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DOMESTIC ECONOMY

CUBAN TRADE PLUNGES 34 PERCENT IN LATEST SIGN OF ISLAND'S ECONOMIC WOES

Source: AP, Paul Haven; March 8, 2010

Cuba's foreign trade plunged by more than a third in 2009, with imports from traditional allies including Venezuela and China down sharply, the latest sign that the island is wrestling with a deep financial crisis. Trade for 2009 totaled \$12.7 billion, down 34 percent from the \$19.3 billion registered the previous year, according to statistics released Thursday by the government's National Statistics Office. The sobering figures are in line with previous disclosures that showed trade to major trading partners down by about a third.

Cuba's economy is weak in the best of times, but its condition has worsened considerably due to the global economic crisis, a drop in the global price of raw materials such as nickel, and the fallout from three devastating 2008 hurricanes. The government has been forced to cut back on deep subsidies that Cubans rely on to make ends meet. Under Cuba's communist system, workers make a tiny salary of about \$20 a month, but the state provides free education and health care, virtually free housing and transportation, and ration cards that can be used to purchase a limited amount of heavily subsidized food.

President Raul Castro has warned repeatedly that some of the subsidies must be phased out and that belt-tightening is in order. He has urged his countrymen to increase production and cut out waste. The government has also been on an anti-corruption drive, firing a number of senior officials. The statistics released Thursday show imports were down the sharpest, falling 37 percent to \$9.6 billion, from \$15.4 billion in 2008. Exports for 2009 fell 21 percent to \$3.1 billion.

The larger drop in imports brought a silver lining: Cuba reduced its trade imbalance for the year to \$6.5 billion, down from \$11.4 billion in 2008. Imports of fuel and related products fell to \$2.9 billion, down 42 percent from the \$4.9 billion registered in 2008. Cuba has urged its citizens to use less fuel, and has clamped strict controls on the use of air conditioners and gasoline in offices and by state workers. Food imports were also down, dropping to \$1.6 billion from the \$2.4 billion registered in 2008. The news follows reports from China and the United States showing a severe drop in Cuban imports.

The United States has maintained a trade embargo on Cuba for 48 years, but an exception allows Cuba to purchase food products from its northern neighbor. America is the top provider of food to the island, despite the countries' political differences. The Cuban statistics office said trade with the United States totaled \$729 million in 2009, down 30 percent from the year before. Trade with Venezuela, Cuba's main trading partner, plunged even more, down 36 percent to \$3.4 billion. And trade with China, the island's second-biggest partner, was down 21 percent to \$1.8 billion. Figures released this week by China's ambassador to Cuba showed a drop of 31 percent. It was not clear what caused the discrepancy, but the two governments have historically had different ways of measuring bilateral trade.

CUBAN PAYMENTS CRISIS GOES ON, BUSINESSES IN LIMBO

Source: Reuters, Marc Frank; June 23, 2010

- * Many foreign business bank accounts still frozen
- * Payments to some joint venture partners behind schedule
- * Cuba providing little data on key economic indicators

Many of Cuba's foreign business partners still have money stuck in state-run banks and do not know when they will get it, 18 months after the accounts were frozen by the cash-strapped Cuban government. The issue is one of several pressing financial problems that are straining Cuba's business ties, in a climate darkened by the government's unwillingness to disclose key information about its economic condition.

Hit by the international financial crisis, U.S. scrutiny of its finances, damaging hurricanes and chronic inefficiencies, the Communist-run nation failed to make some debt payments on schedule beginning in 2008, then froze up to \$1 billion in the accounts of 600 foreign suppliers by the start of 2009. It also delayed payments to some joint venture partners and did not honor some commercial paper that came due thereafter.

State-run banks have offered to pay back the frozen accounts at 2 percent annual interest over five years, but sources said progress has been slow. "From what I can gather they have yet to make good on some 50 percent of the frozen funds," said a European commercial attache, whose estimate was backed by other diplomats and business sources, all of whom asked not to be identified.

The pay-back offer does not apply to Cuba's joint venture partners and foreign companies administering hotels, each of whom are said to be trying to work out their own arrangements to recover funds. "Everybody I know working on the ground here has around 10 months outstanding payments due, ranging from a million dollars to \$50 million," said the foreign administrator of a Cuban hotel. Foreign joint ventures in Cuba range from nickel production and rum and cigar distribution to beer, bottled water and hotels.

Cuba is not a member of the International Monetary Fund, World Bank or other multilateral organization it could turn to for support, but its problems are to some degree self-inflicted, according to Pavel Vidal, a monetary specialist at the University of Havana's Center for the Study of the Cuban Economy. In a paper delivered last week at a conference hosted by the Catholic Church, he said a lack of regulation and transparency had led to Cuba printing more of the convertible pesos it uses for international transactions than it had reserves to back them.

"Cuban banks have been affected by an excess emission of the convertible peso well above the amount of foreign exchange available for the payments system to function as it should," he said. The result was that "Cuban banks find themselves in a systemic liquidity crisis, from which they still have not been able to completely emerge," Vidal said.

MURKY FINANCES

Aware of the crisis, President Raul Castro replaced his economic cabinet in early 2009 and declared the country could not spend more than it earned. In December, Economy Minister Marino Murillo told the National Assembly the government had stopped the haemorrhaging of foreign exchange and turned 2008's foreign exchange deficit into a surplus by cutting imports 37.4 percent.

Foreign businessmen said the country appeared to be reducing imports further this year and that most new business was being paid more or less on time. But they say they cannot get a complete picture of the Cuban economy because the government keeps a tight lid on key indicators such as the amount of its reserves, debt and the current account of the inflow and outflow of foreign exchange.

The Central Bank used to send a yearly review of the country's economy and finances to creditors, but the report last came out in 2008, covering 2007. Cuba blames Washington for its lack of transparency, saying the U.S. scrutiny of Cuba's economic activity as part of enforcement of its longstanding trade embargo leave it no choice but to cover its tracks. But foreign businesses say the secrecy gives Cuba the upper hand in their dealings, and leaves them in the dark about how much money the island has and where it will be spent. While they think Cuba's finances are improving, they are not optimistic that means money will be coming their way soon. "We think they will have a surplus this year of anywhere from \$1.5 billion to \$2 billion, but it will go to replenish reserves and prepare for the next hurricane," said a foreigner involved in financial services.

SELF-EMPLOYMENT IN CUBA STATIC UNDER STATE'S GRIP

Source: Reuters, Marc Frank; June 30, 2010

- * Self-employment up only slightly under Raul Castro
- * State still employs more than 85 percent of job holders
- * Some signs reform may pick up steam

The number of self-employed Cubans has grown only slightly under President Raul Castro, indicating he has not loosened the state's grip on the economy, according to figures in a government jobs report this week.

The National Statistics Office said on its web page (<http://www.one.cu/empleoencifras2009.htm>) the island had 143,800 licensed self-employed people in 2009, up from 141,600 the year before. Since 2006, when Castro first stepped in for his ailing brother Fidel Castro, the number of self-employed has risen by 5,400, a blip in the Cuban workforce of 5 million. Raul Castro officially became president in February 2008, following his brother's resignation after 49 years in power. Since then, he has fostered discussion in the media and grass-roots meetings on what ails the socialist economy, and made mostly minor changes aimed at boosting productivity by putting more incentives in the system.

Statistics show more than 85 percent of the Cuban labor force still worked for the state at the close of 2009, including close to 2 million involved in retail services. The report said 591,000 were in the private sector, with most of those being family farmers and the rest self-employed. Self-employment was legalized in communist-led Cuba in 1993 after the island plunged into economic crisis following the 1991 collapse of its top ally, the Soviet Union.

Legal activities for which licenses could be obtained ranged from clowns and mousetrap makers to small family businesses such as home-based restaurants, pizzerias and tire and auto repair shops. The number of licensed self-employed grew to more than 200,000 by the end of '90s, before beginning a gradual decline through 2006 as the government began giving fewer licenses. The numbers of licensed self-employed do not include tens of thousands of people who illegally engage in some sort of private economic activity to make ends meet. The legal numbers may begin growing faster as the results of Castro's tweaks to the system take effect. "We have begun experiments and are working on others to ease the burden on the state of some services it provides," Economy Minister Marino Murillo told the National Assembly at the close of 2009, without elaborating further.

Cuba began leasing hundreds of state-run barber shops and beauty salons to employees across the country this year in what appears to be the start of the long-expected revamping of retail services. The measure marked the first time state-run, retail-level establishments have been handed over to employees since they were nationalized in 1968. Some taxi and minibus drivers also are leasing their vehicles instead of working for a state wage. The retail sector in particular has been criticized for poor service and rampant theft, and officials have repeatedly urged patience as they experiment with ways to bring improvement, without jumping into full-scale capitalism. "The government sees the need to reform, but still the fear of its potential consequences is bigger; the result is the present stalemate," Bert Hoffmann, Latin American expert at the German Institute of Global and Areas Studies in Hamburg, Germany, said.

CUBANS STATE RADIO WARNS AGAINST HOARDING RICE

Source: AP, Anne Marie García; May 7, 2010

Facing a shortage of rice and anxious to reduce the cost of importing it, Cuba is calling on citizens not to hoard the grain — no mean feat in a country that is the seventh largest consumer of rice per capita worldwide. "We are demanding discipline and order in purchases," state-run Radio Rebelde said during its Friday newscast. "Don't allow, under any circumstances, people to hoard rice so they can later sell it at a higher price."

The communist government subsidizes rice and sells it in government farmer's markets for 3.50 pesos per pound, about \$0.17. But rice has become so scarce in recent weeks that "certain unscrupulous people are hoarding," reported the station, which broadcasts across Cuba and is among the most listened to nationwide. Cuban officials have repeatedly said they hope to increase rice production and cut imports because of rising prices for the crop, most of which cash-short Cuba has imported from Vietnam in recent years.

The director of the government food import agency, Igor Montero, told the Communist Party-linked workers newspaper Trabajadores in January that this year Cuba could be facing rice prices that had nearly doubled what it paid until recently. Magaly Delgado, a 72-year-old Havana retiree, complained Friday that shortages have become so acute that she has turned to the black market. "I had to pay 10 or 15 pesos a pound to a reseller near my house," she said.

Rice is a key component of the monthly ration Cuba's government has maintained since 1962, allowing islanders to buy basic foods that also include eggs, potatoes, legumes, bread, sugar, salt cooking oil, coffee and a bit of chicken, fish or beef, among other items. Distribution centers distribute five pounds of rice per person each month, charging about an American penny per pound. They then offer an additional two monthly pounds for about 4 U.S. cents each. But food from the "libreta," or ration book, usually provides most Cubans with only about 10 to 15 days of food. That's where farmers' markets come in. But rice has been hard to find there of late.

Rice is also sold in special grocery stores for tourists and foreigners who work on the island, but a pound there costs more than \$2, prohibitively expensive in a country where nearly everyone is employed by the government and the average state salary is about \$20 per month. "The rice ration is sacred and never unavailable," said Delgado, who collects a monthly pension worth about \$13 per month. "But it's not enough for pretty much anyone since we Cubans eat a lot of rice. That means you have to buy more." Indeed, Radio Rebelde reported that Cubans consume 700,000 tons of rice per year, making the island the seventh largest consumer of grain per capita on the planet, it said. The government imports about 60 percent of the country's rice, since the station said Friday that in 2009, Cuba's domestic rice production "rose to 281,000 tons."

President Raul Castro has used all of his recent national addresses to decry the amount his government spends on importing food, which exceeds \$2 billion annually. Hoarding is common on an island plagued by shortages of food and other basics. Sometimes toilet paper goes missing. Other times it is matches, cooking oil or eggs, potatoes, peanuts or, in this case, rice. Authorities have sometimes moved to prohibit hoarding. After Hurricanes Gustav and Ike wiped out 30 percent of the island's crops in the summer of 2008, officials limited how much Cubans could buy at farmers' markets and froze prices to keep vendors from gouging. So far, there has been no move to legislate against rice hoarding — but the station also gave no indication on when shortages of it might ease.

CUBAN PRIVATE FARMERS TO PUSH FOR REDUCED STATE ROLE

Source: Reuters, Marc Frank; May 14, 2010

- * Farmers seek more autonomy in sales, supplies
- * Production drop may make government more open to change
- * Sugar, coffee and citrus output are at all-time lows

Cuba's private farmers and cooperatives are expected to push for a reduced state role in the ailing agricultural sector in meetings this weekend with government leaders including President Raul Castro. The farmers, who produce 70 percent of the Communist-run country's food on just 20 percent of its land, want more control over the distribution of their produce and less reliance on the government for fertilizer and other inputs.

Representatives of the 350,000 family farmers and cooperative members will meet with Cuban leaders at the 10th Congress of the National Association of Small Farmers on Saturday and Sunday near Havana. At issue are regulations guaranteeing the state's near monopoly of the agricultural system through a long-standing practice of contracting for 75 percent of farmers' production in return for fuel, pesticides, fertilizer and other supplies. Castro has made food security his signature issue since taking over the presidency from older brother Fidel Castro two years ago. The semi-tropical island imports 60 percent of its consumed food, a huge burden on its fragile economy.

President Castro has boosted what the state pays for produce, leased state lands to farmers, decentralized decision-making and allowed some farmers to sell a small part of their produce directly to consumers at fixed prices. The reforms spurred production last year of bumper crops of tomatoes, garlic and other food, but that has not happened this year. In meetings ahead of the congress, farmers said that recent production has fallen, partly because the state did not provide fertilizer and pesticides on time. It also failed to get all of their produce to market the past two years, they said.

STATE SEEN CEDING GROUND

Government statistics indicate that sugar, coffee and citrus production are at all-time lows, and non-sugar agriculture was down 13 percent through March. Against that gloomy backdrop, the government is expected to cede more ground to what is the largest private sector in a largely state-controlled economy. "Creating what are called 'integral cooperatives' responsible for distribution and technical services and new ways to supply inputs are at the top of the meeting's agenda, if not setting up a system where they can purchase the inputs they need without waiting on the state to deliver them," said a local agriculture expert, who asked not to be named.

Various experiments across the country that have allowed the farmers to sell more food directly to consumers and process some of their produce for direct sales will be reviewed at the meeting, he said. Popular television commentator Ariel Terrero said this week dry weather and financial problems played a part in this year's production declines but state bungling was also to blame. He said attempts to improve state food distribution had only resulted in increased time for produce to reach the markets and an increased number of people handling it. Terrero also criticized the erratic arrival of what little inputs the state could afford to import. "Timing is important in agriculture. You do not plant when you want, when the seed arrives, but when you should plant," he said.

CUBA CEDES TO FARMERS RIGHT TO PURCHASE SUPPLIES

Source: Reuters, Marc Frank; May 16, 2010

- * Farmers to purchase supplies at Municipal markets
- * System of state centrally assigning supplies junked

Cuba's private farmers will purchase supplies directly in future instead of having them allocated by the state, the government said on Sunday, in the latest concession to their demands for more autonomy. Economy Minister Marino Murillo made the announcement at the close of a congress of Cuba's 350,000 family farmers and members of private cooperatives, the largest private sector in the communist country where the state controls most economic activity.

The farmers, who account for 70 percent of the food produced in Cuba using just 41 percent of the land, had pushed for more freedom to sell their produce and obtain supplies during meetings across the country before the congress. At issue are regulations guaranteeing the state's near monopoly of the agricultural system through a long-standing practice of contracting for 75 percent of farmers' production in return for fuel, pesticides, fertilizer and other supplies. The government had approved plans to modernize the economy and "create in the majority of municipalities supply markets where farmers can acquire directly the necessary resources to produce, substituting the current system of assigning resources centrally," Murillo said. He said there were no plans to eliminate the state's monopoly on food sales. But, various farmers and cooperatives spoke during the congress about how they were selling more of their products directly to consumers and institutions such as schools and hospitals with positive results.

Raul Castro, who attended the closing session of the congress, has made food security his signature issue since taking over the presidency from older brother Fidel Castro two years ago. The semi-tropical island imports 60 percent of its consumed food, a huge burden on its fragile economy. Castro has boosted what the state pays for produce, leased state lands to farmers, decentralized decision-making and allowed some farmers to sell a small part of their produce directly to consumers at fixed prices. The reforms spurred production last year of bumper crops of tomatoes, garlic and other food, but that has not happened this year. In meetings before the congress, farmers said recent production has fallen, partly because the state did not provide fertilizer and pesticides on time. It also failed to get all of their produce to market the past two years, they said. Government statistics indicate that sugar, coffee and citrus production are at all-time lows, and non-sugar agriculture was down 13 percent through March.

CUBA HAS GIVEN PRIVATE FARMERS NEARLY 2.5M ACRES

Source: AP, Andrea Rodriguez; June 25, 2010

Official: Cuba land reform has redistributed 2.47M acres, 56 pct of all land to be given out

Cuba has distributed nearly 2.5 million acres (1 million hectares) of unused state land to private farmers and others trying their hand at farming, more than half the territory it hopes to give out in an effort to revitalize an agriculture sector hampered by decades of government mismanagement. Pedro Olivera, director of the National Office for Land Control, told The Associated Press on Friday that the land has been distributed to 110,000 farmers as well as 1,715 cooperatives and agricultural organizations.

The figure represents 56 percent of the 4.36 million acres (1.76 million hectares) of fallow state land authorities want to turn over to private interests. "The process is advancing," Olivera said in an interview following a tour of a small fruit, vegetable and livestock cooperative on the outskirts of Havana. According to a National Office of Statistics report from 2008, the most recent figures available, the state controlled 16.3 million acres (6.6 million hectares) devoted to "agricultural exploitation," of which about 9 million (3.6 million hectares) was fallow or underused.

Under reforms begun in September 2008, the state retains title to the land but leases it to approved individual farmers, cooperatives and others who can prove they will put it to good use. Landless Cubans can apply for about 33 acres (13 hectares), while established farmers can increase current holdings to 100 acres (40 hectares). Private citizens qualify for leases of up to 10 years, renewable for 10 more, while cooperatives and companies can seek 25-year renewable terms. Those receiving land must sell nearly everything they produce to the state at prices set by the government.

Olivera said Friday that under the terms of the reform, those receiving land must begin production quickly enough to sell crops to the state within two years -- but that officials will decide how well the land is being used on a case-by-case basis. "Evaluating the program's results is a bit premature. ... There are 110,000 people with land, and we should see their productive impact in two years," he said. Those conciliatory comments contrast with statements last month from Economy Minister Marino Murillo, who said private interests that get state land but fail to produce may lose their plots. In many cases, however, farmers say authorities have failed to distribute seeds and other basic materials unavailable from other sources.

Olivera acknowledged that authorities need to do more to help farmers. "Those people who have gotten land, the great majority of them don't have experience," he said. Thousands of small farmers kept their holdings after Fidel Castro took power on New Year's Day in 1959 and remain the source of much of Cuba's food. But at large farms taken over by state planners decades ago, output has dwindled. Prior to the reform, just 29 percent of state land was fully exploited by government-run farms. The reform is Cuba's biggest in decades and was designed by the government of Raul Castro, who succeeded his older brother Fidel -- first temporarily, then permanently -- in February 2008. The island has been hit hard by the global economic crisis, and officials are scrambling to reduce spending on food imports. That tally fell from more than \$2 billion in 2008 to \$1.6 billion last year, due more to spending cuts officials than to increased local production.

NICKEL

WORK UNDERWAY AT FERRONICKEL VENTURE IN CUBA

Source: Reuters, Marc Frank; May 10, 2010

- *Joint venture with Venezuela valued at \$700 million
- *Plant to produce 68,000 tonnes ferronickel
- *Opening set for 2013

Cuba and Venezuela have broken ground on a joint venture ferronickel plant in eastern Holguin province, according to local television reports showing heavy earth-moving equipment at work. "Already work is underway moving earth at what will be the ferronickel plant of Moa," state-run Holguin television reported over the weekend. "This plant is a joint venture with Venezuela and will produce 68,000 tonnes of the product per year," the report said, adding the plant would be operational in 2013.

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 up to \$700 million to be invested in the Cuban part of the project and \$600 million in the steel plant. The Camarioca project is the second most important between the two socialist allies on the island, after the billion dollar Cienfuegos oil refinery and petrochemical complex under construction in the center of the country. "Civil and technological projects have progressed, as have surveys of the mines and contracting of the labor force and specialized equipment," another broadcast in February said. "Plans for the project, one of the most important in the country, are being met," the report said, without providing further details.

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 <S.TO> 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.

REPSOL HAS CONTRACT FOR OIL RIG SAID CUBA-BOUND

Source: Reuters, Jeff Franks; May 5, 2010

* Rig said under construction in China for work in Cuba

* Cuba estimates 20 billion barrels of oil offshore

Spanish oil giant Repsol YPF has contracted with a unit of Italian oil company Eni SpA (ENI.MI) for a drilling rig that some sources said was bound for operation in Cuba's still untapped offshore fields. A spokeswoman for Saipem, Eni's offshore drilling unit, told Reuters Repsol has signed a one-year contract for the rig, which is under construction in China and expected to be finished by year's end. She would not confirm that it will be operated in Cuba, but advertisements on the Internet were seeking workers for a semi-submersible rig being built in China for work in Cuban waters.

A source involved in the project, who asked not to be named, said the jobs were posted for Milan-based Saipem (SPMI.MI). Cuban state oil company Cupet declined to comment. Repsol (REP.MC) (REP.N), which also refused to comment so far, drilled the only exploration well in Cuba's part of the Gulf of Mexico in 2004 and said it found hydrocarbons. Norway's Statoil (STL.OL) (STO.N) and a unit of India's Oil and Natural Gas Corp (ONGC.BO) later joined the partnership. A second well has been awaited ever since, and, if successful, likely will open the door to full-scale exploitation of Cuba's offshore. Cuba estimates it has 20 billion barrels of oil in its part of the Gulf of Mexico, which abuts the oil-rich U.S. and Mexican zones of the gulf, and Havana views its possible production as a godsend. The communist-led island produces about half its energy needs from onshore wells and gets the rest from oil-rich socialist ally Venezuela at favorable prices.

U.S. EMBARGO CREATES DIFFICULTIES

The general assumption in the oil business is that difficulties created by the U.S. trade embargo against Cuba have contributed to Repsol's delay in sinking a second well. The 48-year-old embargo limits the amount of U.S. technology that can be used. This complicates finding a rig because U.S. companies have long dominated the offshore oil business. Also, companies doing business in the United States fear they could suffer official retribution there for operating in Cuba.

In recent weeks, sources have said Repsol appears finally to be moving ahead toward drilling a second and possibly third exploration well. Some say they could start as early as next fall, others later. "Things are moving forward, there will be no more delays," one person close to the project told Reuters last week. "We have instructions to prepare everything," said another person who is involved in logistics for the project.

Saipem's Scarabeo 9 rig is being built at Yantai Raffles Shipyards YRSL.NFF in Yantai, China, according to the shipyard's website. Earlier news reports in oil industry publications indicated work began on Scarabeo 9 in 2007 and the rig was initially scheduled for delivery in late 2009. The reports do not mention Cuba, but say the rig, which has the latest technology and can operate in water depths to 3,600 meters (11,811 feet), is to be deployed in the Gulf of Mexico.

The employment ads do not say when the drilling rig is expected to go to Cuba, but they suggest some urgency, giving a May 25 deadline for applications and a starting date of "ASAP" -- as soon as possible. A human resources expert in the oil industry said offshore rig operators typically hire employees several weeks before the rig is to ship out, but added that sometimes the lead time for hiring can stretch to several months. Cuba's portion of the Gulf of Mexico has been divided into 59 blocks, of which 17 have been contracted to companies including Repsol and its partners, Malaysia's Petronas, Brazil's Petrobras (PETR4.SA) (PBR.N), Venezuela's PDVSA and PetroVietnam.

Whether they will find as much oil as Cuba estimates is in dispute. The U.S. Geological Survey has estimated Cuba's offshore fields hold 4.6 billion barrels of oil and 9.8 trillion cubic feet of natural gas. Part of Cuba's gulf zone is within 50 miles (80 km) of Florida, where U.S. politicians have raised fears that Cuban drilling could lead to an accident, like the current huge oil spill off the Louisiana coast. Cuban oil officials have not commented on the U.S. spill, but in the past have only expressed impatience that their own country's fresh drilling has not begun.

PETROBRAS GETS MORE TIME TO DECIDE CUBA OIL PLANS

Source: Reuters, Jeff Franks; May 6, 2010

* Says complex geology offshore requires more study

Cuba has given Brazil's state-owned oil company Petrobras (PETR4.SA) (PBR.N) a six-month extension on its May deadline to decide whether it will drill a well in Cuban waters, a Petrobras spokesman said on Thursday.

Petrobras, which has rights to one of 59 exploration blocks in Cuba's part of the Gulf of Mexico, was supposed to notify state-owned oil company Cubapetroleo (Cupet) this month of its intentions but needed more time, said spokeswoman Paula Almada. "Given the geological complexity of the block area, it was negotiated with Cupet a six-month extension ... to finish the work of geology and geophysics," she told Reuters. She was responding to questions sent to Joao Figueira, head of the Brazilian oil giant's Cuba operations.

Petrobras signed up for its Cuba block in October 2008 in a Havana ceremony attended by Cuba's President Raul Castro and Brazilian President Luiz Inacio Lula da Silva. The company got what was considered a prime block, hugging Cuba's northern coast next to the island's most prolific onshore oil field at Varadero, east of Havana. Figueira told Reuters last July that Petrobras had completed its seismic work in the block and was studying the results. The area showed good prospects, he said, but it remained to be seen if it had sufficient accumulations of oil to make wells profitable. "The challenge and uncertainty are related to reserve distribution, size and production per well," Figueira said.

Petrobras' involvement was seen as a boost to Cuba's hopes to finally tap into offshore fields it estimates contain 20 billion barrels of oil. The only exploration well in its waters so far was drilled by Spanish oil company Repsol in 2004. Repsol has not yet drilled a second well, but on Wednesday a spokeswoman for Saipem (SPMI.MI), the offshore drilling unit of Italian oil company Eni SpA (ENI.MI), told Reuters Repsol has contracted for one year a drilling rig her company has under construction in China. She would not confirm where the rig will operate, but advertisements seeking to hire its crewmembers have said it will come to Cuba. Repsol has declined to comment.

CUBAN OIL PRODUCTION FELL 9 PCT IN 2009

Source: Reuters, Marc Frank; June 3, 2010

* Cuban oil output falls 300,000 tonnes in 2009

* Nat gas output stagnates at 1 million-plus cubic meters

Cuba's oil production fell by almost 300,000 tonnes in 2009 over 2008, while natural gas output stagnated, the National Statistics Office reported on Thursday.

Oil production was 2.73 million tonnes and natural gas output, the equivalent of 1.15 million tonnes, compared with 3 million tonnes and 1.16 million tonnes respectively in 2008, according to information posted on the office's web page ([here](#)). Energy dependant, Cuba does not report oil production in barrels, but officials state it is between 60,000 and 70,000 barrels per day. The government gave no reason for the decline, though it coincided with a forced buy-out of concessions owned by Canadian firms Pebercan and Sherritt International (S.TO). Pebercan is no longer in Cuba, while Sherritt continues to operate other blocks. Cuban production is concentrated along the northwest heavy oil belt, an 80-mile (128-km) stretch of coast in Havana and Matanzas provinces which produces all of Cuba's heavy crude with a density rating of 8 API to 18 API and a high sulfur content.

Most new wells are drilled vertically from the shore from two to seven kilometers out to sea. Output had stagnated for nearly a decade as old wells were exhausted and new ones did no more than take up the slack. The poor-quality oil is burned in modified power plants and factories. Some domestic oil is also processed at a joint venture refinery with Venezuela in the Cienfuegos province, and then exported to area countries. Since 2006, Cuba has shipped small amounts of the crude to Asia. Cuba imported 93,000 bpd of oil and by products, with preferential financing, from Venezuela in 2008, the last statistics available, with an additional amount sent to the Cienfuegos refinery.

TRANSPORTATION

CUBA PLANS TO REPAIR 6,000 KILOMETERS OF RAIL LINES

Source: Xinhua General News Service; May 13, 2010

Cuba plans to renovate its railway system by repairing 6,000 kilometers of track and acquiring new equipment, the official daily the Granma reported Wednesday.

"The government has decided to achieve the recovery of the national railway system, although it will require an enormous effort," the newspaper quoted Antonio Enrique Lusson, the new vice president of the Council of Ministers, as saying. Lusson said the decisions are meant to speed up reconstruction work and reduce the five-year process to three years.

One of the objectives set by the government is to restore four technology centers for training young specialists. The centers are expected to start operations between 2010 and 2011, Lusson added. Lusson spoke after opening a restored railway bridge in Guantanamo province with Cesar Ignacio Arocha, the new minister of transport. The Cuban government has announced several plans to finance the national railway system in recent years. One hundred locomotives were purchased from China in 2008 and 28 more the next year from Russia. According to official statistics, Cuba spent nearly 600 million dollars on its railway restoration program in 2009.

CUBA LETTING DRIVERS RENT BUSES, MAKE MONEY

Source: Reuters, Rosa Tania Valdes; May 17, 2010

The Cuban government has begun renting its smaller city buses in Havana to the bus drivers in another minor move under President Raul Castro to ease the state's hand in Cuba's socialist economy.

The program, launched several months ago and still not announced by the government, appears to be part of Castro's drive to improve the communist island's troubled economy by giving more incentive for Cubans to work harder. "They rented us the guaguas (buses). The (state) guarantees gasoline, we pay daily taxes and what is left is for us," said a driver this week while passengers filled the 16 seats of his Chinese-made Yutong bus in a Havana plaza.

Improving public transportation is one of the major challenges facing Raul Castro, who replaced ailing older brother Fidel Castro as president two years ago. Few people in Cuba own cars and the public transit systems they depend on are notoriously insufficient. The smaller buses are used in Havana to connect the city center with the suburbs. The government has fixed ticket prices at five Cuban pesos, equal to 22 cents U.S. And it provides fuel and the bus in exchange for a daily payment from the drivers of 824 pesos, or the equivalent of \$37 U.S.

The drivers keep anything they make above that amount, and so far they say they are earning more than the average Cuban salary of about \$20 a month. "You have to work hard to make money, but it gives results," said another driver. The new system appears to be benefiting passengers, who say buses are coming much more frequently and on a timely basis than in the past.

ONLY THE BEGINNING

Drivers say they hope and believe the program will be extended to more routes and other cities. "This is only the beginning. The state is going to loosen things little by little. They can't do everything, and they are seeing if this system gives results," said one driver as he made a turn in his small beige bus. Similar steps have been taken recently with taxis, some of which are now being rented to drivers, and with small barber shops and beauty salons. In both cases, the employees pay rent and a portion of their earnings to the state, and pocket the rest.

Cuba abolished private property after Fidel Castro took power in the 1959 Cuban revolution, and it is one of the last countries with a Soviet Union-style economy almost entirely in state hands. In the past, Cuban authorities have rejected the notion of following in the footsteps of countries like China or Vietnam, where the Communist Party retained political control but liberalized the economy. But in recent months, Cuba's heavily controlled state-run press has published opinions from readers who favor putting more of the economy in private hands, in what some view as the start of a government campaign clearing the way for change. "They are preparing the people," said a manager at a state-owned business. "The people need to digest little by little these measures." But others complain that the government needs to move more quickly, which many expected when Raul Castro took office.

The 78-year-old general began his administration with a flurry of small, but symbolic changes such as allowing the purchase of cell phones and computers and permitting Cubans to go to hotels and restaurants previously open only to foreigners. Since then, change has come much more slowly, which Castro has blamed on his not wanting to make mistakes that could endanger Cuban socialism when his generation is gone.

SUGAR

CUBA'S SUGAR HARVEST WORST IN 105 YEARS

Source: EFE; 5 May 5, 2010

The current sugar harvest is Cuba's worst since 1905, Communist Party daily Granma said on Wednesday, two days after President Raul Castro fired the minister responsible for the industry.

The sugar ministry has failed to implement the changes needed to address chronic problems, the newspaper said. Sugar Minister Luis Manuel Avila Gonzalez was dismissed this week after roughly 16 months in the job. The official account said he asked to be relieved after acknowledging "deficiencies" in his job performance. Avila was replaced by Deputy Minister Orlando Celso Garcia Ramirez.

Granma said the sugar ministry "suffered a lack of objectivity" in its planning and projections for the current season and that officials' mistakes could no longer be "masked" by blaming the weather or other external variables. Last year's harvest was more than 850,000 tons short of the official forecast, the daily said, following a downward trend that set in after the sector enjoyed an "encouraging upturn" in 2005-2008. "It is not by chance that the harvest is closely followed, that its unfavorable results are noted and painful. Putting it back where it should be is indispensable," Granma said, calling sugar part of Cuba's heritage.

The Cuban sugar industry underwent a major overhaul between 2002 and 2004, when the number of refineries was slashed from 156 to 61, more than 100,000 jobs were eliminated and the amount of land planted with sugarcane shrank from 2 million hectares (4.9 million acres) to around 750,000 hectares (1.85 million acres). Cuba produced 1.4 million tons of sugar in the 2008-2009 season, earning more than \$600 million from exports of the sweetener.

CUBA STRAINS TO REACH 1.1 MLN TONNES RAW SUGAR

Source: Reuters, Marc Frank; May 13, 2010

- * 1.1 million tonne mark still in reach
- * 15 to 20 mills grinding as rains threaten
- * Output seen lowest since 1905

The Cuban sugar harvest has entered its final days with output just short of the 1.1 million tonne mark, according to a Reuters estimate based on local media reports and sources this week. With some 15 to 20 mills still open the country could produce the 20,000 to 30,000 tonnes of raw sugar needed to go over the mark in what has shaped up to be the worst harvest since 1905, according to a report this month in Granma, the Communist Party daily. "The sugar harvest has experienced serious difficulties and a shortfall of more than 230,000 tonnes in respect to the plan," the National Information Agency reported this week.

The Sugar Ministry said when the harvest began that it would come in at a similar tonnage as 2009, or around 1.3 million tonnes. Sugar Minister Luis Manuel Avila resigned this month and was replaced by his deputy, Celso Garcia Ramirez, perhaps Cuba's last as business sources expect the ministry to close soon and be replaced by a state-run holding company. Just three of 13 sugar-producing provinces have met their plans and fewer than 50 percent of the 46 mills open this year have met their plan.

The Cuban sugar harvest runs from January through April, when summer rain and heat begin to set in, hampering cane cutting machines and lowering cane sucrose content. The country has escaped heavy rainfall so far in May, allowing some mills to remain open, though local meteorologists forecast summer rains will set in next week. 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.

CUBAN TV BROACHES IDEA OF FOREIGN SUGAR INVESTMENT

Source: Reuters, Marc Frank; June 3, 2010

* Says industry needs capital and foreign investors

Cuban state-run television mentioned opening up sugar production to foreign investment for the first time on Thursday, even as a few mills added tonnage to the season's dismal output of under 1.2 million tonnes of raw sugar. This year's harvest was the worst in more than a century, the Communist party newspaper, Granma, reported in May, while sources close to the industry report it will be reorganized and foreign investment allowed for the first time since mills and land were nationalized in 1959.

Cuba is quietly negotiating coadministration of a few of its mills, according to foreign business sources, but had not mentioned the change of policy under President Raul Castro in the government controlled media. "It would be difficult for this sugar harvest to go much beyond the lowest harvest in recent years which in 2006-2007 barely reached 1.2 million tonnes," popular television commentator Ariel Terrero said during his weekly spot on the economy.

Reuters estimates output at between 1.1 million and 1.2 million tonnes, the lowest in over a century, with only one or two mills still open well beyond the season, based on local media reports and sources. Terrero said with prices expected to remain relatively high and the crop's multiple uses such as for animal feed, electricity and alcohol, the industry was worth saving but would require investment at a time when capital in Cuba is short. Terrero said the industry should be allowed to reinvest part of its profits, and that "the other factor that should not be forgotten is foreign investment, due precisely to the attractive figures of the industry."

Sugar Minister Luis Manuel Avila resigned in May and was replaced by his deputy, Celso Garcia Ramirez, perhaps Cuba's last as business sources expect the ministry to close soon and be replaced by a state-run holding company. The Cuban sugar harvest runs from January through April, when summer rain and heat begin to set in, hampering cane cutting machines and lowering cane sucrose content. Parts of the country escaped heavy rainfall in May, allowing some mills to remain open. 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 RELEASES LOWER 2009 SUGAR INDUSTRY RESULTS

Source: Reuters, Marc Frank; June 7, 2010

- * Raw sugar output was 1.34 million tonnes
- * Refined sugar production not given
- * Cane yields dropped significantly

Cuba produced 1.34 million tonnes of raw sugar in 2009, down slightly from 1.38 million tonnes in 2008, as it struggled to little avail to recover some of the luster of its once proud industry, according to an official report released this week.

While 2010 results will not be available for a year, Reuters estimated output fell to between 1.1 million and 1.2 million tonnes during the just-concluded harvest, based on local media reports and sources. This year's harvest was the worst in more than a century, the Communist party newspaper, Granma, reported in May, while sources close to the industry report it will be reorganized and foreign investment allowed for the first time since mills and land were nationalized in 1959.

The National Statistics Office left blank refined sugar output, which officials had said was a bit above the 247,000 tonnes reported for 2008. (<http://www.one.cu/aec2009/datos/11.4.xls>). Cuba exported 740,400 tonnes of raw sugar last year, garnering \$216 million, down slightly from 2008, the 2009 statistical abstract posted on the Office web page (www.one.cu) said, while importing \$11 million worth of refined sugar products, presumably low-grade whites. Cane yields per hectare declined from 41.3 tonnes in 2008 to 33.3 tonnes on the 435,000 hectares harvested (<http://www.one.cu/aec2009/datos/9.4.xls>).

INTERNET & TELECOMS

CUBA REPORTS LITTLE INTERNET AND TELECOM PROGRESS

Source: Reuters, Marc Frank; March 15, 2010

Cubans' ability to communicate with one another and the world remained well below the norm for the Caribbean and Latin America in 2009, according to a government report released this week

Despite the legalization of mobile phones in 2008 there were just 1.8 million phone lines in the country, or 15.5 lines for every 100 inhabitants, which was the lowest in the region, according to the United Nations International Telecommunications Union. Some 800,000 of the phones were mobiles.

Computers numbered 700,000 or 62 per 1,000 residents, compared with more than 160 per thousand residents in the region, and many were in government offices, health and education facilities. There is no broadband in Cuba and the relatively few Internet users in the country suffer through agonizingly long waits to open an e-mail, let alone view a photo or video. This also hampers government and business operations.

Cuba blames the United States embargo, saying it must use a satellite system and is limited in the space it can buy. Last year, in a move easing some aspects of Washington's 48-year-old embargo against Cuba, President Barack Obama allowed U.S. telecommunications firms to offer services in Cuba as part of a strategy to increase "people to people" contact. While Cuba's leaders welcomed the move, they reiterated their demand that Washington completely lift the embargo and to date there has been no progress, business sources said.

The Cuban state monopolizes communications and dominates the economy. While the National Statistics Office reported on its web page (www.one.cu/ticencifras2009.htm) that there were 1.6 million Internet users, or 14.2 per 100 residents, in most cases this was to a government intranet. In Jamaica, Internet access was 53.27 per 100 inhabitants in 2008, the Dominican Republic 25.87 percent and in Haiti 10.42 percent, the ITU reported.

Access to satellite television was also severely restricted. In Cuba, satellite TV access is illegal without special permission from the government and authorities regularly raid neighborhoods and homes in search of receptors. Officials insist the data for individual use and ownership of computers and telephones is misleading, as priority is given to social use of telecoms technology, from health and education to government-operated computer clubs in every municipality.

Cuba and ally Venezuela have formed a joint venture to lay cable between the two countries, but completion of the project is at least a year off. Cuba's failure to embrace modern telecoms is a major complaint among citizens under 50 years old, who cite it as one of the reasons they seek to migrate abroad.

IMPORTS & EXPORTS

CUBA REPORTS DRAMATIC DROP IN MARITIME SHIPPING

Source: Reuters, Marc Frank; June 25, 2010

Shipping to and from the island nation of Cuba by Cuban shippers fell by more than 60 percent in 2009 as the country slashed imports to deal with a foreign exchange crisis, a government report released on Friday said.

The report, posted on the National Statistics Office web page (one.cu), provides a good indicator of the depth of the economic crisis in the Communist-run nation, which imports most of its energy, machinery, food and consumer goods. Cuban shipping fell from 1.14 million tonnes in 2008 to 452,000 tonnes last year, the report stated. The statistics office said international shipping to the island fell 13 percent last year. Imports dropped to 8.7 million tonnes, down from 10.2 million in 2008, while exports dipped to 2.4 million tonnes, down from 2.6 million. Cuba's economy has been battered by the global financial crisis, damaging hurricanes and chronic inefficiencies.

Faced with a mushrooming trade deficit, a liquidity crisis and tight credit, Cuban President Raul Castro declared at the end of 2008 the country could no longer spend more than it earned and proceeded to cut imports. Economy Minister Marino Murillo said in December imports were down 37.4 percent compared to 2008, while the government had turned 2008's foreign exchange deficit into a surplus. Foreign businessmen in Cuba say the country appears to be reducing imports even more this year. The cutbacks have led to spot shortages of goods and some foods.

CUBA & ITS PARTNERS

CUBA TRADE WITH CHINA FELL 31 PCT TO \$1.5B IN '09

Source: AP; June 1, 2010

Cuba's trade with China fell by nearly a third in 2009 to about \$1.5 billion, further evidence of just how much the island is slashing spending amid crippling economic woes.

China's ambassador to Cuba, Chen Feng, told Havana's state-run weekly magazine Opciones that his country's economic ties to Cuba were down 31.5 percent compared to the previous year. But in the remarks published Monday, he also announced plans to collaborate with Cuba on a new luxury hotel on Havana's western outskirts that will cost about \$117 million and be built later this year. It was not clear if the 2009 trade figure included \$78 million in credits, donations and hurricane relief Chinese President Hu Jintao promised during a November 2008 visit to the island. The drop in 2009 was consistent with sharp tumbles in Cuban imports from other major trading partners such as Venezuela and Spain, as well as food and farm products it is allowed to receive from the United States despite Washington's 48-year-old trade embargo.

Cuba's economy is struggling to overcome a triple-whammy of bad news: Three major hurricanes did more than \$10 billion in damage in 2008, the global economic crisis dampened tourism and a drop in commodities prices hurt nickel sales for much of 2009. China is Cuba's second-largest trading partner behind Venezuela, where socialist President Hugo Chavez helps keep the Cuban economy afloat by providing more than 100,000 barrels of oil per day in exchange for island doctors, who provide free medical care in his country, and other social services. The economic ties to Beijing have brought many tangible benefits to Cuba, including about 4,000 new Yutong buses that have replaced smoke-belching, Soviet-era buses. Chen said Cuba will continue importing Chinese goods, primarily for its electrical industry, as well as communications, transportation and agriculture. Last year, Cuba's government was an investor in the construction of the new 868-room Gran Melia Shanghai in that Chinese city. The money for the new 650-room resort at the Hemingway Marina on Havana's outskirts will be financed 49 percent by Cuba's government and 51 percent by China, the ambassador said.

TOURISM

TOURIST-HUNGRY CUBA OPENS DOOR TO GOLF COURSES

Source: Reuters, Nelson Acosta; May 4, 2010

Cuba has approved the development of golf courses, marinas and other real estate projects by foreign investors to boost the communist-run island's tourism industry, Tourism Minister Manuel Marrero said on Tuesday.

The measure appears to open doors to foreign companies that have long-pending proposals to build at least 10 golf courses on the Caribbean island, where there are now only two. "With the objective of developing regions that today are virgin, a policy was approved that permits real estate development associated with tourism, fundamentally golf courses, marinas and other complementary tourist investments," Marrero told a news conference at Cuba's annual International Tourism Fair.

Marrero said the Cuban government was in advanced negotiations with "several potential foreign partners" to build golf developments. Golf is seen by cash-strapped Cuba as a way to attract more tourists to the island, and more with money. Last year, 2.4 million tourists visited, but they spent 12 percent less than in 2008, according to government statistics.

Even with the decline, tourism brought in more than \$2 billion last year, or about 20 percent of Cuban's foreign exchange income. Marrero said just over a million people visited Cuba in the first four months of 2010. Cuba once had a dozen golf courses, but almost all were eliminated after the 1959 revolution that put Fidel Castro in power.

Havana has a nine-hole course used mostly by diplomats and foreign business officials, and the beach resort of Varadero, 85 miles east of the capital has an 18-hole course. The proposed courses would include construction of luxury condos and homes, which has been a major sticking point in getting approval by the government.

LONG LEASES

Cuba prohibits foreign ownership, so golf course developers have proposed they be given long leases for their projects. The government permitted the construction of a handful of condominiums in association with foreign companies at the end of the 1990s, most of which were sold or rented to foreigners.

Dozens of luxury hotels also have been built in joint ventures with international hotel chains. A huge marina is being built at Varadero with the hope that U.S. sailors will one day make the 90-mile trip across the Straits of Florida to Cuba. Americans are generally banned from visiting Cuba due to the 48-year-old U.S. trade embargo against the island, but legislation is pending in the U.S. Congress to lift the ban. Marrero did not offer other details about the new policy, but said the official regulations would be published soon. The new businesses "will permit the beginning of another stage for development of Cuban tourism ... in areas with tourist potential that still aren't exploited," he said.

CUBA OKS RESIDENTIAL PROJECTS LINKED TO RESORTS

Source: AP, Will Weissert; May 4, 2010

Cuba has approved construction of residential projects linked to resorts, the tourism minister said Tuesday, possibly opening the door for villas that could one day ring oceanfront golf courses and other vacation getaways.

Manuel Marrero said the communist-governed island is on pace for its third straight record year of foreign visitors, and it hopes to continue expanding into the little-tapped golf market. He said the government has green-lighted "real estate for tourist purposes," without giving details. But the move may mean Cuba will allow tourist developments that include long-term residences — not just hotels catering to short-term visitors that now line the island's beaches. Investment firms in Canada and Europe have proposed building golf courses coupled with luxury housing under long-term leases with Cuba's government. Endorsing residential zoning for tourism could be a first, albeit small, step toward making those projects a reality. The decision would allow Cuba's "entrance into new segments and the realization of investments in areas with tourism potential that have yet to be exploited," Marrero said.

The island has only one 18-hole golf course and hopes to build 10 more, but has yet to break ground on any projects financed by foreigners. Cuba has tried before to balance its drive for an egalitarian society with an appeal to foreigners seeking to own a piece of paradise. Scrambling for revenue in the late 1990s, the government authorized private foreign ownership of posh apartments in Havana and even signed a \$250 million deal for beachfront apartments and timeshares with a Canadian company. Many of those project stalled, however, failing to draw enough foreign investment. Meanwhile, some overseas businessmen bought Havana apartments but allowed Cuban girlfriends to live in them — violating rules barring islanders from doing so, said John Kavulich, senior policy adviser at the U.S.-Cuba Economic Trade Council in New York.

Cuba eventually bought out most of the residences it had hoped would be owned by foreigners. Kavulich said Marrero's announcement "is not new, it's renewed." "Part of the caution would be we've seen this before," he said. "They're bringing it back, that's a good thing, but we need to see what happens." Addressing a tourism fair at Morro Castle, a Spanish fort built in 1859 that guards the sea entrance to Havana, Marrero also said Cuba may exceed 2.5 million foreign visitors in 2010. More than 1.05 million foreigners had come as of the end of April, the most-successful four-month span since Cuba began promoting large-scale tourism after the collapse of the Soviet Union and the end of its billions in annual subsidies to the island. "It's been surprising because we began with January and February really bad — bad because of the financial crisis, because of many factors," Marrero told reporters after his presentation. "But March and April have been very good."

In 2009, Cuban tourism rose 3.5 percent, with more than 2.4 million tourists coming, mostly from Europe and Canada, despite the global recession. But many visitors stayed fewer days than usual, and tour operators offered steep discounts to keep them coming, meaning revenues slumped nearly 12 percent. While the U.S. government doesn't permit most of its citizens to travel to Cuba, the Obama administration has eased restrictions on Cuban-Americans visiting relatives here. But those who come for family travel are counted as Cubans, not foreign visitors. Marrero said 50 percent more Cuban-Americans visited early this year than during the same period last year, but offered no statistics. He said Cuba has 50,000 hotel rooms nationwide, many in establishments jointly operated by the government and private companies in Europe.

CUBA: AUMENTAN VISITANTES, PERO BAJAN INGRESOS

Source: AP, Andrea Rodríguez; June 7, 2010

Cuba recibió en 2009 unos 81.000 turistas más que el año precedente, pero en cambio sus ingresos en el sector bajaron en un 10%. Un reporte de la Oficina Nacional de Estadísticas (ONE) mostró que la isla sumó en 2009 a unos 2,42 millones de vacacionistas extranjeros contra los 2,34 millones del 2008, o sea un 3,4% más. Sin embargo, señaló que los ingresos asociados al turismo en el periodo fueron por 2.274 millones de dólares, un 10% inferior que los 2.533 conseguidos del 2008.

Funcionarios del Ministerio de Turismo reconocieron en ocasiones anteriores que la isla habría sufrido los embates de la crisis mundial que deprimió todos los mercados de viajes a nivel mundial. Los países con más visitantes fueron Canadá con 914.000, Inglaterra 172.000, España 129.000, Italia 118.000 y Alemania con 93.000. Entre los latinoamericanos destacaron los mexicanos con 61.000 vacacionistas y los argentinos con 48.000.

La cantidad de visitantes estadounidenses, el mercado más poderoso del mundo en materia de turismo y cercano a Cuba, pasó de 41.904 viajeros en 2008 a 52.455 en 2009, un crecimiento del 25%. Los ciudadanos estadounidenses no pueden viajar sin permisos especiales, pero la mayoría de los turistas viajan a través de terceros países como México o Jamaica. Si son descubiertos enfrentan fuertes multas por violar la normativa. Grupos de presión en Estados Unidos y algunos legisladores trabajan por la eliminación de estas sanciones y empresarios del vecino país se mostraron interesados en aprovechar las oportunidades de una apertura del turismo en Cuba para sus compatriotas.

El computo no contempla las visitas de cubano-americanos, quienes tienen un permiso especial para visitas familiares y cuyos trámites fueron flexibilizados por el presidente Barack Obama en 2009. Otras cifras ofrecidas por la ONE estadística también muestran un incremento de las habitaciones de hoteles o centros turísticos con las cuales cuenta la isla: pasaron de 56.970 en 2009 a 60.606 en 2009. El turismo es una de las fuentes más importantes de ingresos para la economía de Cuba junto con la exportación de níquel.

CUBA CIGARS

SMOKING BANS AND ECONOMICS HIT FAMED CUBAN CIGARS

Source: Reuters, Marc Frank; June 21, 2010

- * Cigar production, export earnings off sharply
- * Industry draws on inventory

Global economic woes and the worldwide spread of smoking bans are taking their toll on Cuba's famous cigar industry, with the just-completed harvest of the country's finest tobacco down 14 percent over 2009, local media said on Monday.

In westernmost Pinar del Rio, home of Cuba's most famous tobacco, the harvest came in at 22.4 million leaves, down from 26 million in 2009, according to Guerrillero, the province's Communist party weekly. The area's tobacco is used as wrapper leaf and part of the filling in Cuba's prized cigar brands, including Cohiba, Montecristo, Trinidad and Partagas. "There was a reduction in planting due to limitations in resources caused by the economic crisis," the weekly said.

Cuba's premium cigars dominate the world market with 70 percent of sales. That jealously guarded market share excludes the United States, where Cuba's cigars are banned under the 48-year-old U.S. trade embargo against the communist-led island. But the industry has fallen on hard times in recent years, with production of cigars for export down from 217 million in 2006, to 123 million in 2007 and just 73 million last year as the business drew on its stored inventory, the government reported this month.

Cash-strapped Cuba cut the amount of land devoted to growing its famous tobacco by more than 30 percent last year. Sales from cigar exports fell to \$218 million in 2009, down from \$243 million in 2008. In contrast, domestic demand for lower-quality cigars, which cost as little as a few cents and are made from tobacco grown elsewhere in the country, showed no sign of slowing. About 300 million were produced last year, compared with 278 million in 2008, the government said.

The exclusive distributor of Cuban cigars, Habanos S.A., a joint venture between Cuba and British tobacco giant Imperial Tobacco Group Plc, was not immediately available for comment. Some 200,000 private farmers and family members depend on growing and curing the precious leaf under contract with the government. Tens of thousands of workers earn their living hand rolling the crop into the famous "Habanos" or "Puros" for export.