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## DOMESTIC ECONOMY

### CUBA LOOSENS SPENDING RULE FOR STATE COMPANIES

Source: Reuters, Marc Frank; March 26, 2009

Cuban President Raul Castro has loosened controls on how state companies spend foreign currency in the first sign a recent cabinet shake-up heralds changes in the running of the economy, businessmen and economists said. The Cuban and foreign sources said authorities have ended a regulation requiring the Central Bank to approve all state company expenditures of more than \$10,000. Analysts said the move would mean less bureaucracy and central control. The regulation now lifted had slowed the day-to-day operations of state businesses and hurt production, but in the end had done little to effectively control state spending on the island, the sources said. They asked not to be named due to government restrictions on talking with foreign journalists. "The Central Bank's foreign exchange commission is no longer in business," one Cuban businessman said. A foreign businessman also said the control measure was lifted. The latest move followed a major government reshuffle earlier this month that replaced eight ministers and several top officials and brought armed forces generals, former officers and middle-aged Communist Party officials into the cabinet.

The shake-up by Raul Castro, who is widely viewed as a pragmatist and took over as president last year from his ailing elder brother Fidel Castro, appeared targeted at streamlining and improving Cuba's communist system and economic model. A number of business leaders said the measure would benefit all sectors of the economy by quickening the flow of parts for factories and supplies, especially those that require the most agility, such as tourism and agriculture. Analysts said the latest regulation change ended a control that dated back to 2003-2004 when the government, then headed by Fidel Castro, reimposed rigid centralization over the economy after previously allowing more autonomy for state companies in the 1990s to cope with a deep economic crisis. "It means less bureaucracy, less central control, and more authority and responsibility in the hands of managers of state enterprises," said Phil Peters of the Lexington Institute in Virginia, who has studied Cuban state business practices. "If deeper reforms follow, then state enterprises will be more efficient and profitable -- and fewer, because losers will go out of business," Peters added. Communist authorities often do not comment on internal reforms and official decrees announcing them are often published well after they are signed.

### BATTERED ECONOMY

Peters and other analysts believe that Raul Castro, by bringing trusted military officers and other allies into his cabinet team, is seeking to shake off the bureaucratic inertia and disorganization that has long afflicted the Cuban economy. The Caribbean island's economy has been badly battered by three hurricanes last year, wild spikes in commodity prices and the global financial crisis. The balance of payments that measures the flow of foreign exchange in and out of the country went from a \$500 million surplus to a deficit of more than \$2 billion last year, according to various estimates. This left the country with little choice but to negotiate new payment terms with foreign creditors and businesses. The latest policy move appeared aimed at removing some rigidities in the state-dominated economy. "In the future a more normal budgetary process will be followed under which the ministries will approve annual company budgets in coordination with the Economy and Planning Ministry," a Cuban economist said. "It will be up to the cabinet to ensure there is financial backing for the budgets, then company managers will be able to purchase what they need without further regulation, unless very large sums are involved," he said. Cuba experts see the recent cabinet appointments by Raul Castro as following a military reform model called "perfeccionamiento empresarial" -- a Spanish term which translates as "perfecting the (state) company system". The model was developed for companies supplying the armed forces when Raul Castro was defense minister. It seeks to incorporate modern management and accounting practices and grant local managers more day-to-day decision-making power, and also ties wages to individual and collective performance. Since taking office last year, Raul Castro has taken small but symbolic steps such as lifting restrictions on some consumer goods for ordinary Cubans and allowing them to enter tourist hotels previously reserved for foreign visitors. He has also decentralized decision-making in agriculture, granted producers more autonomy and land, and lifted income caps, declaring workers and farmers should earn all they can through their efforts.

## **CUBA CUTS SPENDING AS WORLD CRISIS WEIGHS-STATE TV**

Source: Reuters; March 31, 2009

Cuba has ordered a 6 percent cut in government spending and is having problems obtaining credits to supply factories as the global downturn weighs on the economy, a state-run television commentator said on Tuesday. Economic commentator Ariel Terrero said in a TV appearance that low prices for the country's leading export nickel, expectations that tourism may decline and a tight credit market were forcing the government's hand. "The state has had to take some measures ... and this has been a cut of 6 percent in government budgets at all levels," he said.

Three months ago, the government of the Communist-ruled Caribbean island adopted a 47.5 billion peso spending plan for 2009, 4 percent more than in 2008. There has been no official announcement of the budget cut, but Terrero sits on Havana's provincial assembly and has access to government data. Terrero said local industry "is having problems obtaining financing to import raw materials and this could lead to a decline in the production of some companies."

Foreign traders report delays in the transfer of foreign exchange out of the country and a tight international credit market has forced them to slow and in some cases stop exports to Cuba. Industry sources report some factories have been forced to close or cut back production for lack of raw materials. "We are shut down through April," said a worker at a Havana aluminum plant said, asking not to be identified. (Reporting by Marc Frank; Editing by Pascal Fletcher, Editing by Walker Simon)

## **MACHADO VENTURA ASEGURA QUE EL PAÍS NO VOLVERÁ A LA CRISIS DE LOS NOVENTA**

Source: Reuters; 4 de abril de 2009

Cuba está sintiendo el impacto de la crisis global, pero el efecto no será tan intenso como durante la crisis de la década de los noventa, dijo el jueves una radio estatal citando al primer vicepresidente, José Ramón Machado Ventura. "Tenemos mucha tela por donde cortar para que la afectación, que siempre vamos a tener, llevarla hasta límites que podamos sobrellevarla", dijo a la emisora estatal Radio Progreso durante una visita a la provincia de Granma, informó Reuters.

"No volveremos al período especial de aquellos momentos de los años 93, 94, 92. No vamos a llegar ahí, porque ya hemos creado otras condiciones", añadió. El "período especial" es un eufemismo utilizado por el régimen para nombrar la severa crisis económica que se desencadenó tras la desaparición de la Unión Soviética, el ex benefactor de la Isla, y el campo socialista. Cuba perdió de la noche a la mañana el 80 por ciento de sus mercados y dejó de recibir de Moscú petróleo y otros productos fuertemente subsidiados. No quedó claro a qué recursos se refería el vicepresidente Machado Ventura. En los últimos años, La Habana desarrolló una fuerte alianza estratégica con Venezuela, uno de los mayores exportadores de petróleo del mundo. Además ha diversificado sus relaciones comerciales con países como Angola, Brasil, China y Rusia. El gobierno dijo que la economía cubana crecería este año por encima del 4 por ciento reportado en 2008.

Cuba está expuesta a la crisis internacional por diferentes flancos: su industria turística, la masiva venta de servicios médicos y las exportaciones de productos desde el níquel al tabaco. Además, depende fuertemente de las importaciones.

## **CUBA RUNNING HUGE TRADE DEFICIT - MINISTER**

Source: Reuters, Marc Frank; April 10, 2009

Cuba continues to run a huge trade deficit and the country's 2008 performance was worse than previously reported, the official Granma newspaper said Friday, quoting Foreign Trade Minister Rodrigo Malmierca. "We are calling upon our companies to radically change their export attitude and culture. During the first trimester 80 percent of foreign trade represented imports, something that should concern all of us," Malmierca was quoted as telling state managers at an award ceremony on

Thursday. Malmierca was named to the post last month as part of a major shake-up of the cabinet which saw eight ministers sacked by President Raul Castro.

The Communist country's foreign trade is expected to decline significantly this year due to lower prices for key imports oil and food and the country's main export nickel. Other key exports such as cigars and lobster are also being hammered by the international economic slowdown, the government said earlier this week. Financing is an additional problem due to the international crisis and late payments to governments and traders, western business sources said. "Foreign Trade Minister Rodrigo Malmierca said 2008 trade closed up 30 percent, a figure fundamentally based on a 41 percent increase in imports. Exports were only 92 percent of what they were the previous year," Granma said.

The government had previously said imports increased 43 percent in 2008 and exports 2.1 percent, leaving a deficit of \$11.7 billion, a 70 percent increase over 2007. Cuba's 2008 service exports were \$9.2 billion, up from \$8.6 billion in 2007, the government reported. The mounting services income -- officials say more than half comes from leftist ally Venezuela-- had enabled Cuba to more or less balance its external finances in recent years, but in 2008 fell well short of what was needed, local analysts said. Granma gave no figures for 2008, but official figures for 2007 showed a deficit of \$6.9 billion, with exports totaling \$4.3 billion and imports \$11.2 billion. Based on Malmierca's statement on Thursday, exports were just under \$4 billion last year, and imports \$15.8 billion, leaving a trade deficit of \$11.8 billion.

The government reports foreign exchange data in the convertible peso which it pegs at US\$1.08. President Raul Castro, who formally replaced older brother Fidel Castro as president in February 2008, has expressed frustration with state company performance. Three hurricanes struck the island starting in late August, causing an estimated \$10 billion in damages. Nickel prices have plummeted worldwide amid rising production and falling demand to around \$10,000 per tonne from a high of around \$50,000 in 2007. Cuba reported a debt of \$17.8 billion and current account balance of payments surplus of \$527 million in 2007, the last time official figures were made available.

## **CASTRO FEEDS ON CUBANS' U.S. CASH SUPPORT AS OBAMA EASES LIMITS**

Source: Bloomberg; April 17, 2009

The Cuban state pension that Juan Gonzalez-Corzo receives since he retired from a government job in 2003 makes life easier after more than 50 years of work. So does the cash that comes regularly by wire from his son in West New York, New Jersey. It's part of an estimated \$1.1 billion sent to Cubans last year by relatives and friends around the world, an amount equal to about 1.8 percent of the communist country's 2007 gross domestic product. "Most of the remittances end up used for consumption," said Gonzalez-Corzo's son Mario, 39, a Cuban-born assistant economics professor at Lehman College in New York City who has studied remittances and provided the estimates. "It helps."

The money also helps the island's \$58 billion economy, as the Cuban government charges fees that take about 20 percent of exchange-wired dollars, Gonzalez-Corzo said. That troubles U.S. politicians who say the transfers support the totalitarian state created by Fidel Castro in 1959 and now run by his brother Raul. President Barack Obama this week eased restrictions that had limited money transfers by Cuban-Americans, most of whom live in southern Florida. "The Castro government will confiscate a high percentage of those dollars, further propping up a regime that suppresses human rights," said Representative Kendrick B. Meek, a Democrat who represents parts of Florida's Miami-Dade and Broward counties.

About 735,000 people around the world -- more than half from the U.S. -- sent an average of \$150 to friends or relatives in Cuba last year, according to a study by Inter-American Dialogue, a Washington-based research organization. The cash sent in 2007 was equal to 42 percent of the island's tourism income and 4.7 times more than its sugar exports, Gonzalez-Corzo said. "Remittances are a key component to the Cuban economy," where state wages averaging about \$17 a month don't cover basic living expenses, Inter-American Dialogue said in a statement when it released the study last month. "Cubans typically augment state wages with hard-currency obtained remittances."

That's why Myriam Faya and Lourdes Rodriguez, sisters who are among the 795,000 Cuban-Americans in Miami-Dade County, the largest concentration outside Cuba, send money to the island. "I have an aunt who is 87 years old and her pension is very low so we send regularly, without any

doubt, \$50 a month," said Faya, who works for an insurance broker. "My sister also sends money to her blind, 60-year-old sister-in-law."

About 60 percent of the money sent to Cuba goes via electronic wire transfer, according to the Inter-American Dialogue study. The rest travels in the pockets of visitors. These mulas, Spanish for mules, bypass the government fees. "If you send by wire, it's very expensive because the government takes 20 percent," Faya said. "But if a friend goes there, you can give it to them." On the other end are charges by transfer agents. Calls to wire services in Miami found fees of as much as \$124 to deliver 100 pesos to a recipient in Cuba, or 24 percent. The nationwide average is 15 percent per \$100, Gonzalez-Corzo said. Including what Cuba charges, the transaction cost for \$100 becomes 35 percent. That's more than the 5.8 percent cost for money wired to Mexico and the 9.5 percent for the Dominican Republic, data from the World Bank show. "Cuba is the most expensive remittance market in the world when it comes to the transaction cost," Gonzalez-Corzo said.

Under rules imposed by the administration of President George W. Bush in June 2004, money sent to Cuba could go only to immediate family members and the amount was capped at \$300 each quarter. Travelers could carry only \$300 into the country. Obama granted unlimited transfers and travel cash for Cuban-American families to anyone in Cuba, which is expected to reduce costs as competition grows, Gonzalez-Corzo said. The president's action raised optimism among investors that other parts of the U.S. economic embargo against Cuba could be lifted. The Herzfeld Caribbean Basin Fund, a closed-end mutual fund of companies that could benefit from increased business with Cuba, rose 41 percent, the most ever, the day money transfers were eased. Companies that wire money to Cuba must be licensed by the U.S. Treasury's Office of Foreign Assets Control, under economic sanctions imposed in 1963 after Fidel Castro established his Communist dictatorship. Castro, 82, turned over power to Raul Castro, 77, last year because of illness. More than 100 companies are authorized by OFAC, with three-quarters of them in Florida. The largest is Western Union Co., the world's biggest money-transfer business.

The company has been active in Cuba since 1999 and has 153 agents there, Stewart Stockdale, executive vice president and president for the Americas, said in an interview. He declined to break out the company's revenue for transactions with Cuba. "We think lifting the restrictions is going to expand the business to Cuba significantly," he said. Western Union charges \$15 to wire amounts up to \$100 to Cuba, Stockdale said. The fees are "something we're reviewing," he said. Gonzalez-Corzo favors anything that makes it easier for him to send money to his 70-year-old father in Santa Clara, in central Cuba. "I have personally gone through all the tribulations of sending money," he said. "So I know how it works."

## **CUBA TO LIMIT FOREIGN COMPANIES' CASH TRANSACTIONS**

Source: Reuters; April 21, 2009

Cuba's central bank has said it will limit cash withdrawals and deposits in Cuban bank accounts held by foreign companies and joint ventures. No immediate explanation was given for the central bank move, which was set out in a letter sent to customers this week by Banco Metropolitano, one of the state-controlled banks on the communist-ruled island that handles corporate accounts.

Accountholders were informed that starting on May 7, cash transactions by foreign companies and associations would be restricted to withdrawals to pay salary supplements to Cuban employees. Special authorization from bank officials would be required for all other future cash deposits and withdrawals. In Miami, the Nuevo Herald newspaper said the limits on cash withdrawals and deposits were an attempt to clamp down on illegal financial activities such as money laundering. But a local economist, who asked not to be named because of the sensitivity of the subject, told Reuters the moves were a "response to liquidity problems in the economy." These problems stemmed from a disastrous 2008 when damage from three hurricanes caused Cuba's trade deficit to widen and the global financial crisis dried up credit. As of May 7, Banco Metropolitano said "cash deposits and withdrawals will not be accepted in the current accounts of foreign entities domiciled or not in Cuba, of joint ventures or other forms of international economic association." It also sent foreign companies a form through which to request authorization to carry out future cash withdrawals and deposits, asking them to detail the amount of the planned monthly transactions and the purpose.

Based on government figures, Cuba's trade deficit was estimated to have totaled \$11.8 billion last year, up from \$6.9 billion in 2007. Foreign businessmen have reported some payments problems and delays on the Cuban side, reflecting the effects of the liquidity squeeze. The central bank directive cited by the Banco Metropolitano circular did not refer to individual accounts held by foreigners. Last week, U.S. President Barack Obama slightly eased the 47-year-old U.S. trade embargo against Cuba by removing limits on cash remittances which can be sent by Cuban Americans to relatives on the island.

## **FOREIGN BUSINESSES SAY CUBAN CASH CRUNCH WORSENING**

Source: Reuters, Marc Frank; April 22, 2009.

A cash crunch that began last year for Cuba appears to be getting worse as state-run banks insist they have little foreign currency for international money transfers or for significant withdrawals, western diplomats and businessmen said this week.

They said they feared the communist-led island could be near insolvency, but hoped the government could keep the country's financial head above water and avoid the serious consequences of not being able to pay its bills. In over a dozen off-the-record interviews, they said the liquidity crisis, which began after three major hurricanes bit Cuba late last year, had become more critical in recent weeks. At one bank this week, officials told an international business the bank had very little foreign currency and advised its expatriate employees be paid offshore as much as possible. A commercial representative who asked not to be identified said a senior official at Banco Financiero Internacional recently told him that "businesses from our country would have to wait a minimum of another two months to get money out." He described small businesses as "desperate" and said bigger ones were using up what they had in stock and not bringing in new products.

The situation is complicated because the global financial crisis has dried up credit and caused recession in the home countries of foreign businesses, he said. Government officials were not immediately available to discuss the liquidity squeeze and rarely comment on economic developments in the country. Cuban bankers have been promising improvement, but prospects are not bright because most of Cuba's primary sources of hard currency have been hit by falling prices and declining demand, said one businessman. "First they said it would get better by March and now they say after the summer, but I see nothing to back that up in terms of their earning capacity, be it nickel prices, tourism, cigars or the international economic situation."

## **AVOIDING INSOLVENCY**

Source: Reuters, Havana; April 23, 2009

"The government has avoided declaring insolvency by meeting debt payments to some foreign governments, allowing some companies to transfer funds and promising everyone else relief is on the way," another economic attache said. Insolvency would deal Cuba a hard blow because it would add to existing concerns about doing business on the Caribbean island and putting money in Cuban banks, the sources said. Due to a 47-year-old U.S. trade embargo, Cuba is not a member of the International Monetary Fund, World Bank or other institution that might provide financial support. Cuba has a dual monetary system under which a foreign exchange equivalent called the convertible peso (CUC) circulates along with the peso. Foreign businesses operate within the country using the CUC, pegged at 1.08 to the dollar and 24 times the peso's value, depositing them in state banks where they are available as foreign exchange for transfer or withdrawal.

Sources said authorities have not been forthcoming on why the crisis developed nor how serious it is, but Cuban economists said the country was headed for trouble even before the three hurricanes caused \$10 billion in damages, and the international financial crisis exploded. They described a perfect storm in which Cuba was hit by last year's spike in fuel and food prices, stuck with big contracts signed in 2006-2007 to supply infrastructure projects and unable to make its state-run economy's produce and react quickly to changing circumstances. "Then the hurricanes hit and after that the international financial crisis and this year the global recession," one local economist said.

President Raul Castro fired his economic cabinet in March and his new team has reportedly been busy trying to get control of the situation. State companies were ordered to stop all imports, then told the ministries would decide what was indispensable, according to government sources. A major reorganization of how companies will finance their imports and other activities is also said to be under final consideration.

Cuba's central bank has said that, starting May 7, it will limit cash withdrawals and deposits in Cuban bank accounts held by foreign companies and joint ventures, but it was not clear if that was a move to curb fraudulent foreign exchange activities or to address the scarcity of hard currency.

## ENERGY & OIL

### WHY CUBA'S DREAMS OF MAJOR OIL DISCOVERIES MIGHT COME TRUE

Source: <http://www.usnews.com>, by Rhomas Omestad; March 3, 2009

HAVANA—There is a place tantalizingly close to American shores that—but for reasons of politics and foreign policy—could emerge as a welcome new source of oil for U.S. consumers. That surprising potential entrant onto the world energy stage is Cuba. The island nation, says Jorge Piñon, a leading expert on Cuba's energy at the University of Miami, "can certainly become a major producer of oil." Cuba is one of the biggest wild cards in the Western Hemisphere's energy outlook. It is also the most politically sensitive. The nearly half-century-old U.S. embargo against the Communist country means that American energy companies and consumers cannot partake in Cuba's oil business. Even foreign firms using drilling technology of U.S. origin could face legal action. The Bush administration went so far as to disrupt a conference of Cuban and U.S. oil executives underway at a Mexico City hotel because the hotel was part of the U.S.-based Starwood chain. But given Cuba's proximity—and the relatively low cost of transporting its oil were the embargo removed—U.S. oil executives still pay attention.

A major oil find in Cuban waters could subvert the old logic behind the U.S. embargo of Cuba, a policy that endures in part because it imposes only minor economic costs while meeting the political demands of hard-line Cuban-Americans. "It would obliterate the domestic political excuse," says Julia Sweig, a Cuba expert at the Council on Foreign Relations in Washington. Jonathan Benjamin-Alvarado, a Cuba energy watcher at the University of Nebraska Omaha, adds "It could be a game changer." In the Obama administration, Cuba's oil development is likely to be seen as an issue for the future. Says a senior State Department official, "If it's a game changer, it's not going to be a game changer for a while."

Other countries are not barred from investigating Cuban-controlled portions of the Gulf of Mexico, and they are doing just that. The future drilling by foreign oil companies as close as 45 miles from the shores of Florida injects new dimensions into the debate in the United States over the embargo. Some decry the lost opportunities of a policy that still aims to isolate Cuba while other countries do the opposite. Others worry about ecological risks of any oil spills, which ocean currents would tend to carry toward the Florida Keys and the state's east coast beaches. Cuba now supplies about half of its own energy needs, say its officials, principally from an oil belt running along its northern coast. Operations include both traditional onshore wells and directional drilling rigs positioned close to the sea that tap oil under the shallow, coastal waters nearby. Many of the rigs are visible along the coastal highway between Havana and the beach resort of Varadero, itself a major oil-producing zone. The oil is what specialists call heavy and sour, less suitable and more expensive to refine into gasoline because of its thickness and high sulfur content. All of Cuba's heavy crude goes into its oil-burning electricity plants.

The oil action that pulls in global interest lies farther off the coast, beneath the deep waters of the Gulf. How much lighter, lower-sulfur crude is out there, remains unclear. The U.S. Geological Survey estimates that Cuba's offshore fields contain about 5 billion barrels of oil—comparable to Colombia or Ecuador—as well as 10 trillion cubic feet of natural gas. Last October, however, Cuba's state oil

company unveiled a dramatically higher estimate: more than 20 billion barrels of recoverable crude—a level that, if proved correct, compares to that of the United States. Cuba, with just 11.2 million people, would enter the top 15 oil-reserve nations—courtesy of subsea oil geology like that off the Mexican and U.S. Gulf coasts. "Cuba has high potential from an exploratory point of view," says Rafael Tenreyro Pérez, exploration manager for the state oil company Cubapetroleo, or Cupet. Experts say it would take three to five years to launch commercial oil extraction following a large discovery. Exploratory drilling is due to resume in the second quarter of this year 20 miles north of Havana by a consortium led by Spain's Repsol, along with India's Oil & Natural Gas Co. and Norway's StatoilHydro. Repsol struck oil in 2004, though not in commercial quantities. Other foreign firms will very likely do exploratory drilling in Cuban waters in 2010 and 2011, following on their seismic tests in recent years. Tenreyro calls the seismic testing "very encouraging."

The lure of offshore oil has drawn not only the Spanish, Indians, and Norwegians but also firms from Malaysia, Vietnam, Venezuela, and Brazil. Says a senior diplomat from one country partnered with Havana, "The Cubans are very hopeful, and so are we." Tenreyro says those companies have contracted for 21 of the 59 offshore Cuban blocks, with 23 more under discussion, including with Russian and Chinese firms. Venezuela's state oil company has guided the renovation of one of Cuba's aging refineries and has agreed to expand the capacity of that facility and one more, as well as build a new refinery at the port of Mantanzas. As Cuba's key ally, Venezuela has also thrown it an energy lifeline, shipping about 90,000 barrels per day under easy terms that amounted to a roughly \$3 billion subsidy last year. Russian firms have pledged to help Cupet find, extract, and refine oil. [Russian officials expect also to participate in the construction of sea terminals and in training Cubans in oil work.] And Petrobras, the Brazilian state oil giant known for skillful deep-water drilling, also is investing in Cuba. At an oil deal signing ceremony here last year, Cuban President Raúl Castro wondered aloud whether Petrobras would hit oil. "Don't worry, Raúl," replied Brazil's President Luiz Inácio Lula da Silva. "We're going to find it here, and we're going to transform it into energy."

Cuba's dealings with outside oil firms have not been all rosy, though. Canada's Sherritt International last year relinquished its offshore oil blocks to the Cuban government before it started drilling. A cash-strapped Cuba fell behind on payments to both Sherritt and another Canadian firm, Pebercan, by a total of more than \$500 million. In January, Cuba told Pebercan it was terminating their agreement prematurely. And observers are waiting to see how much the global oil price drop hinders plans for expensive, deep-water drilling in Cuban waters.

Though Americans may not join in, the prospecting on the Cuban side of the Gulf of Mexico has already become controversial. Last year, for instance, it drew the attention of advocates for drilling on the U.S. continental shelf, including then Vice President Dick Cheney. He wrongly claimed that China was drilling for oil right now 60 miles off the coast of Florida. (Cheney's office later conceded the error.) And Florida Democratic Sen. Bill Nelson seized on the issue last year, urging that a 32-year-old boundary accord evenly dividing the sea between the Florida Keys and Cuba be scrapped. Nelson charged that a Cuban oil spill could "desecrate part of Florida's unique environment and devastate its \$50 billion tourism-driven economy." Cuban officials vow that offshore drilling will meet "the highest standards available" for environmental protection. In Cuba, meanwhile, expectations run high that oil finds will help lift the struggling state-run economy. "It will give Cuba the capabilities of developing its economy very quickly," predicts Josefina Vidal Ferreiro, a senior Foreign Ministry official. "It will give us a lot of independence." The other implication is that hard-currency flows from oil exports will strengthen the ruling Communist Party to withstand whatever pressures remain from Washington. Cuba's needs. Cuba's leaders have been acutely concerned about energy dependence on others. The collapse of the Soviet Union, once the island's patron and energy donor, crippled Cuba's economy and spawned an energy crisis in the early 1990s. Use of personal cars and farm tractors was curtailed; thousands of Chinese bicycles were imported for people to get around. Power outages persisted for years and made the sweltering Havana summers feel all the more unbearable, locals recall ruefully. Energy independence is a Cuban foreign policy goal. Daniel Erikson, an analyst at the Inter-American Dialogue in Washington and author of *The Cuba Wars*, says Cuba's pursuit of offshore oil reflects wariness about its past energy dependence on the Soviets and today's on Hugo Chávez's Venezuela. "They realize that nothing lasts forever," he says.

It remains unclear, though, whether future oil wealth will hasten—or retard—the cautious moves toward economic reform under Raúl Castro. Oil revenues could cushion a broader but painful shift away from state direction of all major economic activity to a more open, market-oriented system. By easing the hardships of life in Cuba, oil wealth could reduce pressures for political change. It could even reinforce the status quo. "Resource revenues would feed the political patronage machine," reasons Archibald Ritter, a Cuba expert at Carleton University in Ottawa.

Oil development "will change the position of Cuba with respect to the United States and the whole world," says Luís René Fernández, a University of Havana foreign policy specialist. But, he cautions, "it can be a complex problem to have easy money at the same time you're rebuilding the society." Long accustomed to privation, that is a problem most Cubans would like to have.

### **SPANISH OIL FIRM REPSOL GOES AHEAD WITH SCHEDULED OFFSHORE DRILLING**

Source: Reuters, Marc Frank; March 11, 2009

Spanish oil firm Repsol and Cuban authorities have decided to go ahead with scheduled offshore drilling this year after a behind-the-scenes discussion over slumping oil prices, diplomatic and industry sources said this week. Cuba and Repsol announced last year that drilling would begin before July 2009, but plummeting international oil prices led Repsol to consider delaying the project, the sources said. There were also problems getting a drilling rig that did not violate the long-standing U.S. trade embargo against Cuba, but that issue appears to be resolved, they said.

Repsol officials were in Cuba earlier this year to discuss the project, which is mandated by their exploration agreement with Cuban state-run oil monopoly Cubapetroleo, or Cupet, said a company employee who asked not to be identified. "The issues involved both the overall economic situation, relatively low oil prices and difficulty in getting a rig with less than 10 percent U.S. technology as mandated by the embargo," the employee said. A half dozen interviews with diplomats and business sources, all of whom did not want to be identified, confirmed drilling would begin this year, but they did not know precisely when. A foreign businessman said a well would be sunk in May, but other sources said the drilling could begin later in the year due to the recent discussions. Cupet and Repsol had no comment. Oil company representatives and international experts hope to find out more next week when they come to Havana for an international geology conference which will include presentations on Cuba's Gulf of Mexico waters, where seven foreign companies have taken out 20 of 59 available blocks. Interest in the blocks picked up after Repsol said it had discovered indications of high-quality light oil in a 2004 test well.

Repsol has since joined forces with Norsk Hydro <STL.OL> and ONGC Videsh <ONGC.BO> of India on the project, and there have been recent, but unconfirmed indications that the finding may have been more encouraging than was disclosed. One source told Reuters that several hundred million barrels of oil had been discovered and the next well will be not an exploratory well, but one to measure the size of the oil field. Also, in January an Indian publication said "people close to the development" had disclosed that leads "likely to result into major hydrocarbon discoveries" had been found. Cupet surprised the oil world when it said in October it believes it has at least 20 billion barrels of oil in its offshore fields, with geological structures that could hold much more. Those numbers were far above the generally accepted estimates of the U.S. Geological Survey, which said the North Cuba basin could contain 4.6 billion barrels of oil, with a high-end potential of 9.3 billion barrels, and 10 trillion cubic feet of natural gas.

Venezuela's PDVSA has also taken out blocks in the gulf, as have Vietnam state oil and gas group Petrovietnam, Malaysia's state-run Petronas <PETR.UL> and Brazil's Petrobras <PETR4.SA>. Cuba produces the equivalent in oil and gas of 75,000 barrels per day, around 50 percent of its energy needs, importing the remainder from oil-rich ally Venezuela on preferential terms in exchange for health, education and other services.

### **RUSSIA COULD BECOME CUBA'S MAIN OIL SECTOR PARTNER**

Source: RIA Novosti; Havana, March 18, 2009

Russia could become a major partner of Cuba in the oil sector, a spokesman for the Cuban Ministry of Basic Industry said on Wednesday. Manuel Marrero Faz said a consortium of five Russian companies was studying the possibility of launching oil prospecting at 15 oil blocks in the Gulf of Mexico, without naming the companies. Cuba's economic zone in the Gulf of Mexico has a total area of 112,000 square kilometers and is divided into 56 blocks. The 21st block is being developed by companies from Spain, Norway, India, Venezuela, Vietnam, Malaysia and Brazil. "In the near future, we'll start negotiations on this issue," the spokesman said, adding that companies from China and Angola were

also displaying interest in oil prospecting. The ministry's spokesman said that Cuba intends to increase in 2009-2012 the volume of oil extraction in the Gulf of Mexico, with at least eight new oil wells to come into service. Cuba currently produces about 60,000 barrels of oil per day.

## **OIL RICHES SO CLOSE YET SO FAR AWAY**

Source: AP, Will Weissert; Havana, March 23, 2009

Cuba is still waiting for its offshore oil rush. It has been four years since U.S. experts said the island may sit atop nearly 10 billion barrels of deep-sea oil, revealing for Cuba an enormous economic Catch-22.

Cuba needs the technical expertise of major Western oil companies to get to any of the unexploited crude. Yet on Feb. 7 the U.S. marked the 47th year of a trade embargo that has blocked producers with the technical ability to drill that deep, denying Cuba what could be a massive windfall. A major discovery was supposed to transform Cuba into an oil exporter, drawing the foreign currency it needs to finance imports of food and machinery to modernize its communist economy and to raise state wages that average less than a dollar a day. With public debts mounting, the government was forced to buy out its two main drilling partners from a 25-year deal, and even high-ranking officials say Cuba now imports about half of the roughly 200,000 barrels of oil it consumes each day at a discount from leftist ally Venezuela.

The embargo and world economic crisis have undermined some of the appeal of costly deep-water drilling off the island, and Cuba's existing oil industry is foundering. Output is thought to have dropped by a quarter since 2003 as its top field, found by Russians in 1971, dries up. There has been talk of President Obama easing U.S. sanctions, which could unleash a flood of energy investment. But for now, analysts say most companies remain on the sidelines, and aside from easing restrictions on family visits and remittances, Mr. Obama continues to support the embargo. "It's not a pretty picture," said Jorge Pinon, a former president at Amoco Oil Latin America.

The U.S. Geological Survey in 2005 estimated that as much as 9.3 billion barrels of oil could lie off the island's north coast, while Cuban geologists put that number at 20 billion barrels in October, said Rafael Tenreyro Perez, production manager at state oil company Cubapetroleo, or Cupet. Experts widely dismissed the Cuban estimate, noting the government failed to disclose the methodology and data that would back up such a claim. Cuba's only deep-sea test well to date, drilled by Cupet and Spanish oil company Repsol YPF in 2004, found just small amounts of "high quality reserves," while the Ministry of Basic Resources postponed drilling projects in 2007 and 2008. With oil now 75 percent below its July price peak, Repsol may start drilling a second well this year, Mr. Tenreyro Perez said - though the company declined to confirm. Cuba lacks the technology and training to certify its reserves and has sought foreign partners - offering better terms than those offered by state-owned companies such as the one in Mexico, which restricts foreigners to fee-for-service deals. Cuba is offering foreign companies the chance to recover capital investments in the event of a discovery, and to split the spoils with the government. Yet rights to just 21 of Cuba's 59 offshore blocks have been purchased since bidding began in 1999, and buyers from Vietnam and Venezuela to Madrid and Moscow have been slow to drill. The island's top partners have been Canadian, with Toronto-based Sherritt International Corp. and Montreal's Pebercan Inc. accounting for about 60 percent of current production. But the two companies said the island owed them a combined \$501.3 million last year, so Cuba bought out their 25-year contract for \$140 million.

Even with a big find, it could take five years and \$3 billion to develop the 59 deep-sea blocks, located an average 6,550 feet below sea level, said Mr. Pinon. They would need to yield about 10,000 barrels a day at more than \$60 a barrel to be profitable, he added. "That's pretty pricey if you're not sure of your financing or the longevity of the current government," said Eric Smith, of the Entergy-Tulane Energy Institute at Tulane University in New Orleans. What's more, falling prices for nickel, Cuba's top export, have widened its budget deficit. The island sorely needs cash to buy the food it distributes as part of monthly rations, and to import scarce construction materials to combat a housing crisis exacerbated by last year's storms. In a country plagued by shortages, petrodollars could mean more steak, shoes and soap, as well as medical supplies and heavy machinery needed to replace Soviet-era equipment.

Havana also needs hard currency for President Raul Castro to raise state salaries, which support about 90 percent of the island's working population on an average \$19.70-a-month wage. Further taxing Cuba's oil industry is the fact that the U.S. embargo not only prohibits American oil companies from investing, but bans the sale of the latest drilling equipment, forcing Cupet to use less efficient technology, said Jonathan Benjamin-Alvarado, a Cuban oil expert at the University of Nebraska at Omaha. U.S. law also forbids international companies from investing in expropriated American property in Cuba and could penalize offenders by revoking travel visas or restricting access to drilling contracts in the U.S. portion of the Gulf of Mexico. Meanwhile, U.S. oil majors sitting on huge stacks of cash are desperate to expand their reserves. Mr. Obama's election has raised expectations of a thaw in U.S.-Cuba relations, but there has been little talk of ending restrictions on U.S. investment in Cuban oil, said Kirby Jones, founder of the U.S.-Cuba Trade Association in Washington. "The assumption is there is oil all over the Gulf," Mr. Jones said. "Much of the business community and energy sector is waiting."

## FOOD & AGRICULTURE

### FALTA DE INSUMOS Y PERICIA PUEDE FRUSTRAR ÉXITO DE ENTREGAR TIERRAS EN CUBA

Source: AFP; La Habana; Marzo 19, 2009

La inexperiencia y la escasez de aperos e insumos agrícolas pueden frustrar el empeño del gobierno de Raúl Castro de aumentar la producción de alimentos en Cuba, a partir de la entrega de tierras ociosas a los campesinos, opinaron este domingo un experto local y productores. "Si no se capacita a ese nuevo productor puede crearse obstáculos importantes para alcanzar una disponibilidad de alimentos", señaló el profesor de la Facultad de Agronomía de la Universidad de Ciego de Avila (centro), Félix Palau, en un extenso reportaje que dedicó al tema el diario Juventud Rebelde. "Se les están entregando tierra a muchas personas que no tienen conocimiento alguno sobre ella. Por lo tanto, están necesitados no sólo de una capacitación sino de una alfabetización agrícola", añadió Palau.

La entrega de las tierras fue aprobada en julio por Raúl Castro como parte de los cambios que impulsó desde que asumió la presidencia en febrero, y tras declarar la producción de alimentos asunto de máxima seguridad nacional, en un país con el 50% de sus tierras agrícolas ociosas, y con importaciones de alimentos de 2.500 millones de dólares en 2008. Desde que en setiembre comenzó el proceso de entrega de tierras a particulares, se distribuyó "casi un millón de hectáreas" a "cerca de 56.000" personas, pero "el proceso reclama mejor estructuración", asegura Juventud Rebelde. "Los usufructuarios empiezan a formar parte del gran sistema de la agricultura cubana, una cadena con muchos de sus eslabones oxidados que no siempre se articulan bien", apuntó el periódico, al subrayar que "un gran por ciento" de las tierras entregadas llegaron a este mes sin estar "listas para plantar".

Al desconocimiento de las técnicas agrícolas por los nuevos productores, se suman las dificultades para obtener semillas, y la carencia de aperos e insumos agrícolas, según el testimonio de varios campesinos citados por el rotativo. "Es muy difícil, sobre todo para nosotros que empezamos ahora y no contamos nada más que con la fuerza de voluntad", expresó la campesina Olga Cabrales, quien solicitó 2,2 ha de tierra. Fermina Rodríguez, otra productora, comentó que "es imposible que en cinco meses alguien pueda (...) limpiar y preparar la tierra y además tener producciones; eso es un chiste. Hace tres años yo estaba reclamando estas mismas tierras que estaban abandonadas y no tuve respuesta".

## DIRT POOR IN THE WORKERS' PARADISE; 84 PERCENT OF CUBA'S FOOD IS IMPORTED

Source: The Weekly Standard, Blake Hurst; March 23, 2009

New Year's Day marked the fiftieth anniversary of Castro's takeover in Cuba. From political prisons to firing squads to Russian missiles, his regime has been a disaster. Yet today people hold up the Cuban food system as a model for the rest of the world.

Sustainable, largely organic, community-based, and healthy food production in post-Soviet Cuba is offered by critics of "industrial agriculture" as an example of the sort of system that we should aspire to in the United States. Following the collapse of the Soviet Union and the end of Soviet subsidies for Cuba's sugar industry in the early 1990s, a near famine forced Cubans to radically change what they consumed and the manner in which it was produced. By 1993, per capita calorie consumption in Cuba had been cut by a third from the Soviet-subsidized level.

Cuba loosened restrictions on private production of food, moved from export crops to staple production, and learned how to survive without subsidies. And to hear environmentalist Bill McKibben tell the story, the island has become a sort of tropical paradise for "foodies." Community gardens, organic production, even plowing with oxen--Cuban agriculture is sustainable, and Cubans are happy indeed with their lot as small farmers. Compost, beneficial insects, urban gardens, farmer's markets "stacked deep with shiny heaps of bananas and dried beans, mangoes and tomatoes": McKibben has seen paradise, and reported on it in both his book *Deep Economy* (2007) and a long article in Harper's magazine.

Lydia Zepeda drew many of the same conclusions. Writing in *Choices* magazine, a journal focusing on agricultural economics, in 2003, she describes with breathless awe the changes in Cuban agriculture, including the transfer of much land to cooperatives "rent free" (emphasis hers). Except for the production quotas owed to the state in perpetuity. Farmers can even sell their excess production in farmers' markets. According to Zepeda, "agroecology" is the new emphasis in agricultural research. And the results have been outstanding. Vegetable production quadrupled between 1994 and 1997; bean, potato, and citrus production increased by huge amounts as well. Lacking fuel for machinery, farmers are using some 150,000 oxen to till their ground. This is good for soil structure, according to Zepeda, since animals weigh less than tractors. By the time her article was published, calorie consumption in Cuba was still less than the minimum recommended by the World Health Organization, but some things are worth other people being hungry for, and "sustainable agriculture" is one of them.

Paul Roberts is another writer who finds much to admire in Cuba. His book *The End of Food* (2008) is a paean to the banishing of the evil tractor and the awful fertilizer, the wonderful diversity, the docile oxen chewing their cud, the peasants happily hoeing as peasants ought to do. Roberts quotes McKibben to the effect that this concentration on labor-intensive agriculture is a wee bit more possible in a police state than it would be elsewhere. After all, Cuba had lots of excess labor and the ability to move it where it was needed without too many scruples. An important point. Roberts is wistfully aware that we are unlikely to adopt such a food system here, but points out hopefully that we might have to, if we run out of oil or productive soil or experience some other catastrophic failure. And we might be forced to use a stethoscope instead of an MRI, if the same worries about modernity were applied to our medical system as are projected upon farming. Cuban agriculture in the age of the USSR was crazy. The Soviets sold Cuba fertilizer at below-market prices, with which to raise sugar--on inefficient, irrational, ideologically correct collective farms--that Cuba then sold back to the Soviets at above-market prices. The improvements since the end of the Soviet era have come not because a sense of community has been engendered by the necessity of adapting premodern kinds of farming, but because market incentives are sneaking in around the edges of a moribund and cruel system.

Even so, promoters of present-day Cuba tend to gloss over a few facts. Like the fact that the ration coupons allow for only about half of the needed calories and that agriculture is so inefficient that Cubans spend about 50 to 70 percent of their gross income supplementing the food available through the state system. More than a quarter of the Cuban work force is, moreover, involved in agriculture.

A recent article in the Cuban press, noted in a study by the USDA's Office of Global Analysis, quoted a high-level Cuban ministry of agriculture official who revealed that 84 percent of all food consumed in Cuba is imported. CNN reports that Raúl Castro is moving to boost food production by putting more land under the control of private farmers. State-run television claims that half of all agricultural land in Cuba is not farmed or is farmed in an unproductive manner. According to CNN, "A thorny bush called marabu fills many of the unused fields and has become a symbol for the failure of agriculture. Last

year, Raúl Castro himself bitterly joked about how much of it he could see along the highway." So, according to American visitors, the symbols of Cuban agriculture are full markets and happy farmers tilling their urban plots of organic vegetables. According to the Cubans themselves, the symbol is the marabu bush. The U.S. embargo against Cuba has been loosened, and food imports from the United States have been increasing rapidly. If you are going to have a sustainable agricultural paradise, it helps to have a nearby neighbor with a million or so industrial farmers. Blake Hurst is a farmer and writer in Missouri.

## **CUBAN AGRICULTURE STILL MIRED IN PROBLEMS, OFFICIAL PRESS SAYS**

Source: EFE; March 22, 2009

The Cuban government turned over to peasants almost 1 million hectares (2.5 million acres) of heretofore idle lands, one of the key projects of President Raul Castro, but agriculture on the island still does not function efficiently because it is "a chain with many rusted links," the official Juventud Rebelde newspaper reported Sunday.

In an extensive report, the daily detailed that people who received lands to farm are having great difficulties making them productive, buying tools and seed and selling their harvests.

"The process demands better structuring. The (farmers) are beginning to be part of the great system of Cuban agriculture, a chain with many rusted links that don't always fit together well," Juventud Rebelde said. "A big percentage of the lands handed over ... have gone until the month of March without being ready for planting," the newspaper said. The president's objective is to increase food production, given that Cuba imports more than 80 percent of what its 11.3 million citizens consume at an annual cost exceeding \$2.5 billion.

The government announced the handing over of the lands in April 2008, in July it issued a decree on the matter and at the end of September the steps were begun to give peasants, associations or cooperatives up to 13.4 million hectares (34.5 million acres). The allocation of the land does not change the fact that the state continues to own it, but individuals can receive the use of the land for 10 years and organizations for 25, although in both cases there will be an annual review of the contract and whether production goals are being fulfilled. There is also the possibility of extending the contracts for similar periods. The parties must agree with the authorities on the production plans for every parcel of land and 90 percent of what is produced must be sold to the state at prices fixed by the government. Felix Palau, a professor at the School of Agriculture of Maximo Gomez University in Ciego de Avila, told the newspaper that if new producers are not trained, there will continue to be important obstacles to producing sufficient food on the island.

"They're handing over land to many people who have no understanding at all about it. Therefore, not only is training necessary, but also agricultural literacy, which means giving them a basic understanding. That has to be ordered and certified by an organization or entity," the professor said.

## **CUBA REVAMPS FOOD DISTRIBUTION IN EFFICIENCY MOVE**

Source: Reuters, Marc Frank; March 30, 2009

Cuba has begun a major overhaul of its food distribution system as part of an effort to increase production and tackle inefficiency, farmers and cooperative producers said. The vast state network responsible for purchasing and distributing 90 percent of farm output has been moved from the agriculture ministry to the domestic trade ministry, the sources said.

Their comments confirmed a brief report on state-run television last week saying the transfer was underway and that "agriculture will be left with what has to do with production." The report said the number of state produce markets in the country would be almost doubled from 156 to 300. So far, government officials have not spoken publicly of the moves, nor have official decrees been published. But farmers are praising the steps because they say they will allow agricultural officials to concentrate on getting more food produced while leaving distribution to another ministry. "It is a good measure

linked to others they are taking. Agriculture should not be diverted from producing by other tasks," farmer Alfredo Rodriguez said in a telephone interview from the central province of Camaguey.

President Raul Castro has made increasing food production a priority since taking over for his ailing brother Fidel Castro just over a year ago. The cash-strapped country imports some 60 percent of the food it consumes, spending nearly \$2 billion last year. Raul Castro has moved to decentralize control of agriculture, once centered in Havana, and to increase farm supplies. He has begun the massive leasing of fallow state lands to those interested in tilling it and has as much as tripled amounts the state pays for most agricultural products. Local economists have applauded the measures, but say they fall short of the market mechanisms needed to improve output.

## **CUBA REVAMPS FOOD DISTRIBUTION IN EFFICIENCY MOVE**

Source: Reuters, La Habana; March 31, 2009

The latest move followed a government reshuffle earlier this month that replaced eight ministers and several top officials and brought armed forces generals, former officers and middle-aged Communist Party officials into the cabinet. Acopio is the name of the huge state-run purchasing and distribution system that has come under fire for being grossly inefficient. There have been numerous reports in the local media this year of how part of a bumper tomato harvest rotted in the fields for lack of containers and transport to cart it away. "Acopio functions as an intermediary between farmers and consumers and has no business being part of the agriculture ministry," farm cooperative member Diego Cosme said in a telephone interview from eastern Holguin province.

Raul Castro has promised to reorganize and downsize the government to make it and the state-run economy more efficient. Cuba has around 250,000 family farms and 1,100 private cooperatives, which together produce about 70 percent of the country's food on less than one-third of the cultivated land. The remainder of the land is owned by the state, and half of that lies fallow. Some 90 percent of the food is purchased by the state and shipped to institutions ranging from hospitals and schools to work place lunchrooms, and also sold at state markets, with the remainder sold by farmers on the open market.

## **MINING**

## **CUBA PUTS NET NICKEL PROFIT AT \$552 MILLION**

Source: Reuters, Marc Frank; January 5, 2009

The Cuban nickel industry garnered \$552 million net profit on 70,400 tonnes of unrefined nickel and cobalt in 2008, local media reported Monday, citing the Basic Industry Ministry. "The Cuban nickel industry gained economic leadership over the tourism industry in 2008, producing 70,400 tonnes with a net profit of \$552 million," the official Prensa Latina News Agency reported. The agency said Cuba had the world's second largest reserves of nickel and was the sixth producer. Cuba produced around 76,000 tonnes of nickel plus cobalt in 2007 and plans to produce a similar amount in 2009. There are three nickel processing plants in eastern Holguin province, two state owned and one a joint venture with Sherritt International of Canada. Nickel is essential in the production of stainless steel and other corrosion-resistant alloys, while cobalt is critical for making super alloys used in aircraft engines and other products. Cuban nickel is considered to be Class II with an average 90 percent nickel content. Cuba's National Minerals Resource Center has reported that eastern Holguin province has 34 percent of the world's known reserves, or some 800 million tonnes, of proven nickel plus cobalt reserves. The center says the region holds an additional 2.2 billion tonnes of probable reserves, with lesser reserves in other parts of the country.

## **CUBA ADMITS NICKEL PRICES BARELY COVER COSTS**

Source: Reuters, Havana; April 9, 2009

Cuban Vice President Jose Machado Ventura warned international nickel prices were on the verge of making the island's most important export industry unprofitable, state-run radio reported Thursday. "Nickel has declined from \$50,000 per tonne to \$10,000, \$9,000 and at \$9,000 it is no longer profitable, and we have been selling nickel these days at \$9,000, then up to \$10,000," Machado told reporters in eastern Cuba where the industry is located. Ventura's statement was the latest indication the government is considering cutting back on unrefined nickel and cobalt production at two state-run processing plants. The country produced some 70,000 tonnes in 2008 for export. Cuba's two state-run plants average 117 barrels of fuel oil to produce a tonne of product for market, according to western businessmen. A third plant run as a joint venture with Canada's Sherritt International consumes around 35 barrels of oil per tonne of output, they said, and plans to produce around 33,000 tonnes this year. State-run television's top economic commentator, Ariel Terrero, said last month that the international economic crisis was hitting the nickel industry hard, with little prospect for improvement in the short term. "Evidently we will have to take measures. They are studying the best way to adjust production in the face of low prices on the international market," he said.

The Caribbean island is one of the world's largest nickel producers and supplies 10 percent of the world's cobalt, according to Cuba's Basic Industry Ministry. Nickel is essential in the production of stainless steel and other corrosion-resistant alloys, while cobalt is critical for making super alloys used in aircraft engines and other products. Nickel has accounted for more than 50 percent of export earnings in recent years, not including services. Since the United States established a commission in 2006 to track Cuban nickel as part of sanctions, information on the sector has been restricted. Cuban nickel is considered to be Class II with an average 90 percent nickel content. Cuba's National Minerals Resource Center has reported that eastern Holguin province has 34 percent of the world's known reserves, or some 800 million tonnes, of proven nickel plus cobalt reserves. The center says the region holds an additional 2.2 billion tonnes of probable reserves, with lesser reserves in other parts of the country.

## **CUBA SAYS ALL NICKEL PLANTS REMAIN OPEN DESPITE LOW PRICES**

Source: Reuters; April 20, 2009

Cuba's three nickel processing plants remain open despite low international prices, state-run radio said during the weekend in a report that urged workers to improve efficiency.

The national radio newscast report on eastern Holguin province, where the nickel industry is based, said, "The factories continue to produce with more discipline and efficiency and that's what is needed." The report dealt with how the province was coping with the global financial crisis and slowdown. "Thousands of families in Moa, Nicaro and other areas in Holguin depend on nickel. International nickel prices have fallen close to 80 percent ... but not a single worker in the industry has been thrown onto the street," the report said. Cuban Vice President Jose Ramon Machado Ventura warned earlier this month that nickel prices were on the verge of making the island's most important export industry unprofitable. "Nickel has declined from \$50,000 per tonne to \$10,000, \$9,000 and at \$9,000 it is no longer profitable, and we have been selling nickel these days at \$9,000, then up to \$10,000," Machado told reporters. The country produced some 70,000 tonnes of unrefined nickel plus cobalt in 2008 for export.

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## IMPORT & EXPORT

### CHILE Y CUBA FIRMAN CONVENIO DE COOPERACIÓN EN MATERIA COMERCIAL

Source: EFE; Santiago de Chile, 7 abril 2009

Chile y Cuba firmaron un acuerdo de cooperación que permitirá el intercambio de estrategias e información, así como de profesionales y delegaciones, con el fin de estrechar lazos comerciales entre ambos países, informaron hoy fuentes oficiales. Con la firma del convenio entre ProChile y el Centro para la Promoción del Comercio Exterior (Cepec) de Cuba se materializó la iniciativa que comenzó en febrero a raíz de un encuentro sostenido en el marco de la visita a la isla de la presidenta chilena, Michelle Bachelet.

Según un comunicado de la Dirección General de Relaciones Económicas Internacionales (Direcon), este acuerdo abre las puertas a implementar una cooperación en todos los sentidos, con el objetivo de mejorar y desarrollar las relaciones comerciales y económicas entre Chile y Cuba. "Favorecerá el intercambio de experiencias sobre estrategias de largo plazo para potenciar las exportaciones", precisó el documento. Además, promoverá el fomento de intercambio de delegaciones y misiones comerciales entre ambos países, en el que se incluye el apoyo a la capacitación, e incentivará la organización de eventos con empresas, prácticas y programas de cooperación e intercambio de profesionales. Por último, se propiciará el intercambio de información y publicaciones relacionadas con las áreas de cooperación comercial. Como modo de tratamiento y seguimiento a todos estos temas, se establecerán programas anuales de trabajo.

Este convenio "es un paso importante dentro del contexto favorable de la relación comercial que sostienen ambos países, donde el intercambio ha experimentado un notable incremento de un 103 por ciento, mientras que la balanza, un 84 por ciento en los últimos nueve años", subrayó la Direcon. La firma del acuerdo se suma a la entrada en vigor el año pasado del Acuerdo de Complementación Económica, que fija un arancel preferencial de un 100 por ciento a 1.159 productos de intercambio entre las dos naciones. Como muestra de la voluntad de ambas partes de implementar el Acuerdo de Cooperación, al concluir su firma, el Cepec presentó a ProChile la oferta cubana de bienes y servicios exportables para la búsqueda de apoyo con vistas a su promoción dentro del mundo empresarial chileno. Por su parte, ProChile brindó su disposición para facilitar los contactos entre exportadores cubanos e importadores chilenos.

## FOREIGN TRADE

### U.S. RICE GROWERS SEE OBAMA LOOSENING CUBA EMBARGO

Source: Reuters, Pascal Fletcher; Miami, March 21, 2009

U.S. rice growers expect President Barack Obama to further ease Washington's trade sanctions against Cuba this year and say this could lift U.S. rice sales to the island to at least 200,000 tonnes annually. U.S. Rice Producers Association President and CEO Dwight Roberts told Reuters he fully expected Obama to enlarge on "baby steps" taken by the administration and Congress earlier this

month which softened some of Washington's travel and trade restrictions against the communist-ruled Caribbean state. "I definitely expect we will see a continuing process of easing the trade restrictions ... that is what we are hearing from high-level people in Washington," Roberts said in a phone interview in Miami late on Friday. Speaking after attending a conference on potential U.S.-Cuba trade, Roberts said while he did not foresee an immediate end to the 47-year-old U.S. trade embargo against Cuba, he did anticipate the removal of "bits and pieces." Amendments to the embargo in 2000 opened up U.S. food sales to the island, including rice. American rice shipments to Cuba rose to 175,000 tonnes in 2004, but in recent years fell off because of tighter rules introduced by the previous Bush administration, compounded last year by soaring world prices.

Roberts predicted that pressure on Obama and Congress for a further loosening of the Cuba embargo would come this year from "everyone in agriculture and beyond." "If we remove the obstacles -- not even a total dropping of the embargo -- if we were able to give credit, have direct banking links, etcetera, we could easily do 200,000 tonnes (of U.S. rice sold to Cuba) in the first year," he said. This could rise to "several hundred thousand" tonnes, he added. Roberts said this compared with around 30,000-35,000 tonnes shipped last year, when he said inflated prices meant "we priced ourselves out of the Cuba market." Cuba turned to traditional suppliers like Vietnam which offered better terms.

Successive U.S. administrations have tried to isolate Cuba for nearly half a century through the trade embargo. Critics say this has failed to foster political change on the island. Since the inauguration of Obama, who has promised diplomatic overtures to Havana and an easing of travel restrictions, calls have been growing inside and outside the United States for efforts to improve relations with Cuba.

Roberts said Obama could make such a move during an April 17-19 Summit of the Americas in Trinidad and Tobago which will bring together the U.S. president and regional leaders. "At this event coming in April with the leaders of the Western hemisphere, there will be a lot of pressure on Obama to come out with something on relations with Cuba," he said. He pointed to Obama's comments this week offering a fresh start with Iran, which indicated he wanted to improve ties with countries long considered rogue states by Washington. Roberts said the Cuba provisions recently passed by Congress as part of a spending bill represented small steps in easing travel and trade restrictions on the island. But he added the Treasury Department was "not interpreting the loosened rules as Congress intended" by insisting that U.S. food sellers receive cash from Cuba in advance before the loading of food shipments to the island. This, Roberts said, "puts the Cubans at considerable risk" because such shipments theoretically could still be seized under compensation claims against Cuba in U.S. courts. He said some U.S. senators this week wrote to Treasury complaining about its interpretation of the Cuba provisions in the 2009 omnibus spending bill. Roberts said that easing the embargo would allow U.S. rice producers to take market share in Cuba from Vietnam, which offers favorable credit terms to the Cubans, but whose shipments included lower-category "broken" rice. "The Cubans know rice, prefer quality ... Even if we're a bit higher (in price), they will buy U.S. rice," he said. (Editing by Vicki Allen)

## **BACARDI WINS RUM RUMBLE; CUBA'S TRADEMARK SUIT TOSSED**

Source: MiamiHerald.com; March 31, 2009

A judge sided with U.S. patent regulators in upholding the cancellation of a Cuban entity's right to sell Havana Club rum in the United States. The more than decade-long battle between Bacardi and Pernod Ricard over the U.S. rights to the Havana Club trademark on Monday inched closer to an end.

A federal judge dismissed a Cuban lawsuit Monday over the termination of U.S. trademark rights for its Havana Club rum, a victory for Bacardi's effort to take over the brand name as its own in the United States. Cubaexport, Cuba's state-owned export enterprise, filed the lawsuit appealing a decision in August 2006 by the U.S. Patent and Trademark Office that deemed the current registration on Havana Club trademark "canceled/expired." Cubaexport has a joint venture with Pernod Ricard to sell Havana Club internationally. Bacardi hailed Monday's decision as another in a long string of rulings it has won from U.S. government agencies and courts. "This is a very significant ruling and a watershed moment in a more than 10-year dispute," Bacardi spokeswoman Patricia Neal said. "It reinforces that once again the Cuban government has no rights to the Havana Club trademark in the U.S." Mark Orr, vice president of North American affairs for Pernod Ricard, referred requests for comment to its attorneys, who did not return calls. The dispute is entangled in property seizures during the Cuban revolution, the trade embargo with the island nation and U.S. trademark law.

Cuba's Havana Club is not sold in the United States because of the trade embargo, but the company got a U.S. trademark for the name in 1976 for future opportunities in case the embargo is lifted. "What this decision seems to be is one more nail in the coffin for Pernod Ricard trying to hold onto its use of the Havana Club trademark in the United States," Tom Gjelten, author of Bacardi and the Long Fight for Cuba, told The Associated Press. Bacardi began selling its own Havana Club in 2006 in Florida and has an application pending to register the trademark in its own name. Bacardi's Havana Club is made in Puerto Rico using the recipe developed by the Arechabala family who created the rum brand in 1935. Fidel Castro's government seized the family's plant and trademark on Jan. 1, 1960. The family made a deal to sell the recipe and Havana Club brand name to Bacardi in the mid-1990s. Bacardi also sold the product in the United States for a few years shortly after making the deal, but pulled it from shelves after the fight erupted over the rights to the brand. Information from The Associated Press was used to supplement this report.

## **CAMBIO POLITICA DE EEUU A CUBA PUEDE ABRIR MERCADO A EMPRESAS**

Source: Reuters, Leah Schnurr; Nueva York, 31 de marzo de 2009

La relajación el lunes de algunas restricciones de Estados Unidos a Cuba es un paso hacia un cambio político que podría beneficiar a empresas desde líneas de cruceros a operadores de carga, dijo el fundador de un fondo que apuesta en esos sectores empresariales. Durante los últimos 15 años, el Herzfeld Caribbean Basin Fund, de Thomas Herzfeld, ha estado invirtiendo en compañías del caribe que podrían ver ganancias si se levanta el embargo comercial de 47 años contra Cuba. Las acciones del fondo subieron un 41,1 por ciento a 7,97 dólares, luego de que el presidente estadounidense, Barack Obama, levantó restricciones a los viajes de familiares y el envío de remesas de cubanos estadounidenses a Cuba. "Creo que todos quieren que el embargo se levante, pero no va a suceder hasta que Cuba adopte las posiciones que Estados Unidos ha pedido", dijo Herzfeld, presidente y fundador de Thomas J. Herzfeld Advisors, Inc, firma que opera el fondo. Herzfeld dijo que espera que las restricciones a viajes de todos los estadounidenses se levanten pronto, lo que podría beneficiar particularmente a los operadores de cruceros.

La noticia del lunes provocó un alza las acciones del operador de cruceros Royal Caribbean de un 11,4 por ciento a 11,23 dólares, mientras que los títulos de Carnival Corp, el mayor operador mundial de cruceros, treparon un 2,3 por ciento a 26,20 dólares. Herzfeld dijo que Royal Caribbean y Carnival podrían ver un doble beneficio si se les permitiera zarpar a Cuba. "La mitad de las ganancias de Royal y Carnival vienen del Caribe. Creemos que la apertura de Cuba podría realmente duplicar sus negocios en el Caribe porque la gente no sólo viajará a Cuba, sino que harán combinaciones con un viaje al este o el oeste del Caribe", dijo Herzfeld. El fondo tiene su mayor inversión en Seaboard Corporation, la que, junto con otros negocios, opera un servicio de transporte de contenedores entre Estados Unidos, la cuenca del Caribe y Sudamérica.

Western Union, la mayor empresa de transferencia de dinero, también podría beneficiarse de menos restricciones a las remesas, debido a que cubanos estadounidenses enviarían más dinero a sus familiares en la isla caribeña. Sin embargo, Herzfeld dijo que Cuba va a tener que hacer esfuerzos para implementar demandas democráticas largamente demandadas por Estados Unidos antes que el embargo comercial sea olvidado del todo. "El primer anuncio importante de Cuba que quisiera ver es la liberación de presos políticos. Eso realmente rompería el atasco", agregó. (Editado en español por Javier López de Lérida)

## **U.S. AGRICULTURAL TRADE TO CUBA CONTINUES UPSWING DESPITE TURBULENT ECONOMIC CONDITIONS**

Source: Texas-Cuba Trade Alliance Web site at <http://www.tcta.us>; April 02, 2009

U.S. agricultural exports to Cuba reached \$715 million in 2008 despite turbulent global economic conditions, according to a Texas AgriLife Extension economist. A weaker dollar, lower commodity prices and a series of hurricanes that reduced Cuba's food supply all contributed to the upturn in U.S. exports, said Dr. Parr Rosson, AgriLife Extension economist and director of the Center for North American Studies at Texas A&M University. Total economic impact of U.S. agricultural export trade

with Cuba since 2003 has reached \$1.9 billion and led to more than 36,000 jobs. "It's a market that has grown surprisingly fast given the economic conditions in that country," Rosson said. Rosson recently gave an economic impact presentation of U.S. agricultural export trade with Cuba at the XI International Conference on Globalization and Development Problems in Havana. In 2002, more than \$140 million in U.S.-produced agricultural products were exported to Cuba. That jumped to \$715 million in 2008, factoring in higher tonnage and increased commodity prices, Rosson said. The number of jobs resulting from trade with Cuba has also been on the upswing. "The ability to require about 14,000 jobs or workers to support that trade is significant," he said. "About 95 percent of the economic gains are in the grains sector since the U.S. exports primarily corn, wheat, processed poultry, soybeans and soybean products." Job creation has also resulted in the following sectors: transportation, finance-banking, real estate, health care, food, beverage, banking and fuel and energy, Rosson said. "The impacts are quite widespread since everything with Cuba is all on a cash basis," he said.

The outlook for the future is "very cloudy," according to Rosson. "There were \$67 million in purchases by Cuba during the first quarter of this year," he said. "However, the downside is the worldwide economic situation. The nickel market has crashed so that means less money, with prices falling from \$13 per pound last year to under \$6 per pound currently. Tourism is big business in Cuba as well, and a projected downturn in the number of people visiting the country is expected to further impact the economy." Rice purchases have already shifted from the U.S. to Vietnam, Rosson said. "They sell it cheaper and last year when commodity prices were so high in the U.S., they had to look elsewhere for a cheaper price," he said.

A workshop on exporting to Cuba will be held May 14 in Houston at Brady's Landing, 8505 Cypress St. The workshop is open to export service providers, food processors, distributors, forestry businesses and producers, and its goal is to help them succeed in the Cuban market, Rosson said. Sponsors are AgriLife Extension, Texas-Cuba Trade Alliance, the Transportation Club of Houston, International Traffic Management Association and the Greater Houston Partnership.

## **RICE PRODUCERS URGE CONGRESS TO FREE AMERICANS TO TRAVEL TO CUBA**

Source: Agriculture Week via VerticalNews.com; April 8, 2009

The U.S. Rice Producers Association applauds Senators Dorgan, Enzi, Lugar, and Dodd for their introduction of The Freedom to Travel to Cuba Act. On behalf of our thousands of farmer-members, we encourage the Congress to pass this legislation as soon as possible -- and that President Obama sign it into law. The freedom of Americans to travel is one of the many blessings we enjoy that separates our citizens from those in many other countries around the world. As Americans travel around the world they bring American ideas and values with them. Rice producers believe that allowing Americans to exercise their right to travel, and to engage directly with the Cuban people, will benefit the people in both countries.

The building of personal relationships can and will benefit the ties between our countries. Farmers and exporters in the United States will benefit directly. The Cuban people import and consume more than 600,000 tons of rice each year, worth about \$300 million to US rice producers. Because of commercial restrictions imposed unilaterally by the current U.S. embargo, the Cubans buy most of this rice from elsewhere, such as Vietnam. Not only do US farmers lose this market opportunity that is only 90 miles away, but the Cuban people must shoulder the expense of shipping this rice half way around the world. U.S. producers of wheat, poultry, dairy, and other agricultural products likewise lose hundreds of millions in sales. Enacting the Freedom to Travel to Cuba Act is an important first step to address these issues. It will facilitate the ability of US agriculture to build commercial relationships with buyers in Cuba. Rice Producers also support the enactment of legislation to streamline the sale of U.S. agricultural products to Cuba, such as H.R. 1737, the Agricultural Export Facilitation Act of 2009. We urge Congress to pass enlightened legislation such as these as soon as possible.

The US Rice Producers Association, representing rice farmers in Mississippi, Missouri, Texas, California, Arkansas and Louisiana, is the only organization solely representing the views of U.S. rice farmers.

## **U.S. REMOVES BAN ON COMMUNICATIONS FIRMS ENTERING CUBA**

Source: Miami Herald; April 14, 2009

The Obama administration removed Monday many of the embargo constraints on American companies concerning communication services to Cuba or within the island. The new policy allows U.S. companies to establish fiber-optic and satellite links to Cuba as well as letting them license roaming agreements for cellphones on the island. Radio and TV satellite companies can also provide services directly to Cuban citizens. Americans will now be able to send Cubans cellphones, computers, software and satellite receivers, the White House reported.

Last year, the Bush administration authorized Cuban-Americans to send cell phones to family members, but the Obama announcement doesn't restrict the gifts to relatives. The White House said the idea was to remove any U.S. limits to free expression on the island. "There are some steps that the Cuban government can and must take," said presidential spokesman Robert Gibbs at an afternoon press conference. American companies responded cautiously to the policy change, and an expert was skeptical about how much the new policy could do. "We will look at any change in U.S. policy very closely, and should a new market opportunity arise in Cuba, carefully consider our options," said DirecTV senior vice president Jon Gieselman. AT&T, Verizon and Sirius Radio had no immediate comments. Enrique Lopez, who runs AKL Group, an international telecommunications company in Coral Gables, doubted that the Cuban government would allow much in the way of more open communications. "Anything that attempts to bypass government control will be politely rejected," he said. Eight U.S. companies are licensed by the Federal Communication Commission to provide long-distance service to Cuba through cable or satellite, including AT&T and Verizon.

It's not clear how many actually provide the service, however. Communications within the island have long been limited. The Cuba Factbook of the Central Intelligence Agency reports that in 2007 the 11.4 million citizens had one million phones. The International Telecommunications Union reports that 11.5 percent of citizens had access to the Internet in 2008, although the CIA says many of those have quasi-illegal status by obtaining stolen passwords intended for hotel guests. The CIA reported that Cubans owned 198,000 cellphones in 2007. In March 2008, Cuba lifted its ban on private citizens owning cellphones, but it's unclear how much that change has increased usage.

## **SUGAR**

## **CUBAN SUGAR HARVEST WOES CONTINUE**

Source: Reuters, La Habana; March 2, 2009

Cuban sugar milling and cane yields remained well below expectations in February despite near-perfect harvesting weather, putting further out of reach plans to produce 1.4 million tonnes of raw sugar, official media reported at the weekend.

"The important month of February closed similar to January, logically, and it must be said, much better results were hoped for," the country's top sugar reporter, Juan Varela Perez, said in his regular radio spot on the harvest. Varela reported last month that January milling was at 63 percent of capacity and cane yields below 10 percent. The sugar ministry said when the harvest began that despite hurricane damage it planned to produce a similar amount of sugar as the previous harvest which Reuters estimated at 1.5 million tonnes of raw sugar.

However, according to an official report seen last week by Reuters, the 2007-2008 harvest weighed in at 1.422 million tonnes of raw sugar base 96. Varela said damage from hurricanes Ike and Gustav last year had left cane in some areas in worse condition than was expected which contributed to low cane yields. He said the key sugar producing provinces of Holguin and Las Tunas were in the poorest shape, followed by Santiago and Havana where organizational problems appeared to be the major

difficulty. Cuba produced 1.4 million tonnes of raw sugar during the 2007-2008 season due only to an unusually dry May into June. Normal weather patterns this year indicate no such opportunity is in store again.

Output was just a bit over 1 million tonnes as May 2008 began, according to Reuters calculations based on provincial reports and sources. That means the harvest would weigh in at slightly more than that amount this season as some mills opened early and more mills opened on schedule. The harvest runs from December through April with optimal yields from February into April. The rainy season begins in May, and hot and humid weather makes mechanical harvesting difficult and yields drop precipitously.

Cuba harvested 330,000 hectares (815,500 acres) of cane during the 2007-2008 harvest. There are 700,000 hectares (1,729,737 acres) devoted to sugar cane in the country. Cuba consumes a minimum 700,000 tonnes of sugar per year, and 400,000 tonnes are destined for China.

## **CUBA EXTENDS SUGAR HARVEST TO AVOID IMPORTS**

Source: Reuters, Marc Frank; March 23, 2009

The Cuban sugar harvest will stretch into May, if not June, in an effort to make up for lost ground so far this season and avoid imports, according to media reports from various provinces. Las Tunas's local Communist Party weekly reported that the country's largest mill, Antonio Guiteres, severely damaged by a hurricane last year, planned to end grinding "before the end of May."

Another report from neighboring Holguin province indicated its largest mill, Urbano Noris, would also grind on into the rainy season. Similar reports came in from central Camaguiay and Ciego Avila provinces and western Havana. Milling this season has averaged between 60 and 65 percent of capacity and yields at least a point below expectations, according to media reports, putting well out of reach plans to produce 1.4 million tonnes of raw sugar by May and avoid importing the 200,000 to 300,000 tonnes of low-grade whites of recent years. Wages have increased in the mills to an average 1,000 pesos per month from less than 500 pesos a few years ago, and now include bonuses in foreign exchange, but the state of the mills, with just eight of 52 built after 1959 and none for 30 years, has taken its toll.

"There is plenty of cane but the mills are old and decapitalized, most cutting and transport equipment way out of date and there have been the usual organizational problems," a local sugar expert said at the weekend, asking his name not be used due to local restrictions on talking with foreign journalists. "We hoped to avoid sugar imports this year, but that now seems unlikely," he said. The sugar ministry reported that due largely to earlier mill openings raw sugar output was running 11 percent above last season when production reached just over a million tonnes by May and milling continued into June to reach 1.4 million tonnes thanks to unusually dry weather. Normal weather patterns this year indicate no such opportunity is in store again. The harvest runs from December through April with optimal yields from February into April. The rainy season begins in May, and hot and humid weather makes mechanical harvesting difficult and yields drop precipitously. Cuba harvested 330,000 hectares (815,500 acres) of cane during the 2007-2008 harvest. There are 700,000 hectares (1,729,737 acres) devoted to sugar cane in the country. Cuba consumes a minimum 700,000 tonnes of sugar per year, and 400,000 tonnes are destined for China, in addition to whatever other contracts it signs.

## **CUBAN SUGAR OUTPUT TOPS 1 MILLION TONNES - ESTIMATE**

Source: Reuters, Marc Frank; April 13, 2009

Cuban raw sugar output from this season's harvest topped 1 million tonnes at the weekend, according to Reuters estimates, as two provinces completed their plans and moved men and machines to help others behind schedule. According to local media reports and sources, seven of 13 sugar-producing provinces have produced more than 700,000 tonnes to date, while the six remaining provinces' output has topped 300,000 tonnes.

The industry planned to reach the million-tonne benchmark in March, but late start-ups, machine and parts shortages and other problems kept milling at well below 70 percent of capacity to date. These problems have plagued the state-run industry for a number of years. The official trade union newspaper *Trabajadores* reported on Monday that central Sancti Spiritus and Cienfuegos provinces

had completed their plans and the former produced "more than 10,000 tonnes above the plan." Sancti Spiritus, which produced 75,000 tonnes in 2008, ended milling at 84,000 tonnes, according to local reports. Neighboring Cienfuegos's plan was announced as 135,000 tonnes when the harvest began.

Meanwhile, three other provinces have reported producing more than 100,000 tonnes, with two more nearing the mark. The industry hoped to end the harvest by May before hot and humid weather makes milling more costly and yields drop, but all the remaining provinces have announced mills will remain open after that date. The Cuban harvest is more than 80 percent mechanized and rains hamper cutting machines and trucks entering plantations. When the harvest began, the Sugar Ministry said output would be similar to 2008, or 1.4 million tonnes. That figure was reached only because the Summer rainy season arrived a month late in 2008. Cuba harvested 330,000 hectares (815,448 acres) of cane during the 2007-2008 harvest.

There are 700,000 hectares (1,729,737 acres) devoted to sugar cane in the country. Cuba consumes a minimum 700,000 tonnes of sugar per year, and 400,000 tonnes are destined for China, in addition to whatever other contracts it signs.

## TOURISM

### RENEWED HOPES FOR THE TOURISM IN CUBA

Source: Noticias Financieras IPS, Patricia Grogg; March 22, 2009

The tourism industry expanded by 5.2 percent in January and February compared with the same period last year, Tourism Minister Manuel Marrero announced. This is good news for Cuba, which is recovering from the devastation caused by three major hurricanes in 2008, at a time of global economic crisis with - so far - undetermined consequences. 'Tourism could take on its role as an economic engine again, if restrictions on travel by U.S. citizens to Cuba are lifted,' said economist Pavel Vidal in an article for the Economics Press Service, a publication of the IPS Havana bureau. Last week the U.S. Congress passed a law permitting Cubans living in the United States to visit their family members in Cuba once a year. The number of flights to this Caribbean island nation is thus expected to rise, after falling by about 75 percent since 2004 in the wake of travel restrictions imposed by former U.S. President George W. Bush. At least one million tourists from the United States are predicted to arrive on the island in the first year alone, if the ban on travel to Cuba by U.S. citizens, enforced since the 1960s as part of the economic embargo, is eliminated. Economist Armando Nova stated in an article that tourism has a multiplier effect which has translated into investments in other branches of the economy. In the past 15 years, technological changes have been introduced in agriculture, light industry, assembly and manufacture of elevators and air-conditioning equipment, communications, the construction materials industry and other sectors, so that 68 percent of the demand generated by tourism has been met within the country.

However, Nova says, in other areas the impact has declined because of reductions in investments, setbacks in the process of integration of tourism with industry and agriculture, difficulties in importing the supplies required for national production, more expensive local products, and revaluation of the convertible peso (CUC) against other hard currencies. (Two currencies are presently used as legal tender in Cuba: the regular peso and the CUC. The latter was pegged to the dollar until October 2004, when the U.S. currency was removed from circulation on the island.) 'As well as generating considerable income in its own right, the tourism service industry is linked to upstream and downstream chains of production, and has improved the economic structure of the country and its diversification,' writes Nova. Before 1990, the Cuban government focused its efforts on developing the sugar cane industry, which brought in a guaranteed, stable income from the country's socialist allies in Eastern Europe. Until then, the number of foreign visitors was barely 300,000 a year. But the

economic crisis triggered by the collapse of the Soviet Union and East European socialist bloc forced the authorities to find an alternative source of revenue. Between 1990 and 2006, tourism captured one-seventh of total investments, while the annual number of visitors climbed to over two million.

Nova is not in favour of having a single sector driving the economy, but rather several leading industries. 'In economics, a diversity of income sources is preferable to one single earner. This confers greater security, stability and sustainability on the economy,' he says. Exporting professional and technical services, especially medical services to Venezuela, has overtaken tourism as the country's main earner over the past five years. According to the National Statistics Office (ONE), these service exports brought in an income of some 8.4 billion dollars in 2008, more than three times the revenues from tourism. 'However, service exports cannot be regarded as an engine driving the economy, as they have few linked industries and a low multiplier effect on other sectors,' Vidal said. 'Cuban tourism has an inherent competitive advantage, based on the quality of its beaches, the climate, health and hygiene conditions, safety for tourists and a wealth of culture,' the expert said. In 2008, over 2.3 million tourists came to Cuba, an increase of 9.3 percent over the previous year, while gross income rose by 13.5 percent. This growth, after two years of decline, was an exceptional result in the Caribbean region. According to a report by the Caribbean Tourism Organisation (CTO) comparing the industry's performance in 2007 and 2008, 11 out of its 26 member countries experienced a decline or stagnation in the number of foreign visitors to their shores. In December 2008, the statistics confirmed a fall in the number of countries receiving over one million tourists a year, like the Bahamas and Puerto Rico, which both reported declines of more than two percent, while the Dominican Republic received an identical number of visitors as in 2007. However, Jamaica experienced growth of 3.9 percent.

The CTO says that in the short term, several factors could influence the development of the vitally important tourism sector, including the global financial crisis and its effects in the United States, which is the main source of tourists, as well as unstable oil prices and the weakness of the dollar relative to other currencies. On the other hand, the Caribbean is perceived as a relatively safe and stable region, which strengthens its appeal as a tourist destination.

## **TOURIST ARRIVALS RAISE 2 PCT IN CUBA**

Source: EFE; April 19, 2009

Nearly 810,000 tourists visited Cuba in the first quarter, up 2 percent from the same period in 2008, despite the global economic slowdown, the official AIN news agency reported Sunday. Canada remained the island's top source of visitors, followed by Britain, Italy, Spain and Germany. Since 2004, according to National Statistics Office figures, the island has welcomed more than 2 million tourists a year, the majority of them during the winter season.

In 2008, 2.3 million tourists visited Cuba, up 9.7 percent compared to 2007, spending \$2.7 billion, according to official figures. Cuban tourism officials expect 2.5 million tourists will visit the island this year amid the global economic downturn. Tourism is one of the pillars of Cuba's economy, employing some 300,000 people.