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DOMESTIC ECONOMY

CUBA STATE LAYOFFS MOVE SLOWLY, WORKERS UNEASY

Source: Reuters, Marc Frank; March 8, 2011

Cuba's program to slash 500,000 state jobs nationwide has barely gotten off the ground in the provinces, as officials scramble to provide alternatives and deal with unease and anger over the layoffs.

Confusion about how to implement the cuts, a lack of alternative jobs and worker resistance have led President Raul Castro to drop a deadline to carry out the plan by March. The layoffs, aimed at cutting expenditures by the debt-ridden government and increasing productivity on the Caribbean's biggest island, are a key part of economic reforms Castro says are critical to the survival of Cuban communism.

Some 3,000 jobs have been cut in eastern Granma province since the program started in October, a similar number in adjacent Santiago de Cuba and 1,000 in central Camaguey, local officials told Reuters last week. But that is just 10 percent of the 70,000 jobs they said were slated to go by March in the three provinces and already the experience has proved wrenching for a society where a secure job had been guaranteed for decades under a centrally run socialist economy. "We never know now if tomorrow we will wake up with a job or not and it was never like that before," said a middle-aged woman in Santiago de Cuba, asking that her name not be used.

A companion reform measure lifting many curbs on operating small private businesses and working privately in skilled trades was originally designed to absorb the workers who have yet to be let go. As of January 31, 113,000 people nationwide had taken out licenses to work on their own, including 15,000 in the Camaguey, Granma and Santiago provinces. But Marta Adan Hernandez, the director of labor and social security in Camaguey province, said there is room for many more people working on their own. "There is no limit and many services still need to be provided to the population," she told Reuters.

Castro's reforms envision a growing "non-state" retail and farming sector and more efficient state-run companies. They are expected to be approved at a Communist Party congress in April. The massive lay-offs have reportedly come under fire during tens of thousands of meetings held across the island as a prelude to the congress. The program is being described as a "reorganization" of the labor force because in theory laid-off workers are declared "available" and offered other jobs or they can lease fallow state land or become self-employed.

LAIIDOFF WORKERS DECLARED "AVAILABLE"

Twenty-nine nurses at one of nine health clinics in Camaguey, upon being declared "available" last week, were offered jobs at local hospitals. "Some are taking the offer and others are going home because at the clinic you work eight-hour days while in hospitals you work a 12-hour day or night shift and it often turns into 24 hours when your relief doesn't show up," said Anaida, a nursing supervisor.

That was not the case for bookkeepers at 20 restaurants in Santiago de Cuba attached to the Tourism Ministry. Their jobs were simply eliminated and all 20 let go, with their four supervisors taking over the work. "They declared me 'available' January 4 and sent me home with a month's salary and then 70 percent for another month," 40-year-old Maria Eugenia said. "They haven't offered me anything. They haven't even called me or any of the others.

Granma's provincial vice president for economic affairs, Raul Lopez Rodriguez, insisted the reorganization would continue, but admitted only 10 percent of those laid off could be absorbed by a shrinking state sector. The remainder will have little choice but to return to the land or strike out on their own. "You are going to see a reorganization of the labor force to improve efficiency and those who remain must be paid much more," he said. He estimated that average monthly wages, now about 440 pesos (\$20), would need to double to motivate workers.

CUBA DEVALUES CONVERTIBLE PESO BY 8 PERCENT

Source: Marc Frank, Reuters; March 14, 2011

- * Convertible peso pegged and put on parity with dollar
- * Aims to improve foreign exchange balance, boost exports
- * Foreign firms had long complained of overvalued currency (Adds quotes, details, byline)

Cuba has devalued its convertible peso by 8 percent in a move aimed at attracting more foreign exchange and stimulating exports, according to a central bank resolution published on Monday in the official daily Granma. The convertible peso (CUC) had been valued at \$1.08 since 2005, but will now be valued one-to-one. "This decision is a discrete step toward an improved balance of foreign exchange ... and will help improve conditions in our foreign financial relations," the resolution stated.

Foreign and local economists welcomed the devaluation. "This is a very important measure that Cuban economists and foreign experts on Cuba have been recommending for years," said Cuban-American economist Carmelo Mesa-Lago, a professor emeritus at the University of Pittsburgh. "It should reduce the significant overestimation of the CUC that causes all kinds of distortions, make cheaper tourism for Cuban Americans, Americans and Latin American countries in the dollar area, and stimulate sending of remittances," he said.

Cuba is just now emerging from a grave liquidity crisis that began at the close of 2008 and saw it freeze hundreds of millions of dollars in foreign company bank accounts on the grounds that it did not have the foreign exchange to meet the CUC deposits. The bank said hurricanes in 2008, the international economic crisis and "volatility in monetary markets" led to the decision "to establish parity between the convertible peso and U.S. dollar." Though most of the money has since been paid out or payment agreements signed, the freezing of foreign accounts destroyed confidence in the CUC and state banks. Most companies now do their business offshore. Foreign companies that do business with the island have long complained the CUC was overvalued.

Cuba has a dual monetary system which pegs the peso at 24 pesos sell, and 25 pesos buy, to the convertible peso. The resolution said the domestic exchange rate remained unchanged, as did the one-to-one exchange rate used for business accounting purposes. Neither the CUC nor peso are recognized currencies outside of Cuba. The resolution said another reason for the decision was "restrictions on the accounts that we were obliged to impose at the end of 2008 continue to be lifted." Cuban President Raul Castro drastically reduced imports in 2009 and 2010, while promoting exports and import substitution, to deal with the financial crisis.

Cuba's trade balance, including services, was \$3.9 billion in 2010, according to the government, compared with \$2 billion in 2009 and a deficit of \$2.3 billion in 2008. The measure will be welcomed by foreign tourists and Cubans who receive remittances from abroad. A 10 percent tax on dollars remains in effect, however, due to the U.S. embargo that makes it difficult for the government to use the greenbacks. "There is no doubt the measure will benefit tourists and Cubans who receive remittances from abroad," an employee at the headquarters of the state-run Cuban exchange company, CADECA, said, asking that her name not be used. "The amount taken when money is exchanged is less now. Before, for every \$100 you gave a client 80 CUC, and now for every \$100 you give the client 87.10 CUC," she said.

CUBA APPROVES LOANS TO HELP PRIVATE ENTREPRENEURS LAUNCH SMALL BUSINESSES

Source: AP; March 30, 2011

The Cuban government has authorized local banks to offer credit to private small business owners and agricultural producers as part of a sweeping economic overhaul announced last year. Havana is dismissing hundreds of thousands of state employees while granting licenses for a broad array of private businesses to absorb the layoffs. The credit measure is intended to help would-be entrepreneurs get off the ground. State-run newspaper Granma announced Wednesday that the measure was approved March 25 during a meeting of the Council of Ministers, presided over by President Raul Castro. Castro has said the economic overhaul is intended to update Cuba's socialist economic model and is not a wholesale switch to capitalism.

NEW ENTREPRENEURS IN CUBA GET MIXED RESULTS

Source: AP, Paul Haven; April 11, 2011

There was no colorful bunting to mark the grand opening, and no way to advertise in the local press. There was not even money to hand out fliers in this decaying Havana neighborhood of potholed streets and crumbling one-story homes. So when the freshly-painted front window of the tiny pizzeria swung open on the most important afternoon in Julio Cesar Hidalgo's life, nobody noticed at first. Hidalgo and his girlfriend Gisselle de la Noval waited for half an hour, then another, and another. Finally, 92-year-old Estrella Soto shuffled up to the takeout counter and ordered a medium pizza with onion toppings. "I love it," she declared, and Hidalgo and de la Noval have barely sat down since. They sold seven more pizzas in the next 15 minutes, and a total of 30 on their March 8 opening day. The following Saturday they had their best afternoon yet, churning out 60 pies from a used gas oven that looks too narrow even for a small family's needs. It has been six months since President Raul Castro opened this tightly-controlled communist country to a smattering of free-market capitalism, in the most significant change to its economy in decades.

By March 8, entrepreneurs had taken out more than 171,000 business licenses, according to state-run media, more than two-thirds of the 250,000 goal for all of 2011. As Cuba's new business class journeys cautiously forth, some, are enjoying the first fruits of success. Others say the terrain has been rockier than anticipated. Some have already closed the door on their entrepreneurial dreams. The Associated Press began following the fortunes of a group of would-be small business owners in December. Four months later, their experiences seem to reflect the sweep of Cuba's grand fiscal experiment, as well as the sometimes cruel vicissitudes of the free market.

There is Javier Acosta, who is struggling to get customers into his upscale Havana restaurant. And YUSDANY Simpson, a young single mother making a modest income selling coffee and sandwiches from her front yard, a humble venture that resembles a child's lemonade stand. Then there is Danilo Perez, a 21-year-old bookkeeper who got a license to sell pirated DVDs, only to give up bitterly after authorities suddenly quadrupled his taxes. "Cubans are entrepreneurial people and to the extent they are allowed to work and make some money, they will," said Lorenzo Perez, a former IMF economist and member of the Association of the Study of the Cuban Economy, a nonpartisan Washington, D.C.-based think tank. But he added the new enterprises face stiff challenges in a country where few have business acumen, raw materials are hard to find, tax rates can be exorbitant and myriad government regulations still restrict basic activities. "All over the world, the percentage of small businesses that succeed is very small, even in the United States," said Perez. "In Cuba, the difficulties are enormous, because the environment is not very conducive yet to business ... but that doesn't mean it can't be done."

Dozens of restaurants have opened, some of them remarkably chic for an island of 11 million people where it can be hard to find such basics as matching tables and chairs, and an explosion of private apartments have been put on the rental market. Those who have sought out licenses say the process is fast and straightforward. Fears that government inspectors - some looking for kickbacks - would undo the free market drive have not materialized, perhaps because there are not yet enough to check in regularly on the unexpectedly large number of new businesses. Meanwhile, the government has pushed back indefinitely plans to lay off 500,000 state workers, acknowledging the move was extremely difficult and had to be handled with the utmost delicacy. More details are likely to be announced at a key Communist Party Congress slated to begin April 16, but it has not all been smooth sailing for the entrepreneurs.

Perez, the DVD seller, threw in the towel two weeks ago. He said when he went to get a license in December, officials told him he needed to pay \$2.50 a month to operate a streetside kiosk. But when he went back in March, they told him the rates had gone up to \$10.50 a month, with an extra month's taxes in advance. "There were many people protesting - some even crying - because they didn't have the money to pay," said Perez, who is unemployed and getting help from his parents to make ends meet.

Javier Acosta, the owner of a new restaurant in the Playa neighborhood, said he did not make enough in his first month to even cover the monthly tax of \$458, and so had to dip into his savings to pay the government and his employees. The next month Acosta did cover his costs, barely, and he is hoping nervously the trend continues. "There are days when nobody has come, absolutely nobody," Acosta said. "Sometimes I've had one table, or two, but I know how this works .. one must go slowly, little by little, and build a reputation through word of mouth."

Simpson, the single mother, has had more success, albeit with far more modest goals. Before she opened her kiosk in Havana's Vedado neighborhood, she was unemployed and dependent on

remittances sent from abroad to raise her 2-year-old son. Now, she makes about \$25 a month selling coffee, soft drinks and mayonnaise sandwiches for pennies apiece, a little more than the average Cuban monthly salary. "This isn't going to make me rich, but I make enough to get by," she said. Back at Hidalgo's pizza parlor, the strains of business ownership were evident.

Hidalgo has spent more than \$1,000 to get the pizzeria off the ground, much of it a gift from a cousin in the United States. Now that it is open, he spends hours standing up each day next to the hot oven, and hours more each week lugging sacks of flour and large cans of tomato sauce back on his bicycle. He has been able to find all the ingredients he needs in official shops, a sign, he says, that the government is making good on promises to increase access to raw materials.

Hidalgo said he has had no time to contemplate success because he falls asleep at the end of each long day before his head hits the pillow. He said his lowest moment came when a housing inspector turned up to fine him because he did not have a permit for carving out the pizzeria at the front of his house. At first, it looked like he would have to pay the equivalent of \$75, but in the end he was told the fine would be forgiven if he got an architect to retroactively draw up plans for the building work - something that will cost him just \$4.

Hidalgo said no inspectors have been by to check his books or demand copies of his receipts, a major change from his experience opening another pizzeria with his cousin in the 1990s. Then, inspectors paid them weekly visits, and drove the venture out of business when they discovered the pair was buying ingredients on the black market. This time around, Hidalgo had planned to take a leave of absence from his \$11-a-month job at a state-owned bakery, but he quickly realized his heart was in his new venture and quit outright. He said there are still slow days, particularly at the end of the month when many people run short of cash, but he reckoned he averages selling 20 pies a day. On a good afternoon, he can easily make more than in an entire month at his old job, though profits are split with de la Noval and Hidalgo's aunt, the owner of the house.

Hidalgo charges from 50 cents for a small cheese pizza to \$3 for a family sized pie piled high with toppings, a small fortune on an island where the average salary is just \$20 a month. Some Cuban economists have warned that the fiscal changes might not work in part because islanders won't have enough spending money to support the new ventures. But many Cubans receive money from abroad, and almost everyone makes cash on the side, either stealing items from their government workplace or doing odd jobs.

When asked where his clients get the cash for his pizzas, Hidalgo smiled. "There are people who live off their salary or pension, but there's always money that comes in in other ways," he said, pulling another pie out of the oven and wiping the sweat from his brow. "If it were only for the salaries, people would be living on the street in loincloths." Hidalgo and his girlfriend say the business has changed their outlook on the country. A year ago, both were looking to emigrate: her through a quickie marriage to a Cuban-American, him to live in Atlanta with the cousin who was once his business partner. "We took a risk, we believed in the country and the changes they are making," said de la Noval. "We are hoping that things are only going to get better."

CUBAN CAPITAL FACES WORST WATER SHORTAGE IN 50 YEARS

Source: EFE; April 12, 2011

The Cuban capital is facing its worst water shortage in the last 50 years due to the effects of the drought and the progressive deterioration of the fresh water supply network, Communist Party daily Granma said Tuesday.

More than a million people are being affected by the situation, which could become "more aggravated" if the hoped-for rains do not come in May and June, the paper said. With a deficit of 519,307 cubic meters per day, somewhat more than 100,000 Havana residents are only receiving their water from cistern trucks, a situation that imposes an "elevated cost" on the depressed national economy, the paper said.

The situation originated with the drought and the scarcity of rain, but it worsened due to the deterioration in the water supply network: about 70 percent of Havana's 3,158 kilometers (1,958 miles) of pipelines are in poor shape and allow part of the water pumped to the city from nearby reservoirs to

be lost. Another negative factor is "the lack of a culture of water saving" and the fact that "the attitude of waste continues" despite the dire situation and the fines imposed on all wasteful public entities.

Among the "great wasters" of water, Granma pointed to entities such as the Marina Hemingway tourist center and the Havana convention center. Granma noted that the Cuban government had allocated an investment amounting to "millions" - the precise sum was not specified in the article - for assorted projects designed to extend the functioning of depressed water sources and to improve water distribution.

FOOD & AGRICULTURE

CUBA INVESTS \$9.5M IN COFFEE, BUT STILL IMPORTING

Source: AP, Andrea Rodriguez; April 7, 2011

Cuba says it spent \$9.5M to update coffee industry, but low harvest numbers force it to import

Cuba has spent \$9.5 million the past five years to modernize coffee production, but meager harvests mean this java-loving nation must still import to cover domestic consumption, the director of the state-run coffee company said Thursday. The money went toward improving coffee mills, roasters and packaging in an effort to produce the 18,000 tons needed to meet local demand, said Antonio Aleman, director of the company, Cubacafe.

Cuba's annual coffee harvest currently stands at 6,000 tons, and Aleman confirmed the island is buying 12,000 tons of beans to make up the shortfall. Some of Cuba's beans go to subsidized coffee sold for \$0.20 per 115-gram bag under Cubans' ration cards, and some supplies pricier stores that cater to tourists and others with access to the island's convertible currency. Cuba maintains a dual currency system in which one peso is used for subsidized items available to all Cubans and a convertible peso worth \$1 is used for imported goods and some services, plus in the tourism industry.

Like rum and cigars, coffee is an iconic product in Cuba. In the early 1960s, annual production reached 60,000 tons and Cuba was a net exporter. "Cubans are coffee lovers," Aleman said. "Wherever you go, they greet you with a cup of coffee." In recent years, however, harvests have fallen off dramatically. Aleman blamed the drop on abandoned farms due to migration to cities, limited resources and lack of investment. He repeated that authorities plan to begin mixing coffee with peas to make the domestic supply go further. He did not give a date.

Cubans are accustomed to the coffee-pea blend, which was sold here until 2005. In fact, some complained when they started getting pure coffee five years ago that it tasted funny. President Raul Castro announced in December that the coffee-pea blend would be making a comeback. At the same time, he said Cuba pays \$47 million a year on coffee imports. Aleman said there is a plan to stimulate coffee farming, but did not give specifics.

LA AGRICULTURA, EJE DE LA REFORMA EN CUBA

Source: BBC, Fernando Ravensberg; 17 de abril, 2011

La ineficiencia de los sistemas de distribución de las cosechas provoca la pérdida de parte de las mismas. La agricultura es la base de las reformas impulsadas por el presidente de Cuba, Raúl Castro, tema central del VI Congreso del Partido Comunista que empezó este sábado. Y es que si ésta transformación fracasa, fracasará todo el proyecto, advirtió hace poco el economista Pavel Vidal, investigador del Centro de Estudios de la Economía Cubana.

La esencia de la transformación agraria es desarticular las gigantescas granjas estatales -estilo los *koljoz*, o granjas soviéticas- y repartir las tierras entre familias campesinas, las que hasta ahora han demostrado ser el sector más productivo del campo cubano. Las tierras son entregadas en forma de

"usufructo gratuito", es decir que el campesino no paga nada por ellas. Sin embargo, cada década debe renovar el contrato y sus hijos sólo podrán heredarlas si establecen un nuevo acuerdo. La tarea ha resultado más compleja de lo que parecía, los intereses de algunos sectores de poder se cruzan con la inoperatividad de los dirigentes y con la escasez de recursos tan básicos como herramientas, semillas o fertilizantes.

Crisis agropecuaria

Los campesinos cubanos no tienen tiendas donde comprar los insumos que necesitan para trabajar. La agricultura cubana produce apenas un 20% de las necesidades alimentarias de la población, lo cual obliga al gobierno a gastar más de US\$1.600 millones en la importación de alimentos, una gran parte comprados en Estados Unidos al contado. La isla nunca, en toda su historia, fue capaz de autoabastecerse de alimentos, de hecho desde antes de 1959 los importaba de EE.UU. Sin embargo, la copia del modelo agrario soviético redujo su capacidad productiva a niveles mínimos.

Las estadísticas no dejan duda de que hay una relación entre productividad y propiedad. Los pequeños campesinos privados y cooperativistas con apenas el 20% de las tierras producen más que todas las granjas estatales juntas. Raúl Castro pretende solucionar este conflicto con una fórmula intermedia propuesta por Tony Guiteras, ministro de un gobierno nacionalista en los años 30, mantener la "propiedad" de la tierra en manos del Estado, dando la "tenencia" al campesino.

Resistencia silenciosa

Un mercado laboral en cambio

Sin embargo, las cosas no han sido fáciles, el gobierno tropezó con grandes obstáculos, empezando por la obstinación de algunos "administradores" de granjas estatales, que oponen una silenciosa resistencia a la entrega de tierras. La mitad de los campos cubanos estaban cubiertos de marabú, un arbusto espinoso difícil de erradicar. La primera directriz era entregar las parcelas ociosas pero la respuesta fue limpiarlas y pasarles el arado para "disfrazarlas" de productivas.

El gobierno respondió incluyendo además las tierras de baja productividad. Pero el enfrentamiento continúa al punto de que se pueden leer en la prensa oficial las denuncias de los campesinos sobre maniobras burocráticas para no entregarles las fincas. Aún así ya se han repartido más de la mitad de las parcelas previstas, la mayoría de las cuales están limpias y trabajando. Sin embargo, existen otros factores que también golpean la reforma y hacen decrecer la producción agrícola.

"Las normativas"

Los campesinos reciben una parcela cubierta de marabú pero no les venden herramientas, semillas, fertilizantes ni insecticidas. No hay tiendas donde comprar cosas tan elementales como el alambre para cercar o sistemas de riego. ¿Y los que no siembran? Las nuevas oportunidades laborales creadas por la reforma ofrecen alternativas a la agricultura. Además, el Ministerio de Agricultura y el sistema de distribución, Acopio, establecen reglas que dificultan aún más el desarrollo del trabajo y el traslado de las cosechas, algunas de las cuales se pierden por la ineficiencia de estos organismos.

Hace más de 2 años, BBC Mundo solicitó una entrevista con el Ministerio de la Agricultura, finalmente la concedieron con la viceministra Moraima Céspedes, pero un mes atrás la suspendieron por una enfermedad de la cual, al parecer, aún no se recupera. De todas formas el discurso de los dirigentes del sector agropecuario es bastante conocido, culpan por sus fracasos productivos al embargo de EE.UU., los ciclones, el exceso de lluvias o las sequías, mientras que los guajiros (campesinos) centran sus críticas en la burocracia y sus "normativas".

El reto del congreso

Los sistemas de riego son una de las grandes carencias de la agricultura cubana dada la escasez de agua que existe en la isla. En manos del Congreso está liberar a la agricultura de la camisa de fuerza del Ministerio de Agricultura y de Acopio, los cuales provocan el caos pretendiendo "reglamentar" hasta los más mínimos detalles del trabajo de los campesinos. También tiene la posibilidad de promover una política comercial más decidida hacia el sector. Muchos guajiros ni siquiera necesitan créditos, tiene suficiente dinero como para comprar a precios de mercado lo que necesitan si el Estado se decide a venderlos. En definitiva el principal obstáculo parece ser el propio modelo. Si los comunistas cubanos no cambian las relaciones de producción agrarias, desburocratizándolas, difícilmente lograrán que las fuerzas productivas se desarrollen.

PETROBRAS HAS RELINQUISHED CUBA OIL

Source: Reuters, Marc Frank; March 10, 2011

- * Petrobras found poor prospects, wants to focus on Brazil
- * Decision a blow to Cuba's offshore oil hopes
- * Spain's Repsol planning to bring offshore rig to Cuba

Brazilian oil giant Petrobras (PETR4.SA) has withdrawn from an offshore oil exploration block in Cuba's waters that it leased amid great fanfare in 2008, a Brazilian official said on Thursday, citing poor prospects.

Marco Aurelio Garcia, foreign policy adviser to President Dilma Rousseff, told reporters in Havana exploratory work off Cuba's northern coast had not shown good results and that Brazil wanted to concentrate on its own oil fields. Asked if state-run Petrobras had abandoned the offshore Cuba block, he said: "Yes, that was already decided some time back. Petrobras withdrew from that (block). We're sorry, but the truth is you have to work with tangible elements and there wasn't any security of that in this block".

The decision appeared to be a blow to Communist-ruled Cuba's hopes for an oil bonanza from still-untapped offshore fields it says hold 20 billion barrels of oil. Petrobras signed up for one of Cuba's 59 offshore blocks in October 2008 in a Havana ceremony attended by then Brazilian President Luiz Inacio Lula da Silva and Cuban President Raul Castro. Lula, a close ally of former Cuban leader Fidel Castro, had vowed Petrobras would find oil for the Caribbean island, heavily dependent on imports from oil-rich socialist ally Venezuela.

The Petrobras block was just offshore from Cuba's biggest oilfield, east of Havana. Garcia apologized for Brazil deciding to drop its Cuban block. "We're very sorry and the truth of things is that ... Brazil will have to concentrate on our prospecting," Garcia said in a press conference. "You know that we now have big reserves, maybe one of the biggest reserves in the world."

CUBA HOPES RIDING ON REPSOL

Experts believe Brazil may have more than 50 billion barrels of oil buried under a thick layer of salt as much as 4.4 miles (7 km) below the ocean's surface. Cuba's offshore oil hopes now ride even more heavily on Spanish oil company Repsol YPF (REP.MC), which is expected to bring a Chinese-built drilling rig to Cuba in August.

Repsol, in partnership with Norway's Statoil (STL.OL) (STO.N) and India's ONGC (ONGC.BO) I, plans to drill at least one well, then pass the rig over to Malaysia's state-owned oil company Petronas. The oil industry is watching the Repsol project closely and if it finds significant reserves, more companies are likely to want to explore in Cuban waters. Repsol drilled an offshore well in Cuba in 2004 and said it found oil, but that it was "non-commercial." It said at the time it planned to drill more wells, but is believed to have had difficulty finding a rig that did not violate the 49-year-old U.S. trade embargo against Cuba.

The embargo limits the amount of U.S. technology that can be used in equipment employed in Cuba. It also prevents U.S. companies from operating on the island. Garcia said Brazil wished Cuba well in its search for oil. "There are other companies like Repsol and from China that are trying (to drill for oil) and I hope they find it," he said. The U.S. Geological Survey has estimated Cuba has about five billion barrels of oil offshore.

REPSOL MOVING AHEAD WITH CUBA OIL PLANS

Source: Reuters, Jeff Franks; April 5, 2011

- * Repsol says big oil fields possible offshore Cuba
- * PDVSA also cites "great potential" in Cuba blocks
- * Cuba says may have 20 billion barrels offshore

Repsol YPF (REP.MC: Quote, Profile, Research, Stock Buzz) expects to have a Chinese-built drilling rig in Cuban waters by the end of the summer and start drilling immediately into a prospective undersea oil field that looks like it could be a big one, a geologist for the Spanish oil company said on Monday.

Repsol, in a consortium with Norway's Statoil (STL.OL: Quote, Profile, Research, Stock Buzz) and a unit of India's Oil and Natural Gas Corp. (ONGC.BO: Quote, Profile, Research, Stock Buzz), plans to drill one well with the high-tech Scarabeo 9 rig and another if the first is successful, said senior structural geologist Gonzalo Zamora at Cuba's Earth Sciences Summit in Havana. "The perspectives are to find something, if not, we wouldn't be drilling. And the sizes are big," he told reporters after making a presentation at the conference that is heavily focused on Cuba's oil and gas development. "To drill with so much risk like we have in Cuba, we have to look for a big prospect because the investment to develop it is very big," Zamora said. He said seismic studies of the offshore blocks Repsol has leased have turned up "very interesting prospects" in several geological zones. The company drilled the only well in Cuba's offshore in 2004 and found oil in an "area of much potential," Zamora said.

It has not sunk a second well for various reasons, but contracted with Italian offshore oil services company Saipem for use of its Scarabeo 9 rig, which has been built in China and is now in Singapore undergoing preparations for the trip to Cuba. Zamora was expected to arrive in Cuba by the end of the summer, but delays were always possible in the offshore oil business. Sources have told Reuters the rig should arrive at the communist-led island by mid to late August. He said Cuba, which is anxious to tap into its unexplored sector of the Gulf of Mexico, wanted Repsol to commit to drilling two wells, but Repsol limited its risk by agreeing to do one well for sure.

Cuba has said it may have 20 billion barrels of oil offshore, although the U.S. Geological Survey has estimated a more modest 5 billion barrels. After Repsol finishes with the Scarabeo 9, which is capable of drilling in 12,000 feet (3,657 meters) of water, the rig will be handed over to Malaysia's Petronas to drill in its Cuban offshore leases, then to ONGC Videsh, which is a unit of ONGC, for its Cuba exploration. Venezuela's PDVSA may also be in line to get the rig for its Cuban blocks, where areas of "great potential" have been found, PDVSA senior basin analyst Jose Noya told reporters at the conference. He said exploratory drilling could take place "maybe in a year." "Once we have the equipment, it will be drilled. Probably we are in the line for drilling ... with the same rig, because it is a rig that can drill in 2,000 meters (of water)," he said of the Scarabeo 9. Last summer, Cuban officials were saying they expected to drill seven wells, but Cuban senior oil adviser Manuel Marrero told the conference that the number now was five. He did not specify who would drill the wells.

CUBA, PARTNERS TO DRILL 5 GULF WELLS THIS SUMMER

Source: AFP, Andrea Rodriguez; April 5, 2011

Cuba and partner companies will begin drilling five oil wells in the Gulf of Mexico this summer in hopes of locating enough crude to justify the costly exploration, an official said Tuesday. "The prospects are very promising" of finding valuable reserves, said Manuel Marrero, an official with the Ministry of Basic Industry.

Cuba's domestic production is exclusively heavy oil with a high sulfur content. Its offshore Gulf waters could contain large quantities of lighter, sweet crude, although a test well in 2004 turned up only modest deposits. Studies since then have pointed to "oil traps" in the marine floor, persuading partner companies to take on the expensive task of exploration in deep water, Marrero said during an earth sciences convention. The drilling is expected to run through 2013.

The Cuban government has designated 59 blocks in Gulf waters encompassing 43,200 square miles (112,000 square kilometers) where private energy companies have said they could drill deep-water test wells. The area opened for international investment in 2000, and currently a half-dozen companies, including Spain's Repsol-YPF, have contracted for 22 of the blocks. None of the companies are American due to Washington's decades-old ban of U.S. business dealings with the communist-governed island although some U.S. firms have expressed interest in the past.

Marrero repeated Cuba's position that it would be open to partnering with U.S. companies. "Any company could participate under Cuban laws," Marrero said. Earlier this year, Brazilian officials announced that country's state-run energy giant, Petrobras, would withdraw from the Cuban area. "They had a small block, barely 1,500 square kilometers," Marrero said. "They discovered prospects, but that can't compete with the hundreds of prospects they have" in Brazilian territory. According to geologic studies conducted by several institutions, some of them U.S.-based, Cuba's Gulf reserves could be 5 billion to 9 billion barrels of crude.

Nearly a year after the Deepwater Horizon disaster that killed 11 workers and led to more than 200 million gallons of oil spewing from a BP well a mile beneath the Gulf of Mexico, Marrero assured reporters that Cu-ba's exploration will be carried out safely. "The equipment that will be used is the most modern, the safest. The regulatory framework is very strict, and the companies that will drill are prestigious and experienced," he said. "I don't think we are going to have any more risks." Earlier this year, Cuba reported its 2010 production totaled 4 million tons of petroleum equivalent oil plus natural gas or about 46 percent of its domestic consumption. The rest it obtains from Venezuela on preferential terms.

RUM

CUBA: HAVANA CLUB RUM SALES UP 15 PCT IN 2010

Source: AP, Peter Orsi; April 12, 2011

Sales of Cuba's flagship rum, Havana Club, rose 15 percent last year as the brand rebounded from a sluggish 2009 -- the only year the company has ever posted negative growth.

Havana Club International, formed in 1993 as a partnership between Cuba's state-run rum monopoly and French wine and spirits maker Pernod Ricard SA, posted sales of 3.8 million cases in 2010, Cuba Ron SA legal adviser Arian Remedios told Cuban news agency Prensa Latina in comments published late Monday. That is up from 3.3 million cases in 2009 and better than the previous high of 3.4 million in 2008. The company is projecting 4 million cases this year. Remedios did not give a dollar figure for sales. Each case contains about 2.4 gallons (9 liters) of liquor.

Europe was the leading market with 57 percent of sales, followed by 31 percent in Cuba, 11 percent elsewhere in Latin America and 1 percent in Asia, Prensa Latina reported. Washington's decades-old trade embargo against the island prohibits sales of Cuban Havana Club rum in the United States.

Cuba has said in the past that it could increase production to ship 1 million cases to its northern neighbor if the sanctions are lifted, though a trademark dispute would complicate that. In late March, a U.S. Court of Appeals ruled that Pernod's claim to the Havana Club brand was not valid in the United States because it concerns a trademark used by a business that was nationalized by the Cuban government.

Competitor Bacardi uses the Havana Club name in the U.S. for rum produced in Puerto Rico. Pernod, which said it would appeal, has jostled with Bacardi for years over the label, alleging deceptive advertising of the non-Cuban rum. Since the Cuban government and Pernod teamed up in 1993, Havana Club has averaged about 15 percent annual growth before the global economic downturn led to a 3 percent slide in 2009.

SUGAR

CUBA REPORTS SUGAR PRODUCTION TO BE AKIN TO 2010

Source: AP, Peter Orsi; April 7, 2011

Cuba's 2011 sugar production will be similar to or slightly higher than last year's total, which was the worst in more than a century, officials said Wednesday.

The December-April harvest is nearly complete and should be slightly above forecasts, Sugar Ministry expert Osiris Quintero said. He did not give an exact figure but said it would be in the ballpark of the 1.1 million tons produced in 2010. "This year is undoubtedly going better," Quintero said. "It is not going to be a harvest much greater than last year's. ... But that was a modest harvest" because of drought. He said Cuba's refineries hope to take in a similar amount of sugarcane this year but process it more efficiently and produce slightly more sugar.

Cuba ousted its then-sugar minister last May as the government reported that the 2010 harvest was the island's least productive since 1905. According to census reports from the 1905-06 season, 1.23 million tons of sugar were harvested that year. Cuba used to be a world leader in sugar, annually producing 6 million to 7 million tons. The communist government made the annual harvest a point of revolutionary pride, regularly sending brigades of office workers from the cities out into the countryside to boost output.

The collapse of the Soviet bloc combined with a continuing U.S. trade embargo to erase the island's biggest guaranteed markets and low global commercial prices undermined the industry, which also has been short on investment. Today the island has just 60 refineries, compared to 156 a decade ago. The sugar business elsewhere in the Caribbean also has suffered in recent years. But rising prices in recent years have led Cuban officials to turn back to sugar, which today trails tourism and nickel as the country's top revenue producers.

President Raul Castro and other officials are pushing for improved productivity, saying it is the key to boosting the sluggish Cuban economy. Quintero led reporters Wednesday on a tour of sugarcane fields, a growers' cooperative and a refinery in the central province of Matanzas, where officials showed off modern combines from Brazil that strip the cane as it is picked - avoiding the need to haul it to a special center for cleaning. More than 60 such machines have been deployed as part of an effort to update and streamline the chain of production, he said. Quintero also said Cuba is open to foreign investment in the sugar industry, but he did not say from where or give other details.

CUBA DICE QUE PRODUCIRÁ 40.000 TONELADAS AZÚCAR POR ENCIMA PLAN

Source: Reuters, Marc Frank; 21 de abril, 2011

El Ministerio cubano del Azúcar dijo el jueves que producirá 40.000 toneladas de azúcar sin refinar por encima de lo previsto en su plan, entre los 1,1 millones y los 1,2 millones de toneladas para esta temporada, según estimaciones de Reuters.

El Ministerio del Azúcar dijo la semana pasada que había cumplido su plan con la participación de 18 de los 39 ingenios que aún estaban moliendo caña. "Se añadirán 40.000 toneladas de azúcar más por encima de lo previsto en el país", dijo la viceministra del Azúcar, Lourdes Castellanos Jiménez, citada en un reporte de la Agencia de Información Nacional. La funcionaria calificó de "satisfactorios los resultados en la producción de alcohol, en el ahorro de combustible y otros derivados".

Cuba, que enfrenta una escasez de caña de azúcar, esperaba una cosecha corta y eficiente. La industria no había cumplido con sus planes de producción en unos 20 años. Cuando la cosecha comenzó, los funcionarios del sector dijeron que esperaban alcanzar las 1,1 millones de toneladas del año previo, el menor nivel de rendimiento en más de un siglo, aunque el plan actual nunca fue anunciado.

Cuba consume un promedio de 700.000 toneladas de azúcar anualmente, aunque el año pasado el consumo bajó a alrededor de 600.000 toneladas debido a una reducción de la ración doméstica y otras medidas. Asumiendo que el consumo local será similar este año, la industria ofrecería al menos otras 100.000 toneladas del endulzante al mercado después de cumplir con un compromiso de 400.000 toneladas con China.

Operadores dijeron que Cuba está vendiendo algunos embarques para entregar en el transcurso del año, sin ofrecer mayores detalles. La temporada se extiende de diciembre a mayo, pero la producción empieza a declinar a mediados de abril al elevarse las temperaturas del verano boreal.

CUBA: IMPORTS

CUBA ADJUST PLANS AMID PRICE HIKES, WEATHER FEARS

Source: Reuters, Marc Frank; April 26, 2011

- * Government adjusting 2011 economic plans
- * Imports to cost \$800 million more than expected
- * Business partners and residents fret

Rising food and fuel prices and fears that an active hurricane season looms have Cuba tightening its belt, according to government leaders and local economists. "Just a few months into 2011 and according to the most recent data, imports this year will cost an additional \$800 million for the same amount of goods we planned to purchase, forcing us to adjust the plan approved in December," President Raul Castro told a Communist Party Congress last week.

The country imports between 60 percent and 70 percent of the food it consumes and 50 percent of its fuel. High fuel prices also increase prices of most other products the island purchases abroad, and the cost of transporting them. Rainfall has been less than 10 percent of the average over much of the country this year, which could force more food imports.

Hurricanes on average hit the Caribbean island every other year, but the last major storm was in 2008, so the country is fearing the worst this season. All this has creditors and foreign business partners raising their eyebrows as they remember 2008, when high international food and fuel prices, hurricanes and the international financial meltdown left debts and dividends unpaid and their local bank accounts frozen.

The government was forced to slash imports 37 percent in 2009 and kept them at a similar level last year, which eased the 2008 financial crisis, but slowed growth to less than 2 percent. Local economists said Castro had improved management of the state-dominated economy and built up reserves since 2008, making the prospects of a liquidity crisis less likely. According to the Bank for International Settlements, Cuba had \$5.3 billion in deposits at international banks at the close of 2010, compared with \$2.6 billion at the end of 2008. Credit was tight, with outstanding bank loans to the country at \$1.7 billion, down \$200 million over the same period.

VENEZUELA LENDS A HAND

The economists said the amount socialist ally Venezuela pays for some 40,000 healthcare and other professionals working in the South American country is pegged to oil prices, which helps offset rising prices. Oil-rich Venezuela is Cuba's only petroleum supplier. But there are no such deals for food.

Igor Montero, president of Alimport, the state-run food import monopoly, told local media earlier in the month that imports of bulk foods such as wheat, corn, soy, powdered milk and cooking oil would cost the country 25 percent more than planned this year, or \$308 million. "Our price for a pound of chicken has gone from \$0.33 in February to \$0.51 for delivery in June, up 52 percent," said a U.S. businessman who sells poultry to the country under an amendment to the trade embargo that allows agricultural sales for cash. He spoke on condition of anonymity. In the end, this means Cubans, who have already seen gas and food prices go up this year, must brace for more. "This will increase external financial tensions and it will be necessary to apply new adjustments, which in the end, will impact negatively the population," said a Cuban economist, asking that his name not be used.

TOURISM

CUBA REPORTS 1 MILLION TOURIST ARRIVALS IN 1ST QUARTER

Source: EFE; April 11, 2011

Cuba received its first million tourists during the first quarter of the year out of the 2.7 million expected during all of 2011, a 10.4 percent growth over the same period last year, according to figures released Monday by the Tourism Ministry.

The increase in visitors from Canada, Russia, Argentina, Britain, Chile, Poland, Venezuela and Belgium represents "an important factor" for achieving that goal, the ministry said in a statement published in official media. The resumption of cruises, an improvement in hotel infrastructure in tourist centers like Cayo Santa Maria and Varadero, the country's top seaside resort, has also been noted as contributing to the increase.

The ministry bulletin also announced the celebration of the 31st International Tourism Fair between May 2-7 at the historic Morro-Cabaña Park in Havana. Tourism is a strategic element in the plan of economic reforms launched by President Raul Castro, who has proposed the diversification and expansion of attractions that include the creation of golf courses, marinas and other new building developments.

The Economy and Planning Ministry announced last week that for 2011, revenues from tourism should increase by 29.5 percent, while a 10.3 percent growth is expected in the number of visitors. Tourism, the second largest activity for bringing foreign currency to the island after technical and professional services, took in \$2.1 billion in revenues during 2010 from the visits of 2.5 million people, according to official statistics.

CUBA / COMMUNIST PARTY & ECONOMIC AGENDA

LESS STATE, MORE PRIVATE ROLE IN CUBAN PARTY PLANS

Source: Reuters, Marc Frank; April 13, 2011

Cuba's ruling Communist Party plans to chart a new economic and social course for the Caribbean island at a congress which begins this weekend. The only item formally on the agenda is "updating" the economic model of what is one of the last one-party communist states of its kind left in the world. The Sixth Cuban Communist Party Congress is considered the most important since the current Soviet-style system was adopted at the first party congress in 1975. The following are major economic policy themes up for discussion, according to draft proposals circulated:

ECONOMIC RELATIONS, NEW FORMULAS

The proposals to improve Cuba's economic situation aim at paying back creditors and funding development projects. They back efforts to substitute imports and increase exports. "Work with the maximum rigor to increase the country's credibility in international economic relations through the strict fulfillment of contractual obligations," one states. But then it goes on to call for restructuring of the foreign debt. There is also little mention of easing regulations to attract more foreign investment.

One proposal however does call for the development of "special economic zones to promote development", and others for the promotion of tourism activities beyond hotels, such as golf courses, amusement parks and marinas. According to the proposals, state companies will continue to dominate the economy. But, recognizing the existence of new private initiatives in the previously heavily centralized Cuban economy, the proposals now talk of encouraging "mixed capital companies, cooperatives, farmers with the right to use idle land, rented property landlords, self-employed workers and other forms that contribute to raise the efficiency of social labor".

REDUCED STATE ROLE

The state should get out of administering the economy in favor of regulating it through taxes and other mechanisms. "Control of state business activity will be based principally on economic-financial mechanisms instead of administrative mechanisms," one proposal states. Yet, according to an introduction to the proposals, planning will still predominate. "In the updating of the economic model, planning will be paramount, not the market," it says. Although given there are virtually no completely free markets in Cuba, this implies they will play a larger role.

State-run businesses are to be granted more autonomy to make day-to-day decisions, handle personnel, set prices, reinvest their profits and trade abroad and at home, though still under guidelines imposed by the government. Bankrupt businesses would be considered as just that, and "liquidated" instead of endlessly subsidized as before.

DECENTRALIZATION

Economic decisions should be decentralized where possible to provinces and municipalities and revenue flows shifted to strengthen local governments, the proposals recommend. Localities are called on to become self-sufficient in food, promote small scale manufacture and processing, and participate more directly in investment decisions. State businesses would pay a new local tax to area governments where they are located, as would the self-employed and small businesses.

PRODUCTIVITY, LABOR, WELFARE

The proposals call for the eventual layoff of 20 percent of the state labor force of some 5 million workers, and drastic cuts in unemployment benefits. These measures were first announced in September and began to be implemented in October.

The goal appears to be the creation of a labor market and freeing up funds to pay remaining workers more in hopes of improving productivity. Reorganized free healthcare and education systems would remain, along with social security, low cost sports and culture, according to the proposals. But the "libreta" food ration, a trademark of the paternalistic Cuban socialist system, would be phased out, prices of subsidized utilities increased and other state subsidies and gratuities gradually ended and replaced with targeted welfare.

PRIVATE INITIATIVE

The state plans to cede large portions of the farming and retail sectors to private entrepreneurs, cooperatives and leasing arrangements. The "non-state" sector would eventually account for close to 35 percent of the labor force, compared with the current 15 percent.

The proposals repeatedly refer to supporting small private businesses and farms, cooperatives and other "non-state activities", while making clear profit-taking will be capped. "In the new forms of non-state economic activity the concentration of property by businesses and individuals will not be permitted," the proposals state.

DOMESTIC TRADE

One proposal calls for a "review of current prohibitions that limit internal trade," referring among other matters to a ban on buying and selling cars and homes. Looser restrictions on such sales would be warmly welcomed by ordinary Cubans.

CHRONOLOGY: RAUL CASTRO'S ROAD TO REFORM IN CUBA

Source: Reuters, Marc Frank; April 13, 2011

Cuba's pace of economic reform is expected to pick up after a congress of its ruling Communist Party that begins this weekend and whose main agenda item is "modernizing" the socialist economy.

Reforms up for discussion include: decentralization of government decision-making and revenue flows; giving more autonomy to state-run companies; slashing state payrolls and subsidies and reducing the state's role in agriculture and retail in favor of a growing "non-state sector". The congress crowns President Raul Castro's efforts to build a consensus for major changes in how the Caribbean country runs its economy and how its people live. Since he took over day-to-day rule from his ailing older brother Fidel Castro in 2006, Raul Castro signaled that one of the world's last Soviet-style economies was due for overhaul. But he has ruled out any switch to Western-style capitalism. What follows is a chronology of Castro's most important reform measures and statements:

2007

July - In his first major speech, Raul Castro calls the state milk collection and distribution system "absurd" and says farmers will deliver directly to local consumers where possible. "To have more, we have to begin by producing more, with a sense of rationality and efficiency," he said.

August - Castro signs a law ordering all state companies to adopt a system of "perfecting" management. This was developed by the military when Castro was defense minister to improve performance using capitalist-style management techniques.

2008

February - In his formal inaugural address as the new Cuban president, Castro says: "We must make efforts to find the ways and means to remove any deterrent to productive forces. In many respects, local initiative can be effective and viable".

March - Computers, cell phones, DVD players and electric appliances go on sale for the public and bans on Cubans renting cars and staying in tourism hotels are lifted. A sweeping reform of agriculture begins. This includes decentralization of decision-making, increases in state prices paid to farmers, leasing of fallow state land and loosening of regulations on farmers selling directly to consumers.

August - A significant labor reform ties wages to individual productivity, and caps on earnings are eliminated. Government announces domestic freight transport and housing construction will be decentralized to the municipal level.

2009

March - Castro purges his brother's economic cabinet and places trusted military men and reform-minded technocrats in key economy and planning posts. The central bank head Francisco Soberon quits two months later and is replaced.

April - The new cabinet slashes the budget and imports. Plans are unveiled to develop suburban farming around most cities and towns, using mainly private plots.

July - Castro is quoted as stating "ideas chart the course, the reality of figures is decisive," an unusual statement in a nation where ideology and politics trump economics.

August - National Assembly establishes office of the Comptroller General of the Republic. Castro says it will aim to improve "economic discipline" and crack down on corruption. He calls for "elimination of free services and improper subsidies -- with the exception of those called for in the constitution (healthcare, education and social security)." Santiago mountain dwellers are allowed to sell fruits and produce at roadside kiosks. Spreads to adjoining provinces.

September - Licenses are issued to food vendors in various cities, making them legal.

October - Granma announces state work place lunchrooms will close in exchange for a daily stipend.

December - Economy Minister Marino Murillo tells parliament: "We have begun experiments ... to ease the burden on the state of some services it provides."

2010

January - Municipal governments are ordered to draw up economic development plans that may include cooperatives and small business. A pilot project where taxi drivers lease cabs instead of receiving a state wage begins in Havana.

April - Barbershops and beauty salons with up to three chairs go over to a leasing system. Rules for home construction and improvements are liberalized.

June - Sale of construction materials to the population is liberalized. The government authorizes farm cooperatives to establish mini-industries to process produce.

August - New rules authorize Cubans with small garden plots and small farmers to sell produce directly to consumers.

The state increases from 50 to 99 years the time foreign companies can lease land as part of tourism and leisure development projects, such as golf courses and marinas. Stores open where farmers can purchase supplies in local currency without regulation.

September - The government announces the lay-off of more than 500,000 state workers and 250,000 new licenses for family businesses over six months. Some 200,000 of the state jobs will go over to leasing, cooperatives and other arrangements. Unemployment benefits are cut. Self-employment regulations are loosened and taxes tightened. Family businesses are authorized for the first time to hire labor, do business with the state and rent space.

December - Castro gives most explicit reform speech yet urging change of "erroneous and unsustainable concepts about socialism that have been deeply rooted in broad sectors of the population over the years, as a result of the excessively paternalistic, idealistic and egalitarian approach instituted by the Revolution in the interest of social justice."

2011

January - State banks begin issuing microcredits to would-be farmers who have leased land.

March - Castro announces the original timetable to lay-off 500,000 state workers by April has been scrapped and there is no fixed date to complete the process as workers resist losing their jobs and balk at the high cost of proposed leasing arrangements. Castro creates new post to oversee economic reform and promotes Economy Minister Murillo to the job.

April - Authorities announce 120,000 people have leased land since 2008 and 180,000 people have taken out licenses to work for themselves and rent space to new entrepreneurs since October. State banks are authorized to issue microcredits to new entrepreneurs and state bodies to do business with them.

CUBAN COMMUNISTS APPROVE LANDMARK ECONOMIC REFORMS

Source: Reuters, Jeff Franks; April 18, 2011

- * Party congress endorses biggest changes in decades
- * Results of leadership vote to be disclosed on Tuesday
- * Reforms include cutting food ration, allowing home sales

Cuba's Communist Party approved landmark economic reforms on Monday and voted for new leaders in a key party congress to chart Cuba's future, state-run media reported. The Caribbean island's highest political body selected new First and Second Secretaries, its Central Committee and powerful Political Bureau, but the results would not be disclosed until Tuesday's closing session, Cuban television said. The reforms represent the biggest changes to Cuba's struggling, Soviet-style economy in decades and are aimed at securing the future of socialism in one of the world's last communist states. The congress' approval had been widely expected because some of the reforms, such as allowing more self-employment and leasing of state land to private farmers, are already in place.

The reforms include slashing more than a million government jobs over the next few years, cutting subsidies, encouraging more private initiative, giving more autonomy to state companies, encouraging more foreign investment and reducing state spending. Under President Raul Castro's plan, which included more than 300 reforms, one of the trademark features of the paternalistic socialist system -- the universal monthly food ration -- will be gradually phased out for those who do not need it. Castro said on Saturday the ration given all Cubans since 1963 had become an "unsupportable burden" for the cash-short government trying to rationalize its finances.

Cuba spends heavily on food imports, but hopes to increase food production by decentralizing agriculture and increasing the role of private farmers. The reforms also include a widely hoped-for call for allowing Cubans to buy and sell homes for the first time in many years, although it remains to be seen whether restrictive regulations will accompany the change. There is home ownership in Cuba, but at present houses can only be swapped, not sold, although under-the-table payments often are involved.

While President Castro wants to ease the state's grip on the economy, the reforms will not make it disappear. They call for a planned economy and keeping the country's principal means of production in state hands. In the party leadership vote, President Castro was expected to replace older brother Fidel Castro as First Secretary, but the other posts will be closely watched for up-and-coming new party bosses to replace aging leaders. The leadership issue has overshadowed the reforms since Raul Castro said in a speech on Saturday the government was considering limiting future leaders, including himself, to two five-year terms.

AGING LEADERSHIP

After taking power in the 1959 revolution he led, Fidel Castro, 84, ruled for 49 years before resigning the presidency in 2008. Raul Castro, 79, was his defense minister for all that time and replaced him as president.

A number of others in the leadership are in their 70s and 80s. The age issue is a concern because President Castro wants to ensure the survival of Cuban socialism after they are gone, but he admitted on Saturday they had done a poor job of grooming possible successors.

Fidel Castro gave his support for the reforms in a front page column in the Communist party newspaper Granma, saying he had listened in on meetings on Sunday and was impressed. "The new generation is called to rectify and change without hesitation all that must be rectified and changed, and to continue demonstrating that socialism is also the art of making the impossible happen," he said.

He described "the impossible" as "building and bringing about the revolution of the poor, by the poor and for the poor, and defending it for half a century from the most powerful military power that ever existed," referring to the United States. This is a long-standing maxim of the nationalist Cuban Revolution. Fidel Castro has not yet attended the congress. Foreign media have not been allowed in to the working sessions.