

The Cuban factor

\$400-million Canadian hotel joint-venture to add 4,200 rooms by 2006; McConnell Valdes already registering clients' trademarks — just in case

By PEDRO SMITH

While Puerto Rico proudly boasts of the addition of 3,000 new hotel rooms in the past four years, Cuba is quietly working on the construction of 27,000 new rooms by the year 2000. One key development includes a \$400 million master-plan by a Canadian-Cuban joint venture that promises 4,200 new hotel rooms, golf courses and even shopping centers in different parts of Cuba.

While it is true that U.S. tourists are forbidden to visit Cuba as part of the U.S. embargo against Fidel Castro, the frantic growth of the Cuban tourism industry is a reminder to Puerto Rico of how much confidence foreign investors are placing in Cuba as a viable Caribbean destination.

Last July, Vancouver-based Wilton Properties Ltd. signed an agreement with a wholly-owned subsidiary of Gran Caribe — a Cuban company — called Gran Antillana, to form the joint-venture company Vancuba Holdings S.A. Both entities have 50% ownership of the venture. (Wilton has since been acquired by a Canadian conglomerate called Leisure Canada through a stock swap.)

"The message being sent from Cuba is very simple: We are open for business. Prospective investors must come prepared to deal with very sophisticated people," said Walter H. Berukoff, chairman of Wilton Properties in a telephone interview with CARIBBEAN BUSINESS.

According to Berukoff, the company has acquired from the Cuban government the rights to develop up to 11 hotels containing approximately 4,200 rooms on four sites in Cuba. Initial construction is slated to begin late this summer.

These sites are Jicaboa, 40 kilometers east of Havana, midway between Havana and the resort area of Varadero; Cayo Largo, a sand and limestone quay approximately 50 kilometers south of the main island of Cuba; Malecon on Havana's waterfront, and Isla de la Juventud, a 2,000-square-kilometer island west of Cayo Largo.

Berukoff emphasized that an exhaustive title search was conducted to assure that Cuban exiles

don't have a claim on the land the company will develop.

The projects, currently in a feasibility study stage, will be subdivided under different subsidiaries and structured under Cuba's recently

message being that it will be protected by the Cuban government, unlike the piracy situation in Asia," added Cotto.

The law also allows companies to import construction materials duty-

investments in stocks or other securities or bonds, either public or private," added Cotto.

The Canadian venture has been caught in the crossfire of international politics. With the Cold War all



enacted Law No. 77, known as the Foreign Investment Act, which allows foreign companies to become 50% partners in local ventures.

"It is a plain language law. It looks like any other investment law such as Section 936, 30A, etc. and it applies to any type of investment in the areas of telecommunications, transportation, construction, etc., except for medicine and health care, which are strictly government-controlled," said Ramon Cotto Ojeda, a capital partner in the Litigation Department of McConnell Valdes and head of the firm's Cuba Task Force.

The law firm is actively involved in the registration of trademarks and names in Cuba. According to the attorney, some 73 companies in Puerto Rico — mostly multinationals — have already registered their intellectual property in Cuba. "Cubans are playing it very smart about protecting intellectual property, the

free, pay employees in dollars and select their own labor force from a government-endorsed labor pool, areas previously considered key obstacles to investing on the island.

"Though labor is still controlled by the government, they provide a labor pool from which to choose. The Cuban labor force is extremely well-prepared and the government allows us to train them based on our standards of service and quality," added Berukoff.

According to Cotto, the law is sketchy about recognizing the principle of private property. But, he points out, most deals can be structured under favorable leasing terms — sometimes for a 99-year term — making it attractive to foreign investors in Cuba.

"The law allows foreign investors to own 100% of the capital of a commercial entity or investments, which can take the form of direct

but thawed, Cuba remains one of the last vestiges of the old world order. The Feb. 24, 1996 shoot down of two unarmed civilian aircraft that allegedly invaded Cuban airspace in defiance of the Castro regime prompted the passage of the Helms-Burton Bill, named after its Congressional sponsors Senator Jesse Helms (R-NC) and Representative Dan Burton (R-Ind.).

"The law provides for a private right of action by the United States against persons or entities trafficking in any real or personal property confiscated or expropriated by the Cuban government after Jan. 1, 1959," Cotto said.

The law, however, has been largely snubbed by U.S. allies, who prefer to follow the strategy of economic engagement as a route to opening Cuba further to democratic processes. ■