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## DOMESTIC ECONOMY

### EXCLUSIVE-CUBAN ECONOMY MINISTER PUSHES FOR LESS STATE ROLE

Source: Reuters, Marc Frank; March 8, 2010

- \* Economy minister says paternalistic state unaffordable
- \* Raul Castro aide slams resistance to retail sector reform
- \* Pilot projects readied in Havana in taxis, beauty salons

Cuba's economy minister is pushing for less state intervention in one of the world's last Soviet-style economies, saying the government can no longer afford its all-encompassing control and paternalism, Communist Party sources say.

The drive by minister Marino Murillo appears aimed at overcoming resistance to new reforms under President Raul Castro, who has made extensive changes in agriculture since taking over in 2008 from ailing brother Fidel Castro and is thought to want change in other economic sectors. Murillo told armed forces and interior ministry officials in January "the gigantic paternalistic state can no longer be, because there is no longer any way to maintain it," according to a Communist Party source who saw a video of the Jan. 16 event shown to party and government cadres. Sensitive strategy and policy meetings are often not immediately made public in Communist-ruled Cuba, but videos of them are sometimes later shown to certain selected officials.

Cuba is grappling with a financial liquidity crisis triggered by the global recession which forced it to slash imports by 37 percent last year. Inefficiencies in the centralized economy have also reduced productivity. Murillo said the Caribbean nation could no longer afford, for example, to pay tens of thousands of people to control state barber shops, beauty parlors and services such as appliance and watch repair shops. He suggested they could be administered differently by leasing them to workers, according to two people who also saw the video of his speech.

The economy minister, a former military officer appointed to the post a year ago, denounced those who might resist the changes, which appear to be underway in small experiments. "I was called to a meeting last month and told the premises would be leased to employees soon as part of an experiment in the area," the administrator of a state-run beauty parlor in central Havana said, asking that her name not be cited. A pilot project in Havana, the capital, has some state taxi drivers leasing their vehicles at a daily rate instead of receiving a wage, drivers said.

#### DECENTRALIZATION, COOPERATIVES, LEASING

Universities in a number of provinces have been asked to draw up proposals to transform local state-run services and minor production activity into cooperatives. Professors who attended a similar presentation by Murillo at Havana University earlier this year said he made clear that economic necessity, not ideological choice, was driving change and that reforms already underway in agriculture were a model for what would come. "He pointed to decentralization of agriculture and the various forms of property such as cooperatives and land leasing as a model for local production and services," said one of the professors, who, like the others, asked not to be identified due to restrictions on communication with foreign journalists.

President Castro has bemoaned the state-run economy's inefficiency and called for decentralization, local initiative and new forms of property management in non-strategic sectors. He also has said numerous state subsidies are no longer sustainable, a point Murillo repeated, the sources said. "Raul Castro has no illusions about how the all-embracing paternalism of the past has left the Cuban economy in ruins," Brian Latell, a former CIA analyst who closely follows Cuban affairs, said. "His dilemma is in the implementation of decentralizing reforms. Doing nothing, or proceeding too quickly could both have destabilizing consequences," Latell said.

## MILITARY TECHNOCRATS

Raul Castro has appointed a number of military officers to the Economy and Planning Ministry, which insiders say is now the operational headquarters for his economic reform efforts. When he was appointed minister, Murillo came with a new first deputy minister, General Adel Izquierdo, who was head of the military's economic department when Raul Castro served as defense minister. Murillo quickly named Colonel Amando Perez Betancourt, the architect of efforts to make the military's state-run suppliers more efficient, as another deputy minister.

The minister, in both speeches, said the proposed solutions to Cuba's economic problems must come from the local level, and will differ from place to place and sector to sector. "He said that while taxi drivers, beauticians and others might lease their equipment or places of work in the capital, that would not necessarily apply to other cities or state-run eateries where different solutions might prove more beneficial," one of the two people who saw the video said.

## CUBA EXPERIMENTS WITH PRIVATE RETAIL ENTERPRISE

Source: Marc Frank, Reuters; March 10, 2010

Cuba nationalized all retail business in 1968, down to the shoe-shine shops, but in an attempt to stimulate the stagnant economy and reduce bureaucracy, it is experimenting with giving some of it back in a form of legal private enterprise. By leasing some retail services to state employees, the government is testing cautious change in how the communist country operates small-scale business. "We have begun experiments and are working on others to ease the burden on the state of some services it provides," Economy Minister Marino Murillo told the National Assembly at the close of 2009, without elaborating further.

Authorities have remained mum about their efforts, but a number of experiments are under way or about to be launched in Havana, a source with knowledge of local government activities, said. The CubaTaxi office on Palatino Street in the Cerro municipality of the capital is home to one such experiment. Thirty of the more than 2,000 state taxi drivers in the capital are leasing their vehicles rather than working for a wage, a small percentage of the tips and whatever they can pocket on the sly. "You pay 595 convertible pesos for the car and then after a month 39 convertible pesos plus 40 pesos a day," said Elio, one of the drivers. "You are responsible for maintaining the taxi and gas, but can buy parts and services from the state," he said. The government pegs the convertible peso at \$1.08 or 24 pesos. "Overall the drivers are happy. There is still control over what we charge, but we are freer and earning more," Elio, who began driving a cab in 1986, said. "I think this system is also better for the state which is guaranteed a net income with few headaches," he added. The project will be evaluated in June, before being applied to other dispatch offices.

## CASTRO FOSTERS DEBATE

President Raul Castro has fostered debate on what to do with the retail sector since taking over from brother Fidel Castro two years ago, but has ruled out a shift back to capitalism. The debate has spilled over into the official media with exposes over irregular supplies, low wages, employees jacking up prices and pocketing proceeds, all the while delivering poor service despite layers of bureaucracy designed to control such activities. "The government is simply accepting what already exists, adopting new structures to legalize what was before viewed as theft and instead of spending a fortune on useless bureaucrats has begun collecting taxes," a local economist said, asking his name not be used. In Central Havana and 10 de Octubre municipalities, beauty parlor employees were recently called to meetings and informed they would be leased their shops as cooperatives on an experimental basis. "They said the hairdressers would be leased the premises without the administration and service employees," a participant said. "You have to pay rent for the shop, costs such as water, electricity, materials and the wages of anyone you contract, for example a receptionist or to clean up," she said. "You can charge whatever on the basis of supply and demand and have to pay taxes on your profits," she added. The project was scheduled to begin this month but was postponed in part to consider objections and proposals put forward by the beauticians, she said. State-subsidized materials arrive sporadically at the parlors and services cost anywhere from the equivalent of \$0.20 (five pesos) for a shampoo to between \$1 and \$2 (25 pesos to 50 pesos) for hair-dyeing. "We buy shampoo, conditioner, dye or what have you at state foreign exchange shops with a 240 percent mark up, or get our friends to bring it in from Miami or Madrid," another beautician, who also asked her name not be used, said. "Then we tell our clients there are no state supplies, but we bought them ourselves and will have to charge accordingly," she said.

## CUBA HANDING BEAUTY, BARBER SHOPS OVER TO WORKERS

Source: Marc Frank, Reuters; April 12, 2010

Communist Cuba is turning over hundreds of state-run barber shops and beauty salons to employees across the country in what appears to be the start of a long-expected revamping of state retail services by President Raul Castro.

The measure marks the first time state-run, retail-level establishments have been handed over to employees since they were nationalized in 1968. Barbers and hair dressers in telephone interviews from a number of cities during the weekend said they would now rent the space where they work and pay taxes instead of receiving a monthly wage. Those employees who do not wish to rent are being offered other jobs or retirement.

Cuba and North Korea are the world's only remaining Soviet-style command economies in which the state controls more than 90 percent of economic activity. Other communist countries such as China and Vietnam have long since liberalized retail trade, services and small business. The measure, which is subject to adjustment and local conditions, sets a monthly fee for each person based on 15 percent of the average revenue generated by haircutting and styling in each area. They will be able to charge whatever the market will bear and expect to make good money for Cuba, where the average monthly wage is 420 pesos, or the equivalent of about \$20 U.S.

Daisy, a hairdresser in easternmost Guantanamo province, said under the old system the government took in 4,920 pesos per month per hairdresser. Now she will pay the government 738 pesos per month and keep any earnings above that. In Santiago de Cuba the monthly fee is 1,008 pesos and 1,292 in the city of Holguin. "We have to pay water, electricity and for supplies but it seems like a good idea," Daisy said. She said that while the plan did not turn the shops into cooperatives, employees would have to join forces to decorate and maintain the establishments. "You will have to work very hard to earn a good living but I like the idea," said Yordanka, 25, a hair stylist in the eastern city of Holguin.

Barbers and manicurists will pay less per month. For example, in Guantanamo barbers will give the government 604 pesos and manicurists will pay 280 pesos. The government has not announced the new policy, which began this month and now applies to beauty parlors and barber shops with three or fewer seats, nor has the state-run media mentioned it.

### SMALL STEP WITH BIG IMPLICATIONS

Castro has fostered discussion in the media and through grassroots meetings on what ails the economy since taking over for his brother Fidel Castro more than two years ago. The retail sector has come under withering criticism for poor service and rampant theft, and officials have repeatedly urged patience as they experiment with ways to bring improvement, without jumping into full-scale capitalism. Beauty shops have operated in a kind of a philosophical void that served no one very well, said Mabel, a Havana hairdresser. "In practice they were neither state nor private and simply didn't function," she said.

Cuba expert Phil Peters at the Virginia-based Lexington Institute said the new measure was a small step with potentially big consequences if the model is applied to the broader retail sector. "If carried out fully, it would convert small state enterprises into leasing arrangements and urban cooperatives," he said. "Since the cooperative model and leasing are already being extended in agriculture, there would seem to be no ideological barrier to employing them in the cities."

The Cuban government took over all small businesses and retail activity in 1968. In 1993 the government legalized self-employment in a number of retail activities -- from home-based snack shops and restaurants to beauticians, barbers and clowns -- but then gradually reduced the number of licenses available. The number of self-employed peaked at more than 210,000 in 1996, according to the government, but had declined to around 100,000 by 2009. Countless individuals engage in illegal self-employment, including hair cutting, styling and manicures.

## **CUBA ALLOWING SOME TO BUILD THEIR OWN HOMES**

Source: EFE; April 28, 2010

The Cuban government in April began granting licenses to people to build homes “with their own effort” on the island, an initiative approved last year by President Raul Castro.

The granting of the permits was recently approved by the National Housing Institute for people who are the owners of land, homes or other areas included in the new resolution, state-run Radio Rebelde reported Tuesday. Before the new regulation, building permits had been awarded only in “selected” cases by the relevant local authorities, while now all interested parties that assemble the legal prerequisites may request a construction license.

The permit includes the case of houses in bad condition and the possibility of adding to existing homes, while the government will institute mechanisms for the sale of construction materials. “A level in square meters corresponding to the nuclear family” will be designated during the application process and, after obtaining the permit, people may begin work, a source with the Housing Institute said. A year ago, Gen. Raul Castro said that the communist island’s industrial base must be developed so that hundreds of thousands of houses could be built, and he decided not to prohibit people from building or adding to homes by their “individual effort.”

The lack of housing is one of the most serious problems in Cuba, where currently it is calculated that there exists a deficit of 600,000 houses in a country of 11.2 million residents, a situation that has developed, in part, due to the damage caused by three hurricanes that slammed the island in 2008. In recent years, state construction plans have not been able to be met although the number of new homes set as a target has been reduced from 150,000 to 50,000. In Cuba, construction work is generally done by construction brigades and by the citizens themselves, who have to confront and surmount numerous bureaucratic obstacles before they can get down to work, but even when those obstacles are overcome there is still a serious lack of building materials.

## **FOOD & AGRICULTURE**

## **HAVANA FOOD PRODUCTION FAILS TO MEET EXPECTATIONS**

Source: AP; March 4, 2010

Production of fruits and vegetables in Cuba's capital and surrounding farmlands is 40 percent lower than expected so far this year, as the island's agricultural sector continues to founder despite a series of reforms.

The Communist Party newspaper Granma said Havana province, which includes the city of the same name, fell short of its targets through the end of February largely because of government ineptitude. It reported that authorities failed to provide farmers with seeds in a timely manner and said fertilizer and other nutrients to bolster crops were also slow in coming. The result was less food for sale at heavily subsidized state farmer's markets. "The frequently semi-empty stalls at the markets are signs of these failures and the difference between what is produced in the countryside and what is sold," the newspaper said.

Shortages of all kinds of basics, from lettuce to potatoes to peanuts, are common in Cuba, though some items have lately been even more difficult to find than usual. President Raul Castro has made improving food production and slashing expensive imports a top priority since taking power from his brother Fidel — first temporarily, then permanently — in 2006. The government shifted much of the control of government-run farms from Agricultural Ministry officials in Havana to local farming boards in hopes of boosting productivity. It also put far more idle state land into the hands of private farmers. Still, the government continues to provide seeds, fertilizer, gasoline and other supplies to farms and buys up nearly all of what they produce. Problems at any point in the supply chain can cause lengthy delays and hurt production.

## **US LOOSENS PAYMENT RULES FOR FOOD SALES TO CUBA**

Source: Reuters, Doug Palmer; March 9, 2010

The United States is easing rules for cash payments of agricultural sales to Cuba through September 2010, according to a document posted on the U.S. Treasury Department's website. The move is at least a temporary victory for U.S. farmers whose trade with Cuba was complicated by payment rules issued by Treasury's Office of Foreign Asset Control (OFAC) during the administration of President George W. Bush.

The loosening was approved by Congress in December in a provision added to a spending bill funding federal agencies for the rest of the 2010 fiscal year. It will disappoint those in Congress who oppose any easing of trade sanctions against Cuba's communist government and see the move as ill-timed after the recent death of political prisoner Orlando Zapata Tamayo from a hunger strike. The rule change can be found on OFAC's website at [and is labeled a final rule, although the effective date is not given. \(\[http://www.treas.gov/offices/enforcement/ofac/programs/cuba/fy2010\\\_cashadvance.pdf\]\(http://www.treas.gov/offices/enforcement/ofac/programs/cuba/fy2010\_cashadvance.pdf\)\)](http://www.treas.gov/offices/enforcement/ofac/programs/cuba/fy2010_cashadvance.pdf)

Farm sales were exempted in 2000 from the long-standing U.S. embargo on Cuba so long as Havana pays in advance for the goods and the money is handled by a third-country bank. The Bush administration interpreted payment of cash in advance to mean Cuban buyers had to pay for the U.S. farm goods before they left port for Cuba. OFAC's new regulations, which it said only covered the remainder of fiscal 2010, reinterprets payment of cash in advance to mean before title and control of the farm goods are transferred to the Cuban buyer.

That would allow Cuban buyers to pay for the goods just before they are unloaded in Cuba, lowering the financial cost of the transactions that are paid through third-country banks. John Kavulich, a senior policy advisor at the U.S.-Cuban Trade and Economic Council, said he doubted the rule change would lead to a big increase in U.S. farm exports to Cuba. "From a strictly commercial viewpoint, it's going to have very little benefit for Cuba," Kavulich said. Even though Cuba decried the rule change in 2005, they continued to buy U.S. farm goods with purchases reaching a record \$710 million in 2008.

Purchases fell in 2009 to \$528 million, but the decline reflected Cuba's dire economic situation much more than the OFAC rule, Kavulich said. The House of Representatives Agriculture Committee has scheduled a hearing on Thursday on farm trade with Cuba. Committee Chairman Collin Peterson, a Republican from Minnesota, has offered legislation to further ease food sales by allowing direct payments between U.S. and Cuban banks and lifting restrictions on travel to Cuba by U.S. citizens.

## **CUBA TO CLOSE 100 AGRICULTURAL FIRMS**

Source: AFP; March 15, 2010

As it seeks to cope with a deep economic crisis, the Cuban government will close around 100 agricultural firms considered unprofitable and "reorient" over 40,000 workers by the end of the year, Cuban media reported Monday.

"In order to increase efficiency and production, we do not need workers from other sectors but rather we need to adjust our own mechanisms and change how farmers work," Agriculture Minister Ulises Rosales del Toro, according to the ruling Communist Party newspaper Granma. During a meeting in the central province of Villa Clara, del Toro said the move was necessary "because of the economic crisis throughout the country."

President Raul Castro has made overhauling the agricultural sector one of his "strategic" priorities, as the hard-hit Caribbean island nation imports some 80 percent of its food needs. The communist island has distributed around 54 percent of government property to small private farmers. Havana, which controls 90 percent of the economy, is also seeking to eliminate unemployment benefits as part of measures targeting government "paternalism" during the country's worst economic crisis since the Soviet Union collapsed in 1991.

Cuba, which has been under US embargo for 48 years, has suffered from a global financial crisis that lowered its revenue from tourism and nickel, the country's top export product. Three devastating hurricanes added to the burden in 2008. The government, which has refused to give up on providing free health care and education, slashed its imports by some 37 percent last year as it ran out of cash.

## **CUBAN FARMERS PUSHING FOR GREATER AUTONOMY TO PRODUCE AND SELL CROPS**

Source: MercoPress; March 23, 2010

*Cuban farmers are pressing for greater autonomy to produce and sell their crops, blaming government inefficiency for Cuba's falling food output despite agricultural reforms introduced by President Raúl Castro.*

Government distribution last year resulted in the loss of tons of fruits and vegetables. In meetings around the country, they have complained that the government is not providing the inputs they need and has failed in its basic role of getting their produce to market, according to meeting participants and media reports. Their claims and requests, which are being aired at meetings of the National Association of Small Farmers, are significant because they seek to move away from government control of agriculture, which has been one of the pillars of the Castro brothers' regime. At issue are regulations guaranteeing the state's near monopoly of the distribution system through its long-standing practice of contracting for 75% of what farmers produce in exchange for supplying fuel, pesticides, fertilizer and other supplies otherwise not available.

The farmers say the state often fails to deliver inputs when they need them and undercuts production by not picking up and distributing crops in a timely fashion, which leaves their produce rotting in fields and warehouses. The latter has become such a problem that Cuba's state-run press recently reported that farmers basically want the state to get out of the way. "Participants raised the need to do away with the system of distribution — and allow co-operatives to bring their products directly to market," the National Information Agency wrote about a meeting of Havana province farmers attended by Cuba's First Vice President Jose Machado Ventura. Raul Castro has made food security his signature issue since taking over from his older brother Fidel Castro two years ago. Cuba because of its inefficient agricultural production spends heavily hard currency to import two-thirds of its food. Castro has raised prices the state pays for produce, leased state lands to farmers, decentralized decision making and allowed some farmers to sell a small part of their produce directly to consumers at fixed prices.

The reforms last year spurred production of bumper crops of tomatoes, garlic and other items, but the state could not deal with the abundance and failed to get all the produce to market, resulting in the loss of tons of fruits and vegetables. This year, farmers say that despite the reforms, production has fallen because the state did not provide fertilizer and pesticides when they needed them. Cuba's 250,000 family farms and more than 1,000 private co-operatives represent the largest private sector in the state-dominated economy. They produce 70% of the locally grown food even though they own only 20% of the land.

## **CUBAN BUREAUCRATS BLAME BUREAUCRACY FOR PRODUCTION SHORTFALLS**

Source: EFE; March 29, 2010

Granma, the newspaper of Cuba's ruling Communist Party, on Monday accused the "bureaucracy" of slowing down pork production in its report on a meeting attended by officials from government-run companies and the official union representing independent farmers. "The bureaucracy holds back the production of pork in the capital," was the title of the article on the paper's front page, a story that discussed the meeting on the weekend that attracted bureaucrats from different sectors and headed by Vice President Jose Ramon Machado Ventura.

The delegates of the ANAP association of small-scale farmers "criticized the 'diabolical' mechanisms that curb the interest in increasing (production) of this food," said Granma. "Despite the efforts made by the parties, the Hydraulic Resources, Public Health and Physical Planning institutes were not able to agree with the Veterinary Medicine Institute," Granma said. "Upon learning that there are several entities involved in this incredible production slowdown, Machado said that the solution cannot be delayed and that it must be the representative from Agriculture who heads up the activity and demands that those responsible respond immediately and appropriately," the ruling party mouthpiece said. "We're aware that whatever holds back production and marketing must be eliminated and we must ensure the most important thing: taking maximum advantage of the resources we have," the 79-year-old Machado said.

In recent years, the government headed by Gen. Raul Castro, beset by one of the worst economic crises of recent decades, ordered increases in food production to relieve the island's dependence on imports for 80 percent of the food consumed by Cuba's 11 million people. In Cuba, meetings are frequently held between government and union bureaucrats, who are usually also Communist Party members, to try and resolve the country's production inefficiency, but it is very rare for the Cuban bureaucracy to so openly take blame upon itself for the problem.

### **CUBAN SPENDING MORE THAN \$1.5 BN A YEAR ON FOOD IMPORTS**

Source: EFE; April 12, 2010

Cuba continues to spend more than \$1.5 billion a year on food imports, Vice President Jose Ramon Machado said while urging farmers to boost production, Communist Party daily Granma reported Monday. Machado told gatherings of farmers that if Cuba does not achieve "strong, efficient agriculture, it will be unable to increase production to the amount people need," the paper said. At the same time, he acknowledged "obstacles and bureaucratic decisions that bog down the distribution and sale of meat, fish, grains and garden produce."

In several provincial assemblies of the state-run National Association of Small Farmers, or ANAP, Machado has said that the goal of agricultural policy should be ensuring an adequate supply of food in each population center without excessive transportation costs. Cuba's president, Gen. Raul Castro, has said that increasing food production is a matter of "national security," so as not to be forced to import it at a time of high prices on the international market while the government is suffering from a severe lack of liquidity. Since he took power in 2006, when older brother Fidel was stricken with a serious illness, Raul Castro has made available thousands of hectares (acres) of idle land to family farmers and cooperatives, among other measures that attempt to increase production.

### **PRODUCCIÓN CUBANA DE CAFÉ CAYÓ EN UN 90% Y ENGROSA LA LISTA DE IMPORTACIONES**

Source: EFE; 19 de abril, 2010

La producción de café disminuyó en un 90 por ciento en los últimos años en Cuba, donde el Gobierno del general Raúl Castro gasta actualmente unos 50 millones de dólares en importar el grano para garantizar el consumo interno, informó hoy el semanario oficial Trabajadores.

Según datos del Ministerio de Agricultura divulgados por Trabajadores, Cuba llegó a producir 60.000 toneladas de café, pero "ahora apenas alcanza el diez por ciento de esa cantidad". "El país requiere importar hoy 19.000 toneladas de café por un valor aproximado de 50 millones de dólares para garantizar el consumo de este producto, que tradicionalmente constituyó una importante fuente de ingresos en divisas", indica el semanario. Además, resalta que la isla necesita producir no menos de 29.000 toneladas del grano limpio para sustituir las importaciones, lo que constituye una de las prioridades de la política económica del general Castro.

Según especialistas citados en el artículo, entre las principales causas de la caída cafetalera están las prolongadas sequías, los huracanes e insuficiencias en el suministro estatal de fertilizantes, herbicidas, insecticidas y herramientas de trabajo a los productores. También mencionan la introducción de plagas "por manos enemigas" y el éxodo de los productores a otros cultivos "en busca de ingresos superiores".

El semanario resalta que la cosecha del grano "tocó fondo" en 2005, cuando el caficultor se convirtió en el campesino peor pagado del sistema agrícola en la isla, y el Estado tuvo que asumir el subsidio del café dentro de la canasta básica que se vende mensualmente a los cubanos. "Más amargo no puede ser el trago para la economía cubana", señala Trabajadores, y apunta que "lejos de renunciar a este cultivo, presente en la isla desde hace más de 250 años, la nación ha establecido un programa de desarrollo, que entre 2009 y 2015 pretende revertir el déficit productivo".

La estrategia incluye un nuevo sistema de precios para pagar a los cafetaleros y una reorganización de la producción en las áreas con las plantaciones de mejores resultados. Cuba gasta más de 1.500 millones de dólares anuales en importar alimentos, por lo que el Gobierno considera que aumentar las producciones es un asunto de "seguridad nacional" para eliminar sus gastos en momentos en que los precios en los mercados internacionales son altos y en que la isla padece una aguda falta de liquidez. Desde que asumió el mando en 2006, cuando enfermó su hermano Fidel, el general Castro ha entregado en usufructo a campesinos y cooperativas miles de hectáreas de tierras cultivables que el Estado mantuvo ociosas durante décadas, entre otras medidas para tratar de aumentar la producción, con resultados aún por cuantificar.

## MINING

### CUBA SAYS SHERRITT NICKEL VENTURE AT RECORD OUTPUT

Source: Reuters, Marc Frank; March 10, 2010

- \*Sherritt venture at 106 tonnes mixed sulfides per day
- \*Cuban plant below capacity at 76 tonnes daily
- \*Output at third plant unknown

Canadian mining company Sherritt International's <S.TO> joint nickel venture in Cuba broke production records in February, while a second plant's output was 2 percent above plan, official media reported Wednesday.

"The Pedro Soto Alba plant produced 106 tonnes of mineral daily while the Ernesto Che Guevara plant reached 76 tonnes daily," Holguin province's television Cristal reported. The two plants are located in Moa, Holguin province, the home of the industry. Pedro Soto Alba is a joint venture between state monopoly Cubaniquel and Sherritt International. The Che Guevara plant is owned by Cubaniquel, as is a third plant in neighboring Nicaro, the Rene Ramos Latourt plant.

At current production rates, the Pedro Soto Alba appeared on track toward output of around 38,000 tonnes of unrefined nickel plus cobalt, while the Che Guevara would weigh in at around 28,000 tonnes, well below its 32,000 tonne capacity. There was no information on the Rene Ramos Latourt, the oldest plant with a capacity of 10,000 to 15,000 tonnes, which operated below capacity at various times last year. Cuba's unrefined nickel plus cobalt production weighed in at 70,100 tonnes last year, according to the government.

Production at the Pedro Soto Alba plant was a record 37,328 tonnes, Sherritt International reported. Hurricane Ike, a Category 3 storm, hit Cuba in September 2008 at Holguin's northern coast, where the nickel industry's three processing plants are located, damaging the two Cubaniquel plants, infrastructure, housing and buildings and swamping the area with torrential rains and a storm surge. Output had averaged between 74,000 and 75,000 tonnes of unrefined nickel plus cobalt for much of the decade before that storm hit.

Nickel is essential in the production of stainless steel and other corrosion-resistant alloys. Cobalt is critical in production of super alloys used for such products as aircraft engines. Cuban nickel is considered to be Class II, with an average 90 percent nickel content. Cuba's National Minerals Resource Center reported that eastern Holguin province accounted for more than 30 percent of the world's known nickel reserves, with lesser reserves in other parts of the country.

## ENERGY & OIL

### RUSSIA, CUBA IN POWER-GENERATION VENTURE

Source: Newstex, Renato Perez Pizarro; March 9, 2010

Inter RAO-UES (OOTC:IRAOF), a Russian supplier of electric power, will open an office in Havana and begin a joint venture with the state-owned Union Electrica, the Russian media announced Tuesday.

The joint venture, to be known as Generacion Mariel, will undertake projects for the generation of thermal and hydroelectric power. Its first project will be the modernization of the four-unit thermal power plant Maximo Gomez in the port city of Mariel, Havana province, and the construction of two additional 100-megawatt plants.

The first phase of the project will be to attract funding; the second will be the actual construction, expected to begin a year from now. In its website, Inter-RAO describes itself as a "power supplier with a number of generation and distribution assets in Russia and abroad. [...] The company is a major investor and a leading exporter and importer of electric power in Russia." Its chairman is Russian Deputy Prime Minister Igor Sechin [[http://www.kommersant.com/p1007608/r\\_527](http://www.kommersant.com/p1007608/r_527)], who has made several trips to Cuba in the past couple of years. By having an office in Cuba, Inter-RAO can "support ongoing activities and effectively develop its business presence in Cuba and Latin America," the company says in a press release.

## TRANSPORTATION

### CUBA CANCELS CAR IMPORT PROGRAM

Source: Reuters, Rosa Tania Valdes; March 4, 2010

An import program that brought flashy new cars to Havana streets dominated by old U.S. and Russian vehicles has been canceled, the Cuban government said in a resolution published this week. [Cyclical Consumer Goods](#)

In the online edition of the Official Gazette, the communist government said "irregularities have been observed" in the program without explaining what they were. Since April, Cubans with cars had been allowed to import vehicles to replace pre-1990 models, with the goal of cutting fuel consumption and pollution on the Caribbean island. The old models were turned over to the government, which regulates the purchase of cars and restricts who can get them.

It was not known how many vehicles had come in under the program. But shiny new cars and SUVs, some luxury makes such as BMW and Mercedes, began popping up among the 1950s American cars that still rumble through Cuba and the Ladas that came during the island's 30-year alliance with the Soviet Union. Artists, athletes and doctors posted abroad are among those allowed to have cars and some of the few Cubans who can afford them. The only cars that can be freely bought and sold are the old U.S. models that predate the 1959 Cuban revolution. In recent months, some Cubans had bought the old cars, which are sold for between \$3,000 and \$40,000, to be able to import a new car to replace them.

## **CUBA REPORTA DEFICIENTE RENDIMIENTO EN MOLIENDA DE AZÚCAR**

Source: Reuters, Marc Frank; March 4, 2010

Los ingenios estatales en Cuba tuvieron un deficiente rendimiento durante la primera mitad de la temporada de la zafra debido a las averías, las lluvias y otros factores que provocaron una menor producción de azúcar de la esperada, dijo el jueves una radioemisora local.

"El país, por el incumplimiento en la molienda, que estaba programada para el 80 por ciento de la capacidad, no llega ni siquiera al 70 por ciento; está al 64 por ciento (...)", dijo Juan Varela Pérez, un reportero especializado en el tema del azúcar. "Esa diferencia marca el incumplimiento del plan de azúcar", dijo a una radioemisora local. Según las autoridades cubanas, el plan era lograr una zafra de unos 1,3 millones de toneladas de azúcar sin refinar esta temporada, cifra similar a la cosecha anterior. Sin embargo, el Ministerio del Azúcar ha dicho que hay menos caña disponible que el año pasado y los planes están basados en los ingenios operando a un 80 por ciento de su capacidad.

La zafra se extiende desde enero a abril, aunque unos pocos ingenios muelen entre diciembre y mayo. El rendimiento de la caña suele llegar a su punto máximo entre febrero y marzo, por lo que será difícil recuperar el rezago causado por el bajo ritmo de la molienda y las lluvias de este mes. Las lluvias a lo largo de Cuba a fines de febrero y principios de esta semana, sin duda, han logrado frenar la zafra de azúcar, agregando a que hacen imposible que operen las cosechadoras en las plantaciones que tienen sistemas de drenaje inadecuados.

Varela dijo que el rendimiento para la producción de azúcar es clave en un número de provincias y era ya particularmente preocupante. "En el grupo (de provincias) críticas en este aspecto están Las Tunas, la peor, con el 28 por ciento del tiempo de zafra inactivo por roturas e interrupciones operativas", dijo. Cuba está operando con 46 ingenios este año en comparación con los 56 que molieron en el 2009, con sólo siete construidos antes de la revolución de 1959. Cuba consume un mínimo de 700.000 toneladas de azúcar al año y exporta otras 400.000 toneladas a China. En el pasado Cuba tuvo que importar azúcar blanca de baja graduación para poder cumplir sus compromisos de exportación. Las importaciones fueron suspendidas en el 2008, después de que Cuba aumentó su capacidad de refinado.

## **CUBA EYES FOREIGN INVESTMENT TO HALT SUGAR DECLINE**

Source: Reuters, Marc Frank; March 25, 2010

Talks with foreign investors advancing: sources

- \* Joint administration of mills on the table
- \* U.S. embargo, national pride seen as obstacles
- \* First such projects since 1959 revolution

Cuba may open sugar production to foreign investors for the first time since the 1959 revolution as it seeks to reverse the once proud industry's relentless decline, business sources said this week. Talks between investors and the government have come and gone with little result for years, but what is shaping up as perhaps the island's worst harvest in a century has increased interest in bringing foreign partners, the sources said. Their money and management know-how could help revive a sugar industry that has collapsed from neglect and the decapitalization of mills and plantations, local experts and foreign traders said. President Raul Castro, who took over from ailing brother Fidel Castro two years ago, is trying to right communist Cuba's cash-strapped economy by increasing exports and cutting imports.

Sugar, once the driver of Cuba's economy, now accounts for less than 5 percent of Cuba's foreign earnings, but prices have been driven up by ethanol demand, so Cuba is turning to it once again. A Cuban source with knowledge of the sugar industry said the government has been seriously exploring foreign participation for several months. "The executive Committee of the Council of Ministers approved plans to pursue talks last November, and again this year to sign administrative agreements," the source said. Foreign banking and other business sources confirmed talks were advancing toward

agreements that would have investors jointly administer several mills and share in the production for a limited number of years. The sources would not name the various companies involved or provide further details. Similar agreements already exist in the citrus industry, where Panama-based Israeli investors jointly operate juice plants with the government.

#### U.S. HELMS-BURTON LAW

Theoretically, the state-run sugar industry has been open to direct investment since 1995, but in practice there has been little interest on the government's part except in a few joint ventures making sugar derivatives such as alcohol and parts used in sugar processing, the sources said. A big obstacle is the U.S. Helms-Burton law, which penalizes investment in properties expropriated from U.S. owners and contains a yet-to-be implemented chapter allowing Cuban-Americans to sue investors who "traffic" in their expropriated properties. All but eight of Cuba's mills were built before the revolution and therefore nationalized, and most plantations are lands expropriated by the government after Fidel Castro took power in 1959.

Foreign investors are forbidden by law to own land in Cuba, and do not need to own anything for the proposed sugar ventures, said a local economist. "There is little need for investors to own land. In fact, it is in their interest to simply administer mills, provide farmers with technology packets and process the cane," he said. Cuba was once the world's biggest sugar exporter with raw output reaching 8.1 million tonnes in 1989, but the industry went into decline after Cuba's top ally for 30 years, the former Soviet Union, collapsed in 1991. The Soviet Union paid padded prices for Cuban sugar to boost the island's economy, so its demise hit Cuba and the sugar industry hard.

Cuba shut down and dismantled 71 of 156 mills in 2003 and relegated 60 percent of sugar plantation land to other uses. More mills have closed since then, with just 44 mills open this season. Another 20 have been maintained in working condition for future use. Only 1.7 million acres (700,000 hectares) of the over 5 million acres (2 million hectares) once controlled by Cuba's Sugar Ministry are currently dedicated to sugar cane. Cuba planned to produce 1.3 million tonnes of raw sugar this season, but milling problems and low yields have resulted in a shortfall of more than 100,000 tonnes to date. With the harvest scheduled to end by May, Cuba is in danger of reaching its lowest output since 1908, when 1.2 million tonnes of sugar were produced.

## FOREIGN INVESTMENT

### CUBA SAYS FOREIGN VENTURES SLIGHTLY UP AFTER LONG DECLINE

Source: Reuters, Marc Frank; March 15, 2010

- \* Joint ventures number 218, up seven over 2008
- \* Not clear if increase is result of policy change

Cuba registered a slight increase in the number of foreign investment projects last year, the first rise since authorities began winnowing out foreign ventures they deemed ineffective or corrupt in 2003, according to a government report seen by Reuters on Monday. The report by the Foreign Trade and Investment Ministry said the country was involved in 218 joint ventures, compared with 211 in 2008, and had 69 hotels under foreign management, up from 63 the previous year.

The increase was the first reported since 2002. After that Communist authorities began closing many of the 404 ventures and 313 cooperative production agreements then in existence, mainly with Western partners, alleging they did little for the economy and were often corrupt. The report said there were currently just 14 cooperative production agreements, where an investor receives part of the profit or product produced, but holds no shares. The increase in foreign investments came despite a severe financial crisis and just a year after President Raul Castro formally took over from his ailing brother Fidel Castro in 2008. But local economists said it was too early to say if the change was the result of a change in government policy. Hurricanes, the international financial crisis, U.S. sanctions and a sluggish state-dominated economy left Cuba short billions of dollars in 2009.

Foreign Trade and Investment Minister Rodrigo Malmierca told the National Assembly in December that 46 of the investment agreements with foreign companies were abroad, many of them in Venezuela, China and Angola. Cuba has pharmaceutical ventures in Iran, India, China, Brazil and other countries, works construction in Angola and Vietnam, operates a hotel in China, and is involved in numerous projects in Venezuela, whose President Hugo Chavez is a top ally. Inside Cuba, Malmierca said joint ventures were predominantly with investors from Spain, Venezuela, Canada and Italy, in sectors such as tourism, oil exploration, communications and mining.

Details of many joint ventures were not disclosed, but official media reported during 2009 deals for two hotel projects with Qatar, a fishing venture and four oil exploration contracts with Russia, an electronics assembly plant with China, and a paper venture with a Spanish firm. U.S. law -- long aimed at isolating Cuba -- bars American companies from investing on the island, though they may hold a minority stake in foreign firms with less than 50 percent of their operations in Cuba.

Since the collapse of its former benefactor, the Soviet Union, threw Cuba's economy into deep crisis in the early 1990s, Havana has allowed some foreign investment under strict government control. Cuba opposes privatization on principle and views foreign investment as merely "complementary" to the state-run economy, with foreign investors adding technology, management skills, financing and markets. Joint ventures are with Cuban state partners that usually hold 50 percent or more shares at home and a minority stake abroad.

## CUBA: EXPORTS

### CUBA PROMOTES RUM EXPORTS

Source: ACN; March 23, 2010

The Cuban enterprise CIMEX is fostering the commercialization of new products such as the Caney rum (12-year aged) with the purpose of increasing its exports and sales amidst the current international financial crisis.

This new rum, called Super Premium, is manufactured by the rum industry in eastern Santiago de Cuba. Tranquilino Palencia Estruch, an expert in the manufacture of this rum, said that the initial production of Caney 12 Years has already been sold to Bodegas Torres and the Sotabac Company, which will distribute the product. Dagnet Flores Aldana, Development Manager of CIMEX's Wholesale Division, explained that they traditionally commercialize rum brands such as Caney and Varadero as well as the Cubita coffee although they are now promoting the sale of charcoal, mainly in Europe. She added that that their company annually works in the design and identity of the products to achieve better results in their commercial management.

## FOREIGN DEBT

### CUBA OFFERS PAYBACK PLAN FOR FROZEN BANK ACCOUNTS

Source: Reuters, Marc Frank; March 2, 2010

- \* State banks offer monthly payments over five years
- \* No apparent alternative to interest rate of 2 percent
- \* Bank account freeze dates back to November 2008

Cuba is offering foreign businesses 2 percent annual interest over five years as part of a plan to repay hundreds of millions of dollars in bank accounts frozen by the cash-strapped government, diplomatic and business sources said this week.

The government is hoping the interest payments will encourage companies to keep doing business with import-dependent Cuba while the country gradually unblocks the frozen accounts. The aim is to do this without depleting communist-led Cuba's financial reserves. The offer from the state-run banks consists of monthly payments over five years at 2 percent interest, with the proviso that payments can be missed without penalty when money is not available. "Some people are taking the deal. At least the funds go from a nonperforming asset at no interest to a performing certificate of deposit," one western commercial officer said. "The alternative seems to be nothing. It's an offer you can't refuse," he told Reuters.

Cuban banks first informed depositors in November 2008 that they had no foreign exchange to back up the convertible peso, or CUC, in which many were doing business. At the time many traders sold their wares in exchange for CUCs, which banks honored at an exchange rate of \$1.08 per unit, handing over cash or transferring funds out of the country. But the banks told them that devastation from three 2008 hurricanes, wild price swings for imports and the country's main export, nickel, and the international financial crisis so depleted Cuba of cash that "temporary" holds had to be placed on their accounts.

#### FROZEN ACCOUNTS

At one point, in February 2009, hundreds of suppliers, joint ventures and other companies had an estimated \$1 billion frozen in Cuba's banks. In August 2009, the government released part of the blocked money so companies would continue selling to the country. Suppliers since then have sought payments either offshore or with letters of credit stamped "CL," instructing banks to clear the funds. Upon receiving Cuba's payment plan offer, some companies have asked for some of the blocked funds up front, and others for a higher interest rate, sources said. But attempts to bargain over the offer are met with a shrug, a "we will get back to you" and an explanation that it is not up to the banks, said the sources, all of whom wished to remain anonymous for fear of retaliation by the government. "The message is that the suppliers have had a good business with high margins over the years, and might have them again if they stick it out," a European commercial attaché said.

The government has provided no information about the number and amounts of the frozen accounts, but President Raul Castro said in a December speech, "The amount of blocked funds has been reduced by more than a third." "We ratify our firm willingness to honor to the last penny our debts, in relation to the possibilities of the economy," he told the Cuban National Assembly. The offer does not extend to joint venture partners and foreign companies administering hotels and banks. They also have had money difficulties with the Cuban government, but are said to be working out their own arrangements to recover funds. Cuban officials told the National Assembly in December the country's economic crisis had stabilized, but government spending would be limited in 2010.

## TOURISM

### CUBA TOURISM DOWN ON WEAK CANADIAN MARKET

Source: Reuters; March 25, 2010

The number of tourists coming to Cuba during the first two months of 2010 fell 3.4 percent from last year due to a decline in visitors from Canada, Cuba's top tourist provider, the government said on Thursday. But a jump in arrivals by Cuban-Americans after the Obama administration lifted restrictions on their visits home likely helped offset the drop in Canadians. A slump in tourism is bad news for President Raul Castro, who replaced his ailing brother Fidel Castro two years ago and is grappling with an economic crisis. Tourism and related businesses brought more than \$2 billion to the communist-run Caribbean nation in 2009, or about 20 percent of its foreign exchange income.

The National Statistics office reported on its website ([www.one.cu](http://www.one.cu)) that 513,000 tourists arrived in January and February, down from 531,000 during the same period in 2009. Canadian arrivals dropped to 243,800, from 270,400 in 2009. Tourism industry experts outside Cuba said a pricing spat with a major Canadian tour operator contributed to the decline. Other destinations, including the Dominican Republic and the Mexican resort of Cancun, also are drawing away tourists with lower-priced packages, they said.

Arrivals from the United States and some other countries under the category of "other" rose 11.6 percent to 99,500 for the two-month period, the statistics office said. Most of that increase is probably Cuban-Americans because operators of US-Cuba charter flights say their business is booming due to a flood of Cuban-Americans going to their homeland. Last year, US President Barack Obama did away with restrictions that had limited them to one visit every three years. Most Americans cannot legally travel to Cuba due to the 48-year-old US trade embargo against the country. Slightly more than 2.4 million tourists visited Cuba last year, an increase of 3.5 percent over 2008. Despite the increase, tourism income declined 11.1 percent as visitors spent less in the midst of the global economic recession.

## **CUBA READIES FOR U.S. TOURISTS WITH GOLF COURSES, LUXURY HOTELS**

Source: Bloomberg, Jonathan J. Levin; March 26, 2010

Cuba's hotels could manage a sudden influx of 1 million American tourists if the U.S. Congress lifts its 47-year ban on travel to the Communist island, Tourism Minister Manuel Marrero said.

Additionally, the Caribbean nation is set to expand its capacity of about 50,000 rooms, with groundbreaking scheduled for least nine hotels in 2010, Marrero said. About 200,000 rooms may be added in the "medium to long-term," he said. Cuba is also seeking investment partners for 10 golf courses and luxury hotels aimed at Americans, according to a ministry official. "I'm convinced that today, with the available capacity, we could be receiving the American tourists without any problem," Marrero said in an interview yesterday in Cancun, Mexico where he was attending a conference of 40 American and Cuban tourist industry representatives.

The tourism industry meeting comes as the U.S. Congress considers a law that would lift the ban on travel to Cuba. Senator Byron Dorgan, one of 38 co-sponsors of the bill, said he has 60 votes lined up to win passage of the measure this summer. Similar legislation introduced in the House has 178 co-sponsors and needs 218 votes to pass if all 435 members vote. "This is a 50 year-old failed policy," Dorgan, a North Dakota Democrat, told the meeting yesterday in a phone call from Washington. "Punishing Americans by restricting their right to travel just makes no sense at all."

### **'New Era'**

President Barack Obama said March 24 that he's seeking a "new era" in relations with Cuba even as he denounced "deeply disturbing" human rights violations by its government. He did not say where he stands on lifting the travel ban. Obama last year ended restrictions on Cuban-Americans traveling to Cuba and transferring money to relatives back home. The U.S. State Department has also held talks in Havana with Cuban officials about restoring mail service and cooperation on migration issues.

Tourism to Cuba increased 3.5 percent amid the global financial crisis to 2.4 million visitors last year, with 900,000 visitors from Canada leading the way, Jose Manuel Bisbe, commercial director for the Tourism Ministry, said in an interview this week in Havana. Bisbe expects foreign arrivals to grow by a similar amount this year. If the U.S. travel ban is lifted, hotels won't be overburdened because Americans will visit year-round and face capacity problems only during the winter high season when occupancy reaches 85 percent, he said.

### **'Forbidden City'**

"Havana has been the forbidden city for so long that it will be a boom destination even in the low season," said Bisbe, who estimates Cuba will add another 10,000 hotel rooms in the next two or three years. Daniel Garcia, who has sold tourists used books in Old Havana since 1994, said more Americans would be good for business. "The gringos can't help but spend their money," Garcia, 43, said at his stand in front of the neo-classical building that housed the U.S. Embassy before Fidel Castro's 1959 revolution. "They are the easiest tourists to sell to. They never ask for discounts." Marrero said the government can't finance development of tourist infrastructure on its own so it's scouting for foreign partners such as Majorca, Spain-based Sol Melia SA, which already manages 24 hotels on the Communist island.

## **LLEGADA DE TURISTAS EXTRANJEROS A CUBA CAYÓ 3,4% EN ENERO-FEBRERO (OFICIAL)**

Source: AFP; 29 de marzo, 2010

La llegada de turistas a Cuba, una de sus principales entradas de divisas, cayó 3,4% en enero-febrero, comparado con igual período de 2009, arrastrada por una merma de 10% en las visitas de canadienses, su principal mercado emisor, dijo este lunes una fuente oficial.

En los dos primeros meses del año llegaron a Cuba 513.087 turistas extranjeros, 3,4% menos que los 531.100 de igual período del año anterior, dijo la gubernamental Oficina Nacional de Estadísticas, sin precisar las causas de la caída. El decrecimiento está determinado por casi un 10% menos de llegadas de canadienses, país originario de algo más de 50% de los visitantes (243.804 en enero-febrero de este año), así como bajas menores en los mercados emisores de Italia, Gran Bretaña y España.

Cuba recibió 2,4 millones de turistas en 2009, un crecimiento de un 3% frente al año anterior, pero sus ingresos, cercanos a los 2.000 millones de dólares cayeron un 10% debido a la crisis económica internacional. El turismo representa la segunda fuente de ingresos en moneda dura para Cuba después de los servicios médicos y profesionales en otros países.

## **CUBA REPORTA RECUPERACIÓN DEL TURISMO**

Source: Reuters, Marc Frank; 22 de marzo, 2010

La llegada de turistas a Cuba aumentó un 6,4 por ciento en marzo comparado con el mismo mes del 2009, interrumpiendo una caída durante los primeros dos meses de este año, dijo el miércoles la Oficina Nacional de Estadísticas (ONE).

Según la ONE, 296.988 turistas visitaron Cuba el mes pasado, llevando a 810.150 el total de visitantes en el primer trimestre del 2010, apenas 140 menos que en el mismo lapso del año previo. El turismo había caído un 3,4 por ciento en los primeros dos meses del 2010 debido a un retroceso en los visitantes de Canadá, el principal cliente del turismo cubano.

La recuperación de marzo fue una buena noticia para Cuba, que atraviesa por una severa crisis de liquidez y que el año pasado obtuvo 2.000 millones de dólares, o un 20 por ciento de sus divisas, del turismo y otros negocios vinculados. El aumento parece obedecer a un incremento en las llegadas de cubano estadounidenses después que el presidente Barack Obama eliminó las restricciones de viajes a la isla. Antes, los cubano estadounidenses sólo podían viajar a Cuba una vez cada tres años. Las llegadas de Estados Unidos y otros países clasificados bajo la categoría de "otros" aumentaron un 11,6 por ciento en febrero, el último mes reportado.

La mayor parte de ese crecimiento corresponde probablemente a los cubano estadounidenses, pues el negocio de los vuelos chárter de Estados Unidos a Cuba se ha disparado gracias a las visitas de los exiliados. La mayoría de los estadounidenses no puede viajar legalmente a Cuba debido a un embargo comercial de 48 años contra la isla. Algo más de 2,4 millones de turistas visitaron Cuba el año pasado, un 3,5 por ciento más respecto al 2008. A pesar del aumento, los ingresos por turismo cayeron un 11,1 por ciento debido a que los turistas gastan menos en medio de la crisis global. Funcionarios de la industria han dicho que los ingresos están creciendo este año, aunque no dieron cifras.

## **USA - CUBA / EMBARGO & TRADE**

## **BILL WOULD LOOSEN CUBA TRADE EMBARGO**

Source: Farm Press, David Bennett; March 4, 2010

The "Travel Restriction Reform and Export Enhancement Act" would allow U.S. agriculture exports to dramatically increase, according to agriculture advocacy organizations. The House Agriculture Committee is expected to debate the reforms within weeks.

If newly introduced House legislation passes, trade and travel to Cuba will be much easier. Put forward by Minnesota Rep. Collin Peterson, House Agriculture Committee chairman, and 30 co-sponsors, the "Travel Restriction Reform and Export Enhancement Act — H.R. 4645" would allow U.S. agriculture exports to dramatically increase, according to agriculture advocacy organizations. The House Agriculture Committee is expected to debate the reforms within weeks. "Helping feed Cuba is good for the U.S. economy and for the Cuban people," said Peterson in a statement. "This bill increases the ability of our farmers to sell their products to Cuba just like they do with our other trading partners."

Further, "U.S. producers are the closest suppliers that can help meet the food and agriculture needs of the Cuban people. Opportunities to sell to paying customers in Cuba have been hindered by bureaucratic red tape and by arbitrary prohibitions on the ability of U.S. citizens to travel to Cuba. This bill cuts the red tape and allows that trade and travel to happen." Last year, the Obama administration loosened restrictions on Cuban-Americans who want to travel to see, and provide money to, relatives living in the communist nation. While this action further widened a recent crack in the nearly 50-year-old embargo between the United States and Cuba, U.S. business interests — including an especially vocal agriculture sector — said it wasn't enough. Onerous restrictions regarding banking and shipping inhibit trade and remain in place.

Aimed at those restrictions, Peterson's legislation would allow direct payments between Cuban and U.S. banks — something that is now prohibited. Currently, Cuba must make payments for U.S. commodities through a third party and, in the process, incur whatever conditions and fees the third party deems appropriate. Payment for whatever commodity is being purchased must also be made prior to shipment. If passed, Peterson's legislation would also allow any U.S. citizen to travel to Cuba. And it isn't just House members that are pushing for the embargo reform. Many Mid-South politicians have long backed normalization of trade with Cuba. "I applaud Chairman Peterson for joining me in my on-going efforts to open trade with Cuba," said Arkansas Sen. Blanche Lincoln, chairman of the Senate Agriculture Committee. "By introducing a bill (titled 'Promoting American Agriculture and Medical Exports Act, S1089') that is nearly identical to legislation I introduced last May with Senate Finance Committee Chairman Max Baucus, Chairman Peterson is helping move us one step closer to giving our producers access to this important market." Agricultural organizations have lined up to endorse the House move. "Even though U.S. firms offer reliable trading partners, quality products and competitive prices, current U.S. policy hampers their ability to supply the Cuban market — if the United States is not the supplier, the European Union or Brazil will be happy to take our place," said Roger Johnson, National Farmers Union (NFU) president. "Agricultural producers in the United States are well-positioned to benefit from additional trade in Cuba. This will also assure Cubans a source for sustainable, high-quality food for its people."

If the embargo is lifted, or significantly loosened, U.S. rice is among commodities expected to receive a substantial sales boost. Right now, Cuba buys most of its rice from Vietnam. Peterson's bill "would correct the Office of Foreign Asset Control interpretation of the 'payment in advance' rule for shipment of agricultural products to Cuba and permit direct payments from Cuban to U.S. financial institutions for U.S. agricultural exports," said the USA Rice Federation in a statement. "USA Rice Federation has proactively worked for the past 15 years to remove agricultural trade barriers with Cuba," said Betsy Ward, USA Rice Federation president and CEO. "Cuba has the potential to be a 400,000 to 600,000 metric ton market for U.S. rice and we applaud Chairman Peterson's proposed legislation, which would not only provide Cubans with more of the rice they have said they prefer, but would also help boost the U.S. economy."