



NOUVELLES ECONOMIQUES ET FINANCIERES

BULLETIN DE L'AMBASSADE DE SUISSE A CUBA

La Havane, le 28 février 2010

No. 1 - 2010

Janvier - Février 2010

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DOMESTIC ECONOMY

LACK OF HARD CURRENCY CUBA'S MOST PRESSING PROBLEM, GOVERNMENT SAYS

Source: EFE; January 12, 2010

Cuban Vice President Marino Murillo says that a shortage of hard currency remains the most pressing problem for the island's communist government. Murillo, who is also economy minister, said that Cuba needs bigger exports and import substitution to generate reserves, as President Raul Castro has been preaching for some time.

The vice president told a gathering of economists that the government is giving priority to revenue-producing sectors such as tourism, telecommunications and civil aviation, Communist Party daily Granma reported. Cuba is suffering through one of its worst slumps in decades as a result of the global recession, the continuing U.S. embargo and the shortcomings of its own economic model. Raul Castro, who formally succeeded ailing older brother Fidel almost two years ago, has reduced the size of Cubans's food rations, cut back on energy use and suspended payment of Havana's foreign debts in a bid to relieve the government's liquidity squeeze.

STREET-LEGAL VENDORS BRING HOPE OF CUBA CHANGE

Source: Marc Frank, Reuters; January 29, 2010

Roadside vendors now legal in some Cuban provinces. The small reform likely a precursor for national policy. Cubans welcome the change

Illegal vendors furtively selling their goods along Cuban streets and highways have been a staple of Cuban life for decades, but they have been legalized in some provinces in what may be a precursor for the rest of country. As part of President Raul Castro's campaign to improve food production and distribution, authorities in eastern and central provinces have begun allowing the previously clandestine vendors to legally sell fruits and vegetables, in a small concession to individual initiative previously forbidden in the island's state-run economy.

The change, which has been popular with both producers and consumers, is the type of reform that Castro hopes will make import-dependent Cuba more self-sufficient without moving too far from the economic model put in place after the 1959 revolution led by his brother, Fidel Castro. The national government has said little about the regional changes, but appears to be introducing them gradually across the country. Along most of the island's central highway, which crosses Cuba east to west, men dart out from behind bushes brandishing strings of garlic and onions, cheese, guava paste and fruits and fowl for sale to passing motorists.

The country folk watch closely for the highway patrol as they haggle over prices with passers by. The cops in their green jeeps are usually easy to spot, because the long roadway has little traffic. But the cat-and-mouse game ends about 60 miles (100 km) outside of the eastern city Santiago de Cuba, in the Sierra Maestra mountains, where dozens of small roadside kiosks selling all manner of tropical produce suddenly appear. The vendors proudly sell their products, their customers happily munch while enjoying the spectacular view, the highway patrol attends to other matters and the government collects taxes from those it used to persecute.

STRONG DEMAND

The change began last year when Lazaro Exposito Canto took over Santiago's local Communist party, ordering the kiosks built for local residents to sell what they produce in their often extensive yards. Exposito is now a revered figure for the economic opportunity he has presented, locals say. "I thank God for this opportunity and also comrade Exposito," said a passionate Edilberto Fernandez, one of a group of young men working a kiosk. "For a long time when you picked fruit from your patio and went to sell it on the highway the police would appear, jump all over you, and take it away, when really we were doing nothing wrong," he said. "You can imagine what it means to be able to bring our fruit here and not have that struggle."

The fruit no longer rots on the trees, the animals no longer eat it -- Cubans eat it," he said. Fernandez said his kiosk was open 24 hours a day and demand was so strong that he and his neighbors were planting as many fruit trees as they could, good news in this semi-tropical land where nature's bounty, stymied by government control and bureaucracy, has been remarkably scarce. Similar measures have since been taken in the mountains of neighboring Granma and Holguin provinces, and cooperative farmers in the low lands of central Cuba said kiosks are planned along major roadways to allow them to sell produce as well.

Since replacing the ailing Fidel Castro two years ago, Raul Castro has taken other steps to improve food output such as decentralizing agricultural decision-making, raising prices paid to farmers and leasing state lands to 100,000 mostly new farmers. He also has ordered officials to improve food distribution. Cash-strapped Cuba currently imports 60 to 70 percent of its food. In Santiago de Cuba, nestled between the Sierra Maestra and the sea, local authorities have begun legalizing the sale of produce from horse-drawn wagons called carretilleros. The wagons have plied the city's hilly streets for centuries, but without official permission since the years following Cuba's revolution. "The police were always all over us. They didn't let us work," said Ruben, his cart loaded with oranges. "Now, we are at peace. We can sell more without any problems."

Regulations for vendor licenses require keeping carts and wagons painted and covered, wearing neat clothing, using healthy animals and paying taxes, he said. In the central city of Camaguey licensed vendors hawk produce from carts along quaint colonial avenues and in streets where bicycles and horse-drawn carriages easily outnumber cars. Their customers love the convenience. "These measures allow me to buy root and garden vegetables at my door, without walking to the market which is far away," Camaguey retiree Yolanda Santos said.

IN CUBA, PESO MAKES A COMEBACK, PLEASING CUSTOMERS

Source: Marc Frank, Reuters; February 1, 2010

Peso-priced retail outlets opening across island

*Seen as first step toward ending dual currency

*Santiago de Cuba apparent pilot project

Retail outlets selling everything in Cuban pesos are popping up across the country in what may be the government's first steps toward phasing out its unpopular two-currency system. The establishments opened the past year in a reversal of two decades of national policy that priced most goods and services in a dollar-linked convertible peso widely known by its acronym, the CUC. "They have opened restaurants, pizzerias, cafeterias and pastry shops and set up areas across the city where they sell sandwiches, snacks and soda," said retiree Pedro de la Fuente from Guantanamo, the capital city of Cuba's easternmost province. "The population has welcomed this because before these things were available only in convertible pesos," he said.

The change appears to be part of President Raul Castro's plan to make more goods and services available in pesos in a gradual transition away from the two-currency system, which he has pledged to eliminate. Since taking over from his ailing brother Fidel two years ago, Raul Castro has pledged to make daily life easier in the communist state, where the government tightly regulates almost all economic activity. He has taken steps to reform agriculture to increase food production, liberalize the sale of computers, cell phones and domestic appliances and free up the official media to criticize bureaucratic mismanagement.

Cuba adopted the dollar as its second currency to prop up its economy, which spiraled into a deep depression after the Soviet Union, the island's benefactor for 30 years, collapsed in 1991. The dollar was eventually replaced by the CUC, which is pegged at a value of US\$1.08 to one. Cubans have complained mightily about the two-tier system, saying it makes too many things unaffordable for them unless they receive dollars from relatives living abroad. The average Cuban salary is 440 pesos a month, the equivalent of 18 CUCs at the current exchange rate of 24 pesos to one.

SANTIAGO THE PILOT PROJECT

The epicenter of change is Santiago de Cuba, the island's second largest city, where far more peso outlets have opened than in other cities. "There is a special plan, where the party and government allocated Santiago a budget to remodel dozens of establishments and open new ones," a Communist Party cadre and administrator of various eating places said, asking her name not be used because she was not authorized to talk with foreign journalists. "The idea is for the population to feel good, to have the services they deserve, to be able to sit down in any restaurant, cafeteria or what have you and pay in pesos," she said. For the 50 percent of the population with some dollar income from family remittances, state bonuses, tips or other sources, the prices are often a steal, but they are only occasionally accessible to those not so fortunate. "At least I can go out to eat a few times a month in the money I'm paid with," said Carmela, a professor of nursing in the central city of Camaguey who earns 600 pesos per month.

An informal survey in Santiago de Cuba found that at Ideal supermarkets, much of what one finds in the convertible peso markets can be had for a price equivalent to up to 20 pesos to a convertible peso, still very expensive but a bit more affordable than the 24-to-one official exchange rate. Local fish stores sold a kilogram (2.2 pounds) of shelled oysters for 60 pesos, lobster meat for 50 pesos, crab for 15 pesos and salted fish for 50 pesos. At the restaurant Las Americas, a meal of pork, rice and beans, salad and a local beer or soda, cost around 35 pesos and in the evening the place was packed. The pizzeria down the street sold a large pie and beverage for 20 pesos to a full house, adding on up to 10 pesos for lobster, chicken, sausage or shrimp topping. A few doors away a fish restaurant did a brisk business offering a variety of grilled and fried dishes for between 30 pesos and 50 pesos. The peso establishments were well lit, clean and air conditioned, luxuries reserved for CUC-based eateries since the 1990s. That was not true everywhere -- in the eastern city of Holguin, for example, some remain dark, dirty and hot. The government has said little about the project or how fast it will move, but Raul Castro has told Cubans it will take several years to return to one currency.

FOOD & AGRICULTURE

CUBAN EFFORTS TO REDUCE BULK FOOD IMPORTS ON TRACK

Source: Reuters, Marc Frank; January 3, 2010

- * Consumable rice output at 300,000 tonnes
- * Dried bean production tops 100,000 tonnes
- * Government seeks to halve imports by 2013

Cuban rice production jumped 44.6 percent, dried beans 9.6 percent and milk 10.8 percent in 2009 as a five-year government plan to boost output and reduce bulk food imports registered its first results. Consumable rice production was 300,000 tonnes, beans 106,500 tonnes and milk 587 million liters, compared with 207,500 tonnes, 97,200 tonnes and 530 million liters respectively in 2008, the National Statistics office reported on its Web page (www.one.cu/panorama2009.htm).

The cash-strapped Cuban government has embarked on a program to cut import costs by increasing the island's food production and hopes to slash rice, bean and powdered milk imports -- staples of the Cuban diet -- 50 percent by 2013. President Raul Castro, who took over for his older brother Fidel Castro in February 2008, has increased what the state pays for crops, decentralized agricultural decision-making and distribution and leased 50 percent of vacant state lands to 100,000 individuals and private and state cooperatives farms.

Cuba imported 567,000 tonnes of rice in 2008, most of it from Vietnam's state-run Northern Food Corp under preferential financial terms. The Communist-run Caribbean island imported from various countries 246,000 tonnes of dried beans and 52,113 tonnes of powdered milk in 2008, according to government statistics. Cuba spent \$2.2 billion in 2008 to buy food, including \$700 million for rice and beans combined and \$250 million for powdered milk. It imports about 70 percent of its food. Most land in Cuba remains in state hands, but private farmers and cooperatives own some 20 percent and produce more than 60 percent of the food. The state controls the wholesale purchase and retail distribution of between 80 percent and 90 percent of all that is produced.

CUBAN CITRUS TURNS CORNER AFTER DECADE OF DECLINE

Source: Reuters, Marc Frank; January 3, 2010

* Citrus up 9.1 percent at 427,500 tonnes in 2009

* Grapefruit seen as behind upturn

Cuban citrus production increased 9.1 percent in 2009, the government reported over the weekend, the first increase in a decade that saw storms, plague and disease decimate the once robust agricultural sector. Citrus output was 427,500 tonnes, compared with 391,800 tonnes in 2008, the National Statistics office reported on its Web page (www.one.cu/panorama2009.htm). Citrus production was 469,000 tonnes in 2007 and 792,700 in 2003. Local officials blame aging groves, hurricanes and disease for the decline and have said they are working to replant and reduce and spread out orchards.

Cuba had reported a continued decline in output through July when the orange-picking season ended, indicating the improved performance was due mainly to grapefruit, which is harvested from August through December. Cuba does not report juice production for export. In the 1980s, Cuba was the world's biggest citrus fruit exporter, producing more than a million tonnes of mainly oranges and grapefruit on 120,000 hectares, most destined for the former Soviet Union. The crop declined, then recovered, reaching 800,000 tonnes in 2001, before beginning to decline once more.

Today, 80 percent of the crop is processed into juice by five plants across the country, 5 percent exported fresh and sold to the tourism industry, and the rest used for domestic consumption, the Agriculture Ministry reported. The picking season runs from late August through June, with grapefruit harvested into December and oranges after that. Israeli-based investors, operating through the Panama-based BM Group, are heavily involved in the sector.

RUSSIA TO GIVE CUBA 100,000 TONS OF WHEAT

Source: EFE; February 4, 2010

Russia plans to donate 100,000 tons of wheat to Cuba this year, a Foreign Ministry official said on Thursday.

The first shipment of the food aid to the Cuban government will total 25,000 tons, the diplomat told the official RIA-Novosti news agency. In September 2008, Russia sent Cuba, which had been battered by hurricanes, four planeloads of humanitarian aid. Russia sent the island 23 tons of wheat in April 2009. Hurricanes Gustav and Ike, which hit Cuba in the late summer of 2008, caused nearly \$10 billion in damage, Russian media reported.

CUBA PLANS CITY FARMS TO EASE ECONOMY WOES

Source: Guardian, UK, Marc Frank; February 7, 2010

Project launched to ring urban areas with thousands of small farms in bid to reverse agricultural decline

The suburban farm project dovetails with other steps introduced by Cuban president Raul Castro.

Cuba has launched an ambitious project to ring urban areas with thousands of small farms in a bid to reverse the country's agricultural decline and ease its chronic economic woes. The five-year plan calls for growing fruits and vegetables and raising livestock in four mile-wide rings around 150 of Cuba's cities and towns, with the exception of the capital Havana. The island's authorities hope suburban farming will make food cheaper and more abundant, cut transportation costs and encourage urban dwellers to leave bureaucratic jobs for more productive labour. But the government will continue to hold a monopoly on most aspects of food production and distribution, including its control of most of the land in the communist-run nation.

The pilot programme for the project is being conducted in the central city of Camaguey, which the Cuban agriculture ministry has said eventually will have 1,400 small farms covering 52,000 hectares (128,490 acres), just minutes outside the town. The farms, mostly in private hands but also including some cooperatives and state-owned enterprises, must grow everything organically, and the ministry expects they will produce 75% of the food for the city of 320,000 people, with big state-owned farms providing the rest. On a recent day, dozens of people were hard at work plowing fields, hoeing earth, posting protective covering for crops and putting up fencing as the sun came up. "This land they gave to us, the private farmers. I have four hectares (10 acres) and now they have leased me eight (20 acres) more," one of the farmers, Camilo Mendoza, told Reuters. "Look, on this side and the other side are other plots, and over there another. Here they have given quite a bit of land and support to private farmers," he said.

The project is modelled after the hundreds of urban gardens developed by then-defence minister Raul Castro during the deep economic depression of the 1990s that followed the collapse of communism in eastern Europe. He proclaimed at the time that beans were more important than cannons, marking a strategic shift towards a more domestic focused agenda by Cuban leaders after decades of active support for liberation movements and leftist guerrillas overseas. The suburban project dovetails with other steps introduced by President Raul Castro since he took over the day-to-day leadership in 2008. These have included the leasing of fallow state lands to 100,000 mostly private farmers, raising prices for farm products and allowing farmers to sell part of their crops directly to the people instead of to the state.

On the other side of Camaguey and a few miles up Cuba's central highway, Armando, the head of a cattle cooperative, said his group was persuaded to join the plan by the offer of land to raise garden and root vegetables and the chance for direct sales to the public. Stands have been set up every mile or so along the city's ring road for the sales, but Armando said they are taking their products to the customers. "They assigned us a district where we can sell our produce. We are using a mobile system, a bicycle cart, and sell out every day," he said. "In December we produced around five tonnes. The root vegetables we had to sell to the state, but we were free to sell the garden vegetables directly," he said. The changes are tweaks to Cuba's centralised socialism, not a significant step away from it, keeping with Raul Castro's vow to protect the system put in place after his brother took power in the 1959 Cuban revolution. He has balked at more sweeping, market-oriented changes that many expected when he took power and without which many economists say Cuba will not significantly increase agricultural output. Cubans have seen many past government efforts to transform the country's agriculture fail, so the farmers at Camaguey said they were taking a wait-and-see attitude on this latest one. "For sure there will be more food around here if you come back in a few years," Camilo Mendoza said about his expectations. "More than that, I can't say."

CUBA SHARPLY REDUCES US FOOD IMPORTS AMID HARDSHIP

Source: AP, Paul Haven; February 10, 2010

Cuba has slashed food and agriculture imports from the United States — its largest food supplier despite decades of sour relations — as the communist government tightens its belt in the face of a crippling economic malaise.

Imports fell 26 percent in 2009 to \$528 million, after peaking at \$710 million the year before, according to a report Wednesday by the New York-based U.S.-Cuba Economic Trade Council, which provides nonpartisan commercial and economic information about the island and claims to have no position on policy. "The decrease has nothing to do with U.S. regulations, U.S. law or U.S. policy," said John Kavulich, a senior policy analyst at the council. "It is a function of Cuba not having the resources." Kavulich said Cuba has increasingly turned to other countries like Vietnam that will sell it lower-quality food and not ask for payment for as long as two years. Despite the half-century feud across the Straits of Florida, the United States is the largest seller of food to Cuba: Food and agriculture products have been exempted from the 48-year embargo since 2000. Cuba waited more than a year after that to start importing U.S. food — angered by a provision requiring it to pay cash upfront before delivery. But a hurricane in late 2001 hurt food production and gave it little choice. Today, Cubans getting food from monthly ration books eat chicken from Arkansas and wheat from Nebraska. Upscale markets stock everything from Kellogg's cereal to Heinz ketchup to Oreo cookies — though the prices are exorbitant. Imports from other major trading partners such as Venezuela, China and Spain are also down. Rodrigo Malmierca, the minister of foreign trade, said in November that trade during the first three quarters of 2009 was off 36 percent.

Cuba's economy has recently been hit by a triple-whammy of bad news: Three major hurricanes did more than \$10 billion in damage in 2008, the global economic crisis dampened tourism profits and a drop in commodities prices hurt nickel sales for much of 2009. President Raul Castro has tried to offset falling imports by increasing domestic agriculture production, turning over tens of thousands of hectares (acres) of fallow land to small farmers. He has warned repeatedly that the government can no longer afford to spend so much subsidizing life on the island, and that

Cubans must work harder and take more responsibility for their economic well-being. The government controls well over 90 percent of the economy and heavily subsidizes all aspects of life while paying an average salary of about \$20 a month. Cubans get free health care and education, and usually pay next-to-nothing for housing and utilities. Havana has taken baby-steps toward changing that system, eliminating some staples from the ration book, dropping free lunches for workers at some state enterprises and trimming health and education spending.

TOBACCO

CUBAN CIGAR SALES PLUMMETED 8 PCT IN '09

Source: AP, Will Weissert; February 22, 2010

Cuban cigar sales tumbled 8 percent to \$360 million in 2009 and have fallen by more than a tenth in the past two years as the demand for luxury goods around the world has plunged. Government-run tobacco company Habanos SA said Monday that sales were most sluggish last year in Spain, the top market for the island's coveted stogies, but one also ravaged by recession and rising unemployment.

A drop in international travel also hurt sales at airport duty free shops in Cuba and elsewhere, which account for as much as 23 percent of the company's total business, said Habanos Vice President Manuel Garcia. "This is not what we were expecting, not what we hoped for anyway," Garcia said during a news conference kicking off Cuba's five-day annual cigar festival. Garcia said economic turmoil has decimated demand for all kinds of finer things, from cognac to luxury convertibles to cigars. Habanos sales slumped 3 percent in 2008, when a financial crisis sent stock and commodities prices plummeting around the world. "It's been a series of negative factors," Garcia said. He would not say how many cigars Habanos sold in 2009. France, Germany and Cuba itself are also top Habanos markets. Washington's trade embargo against Cuba turned 48 this month and it prohibits Cuban cigars from being sold in the U.S.

Like wine, the taste of top tobacco depends on the soil and climate in which it is grown. Sun-drenched plantations in the humid, western province of Pinar Del Rio, especially in its famed Vuelta Abajo fields, have made Cuban cigars famous for centuries. The vast majority of stogies produced on the island are hand-rolled and destined for premium sellers. Habanos was founded in 1994 as a joint venture between Cuba and Madrid-based Altadis SA, part of the island's push to draw private, foreign investment after the collapse of the Soviet Union cost it island billions of dollars in annual subsidies and trade. Altadis has been acquired by Britain's Imperial Tobacco Group PLC.

Habanos produces 27 premium cigar brands in 220 different sizes, some as small as cigarettes and others nearly as big as a Chihuahua puppy. Garcia said Habanos has 146 stores worldwide, two more than the number of authorized dealers at the end of 2008. The flagship Cohiba brand was created in 1966 for Fidel Castro perhaps the world's most famous cigar smoker and top Cuban leaders to enjoy personally or give as gifts to visiting foreign dignitaries. Cohibas were authorized for sale on the open market in 1982, and Castro abruptly gave up smoking on doctors orders three years later.

CUBA LOOKS TO WOMEN TO BOOST SAGGING CIGAR SALES

Source: Reuters, Jeff Franks; February 22, 2010

* Milder version of Romeo y Julieta cigar created

* Habanos has only modest hopes for 2010 after sales slip

With anti-smoking laws and the global recession causing sales to fall, Cuba wants to develop a largely untapped market for its famous cigars -- women. Habanos S.A. executives said on Monday sales fell 8 percent to \$360 million in 2009, so they have created the Julieta, a smaller, milder version of the Romeo y Julieta cigar, aimed specifically at female smokers. Women now make up only 5 to 10 percent of customers for Habanos, the worldwide distributor of Cuban cigars, marketing director Ana Lopez told a news conference kicking off the annual Habanos cigar festival.

The Julieta is an attempt to overcome perceptions among women that Cuban cigars are made up of "only strong tobacco for men," she said. The search for new markets is needed because even though Cuban cigars are considered the world's finest, sales are slipping with the rise of anti-smoking laws around the world, said Habanos vice president Manuel Garcia. The 8 percent sales drop in 2009 was preceded by a 3 percent fall, to \$390 million, in 2008. Even with the creation of the Julieta, Garcia said Habanos has only modest hopes for 2010 sales, due largely to a weak economy in Spain, the biggest market for Cuban cigars. "We think it would be a very good result if we can at least maintain the (sales) we reached in 2009," he said. Habanos is a joint venture between Cuba and British tobacco giant Imperial Tobacco Group Plc. Habanos -- which produces other well-known brands such as Cohiba, Monte Cristo, Trinidad and Partagas -- has about 71 percent of the sales in its markets, Garcia said. The U.S. market, the largest in the world with 230 to 250 million cigars smoked annually, is off limits to Habanos due to the U.S. trade embargo imposed against Cuba since 1962.

MINING

CUBA 09 UNREFINED NICKEL OUTPUT AT 70,000 TONNES

Source: Reuters, Marc Frank; January 5, 2010

Cuba's unrefined nickel plus cobalt production weighed in at 70,100 tonnes last year, down slightly from the 70,400 tonnes reported in 2008, state-run media said on Tuesday.

Holguin province's television Cristal reported the production as part of a program on the area's economic performance last year. The country's three processing plants are located in Holguin. "The industry did not meet its plan for the year, as the only plant that was able to reach its goal was the Pedro Soto Alba," the report said, without providing further details. The provincial state-run newspaper, Ahora, reported this week that output at the Pedro Soto Alba plant, a joint venture with Canadian mining company Sherritt International's (S.TO), was more than 2000 tonnes above 2008, a record. Last year Sherritt International reported 2008 output at the plant was 34,673 tonnes of unrefined nickel plus cobalt. There was no further information on output at the two other plants in the area which are fully owned and operated by state monopoly Cubaniquel. Earlier this year Holguin media said the year's plan was around 70,000 tonnes and that due to hurricane damage the state-run Ernesto Che Guevara plant, with a capacity of 32,000 tonnes, would produce around 26,000 tonnes.

Scattered reports this year indicated the state-run Rene Ramos Latour plant, the oldest with a capacity of 10,000 tonnes to 15,000 tonnes, was operating below capacity at various times. Hurricane Ike, a Category 3 storm, hit Cuba in September 2008 at Holguin's northern coast, where the nickel industry's three processing plants are located, damaging the two Cubaniquel plants, infrastructure, housing and buildings and swamping the area with torrential rains and a storm surge. Output had averaged between 74,000 tonnes and 75,000 tonnes of unrefined nickel plus cobalt for much of the decade before the storm hit. Nickel is essential in the production of stainless steel and other corrosion-resistant alloys. Cobalt is critical in production of super alloys used for such products as aircraft engines. Cuban nickel is considered to be Class II, with an average 90 percent nickel content. Cuba's National Minerals Resource Center reported that eastern Holguin province accounted for more than 30 percent of the world's known nickel reserves, with lesser reserves in other parts of the country.

CUBA: ZEOLITE, MINERAL OF A THOUSAND USES

Source: IPS, Patricia Grogg; January 30, 2010

Cuba, which has major reserves of zeolite, aims to boost exploitation of the mineral, whose properties and uses in products and technologies contribute to protecting the environment.

Cuban expert Martha Velásquez believes this non-metallic mineral of volcanic origins will play an essential role in sustainable development. Its various uses range from filtering out toxic gases to recovery and improvement of soils, livestock nutrition and as an additive to cement to create lightweight concrete for construction. Zeolite's wide range of uses are due to its potential as an exchanger of ions, its capacity for reversible adsorption (the process through which a solid is used to eliminate a water soluble substance), and its function as a natural molecular sieve, which means it can be used to clean up aggressive toxic substances.

It is also capable of ionic exchange in heavy metals, like lead, nickel, iron and cobalt, and of purifying potable and wastewater for appropriate discharge, Velásquez, an expert with the government's Research Centre for the Mining-Metallurgic Industry, told Tierramérica. Because of its low cost and great versatility, zeolite also plays an important role in agriculture. It can be used to improve soils, boost the effects of chemical and organic fertilisers alike, and as a component of substratum for the development of different crops. For livestock, it is used as a food additive for several types of animals and in bedding, which results in a fertiliser rich in ammonia and other high-quality substances for farming, said Velásquez. According to official sources, 70 percent of Cuba's cultivated area suffers from erosion, high salinity or acidity. However, the use of zeolite remains limited in the farming sector, which has yet to recover from the economic crisis of the 1990s triggered by the collapse of the Soviet Union and the East European socialist bloc, Cuba's main aid and trade partners. The wave of economic recession also interrupted the programmes for mining and development of zeolite, which had been gathering force in the 1980s.

The lack of transport and capital, in addition to other obstacles created by the crisis, put the brakes on zeolite, which had been on its way to widespread use, especially in agriculture. Velásquez said the current policy for reactivating the farming sector will lead to an expansion of zeolite use. "We are studying the issue of transport and looking for the most economical options," she said. Other experts said that boosting domestic consumption is the priority at the moment. "We want to employ our resources in the country, but confidence in Cuban zeolite and the technology we've created is needed. Unfortunately, many entrepreneurs are distrustful of local products," said an official interviewed by the Cuban news media.

As part of the recovery plans, the government is investing in three zeolite plants currently in operation. The goal is to prepare them for a future increase in demand. Improvements are also planned for about a dozen zeolite deposits around the country. In 2008, Cuba exported 600 tonnes of zeolite. The total in 2009 reached 4,490 tonnes. Among the buyers is Brazil, where among other uses, the mineral goes toward replacing highly polluting sodium tripolyphosphates in the manufacturing of detergents. There is a high demand for zeolite in the European Union, United States, Canada and some Latin American countries. Prestigious institutions in Brazil and Japan have great faith in the high quality of Cuba's natural deposits, said Velásquez. "It would be ideal to process the mineral in Cuba and then sell it with greater added value, but we lack financing," said another expert.

According to studies, there are more than 50 types of zeolitic soils. Clinoptilolite possesses properties best-suited for adsorption filtration and sequestering cations (positively charged ions). Zeolites - "boiling stones" in Greek - have a cage-like structure formed by tetrahedrons, united by oxygen atoms. The mineral is most typically found in areas where there were prehistoric volcanoes. The United States, Australia, Turkey, Japan and China, as well as several countries of Africa, are among the leading producers of zeolite, although it is believed the mineral can be found on all continents. According to data from Cuba's National Office of Mining Resources, there are deposits of zeolite distributed among almost all of the island's provinces. (*This story was originally published by Latin American newspapers that are part of the Tierramérica network. Tierramérica is a specialised news service produced by IPS with the backing of the United Nations Development Programme, United Nations Environment Programme and the World Bank.)

ENERGY & OIL

CUBA REPORTS BIG DROP IN GASOLINE PRODUCTION

Source: Reuters, Marc Frank; January 22, 2010

- * Gasoline output down 31.3 percent at 492,000 tonnes
- * Diesel fuel up 15.9 percent at 1.271 million tonnes
- * Fuel oil down 1.4 percent at 2.629 million tonnes
- * Jet fuel data not reported

Cuban gasoline production dropped significantly in 2009, along with some other oil derivatives, while fuel oil output changed little and diesel fuel increased in 2008, the National Statistics Office reported on Monday.

Gasoline production, excluding aviation fuel, was 492,000 tonnes, down 31.3 percent from the 716,000 tonnes reported in 2008, with similar declines reported for lubricants and kerosene. Diesel fuel increased 15.9 percent to 1.271 million tonnes, while fuel oil fell 1.4 percent to 2.629 million tonnes, according to the report posted on the statistics office website (<http://www.one.cu/semestralindustriasmanufactureras.htm>). No information was available on jet fuel production, which was 278,000 tonnes in 2008.

Cuban oil refining nearly doubled in 2008 as a new joint-venture refinery with Venezuela in Cienfuegos, 149 miles (240 km) southeast of Havana, completed its first year of operations, producing mainly for export. There are two other operating refineries in Cuba: the Nico Lopez refinery in Havana and Hermanos Diaz refinery in Santiago de Cuba, 540 miles (860 km) east of the capital. Venezuela is involved in upgrading both refineries. The Santiago refinery is another joint-venture. Cuban production of refined petroleum products was 5.46 million tonnes in 2008, compared with 2.3 million tonnes in 2007. Cuba does not report oil and derivatives production in barrels. Cuba consumes around 160,000 barrels-per-day in petroleum products, more than 50 percent of which comes from regional energy giant Venezuela. The rest is pumped from the northwest coast along with natural gas for power generation. Under President Hugo Chavez, Venezuela has become a close ally of Cuba, which is an enthusiastic supporter of Chavez's regional integration proposal, the Bolivarian Alliance for the Americas, aimed at countering U.S. influence in the region. As part of bilateral integration efforts, Venezuela is revitalizing Cuba's downstream operations and plans to use the island as a bridge to supply the Caribbean with crude and derivatives with preferential financing.

TRANSPORTATION

HAVANA CITY RAILROAD GETS REPAIRS

Source: Granma, Lourdes Pérez Navarro; February 3, 2010

Rail workers, with the skill of knowing where to place their feet after constant work on the railroads, wedged the rail with a thick piece of timber and removed the deteriorated rail using a lever and a sledgehammer. They then changed it for a new one. They were encouraged by the strong purpose of putting the track two from the Los Elevados railtrack into function. This provides access to the Central Train Station in Havana City. Jose Angel Reyes Guilarte, head of a Roads and Bridges Brigade from Havana belonging to the Road Works and Railroad Constructions Company, (VOC), talks to Granma newspaper: "We are carrying out a major repair of the railroad two to improve the circulation and speed of trains along this track, which was in a dreadful state and could not be used for four years. We are also working on the metal structure, especially the aisles. Height? Well that is another challenge, but we have to carry on working and get this line to work. The earlier repair of Los Elevados, very important to the operations of the trains that transport passengers to and from the Central Station, dates back five years. Then, work on the structure of the bridge was carried out.

OPENING LINES

The Penichet crossroad is at the foot of Los Elevados, which links the city with the Havana Port zone. Road-repair workers also worked there and tried to reestablish the technical parameters of the area and guarantee the safety of the motor and railroad vehicles that go by that place. The level of deterioration of this level crossing could have caused accidents. It was totally closed for some days, while a major repair—which included the demolition of the concrete and the setting of a new one—was being undertaken. Members of the Young Workers Army (EJT) worked hand in hand with fully-fledged soldiers from the VOC. Sergeant Eduardo Camejo from Matanzas, Corporal Carmelo Ezequiel and Juan Miguel Valera from Havana City and Erick Espinosa from Villa Clara say that this work is really useful. They know that with the work they do they are helping to put the railroad back into function. “I have been here for over a year and except for putting up a bridge, I have done everything. If I am given the chance to stay here when I finish my military service I will certainly do so,” said Corporal Carmelo. Operators Miguel Molina and Raymundo Carvajal, with more than 20 years experience in this railroad work, look at them, listen to them and smile. “These guys are worth teaching,” they said.

JOINING EFFORTS ON THE RAILROAD

Based in the Cristina Station, 40 soldiers from the EJT are now working on the repair of the rail roads of the area of Nudo de la Habana. According to Rolando Navarro, Director General of the Cuban Railroad Company, Cuba’s decision is to integrate 2,000 soldiers from the EJT this year into railroad work. “Today, we have 300 and we will increase that to 700. By December, 1,300 more will be incorporated mainly involved in the repair of track, as we hope to revitalize the railroads by 2012.”

This idea has been renewed. Early in the 1970’s, these people worked hard to rebuild the railroad. Some of them then went to work at the Railroad Construction Company, where they took executive charge. Currently, the contribution of young people to the construction of railroads has come to be a number-one priority. Navarro said that those inmates included in the Tarea Confianza membership will be incorporated into these activities. In addition, political and mass organizations are gradually joining clearing up activities on the railroads. Navarro said: “It is necessary to do this, as these railroads have not been properly cared for in a long time. So, they are full of grass and solid waste thrown out by the nearby population and workplaces. The results can be clearly seen in those places where the community has joined the cleaning activities, such as in the Cuban provinces of Pinar del Río, Guantánamo, and Havana.

RESTORATION OF THE CENTRAL LINE

The current process of rebuilding the railroad— in operation till 2012—began last October near the Havana junction, a very important area for the Cuban economy since it carries more than 60% of railroad activities to every area, said deputy director of VOC productions Alfredo Paredes Sánchez. Once this area is finished, the 2010 plans should aim at restoring two stretches of the Habana-Santa Clara Central Line (the one with most technical flaws), as well as an area in Palo Seco in Camaguey. From his standpoint the program is “a challenge for our workers, but the most important thing is that the 80 percent of the resources can be found in Cuba, including the stone. The construction materials are guaranteed. The receipt of cutting-edge technology will help to boost the restoration process of the railroads, said Paredes.

SUGAR

CUBA ESPERA UNA MODESTA PRODUCCIÓN DE AZÚCAR

Source: AFP; January 1st, 2010

Cuba espera lograr una “modesta” producción de azúcar prevista en el 2010, cantidad no revelada pero que rondaría los 1,5 millones de toneladas, debido a una buena arrancada de la cosecha con puntualidad y eficiencia, anunció ayer el diario oficial Granma .

Cuba es uno de los importante suplidores mundiales de azúcar. Costa Rica, por ejemplo, cosecha alrededor de 300.000 toneladas anuales de este producto. Los analistas prevén que la oferta mundial será menor este año, por lo que habrá buenos precios. “La disciplina que predomina en la arrancada constituye lo más sobresaliente en la etapa inicial de zafra”, señaló el reporte en referencia a la llamada “zafra chica”, período que va desde noviembre al cierre del 31 de diciembre.

En ese período, intervinieron siete ingenios, pero en enero se incorporarán otros 37 hasta completar los 44 que participarán en la cosecha, que normalmente se extiende de noviembre a mayo. "Las siete centrales señaladas para fabricar azúcar antes del 31 de diciembre abrieron sus capacidades en fecha o con adelanto al calendario", señaló Granma. Añadió que "además del modesto plan de azúcar, la industria tiene el compromiso de garantizar 194.162 toneladas de la llamada miel B, destinada al alimento animal, y más de 300.000 toneladas de miel final, para la producción de alcohol y de alimento animal". La cosecha azucarera 2007-2008 —última cifra oficial publicada— fue de 1,4 millones de toneladas.

ACROSS CUBA SUGAR MILLS GRIND TO RAISED HOPES

Source: Reuters, Marc Frank; January 20, 2010

- * Workers say mills opening on time, but wonder about plan
- * Media report industry at 70 percent of capacity
- * High sugar prices seen as missed opportunity

Sugar may no longer be king in Cuba, but as the cane harvest kicks off the dilapidated industry looks in marginally better shape than recent years. Across the Caribbean island smoke still rises from tall white stacks, tough looking men cut endless fields of cane with machine and machete and the sweet smell of fermentation permeates many a bustling town. As the cutting gets under way, 36 of the 44 state-run mills are scheduled to open promptly for grinding cane into raw sugar, official media reported this week. That is a far cry from the hey day, when sugar was Cuba's top export, but looks like an early sign mills are operating more efficiently. For years many mills opened weeks, even months, late and then repeatedly broke down, unable to fully take advantage of peak yields in February and March. With the delays, the mills might run at a dismal 60 percent to 65 percent of capacity.

This year will be different, the Sugar Ministry insists, with mills operating at a minimum 80 percent of capacity. Cane cutters, mill workers and sugar town residents from western Matanzas province through Santiago de Cuba, at the island's eastern tip, told Reuters this week that for the first time in many years mills were opening on time. "They made a lot of investments and so far the mill has operated for around a month with few problems," Pedro, a worker at the Grito de Yara mill in eastern Granma province, said. That seemed to confirm a statement by the country's top sugar reporter Juan Varela Perez during his regular Tuesday radio spot that "the start of the harvest has been punctual and stable." There was, however, at least one exception to the rule a little further down the two-lane central highway from Grito de Yara, at the Dos Rios mill in Santiago de Cuba province. "The mill was supposed to open this week, but there was a mechanical problem and hopefully before the week is out it will be fixed," Ruben Almado, standing out front of the mill, said.

The Sugar Ministry announced when the harvest began that there was less cane than in 2008, when output was around 1.3 million tonnes of raw sugar from 54 mills. But the ministry has insisted that milling at 80 percent of capacity will yield similar raw sugar tonnage to last year. The 80 percent figure raised eyebrows and a wait-and-see stance along the curving, pot-holed central highway. To date milling has been at 70 percent capacity, Varela reported on Tuesday, as cold fronts and accompanying rainfall slowed harvesting. "It is possible, anything is possible," Pedro in Granma quipped, before launching into a diatribe about how the government closed 100 mills and converted half the sugar plantations to other uses six years ago when sugar prices were low. "Even if we do meet our plan, so what? It's nothing and prices are now sky high," he added with a disgusted look. This week in New York, raw sugar prices <SBc1> neared 30 cents per lb, trading at a 29-year high on Wednesday.

In 1989, Cuba's sugar output reached 8 million tonnes, destined almost entirely for the former Soviet Union and accounting for 90 percent of export earnings. After a long post-Soviet decline sugar output was 1.4 million tonnes in 2008, the last time official figures were published, and accounted for less than 5 percent of export earnings. Cuba consumes at least 700,000 tonnes of sugar per year, and 400,000 tonnes are destined for China.

RAIN STALLS BELEAGUERED CUBAN SUGAR HARVEST

Source: Reuters, Marc Frank; January 23, 2010

- * Harvest slowed by rain across much of country
- * Mills were already operating below expectations
- * Production plan further out of reach

Rainfall across Cuba has slowed the sugar harvest, sources in various provinces said Tuesday, adding to the woes of the beleaguered state-run industry as it struggles to avoid importing sugar to meet contracts.

The rains, which make it impossible for sugar cutting machines to operate in plantations with poor or no drainage, were expected to continue off and on through the week, according to local meteorologists. "At least in Sancti Spiritus, with the water that's fallen, there is no one who will be cutting cane for two or three days," agriculture worker Roberto Hernandez said in a telephone interview from the province in central Cuba. A bit further to the east, in Camaguey, cooperative member Diego Martin reported a similar situation. "The harvest in Camaguey was already going badly, and the rain will make it worse," he said. Around 90 percent of Cuba's harvest is mechanized.

Plans call for production of around 1.3 million tonnes of raw sugar this season, similar to the previous harvest. However, the Sugar Ministry has said there is less cane than last year, and the plan is based on mills operating at 80 percent capacity. Mills were already operating at under 70 percent capacity before the rains set in, according to the official media. The season stretches from January through April, with a few mills grinding in December and May. Cane yields peak in February and March so it will be difficult to make up for the shortfalls caused by low milling and now rain this month. Sugar ministry spokesman Tirso Saenz warned last week of the effects of having to import sugar to meet export contracts with international prices as high as they are. "If we have to import sugar, the expense will have to come out of other import plans, which could be from food imports," he said. Cuba consumes a minimum 700,000 tonnes of sugar per year, and 400,000 tonnes are destined for China under a toll agreement. In the past Cuba has imported sugar to meet export contracts. The country stopped importing low grade whites in 2008, after increasing its refining capacity.

CUBA AND ITS PARTNERS

EJECUTAN PRIMERA GESTIÓN CON EL SUCRE

Source: EFE; 3 de febrero, 2010

Cuba pagó a Venezuela 108,000 sucres por 360 toneladas de arroz, lo que constituye la primera operación comercial que se realiza a través del Sistema Unitario de Compensación Regional de Pagos (Sucre), indicó el Banco Central de Venezuela (BCV).

El sucre es una nueva moneda creada por los países miembros de la Alianza Bolivariana para las Américas (ALBA) que, según portavoces del grupo, busca independencia frente al dólar. Esta primera operación comercial estuvo a cargo de la firma exportadora venezolana Empresa Mixta Socialista Arroz del ALBA S.A. y la Empresa Cubana Comercializadora de Alimentos (Alimport). La transacción se realizó a través de la plataforma tecnológica del Banco del ALBA, desde la sede del BCV, con asistencia del ministro venezolano de Planificación y Finanzas, Jorge Giordani, y del presidente del BCV, Nelson Merentes, además de otras personalidades. El sucre, activado el pasado 27 de enero, tiene una paridad de \$1.25, valor que representa "un punto de equilibrio entre el dólar y el euro", según las autoridades financieras venezolanas. El sucre fue adoptado como moneda de intercambio por los miembros de la ALBA.

CUBA SAYS VENEZUELA FERRONICKEL VENTURE ON TRACK

Source: Source: Reuters, Marc Frank; February 22, 2010

- * Joint venture with Venezuela
- * To start up partially built Soviet plant
- * Preliminary work on schedule
- * Cuba sees annual output 68,000 tonnes of ferronickel

Cuban plans to produce ferronickel with Venezuela at a partially completed plant in eastern Holguin province are on track with preliminary work well under way, official media said on Monday.

"Civil and technological projects have progressed, as have surveys of the mines and contracting of the labor force and specialized equipment," said a report on the nickel industry during the morning television newscast. "Plans for the project, one of the most important in the country, are being met," the report said, without providing further details.

Experts have estimated it would take around two years for operations to begin at the plant once preliminary work is finished. Cuba and Venezuela formed Ferroniquel S.A. in 2007 to complete the Camarioca nickel works left unfinished with the collapse of the Soviet Bloc. The two countries have also formed a joint venture in Venezuela to produce stainless steel using Cuban ferronickel. Plans call for \$500 million to be invested in the Cuban part of the project and \$600 million in the steel plant.

Cuban officials have said in the past Camarioca could produce 68,000 tonnes of ferronickel annually (21,000 tonnes nickel). Cuba currently has three nickel processing plants operating in Holguin, one a joint venture with Canadian resource company Sherritt International and two older state-owned plants. The Communist-run Caribbean island is one of the world's largest nickel producers at 70,000 tonnes last year, and supplies 10 percent of the world's cobalt, according to the Basic Industry Ministry. Ferronickel is an iron-nickel combination mostly used in steel making.

Nickel is essential in the production of stainless steel and other corrosion-resistant alloys. Cobalt is critical in production of super alloys used for such products as aircraft engines. Unrefined nickel plus cobalt has consolidated its position as Cuba's largest export. Cuban nickel is considered to be Class II with an average 90 percent nickel content. Cuba's National Minerals Resource Center reported that eastern Holguin province, where the industry is located, had around a third of the world's known reserves.

TOURISM

VIETNAMESE FIRM TO DEVELOP GOLF COURSES IN CUBA

Source: Asia Pulse; January 19, 2010

Vietnam's Housing and Urban Development Corporation (HUD) and Cuba's Palmares SA Group have signed a real estate deal to build two golf courses-cum-hotel complexes in Cuba.

The two complexes, which will include service centres and housing, will each occupy an area of 300-400 ha about 25 km from the capital of Havana. To carry out the project, the two companies will establish a joint-venture company. Each will contribute 50 per cent of the company's charter capital and the company will operate for 50 years. Palmares SA Group plans to hire consultants to assess the land value and submit an application to Cuba's Ministry of Finance.

For the project, the Housing and Urban Development Corporation established the HUD Caribe Vietnam Joint Stock Company with a charter capital of 360 billion VND (US\$13.4 million). Dinh Nho Hung, director of HUD Caribe Vietnam, said he believes the project will be successful because the complexes are located close to the capital and Jose Marti International Airport. Meanwhile, Cuba has given the green light to HUD to invest in a hotel project in Havana and to upgrade the Capri Hotel, a five-star hotel in Camaguey. (VNA)

AUMENTARON LOS VISITANTES A CUBA EN 2009, PERO CAYERON LOS INGRESOS POR TURISMO EN UN 11 POR CIENTO

Source: AP; 28 de enero, 2010

Cuba recibió 2,43 millones de visitantes en 2009, un 3,5% más que en 2008, pero los ingresos por turismo cayeron 11%, informaron hoy medios oficiales. En 2008 llegaron a la isla 2,3 millones de visitantes (9,3% más que en 2007) y produjeron ingresos por 2.740 millones de dólares, según la Oficina Nacional de Estadística. Canadá fue el principal país emisor de turistas hacia Cuba (más de 900.000), seguido por Gran Bretaña, España, Italia y Francia. El ministro de Relaciones Exteriores, Bruno Rodríguez, aseguró el miércoles que entre los visitantes de 2009 hubo casi 300.000 cubanos residentes en otros países, cifra sin precedentes. El turismo es una de las principales fuentes de divisas del Gobierno cubano, que atraviesa una etapa de profunda crisis económica y falta de liquidez.

CUBAN TOURISM SEASON OFF TO ROUGH START

Source: Source: Reuters, Marc Frank; February 24, 2010

The Cuban tourism season got off to a rough start in 2010, with arrivals down 4.9 percent in January from the same month of last year, according to a government report seen by Reuters on Wednesday.

The report, due to be released later this week, said arrivals were 254,845 in the first month of this year, compared with 268,115 in January 2009. It gave no further details. Tourism and related businesses are an important source of income for the cash-strapped, communist-run Caribbean island, totaling more than \$2 billion last year, or about 20 percent of Cuba's foreign exchange income.

Foreign sources in the tourism industry blamed the January decline on a pricing spat with a major Canadian tour operator that reduced bookings from Canada, economic hard times in Europe and competition from lower-priced packages in the Dominican Republic and the Mexican resort of Cancun. Slightly more than 2.4 million tourists visited Cuba last year, an increase of 3.5 percent over 2008. Of those, the biggest number -- 914,884 -- were Canadians. The foreign manager of a Cuban hotel said tourist arrivals were down again in February and prospects for March were not encouraging because the response by tourism officials to January's decline was too slow in coming. "They are running around lowering their prices now but it's too late through March," he said. Also, other countries expecting fewer arrivals from Europe and the United States due to the global recession are trying to lure Canadian tourists. "They have waged a price war for the Canadian market," the hotel manager said. The U.S. market is largely off-limits to Cuba because the 48-year-long U.S. trade embargo against the island prohibits most Americans from traveling there.