their arrival to Cuba and the children returned safely to their legal custodian grandparents. The swift and decisive action prompted U.S. officials to voice unusual praise for their Cuban counterparts.

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