



# NOUVELLES ECONOMIQUES ET FINANCIERES

BULLETIN DE L'AMBASSADE DE SUISSE A CUBA

La Havane, le 29 février 2009

No. 1 - 2009

Janvier - Février 2009

## SUMMARY

### DOMESTIC ECONOMY

|   |   |
|---|---|
| CUBA TO ALLOW CONSTRUCTION OF PRIVATE HOMES: RAUL CASTRO        | 1 |
| CUBA TO SPEND \$262 MN ON ELECTRIC GRID                         | 1 |
| CALLING ALL CARS: CUBA RECRUITS FREE-MARKET TAXIS               | 2 |
| CUBA TO KEEP INTERNET LIMITS AFTER FIBER OPTIC CABLE            | 3 |
| CUBA JUSTIFIES LOW USE AND HIGH COST OF MOBILES                 | 3 |
| CUBA LAUNCHES OWN LINUX VARIANT TO COUNTER U.S.                 | 4 |
| ANALYSIS – ECONOMIC WOES, SOME WINS IN RAUL CASTRO'S FIRST YEAR | 4 |

### ENERGY & OIL

|   |   |
|---|---|
| CUBA PRODUJO CUATRO MILLONES DE TONELADAS DE PETROLEO Y GAS EN 2008 | 5 |
| CUBA PLANS NEW OFFSHORE DRILLING IN SEARCH FOR BIG OIL FINDS        | 6 |
| PEBERCAN LOCAL UNIT RECEIVES PSC TERMINATION PAYMENT                | 6 |
| CUBA AWAITS ITS OIL BOOM AND RUNS SHORT ON CASH                     | 7 |

### TRANSPORTATION

|   |   |
|---|---|
| AMPLIARÁN TERMINAL AÉREA A DONDE LLEGAN VUELOS DE MIAMI | 8 |
|---|---|

### FOOD & AGRICULTURE

|  |    |
|--|----|
| CUBAN COFFEE OUTPUT ROSE 27% IN 2008, FALLING JUST SHORT OF 8,000 TONNES | 8  |
| CUBAN CITRUS OUTPUT CONTINUES STEEP DECLINE                              | 9  |
| CUBA RICE OUTPUT STAGNATES, IMPORTS TO REMAIN HIGH                       | 9  |
| CUBA GRANTS LAND TO THOUSANDS OF NEW FARMERS                             | 10 |

### MINING

|  |    |
|--|----|
| CUBA PUTS NET NICKEL PROFIT AT \$552 MILLION | 10 |
|--|----|

### IMPORT & EXPORT

|  |    |
|--|----|
| CUBA SAYS EXPORTS OF SERVICES TOPS \$9 BILLION               | 11 |
| CUBA-CRISIS: EXPORTACIONES CUBANAS SUFREN POR CRISIS MUNDIAL | 11 |

### FOREIGN TRADE

|   |    |
|---|----|
| CUBAN CIGARS SALES DROP GLOBAL CRISIS               | 12 |
| U.S. COMPANIES GET CUBA TRADEMARKS, WAIT FOR CHANGE | 12 |
| U.S. FOOD SALES TO CUBA SOAR 61 PERCENT IN 2008     | 13 |
| US FOOD SALES TO CUBA SEEN BOOSTED BY PENDING LAW   | 14 |

### SUGAR

|  |    |
|--|----|
| PLAN DE CUBA PARA AZÚGAR PELIGRA POR BAJO RENDIMIENTO MOLINEDA | 15 |
|--|----|

### CUBA AND ITS PARTNERS

|   |    |
|---|----|
| IRÁN ELEVA EL CRÉDITO A CUBA DE 200 A 500 MILLONES DE EUROS | 15 |
| CUBA, ECUADOR SIGN COOPERATION AGREEMENTS                   | 16 |

### TOURISM

|  |    |
|--|----|
| RECORD NUMBERS VISITED CUBA IN 2008, MORE GROWTH PROJECTED | 16 |
|--|----|

## DOMESTIC ECONOMY

### CUBA TO ALLOW CONSTRUCTION OF PRIVATE HOMES: RAUL CASTRO

Source: Agence France Presse; January 4, 2009

Cubans will be permitted to build their own homes and do so using private funds, President Raul Castro announced Sunday, in the latest reforms to back off the hardline communism of the past five decades.

Home construction in Cuba primarily has been left to the government, but demand has outstripped supply and a dire lack of housing has greatly frustrated the island's 11 million inhabitants. Raul Castro, 77, who took over the reins of power from his older brother Fidel Castro last February, said the policy change would allow the quick construction of hundreds of thousands of new dwellings. Cubans will be given clear guidelines about the dimensions of a proposed new dwelling, Castro explained on a local television program. They will be told "OK, here you can build. I've given you this amount of space, that amount of room for a street, and that amount for a sidewalk. Now build your little home with whatever you can," the former defense minister said. His remarks were made as he visited the newly built "La Risuena" neighborhood, a settlement of Venezuela-built homes erected with the help of oil money that has lessened, but not erased, the housing deficit.

The announcement comes just days after Cuba's celebration of the 50-year anniversary of its 1959 Revolution. Former leader Fidel Castro was a no-show at the celebrations. Havana has succeeded in building only about half its annual goal of 100,000 new homes per year, and the dearth of dwellings worsened last year after Cuba was struck in succession by three hurricanes that leveled around a half million homes. Over the past year, reforms initiated by the younger Castro brother have included putting vacant farmland in private hands, increasing farmers' pay, and allowing private contractors such as taxi drivers back into Cuba's transport sector. Raul Castro also has allowed Cubans to buy computers, own mobile telephones, rent cars and spend nights in hotels previously accessible only to foreigners -- provided they can afford such luxuries on the meager average pay, equivalent to about 17 dollars per month.

### CUBA TO SPEND \$262 MN ON ELECTRIC GRID

Source: EFE; January 6, 2009

The Cuban government plans to spend more than \$262 million on the program begun in 2005 to repair the island's electric grid, the official press reported Tuesday.

The grid is one of the areas being targeted by the "energy revolution" promoted by former President Fidel Castro, a plan that now also includes steps to promote conservation, the Juventud Rebelde newspaper said. As of 2008, more than 165,600 poles and 1 million meters had been replaced, and 91 percent of the low-voltage areas in the country had been brought up to standard, the newspaper said. Nearly 10 million "inefficient" appliances, such as refrigerators, fans, stoves and water heaters, have been sold at subsidized prices to Cubans to improve energy efficiency in the residential sector, Juventud Rebelde said.

The obsolete appliances were "picked up and turned into scrap," the newspaper said, adding that "more than 228,000 new televisions and more than 250,000 air conditioners are already operating in homes." The government has also provided some 10 million compact fluorescent light bulbs to replace inefficient incandescent bulbs and distributed more than 21 million stoves, the majority in areas where people previously used kerosene and liquefied gas to cook. The conservation program, moreover, calls for additional measures, such as raising electricity rates and cracking down on the pilfering of gasoline at service stations.

## CALLING ALL CARS: CUBA RECRUITS FREE-MARKET TAXIS

Source: AP, Will Weissert; January 13, 2009

Cubans with classic American cars - or even rusty Russian sedans - are being encouraged to apply for taxi licenses and set their own prices for the first time in nearly a decade as the communist government turns to the free market to improve its woeful transportation system. Under regulations published into law this week, Cuba is applying a larger dose of supply-and-demand to an economy that remains 90 percent under state control.

The move by President Raul Castro's government also breaks with the policies of his ailing brother Fidel, who long accused private taxis - legal and otherwise - of seeking "juicy profits" and fomenting a black market for state-subsidized gasoline that Cuba "had sweated and bled" to obtain. New taxi licenses have not been approved since October 1999, and it is not clear how many new cabs will be allowed. The measure orders officials to determine what combination of "autos, jeeps, panel trucks, minibuses, three-wheelers and motorcycles" will best meet each area's needs. "Without these taxis, especially in the city of Havana but also in the provinces, the country would practically grind to a halt," said Oscar Espinosa Chepe, a state-trained economist who became an anti-communist dissident and has written essays on pirate taxis. He noted that new government buses have improved public transportation somewhat, "but it's not enough."

In cities, the government will let more private cabs charge based on supply and demand, though a state commission will establish fare limits to discourage price gouging. In the countryside, owners of cars, trucks and even motorcycle sidecars will be encouraged to ferry passengers at state-determined prices in areas where bus service is spotty, especially along desolate highways connecting remote villages. Those doing so will receive subsidized gasoline. Havana retiree Barbara Costa said she would encourage her son-in-law to give up his job as a state engineer and use a 1950s Chevy that had belonged to his father as a taxi. "It could be a great help, an economic help to the family but also to the entire population since public transportation is still very difficult," the 71-year-old said. Sales of new cars are tightly controlled, and many of the vehicles on Cuban roads predate Fidel Castro's 1959 revolution, though drivers often replace their original engines with diesel motors that are foul-smelling but cheaper to operate.

Thousands of hulking 1950s Oldsmobiles, Dodges and Fords, as well as long-gone models like Packards and DeSotos, already operate as licensed, private taxis. Known as "maquinas" - literally "machines" - or "almendrones," which translates as "almond shells," the vehicles adhere to set routes and charge set fares. Special fleets of modern taxis catering to foreigners also charge set fares, but only the wealthiest Cubans can afford them. Because buses and licensed taxi services are overwhelmed, hitchhiking is common, and many of those thumbing it hold up peso notes, offering to pay anyone who picks them up. Other people use their cars almost exclusively as black-market taxis, offering informal rides for a price. And a few existing private taxis already have state licenses that allow them to charge whatever passengers are willing to pay.

The new law appears to be aimed partly at controlling rampant competition from unlicensed people using their cars as taxis. "There's going to be more cars and fewer passengers, but at least everyone will have a license," said Jordan Marrero, a 35-year-old who steers a red-and-white 1952 Pontiac that belonged to his late grandfather through Havana's potholed streets, usually charging 20 pesos, or about 95 American cents, per fare. Marrero gave up his job in a state factory in 1996 because he found he could make more money driving a taxi. At first, Marrero claimed to be fully legal, but he displayed a taxi license that had not been renewed since May, explaining that he can no longer afford the 600 pesos (\$28.50) a month for government permission. He still operates the taxi, but spends most of his time parked a block from the stately capitol dome - a slightly taller replica of the U.S. Capitol in Washington - waiting to take a few passengers a day rather than risk cruising the city and being stopped by the police. "I pay and others don't? That can't be," he said. "When everyone is normalized, I will pay my license. But now, there is just chaos and it's not worth it to be legal." Nearby, a retired construction worker named Juan had all the necessary papers for the Russian-made Lada he operates as a taxi. But he too spends most of his days parked and waiting for walk-up passengers because he can't afford the gasoline required to drive around looking for business. "We charge what the market is willing to give us, but that's still barely enough," said Juan, who said he felt uncomfortable having his full name appear in the foreign media. Because his Lada only seats four passengers, Juan pays 400 pesos, about \$21, per month for his license, but he complained that droves of pirate taxis have eaten into his meager profit margins. "The problem is there's no control. I hope this law changes that," he said. "For now, it seems like it's easier to be illegal than to be legal."

## **CUBA TO KEEP INTERNET LIMITS AFTER FIBER OPTIC CABLE**

Source: AP HAVANA, (AFP); February 2, 2009

Cuba will continue to limit Internet access even after a fiber optic cable linking the island with Venezuela comes online in 2010, a top official said. The new cable is 1,550 kilometers (960 miles) long and will dramatically increase the island's level of connectivity, according to officials.

"We believe that the most responsible policy is to privilege collective access" to the Internet, said Boris Moreno, deputy minister of computer science and communication. Nevertheless, there is a desire for "larger number of citizens to have Internet access," technical and economic conditions allowing, Moreno told the daily *Juventud Rebelde*. But he warned that the new fiber optic cable "will not necessarily decrease the price the country pays for connection to international networks."

Because of the US trade embargo, Cuba connects to the Internet via satellite. The government says the limited bandwidth forces them to "prioritize" Internet access for "social use" purposes, with universities, companies and research centers prioritized. The US embargo bans Cuban access to underwater Internet cables, the closest of which runs from Miami to Cancun, Mexico, a mere 32 kilometers (20 miles) from Havana. Dissidents say the government's true goal is to control access to information. Moreno said Cuba, with a population of around 11.4 million, has 1.4 million Internet users, and that by the end of 2008 there were 630,000 computers, a 23 percent increase over 2007. In July, the head of the US interest section in Havana, Michael Parmly, said that Washington would allow US companies to connect Cuba to their underwater cables. "The only thing that is missing is for the Cuban government to lift its restrictions, loose its fear and begin to trust its own people," he said.

## **CUBA JUSTIFIES LOW USE AND HIGH COST OF MOBILES**

Source: Reuters, Marc Frank; February 8, 2009

Mobile telephone use will remain limited and costly in Communist-run Cuba for the foreseeable future due to the need to subsidize their social use and ensure communications with isolated areas, a state-run newspaper said on Sunday.

The *Juventud Rebelde* (Young Rebel) newspaper quoted phone company Vice President Maximo Lafuente as stating there were 480,000 mobile phones in the communist-run country of 11.2 million people, of which the 30 percent priced in Cuban pesos accounted for 80 percent of the traffic and the 70 percent priced in hard currency accounted for 20 percent of traffic. "The vast majority of cell phone traffic is subsidized by the state thanks to the income from cell phones functioning in convertible currency," the newspaper said. *Juventud Rebelde* said peso priced mobile phones are largely assigned to health, education, security and state administrative personnel, as well as to institutions and homes in isolated areas of the country. "Lines assigned for social reasons account for just 30 percent of those in use, but account for almost 80 percent of the traffic," Lafuente said. "For this reason and to avoid congestion not only do we have to constantly invest to increase coverage, but have to limit the minutes assigned to social uses," he added.

The paper also blamed U.S. sanctions for the situation. The same newspaper on Saturday reported there were no immediate plans to open up Internet access to the general public, but reported there were more than a million users in the country largely through institutions, though it was not clear how many only had access to the government intranet. Cuba's failure to quickly adopt to modern communications technology at a reasonable price is a major complaint among citizens under 50 years of age and especially the youth. Cuban telecommunications monopoly ETECSA is a joint venture in which Telecom Italia has a 27 percent stake. Cuba has less than one fixed line telephone per 10 inhabitants and has slowly been adopting cell phones as a less expensive alternative in terms of state investment. Cuban cell phone density is rated by the United Nations as the worst in Latin America and fixed-line density the sixth lowest. Cubans are free to buy and use cell phones in a hard currency equivalent called convertible pesos at an exchange rate of 24 pesos to the convertible peso or CUC. The state dominates the economy and the average state wage is around 420 pesos, or 18 convertible pesos, per month. At the same time some 60 percent of the population has some access to hard currency through money sent them by relatives abroad, tourism tips and state bonuses. A cellular telephone line costs 60 CUCs and the cheapest cellular phone is priced at 60 CUCs.

A minutes use of a cell phone calling out or receiving averages half a CUC or more than half a days state wages, while an up to 160 character text message costs .16 CUC to send. New technologies to receive and send e-mail, access Internet and receive and send graphics do not exist.

## **CUBA LAUNCHES OWN LINUX VARIANT TO COUNTER U.S.**

Source: Reuters, Jeff Franks; February 11, 2009

Cuba launched its own variant of the Linux computer operating system this week in the latest front of the communist island's battle against what it views as U.S. hegemony.

The Cuban variant, called Nova, was introduced at a Havana computer conference on "technological sovereignty" and is central to the Cuban government's desire to replace the Microsoft software running most of the island's computers. The government views the use of Microsoft systems, developed by U.S.-based Microsoft Corp, as a potential threat because it says U.S. security agencies have access to Microsoft codes. Also, the long-standing U.S. trade embargo against the island makes it difficult for Cubans to get Microsoft software legally and to update it.

"Getting greater control over the informatic process is an important issue," said Communications Minister Ramiro Valdes, who heads a commission pushing Cuba's migration to free software. Cuba, which is 90 miles from Florida, has been resisting U.S. domination in one form or another since Fidel Castro took over Cuba in a 1959 revolution. Younger brother Raul Castro replaced the ailing 82-year-old leader last year, but the U.S.-Cuba conflict goes on, now in the world of software. According to Hector Rodriguez, dean of the School of Free Software at Cuba's University of Information Sciences, about 20 percent of computers in Cuba, where computer sales to the public began only last year, are currently using Linux.

Nova is Cuba's own configuration of Linux and bundles various applications of the operating system. Rodriguez said several government ministries and the Cuban university system have made the switch to Linux but there has been resistance from government companies concerned about its compatibility with their specialized applications. "I would like to think that in five years our country will have more than 50 percent migrated (to Linux)," he said. Unlike Microsoft, Linux is free and has open access that allows users to modify its code to fit their needs. "Private software can have black holes and malicious codes that one doesn't know about," Rodriguez said. "That doesn't happen with free software." Apart from security concerns, free software better suits Cuba's world view, he said. "The free software movement is closer to the ideology of the Cuban people, above all for the independence and sovereignty."

## **ANALYSIS – ECONOMIC WOES, SOME WINS IN RAUL CASTRO'S FIRST YEAR**

Source: Reuters, Jeff Franks; February 23, 2009

A year after replacing his legendary brother as president of Cuba, Raul Castro has had more success abroad than at home where Cubans say they are still waiting for promised economic improvements.

Early expectations that he would reform the island's economy have been replaced by questions about how and when he plans to make things better for ordinary Cubans, but Cuba's foreign policy has flourished, experts say. His low-key leadership contrasts with the bombast and big political marches that older brother Fidel Castro favored during his 49 years in power. But so far any differences have been visible only at the margins of the communist system they built together after taking power in a 1959 revolution. As defense minister and second in command from the revolution's early days, Raul Castro operated in the shadow of his more charismatic brother until July 2006 when intestinal surgery forced Fidel Castro to provisionally put him in power. On Feb. 24, 2008, the National Assembly elected the younger Castro president after Fidel Castro, who is now 82, resigned. He quickly raised hopes for change by talking about the need to raise salaries and allowing Cubans to buy cell phones and computers and go to previously off-limits tourist hotels. He also launched agricultural reforms that provided more land for private farmers to try to increase food production.

The changes led many in Cuba and the outside world to think the island's first new leader in 49 years had set about reshaping one of the world's last communist economies. But the pace of change

slowed, then appeared to grind to a halt when later in the year three hurricanes struck the island at the same time as the world economy plunged into crisis. "Raul promised greater efficiency and productivity, but largely failed to deliver," said Cuba expert Dan Erikson at the Washington-based Inter-American Dialogue. Cubans, who receive various social benefits but earn on average just \$20 a month, said their early hopes had faded amid continuing economic difficulties. "Few changes have been seen. Concrete things like some improvement in the quality of life, salaries, are still out of sight," said restaurant worker Diego Valdez, 41.

#### "PRESERVING THE REVOLUTION"

"It seemed like Raul began with many ideas to change and improve our lives," construction worker Gabriel Mendez, 33, said. "Now we can stay in hotels and buy cellular phones, but in real life that's only for a few. Most people work to eat." Cuba experts said the natural and man-made disasters had made economic improvement harder, but they faulted Raul Castro for not pushing bolder reforms.

He has said Cuba faces problems such as an aging population, poor work incentives and low rates of job generation, but failed to make changes matching the challenges, said Phil Peters of the Lexington Institute in Virginia. "We have seen a dire diagnosis, but only a mild prescription," Peters said. Raul, 77, is considered more pragmatic than Fidel Castro, who, though ailing, is still a force in the government. But he is not a radical departure from his brother. "Raul has carried on where Fidel left off, he is following the same political line ... As with Fidel, it is about preserving the revolution," said Sarah Stephens of the Center for Democracy in the Americas policy group in Washington.

Internationally, Raul Castro has had more success. He has patched up troubled relations with the European Union, resurrected an old alliance with Russia and maintained strong ties with key trade partners Venezuela and China while winning diplomatic support across Latin America against U.S. policy long aimed at toppling the Cuban government. In December, Cuba joined the Rio Group of 23 Latin American and Caribbean nations, ending years of isolation. Six Latin American presidents, including close ally Hugo Chavez of Venezuela, have visited Cuba since the start of this year, all of them denouncing the 47-year-old U.S. trade embargo against the island. Stephens said the regional support would give Cuba greater confidence in dealing with the United States, where new President Barack Obama has said he is willing to talk with Cuban leaders and ease aspects of the embargo, particularly restrictions on travel and remittances to the island.

Raul Castro had benefited from a desire by many countries to engage Cuba and push it toward change now that Fidel Castro had stepped aside, one western diplomat in Havana said. But John Kirk at Dalhousie University in Halifax, Nova Scotia, said Cuba was also reaping the benefits of "medical internationalism," or its policy of sending medical staff abroad to help poor nations. "Havana's international relations are the envy of most countries around the globe," he said.

## ENERGY & OIL

### CUBA PRODUJO CUATRO MILLONES DE TONELADAS DE PETROLEO Y GAS EN 2008

Source: EFE; 8 de enero, 2009

La empresa estatal Cubapetróleo (Cupet) produjo en 2008 más de cuatro millones de toneladas de crudo y gas acompañante, un 1,3 por ciento más que en 2007, informó hoy la televisión local. El director general de Cupet en el occidente de la isla, Joel Pumariega, detalló que los yacimientos de esa región aportaron más del 60 por ciento de la producción nacional. Estudios, investigaciones, perforación en nuevas áreas y la asociación con empresas extranjeras están entre los principales planes de la empresa estatal para 2009. Cuba produce actualmente el 47 por ciento del combustible que consume y el gas nacional genera el 15 por ciento de la electricidad del país, según datos oficiales. En 2007, la industria petrolera cubana aseguró que produjo 2,9 millones de toneladas de crudo y 1.100 millones de metros cúbicos de gas. EFECOM

## **CUBA PLANS NEW OFFSHORE DRILLING IN SEARCH FOR BIG OIL FINDS IN THE GULF OF MEXICO**

Source: Thomas Omestad; February 3, 2009

Cuban officials say that exploratory drilling to assess the potential for oil reserves in the Gulf of Mexico is likely to resume in the second quarter of this year, a sign that lower world oil prices have not derailed efforts by the Cuban government and its foreign corporate partners to keep moving toward offshore oil production.

Cuba believes it has major oil reserves in its waters. But the prospect of exploratory drilling—followed by likely future commercial drilling—in the Florida Straits has fired controversy in the United States, with the expectation that someday, foreign oil firms could be drilling as close as about 50 miles from parts of Florida. The exploratory drilling will take place about 20 miles north of Havana and will be conducted by a consortium led by the Spanish oil firm Repsol, working with India's state-run Oil & Natural Gas Co. and Norway's StatoilHydro. Other exploratory drilling in the portion of the Gulf under Cuba's economic control is anticipated in 2010 and 2011. "Cuba has high potential from an exploratory point of view," said Rafael Tenreyro Perez, exploration manager for Cubapetroleo (Cupet), the Cuban state oil company, in an interview. Seismic tests suggesting possible oil deposits over the past two years in Gulf waters were "very encouraging," he said. Other firms that have, to varying degrees, partnered with the Cuban oil company in the hunt for oil either on or offshore hail from Venezuela, Malaysia, Vietnam, China, Canada, and Brazil. U.S. companies are barred from participating under regulations flowing from the 48-year-old American embargo of Cuba's economy. That widely criticized policy was intended to pressure Cuba's communist government to move toward democracy, but other countries oppose the U.S. isolation strategy toward Cuba and do business anyway.

Foreign firms have signed exploration and production agreements for 21 of the 59 blocks Cuba has created for its Gulf waters, where the biggest oil finds are believed to be located. An additional 23 blocks are said to be the subject of discussions with foreign companies. Cupet has estimated that there are 20 billion barrels of recoverable offshore oil in Cuban waters. If that bears out, Cuba, with 11 million people, would have reserves that come into the same range as those of the United States.

The U.S. Geological Survey, though, has issued more conservative estimates: under 5 billion barrels in Cuba's offshore fields. Furthermore, most of the oil is believed to lie under deep water, where extraction is difficult and expensive. Some see the advent of Cuban offshore oil drilling as raising the costs of maintaining the embargo policy, with other countries taking a piece of the Cuban action that might otherwise fall to some American firms. Some Capitol Hill lawmakers have urged that an exception be made in the embargo to permit energy cooperation. Overall Cuba policy is now under review by the Obama administration. Others are worried that a future oil spill, given Gulf currents, could spoil Florida beaches and shore areas. Tenreyro says that any drilling operations will follow "the highest" international environmental standards. Some Cuba watchers argue that environmental coordination with Cuba ought to be one of the early results of any policy changes developed by the Obama administration.

## **PEBERCAN LOCAL UNIT RECEIVES PSC TERMINATION PAYMENT**

Source: 2009 Business News Americas (BNamericas.com); February 11, 2009

Cuban authorities have paid Canadian firm Pebercan's (TSX: PBC) local subsidiary Peberco a net lump sum of US\$140mn in connection with the termination of the company's PSC.

Last month, Pebercan announced Cuba's state oil company Cupet had terminated the contract signed in 1993 and due to expire in 2018. Of the US\$140mn, roughly US\$60mn will go to compatriot Sherritt (TSX: S), Pebercan said at the time. "The company board will convene as soon as possible to consider the company's future prospects," Pebercan said this week. Pebercan has said in previous financial reports that Cupet had been late in making payments over the past few years and had not come through on a debt-rescheduling deal signed in November 2007. In a recent webcast, Sherritt CEO Ian Delaney highlighted the strained Cupet-Pebercan relationship.

## CUBA AWAITS ITS OIL BOOM AND RUNS SHORT ON CASH

Source: Associated Press Writer, BY WILL WEISSERT; 24 February 2009

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

Cuba needs the technical expertise of major western oil companies to get to any of the unexploited crude. Yet on Feb. 7 the U.S. marked the 47th year of a trade embargo that has blocked producers with the technical ability to drill that deep, denying Cuba what could be a massive windfall. A major discovery was supposed to transform Cuba into an oil exporter, drawing the foreign currency it needs to finance imports of food and machinery to modernize its communist economy and to raise stubborn state wages that average less than a dollar a day. With public debts mounting, the government was forced to buy out its two main drilling partners from a 25-year deal, and even high-ranking officials say Cuba now imports about half the roughly 200,000 barrels of oil it consumes a day at a discount from leftist ally Venezuela. The embargo and world economic crisis have undermined some of the appeal of costly deep-water drilling off the island, and Cuba's existing oil industry is floundering. Output is thought to have dropped by a quarter since 2003 as its top field, found by Russians in 1971, dries up.

There has been talk of President Barack Obama easing U.S. sanctions, which could unleash a flood of energy investment. But for now, analysts say most companies remain on the sidelines. "It's not a pretty picture," said Jorge Pinon, a former president at Amoco Oil Latin America. The U.S. Geological Survey in 2005 estimated that as much as 9.3 billion barrels of oil could lie off the island's north coast, while Cuban geologists put that number at 20 billion barrels in October, said Rafael Tenreyro Perez, production manager at state oil company Cubapetroleo, or Cupet. Experts widely dismissed the Cuban estimate, noting the government failed to disclose the methodology and data that would back up such a claim. Cuba's only deep-sea test well to date, drilled by Cupet and Spanish oil company Repsol YPF in 2004, found just small amounts of "high quality reserves," while the Ministry of Basic Resources postponed drilling projects in 2007 and 2008, saying that unprecedented oil prices had made rig rental costs too much to bear. With oil now 75 percent below its July peak, Repsol may start drilling a second well this year, Tenreyro Perez said -- though the company declined to confirm.

Cuba lacks the technology and training to certify its reserves and has sought foreign partners -- offering better terms than those offered by state-owned companies like in Mexico, which restricts foreigners to fee-for-service deals. Cuba is offering foreign companies the chance to recover capital investments in the event of a discovery, and to split the spoils with the government. Yet rights to just 21 of Cuba's 59 offshore blocks have been purchased since bidding began in 1999, and buyers from Vietnam and Venezuela to Madrid and Moscow have been slow to drill. The island's top partners have been Canadian, with Toronto-based Sherritt International Corp. and Montreal's Pebercan Inc. accounting for about 60 percent of current production. But the two companies said the island owed them a combined \$501.3 million last year, so Cuba bought out their 25-year contract for \$140 million. Even with a big find, it could take five years and \$3 billion to develop the 59 deep-sea blocks, which sit an average 6,550 feet (2,000 meters) below sea-level, said Pinon. They would need to yield about 10,000 barrels a day at more than \$60 a barrel to be profitable, he added. "That's pretty pricey if you're not sure of your financing or the longevity of the current government," said Eric Smith, of the Entergy-Tulane Energy Institute at Tulane University in New Orleans. What's more, falling prices for nickel, Cuba's top export, have widened its budget deficit. The island badly needs cash to buy the food it distributes as part of monthly rations, and to import scarce construction materials to combat a housing crisis exacerbated by last year's storms. In a country plagued by shortages, petrodollars could mean more steak, shoes and soap, as well as medical supplies and heavy machinery needed to replace Soviet-era equipment the island traded Moscow for sugar. Havana also needs hard currency for President Raul Castro to raise state salaries, which support about 90 percent of the island's working population on an average \$19.70-a-month wage.

Further taxing Cuba's oil industry is the fact that the U.S. embargo not only prohibits American oil companies from investing, but bans the sale of the latest drilling equipment, forcing Cupet to use less efficient technology, said Jonathan Benjamin-Alvarado, a Cuban oil expert at the University of Nebraska at Omaha. U.S. law also forbids international companies from investing in expropriated American property in Cuba and could penalize offenders by revoking travel visas or restricting access to drilling contacts in the U.S. portion of the Gulf. Meanwhile, U.S. oil majors sitting on huge stacks of cash are desperate to expand their reserves. Obama's election has raised expectations of a thaw in U.S.-Cuba relations, but there has been little talk of ending restrictions on U.S. investment in Cuban



oil, said Kirby Jones, founder of the U.S.-Cuba Trade Association in Washington, D.C. "The assumption is there is oil all over the Gulf," Jones said. "Much of the business community and energy sector is waiting."

## TRANSPORTATION

### AMPLIARÁN TERMINAL AÉREA A DONDE LLEGAN VUELOS DE MIAMI

Source: (NH); February 17, 2009

El gobierno cubano anunció la ampliación de la Terminal 2 del Aeropuerto Internacional de La Habana por la que llegan los vuelos procedentes de Estados Unidos, y dijo que la aeronáutica civil incrementará su presencia en diferentes mercados este año.

"Continuaremos este año el programa inversionista dedicado a la construcción y extensión de capacidades en las instalaciones aeroportuarias", señaló el presidente del Instituto de Aeronáutica Civil de Cuba (IACC), general Rogelio Acevedo, citado por la prensa oficial. El titular del IACC aseveró que la flota ha alcanzado "niveles de excelencia en la calidad de los servicios", y exhortó a ser implacables en la erradicación de las causas y condiciones que originan los delitos e ilegalidades. Entre los planes de ampliación y modernización de las instalaciones existentes, Acevedo mencionó a la Terminal 2 del aeropuerto capitalino, los depósitos de combustible en el de Cayo Coco, y la extensión del aeropuerto internacional de Varadero, cuya última gran remodelación se remonta a 1997. Acevedo explicó que la ampliación prioriza la Terminal 2 del Aeropuerto Internacional "José Martí", que recibe los vuelos procedentes de Miami. Durante su campaña electoral, el actual presidente de EEUU, Barack Obama, prometió levantar las restricciones a los viajes familiares de los cubanoamericanos a la isla, impuestas por su antecesor, George W. Bush. Por su parte, un grupo de congresistas presentó este mes una propuesta para levantar la prohibición de viajar a Cuba que pesa sobre los estadounidenses. Acevedo anunció además la llegada de un nuevo avión carguero TU-204, de fabricación rusa, en las próximas semanas, y añadió que en el 2008 la flota cubana realizó más de 1,000 vuelos relacionados con los proyectos de la Alternativa Bolivariana para las Américas (ALBA). La flota cubana, principalmente de la línea internacional Cubana de Aviación y las locales Aerocaribe y Aerogaviota, opera fundamentalmente con aparatos de fabricación soviética, que en los últimos años se han modernizado con franceses de segunda mano y rusos, de moderna tecnología.

## FOOD & AGRICULTURE

### CUBAN COFFEE OUTPUT ROSE 27 PERCENT IN 2008, FALLING JUST SHORT OF 8,000 TONNES

Source: Reuters, Marc Frank; January 7, 2009

Cuban coffee output rose 27 percent in 2008, falling just short of 8,000 tonnes, Deputy Agriculture Minister Ramon Frometa said Wednesday. "We are talking about 7,954 tonnes, an increase of 27 percent over 2007," Frometa said in eastern Cuba, where 90 percent of Cuba's coffee is grown.

Officials said at the close of last year's season they planned to produce 9,200 tonnes of semi-processed beans. However, hurricane Ike downed large quantities of beans in eastern Cuba last year, some of which could not be saved, and damaged infrastructure. Frometa's press conference was covered by local state media. Up to now Cuba has exported most of its coffee and met domestic demand with a lower quality product from abroad. Frometa said that beginning this year Cuba would gradually replace the 5,200 tonnes of coffee it imports for domestic consumption, mainly from Vietnam, as part of a national effort to replace food imports. Money saved on coffee imports will be invested in the sector, with plans to reach 32,000 tonnes by 2017, Frometa said. Most coffee is harvested from October through December, though picking begins in August and ends in March.

Communist Cuba's 35,000 growers, in exchange for low-interest government credits and subsidized supplies, must sell all of their coffee to the state at prices well below what the beans fetch on the black market. However, in recent years state prices for the beans have steadily increased. Through 2000 Cuba earned around \$20 million annually from coffee exports, but in recent years low prices and declining production have cut export revenues by around 75 percent, according to scanty government export data.

## **CUBAN CITRUS OUTPUT CONTINUES STEEP DECLINE**

Source: Reuters, Marc Frank; January 7, 2009

Aging groves, hurricanes and disease again took their toll on Cuban citrus orchards in 2008, with output falling 25 percent to 352,000 tonnes, the National Statistics Office reported Wednesday.

The office released initial 2008 economic data on its web page [www.one.cu](http://www.one.cu) and said the 2008 figure was 75.1 percent of the 469,000 tonnes of citrus produced in 2007. Orange production as reported as 175,000 tonnes, down almost 50 percent from 303,000 tonnes in 2007. Grapefruit production was reported as 145,000 tonnes, up slightly from 140,000 tonnes in 2007. No figures were given for limes which would have accounted for the remainder of the 2008 crop. Hurricanes in 2008 downed 135,000 tonnes of citrus fruit, most of which was not recoverable, the Agriculture Ministry said last September. "I wouldn't talk of a disease, but a group of diseases that today affect Cuban citrus," Jorge Luis Perez, a top official at the state-run Fruticola company said in an interview published by state-run media last year. He said they ranged from citrus canker to citrus greening disease.

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.

## **CUBA RICE OUTPUT STAGNATES, IMPORTS TO REMAIN HIGH**

Source: Reuters, Marc Frank; January 7, 2009

Cuba's production of consumable rice stagnated in 2008 despite plans to increase output, the government said on Wednesday, insuring the country will import hundreds of thousands of tonnes of its main staple this year.

The National Statistics Office reported on its website ([www.one.cu](http://www.one.cu)) that rice production was 195,000 tonnes in 2008, similar to the 196,000 tonnes of the previous year. In recent years, Cuba has imported more than 500,000 tonnes of rice annually, mainly from Vietnam. Cuba consumes a minimum 700,000 tonnes of rice each year. The Communist-run Caribbean island imports most of its rice from Vietnam's state-run Northern Food Corp under preferential financial terms. Cuba has imported between 150,000 and 200,000 tonnes of rice annually from the United States in recent years under an exception to sanctions that allows agricultural sales for cash. Cuba has been working for a number of years with Vietnam and China to develop small-plot rice farms in a so-far futile attempt to reduce imports.

The Agriculture Ministry announced early last year that it was investing in machinery and other inputs with the goal of producing at least 350,000 tonnes of rice per year. Agriculture Vice Minister Juan Perez said the five-year plan involved putting back into production nine large state-run farms with their output reaching 250,000 tonnes of consumable rice within five years. Before the collapse of Cuba's former benefactor, the Soviet Union, the rice farms, covering 150,000 hectares (370,658 acres), produced up to 260,000 tonnes of consumable rice. Decapitalization, plague and drought followed. The price and availability of rice is a politically volatile issue in Cuba as it is the main staple, with the government subsidizing the cost through a ration system.

## **CUBA GRANTS LAND TO THOUSANDS OF NEW FARMERS**

Source: Reuters, Marc Frank; February 2, 2009

Cuba has approved 45,500 land grants in the largest land redistribution since the 1960s, the Communist party Granma newspaper reported on Monday, as the country turns to the private sector to increase food production.

"Deputy Agriculture Minister Alcides Lopez explained 96,419 applications had been received as of Jan. 22 ... for 1,300,000 acres (650,000 hectares) of land," Granma said, "of which 45,518 were approved." Lopez's comments at a meeting of government leaders provided the first national data on the program begun by President Raul Castro late last year to lease land to workers, private farmers, cooperatives and state companies. According to various provincial reports, the vast majority of leases have gone to individuals seeking land for the first time and small family farmers.

Communist Cuba has not handed out land on such a large scale since shortly after the 1959 revolution when large land holdings were nationalized and some of the acreage given to small farmers. Cuba has around 250,000 family farms and 1,100 private cooperatives, which together produce around 70 percent of the country's food on less than one-third of the land. The remainder of the land is owned by the state, and half of that lies fallow. The program is part of Castro's agricultural reform aimed at increasing domestic food production and decreasing reliance on imports. Cuba imported around 40 percent of the food it consumed in 2008 at a cost of nearly \$2 billion.

Castro moved earlier to decentralize agriculture management, once centered in Havana, and increase farm supplies. He has also doubled and tripled amounts the state, which dominates food distribution, pays for most agricultural products. Castro took power provisionally in July 2006 after Fidel Castro underwent intestinal surgery for an undisclosed ailment, and was formally elected by the National Assembly a year ago to replace his brother. The land lease program lets private farmers who have been productive lease up to 99 acres (40 hectares) for 10 years, with the possibility of repeatedly renewing for another 10. Cooperatives and state farms also can request unspecified amounts of additional land to work for 25 years, with the possibility of renewing for another 25.

### **MINING**

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

Source: Reuters, Marc Frank; January 5, 2009

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

## **CUBA SAYS EXPORTS OF SERVICES TOPS \$9 BILLION**

Source: Reuters, Marc Frank; January 8, 2009

Cuban exports of services grew by 6.2 percent in 2008, topping the \$9 billion mark for the first time and consolidating their position as Cuba's most important source of foreign exchange, the government said this week. The mounting services income --officials say more than half comes from leftist ally Venezuela-- has enabled Cuba to more or less balance its external finances in recent years despite a huge trade deficit that soared to \$11.6 billion in 2008. The National Statistics Office, in preliminary figures posted on its Web site (<http://www.one.cu>), reported 2008 service exports at \$9.2 billion, up from \$8.6 billion in 2007.

Cuba does not specify what it includes within the service export category, though officials have said tourism and related revenues, the export of medical and other technical services, and donations fall within it. Cuba said it received \$2.5 billion from tourism in 2008. Revenues from pharmaceutical and other joint ventures abroad may also be included, according to local economists, as well as the training of foreign students. Non-tourism related service exports began increasing dramatically after a 2004 accord with Venezuela, under which the oil-rich South American oil-producing country pays Cuba for massive health care assistance and other services. Cuba reported 40,000 of its citizens worked in Venezuela last year, 30,000 of them in the health sector. Before the 2004 agreement with Venezuela, Cuba's service exports totaled less than \$4 billion a year, with tourism and related activities accounting for more than half of that. The government reports foreign exchange data in the convertible peso which it pegs at \$1.08 U.S.

## **CUBA-CRISIS: EXPORTACIONES CUBANAS SUFREN POR CRISIS MUNDIAL**

Source: ANSA; February 24, 2009

Las ramas principales de las exportaciones cubanas como el níquel, el turismo y los habanos, así como las remesas de divisas que llegan a Cuba, sufren por la crisis mundial "una situación que puede empeorar", advirtió hoy la televisión estatal. "La situación es muy incierta", dijo un comentarista de esa emisora en el noticiero matutino nacional de hoy. Este mes Raúl de la Nuez, ministro de Comercio Exterior, llamó a las empresas nacionales a desarrollar sus exportaciones sobre sus importaciones, como parte del combate a la crisis.

En la industria nacional del níquel, que había desplazado en 2007 al turismo como la de más ingresos en divisas, se estudian medidas para enfrentar los bajos precios actuales en el mercado mundial. "Otros productores de níquel en el planeta han cerrado plantas procesadoras mientras que decae la producción de acero, para cuya fabricación se usa níquel", advirtió el informe. Sobre el turismo, el reporte reveló que Canadá, como aportador de turistas hacia Cuba, contrarrestó a fines de 2008 una tendencia a la baja al registrar un 23,9 por ciento de aumento ese año frente a 2007. La rama del turismo ingresa más de dos mil millones de dólares al año al país. Este aporte contribuyó a una elevación en general del turismo hacia Cuba el año pasado en un 9,1 por ciento frente a igual período anterior. Pero, en el lapso anual analizado se registraron caídas en los arribos de turistas de varios países europeos, y la situación "puede ser peor", se pronosticó. El comentarista expuso que las remesas que envían cubanos residentes en el extranjero a sus familiares en Cuba "pueden declinar y son uno de los elementos que sostiene el mercado de ventas en divisas" nacional. En el país coexisten dos tipos de mercados principales, uno que comercializa en pesos nacionales y otro, el más dinámico y surtido, que vende sus mercancías en pesos convertibles, una moneda cubana cuya unidad se cambia por 24 nacionales. Se calcula que alrededor de mil millones de dólares en ventas anuales de las tiendas recaudadoras de divisas en Cuba provienen de las remesas, reveló. Sobre los habanos, el analista dijo que la facturación por ventas al mercado internacional cayó en un tres por ciento en 2008 frente a 2007, según datos publicados al inaugurarse ayer lunes el Festival del Habano en esta capital.(ANSA).

## FOREIGN TRADE

### CUBAN CIGARS SALES DROP GLOBAL CRISIS

Source: Reuters, Jeff Franks; February 23, 2009

Sales of Cuban cigars, considered the finest in the world, dropped 3 percent to \$US390 million (\$NZ778.90 million) in 2008 as the world financial crisis and the spread of anti-smoking laws cut demand, officials said on Monday.

The falling sales reflected a decline in the market for luxury products in general as global economic worries mounted, said Manuel Garcia, vice president of Habanos SA, the worldwide distributor of Cuban cigars. Speaking at a press conference kicking off Cuba's annual cigar festival, he said 2009 was likely to be a "very complicated" year, but Habanos expected to maintain sales at around the 2008 level. Three hurricanes raked Cuba last year, including powerful Gustav which cut through the heart of the island's prime tobacco growing state of Pinar del Rio, but Garcia said they had done minimal damage to tobacco supplies. "Luckily, there was no effect on the harvest and there continues to be sufficient raw material to meet demand," he said. Thousands of tobacco curing barns were damaged by the storms, but most were rebuilt in time for the curing season, Garcia said. Garcia said laws prohibiting smoking in public places had gone into effect in various countries last year, including some that are big customers for Cuban cigars. Also, the number of worldwide airline passengers had fallen by a reported 11 percent, he said, which slowed the "duty free" market where Habanos sold about a quarter of its cigars. He said the top global markets for Cuban cigars, which include well-known brands such as Montecristo, Cohiba, Partagas and Romeo y Julieta were, in descending order, Spain, France, Germany, Cuba and Switzerland. Due to the 47-year-old US trade embargo against Cuba, the communist-led island's cigars cannot be sold legally in the United States, the world's largest cigar consumer. New US President Barack Obama has promised to ease, but not eliminate the embargo. If it were lifted, "it is probable that an opening of that market would signify a great possibility and great potential for our products," Garcia said. Cuban cigars are so popular that Habanos, a joint venture between Cuba and British tobacco giant Imperial Tobacco Group PLC, has about 70 percent of sales in its current markets, said vice president of development Javier Terres. He said an estimated 230 million to 250 million cigars will be smoked in the United States this year.

### U.S. COMPANIES GET CUBA TRADEMARKS, WAIT FOR CHANGE

Source: Reuters, Esteban Israel; February 25, 2009

The opening of a McDonald's in Communist Cuba seems unlikely any time soon, even with U.S. President Barack Obama in the White House and the prospect of better U.S.-Cuba relations on the horizon. But the fast food giant is one of many U.S. companies that have an estimated 5,000 products trademarked in Cuba, waiting for the day they might finally land on the island separated from the United States by the Florida Straits and a vast ideological gulf. The list includes ubiquitous symbols of capitalism such as Nike, Visa, and Starbucks and some that might surprise, including former basketball stars Magic Johnson and Patrick Ewing and the caped crime-fighter Batman. As recently as December the Cuban Office of Intellectual Property registered trademarks for new products for Coca-Cola, Google and Ford Motor Co.

Many U.S. trademarks date back to before the Jan. 1, 1959 revolution that put Fidel Castro in power and transformed the island from a capitalist U.S. ally into a communist foe. Their names -- among them Aunt Jemima, Timex, Quaker Oats, M&M's, Polaroid, Kodak, General Motors, Texaco -- invoke a time when Cuba was a consumer society with an affinity for U.S. goods, most of them unavailable since the U.S. imposed a trade embargo against the island in 1962. The biggest wave of registrations came in the early 1990s when the Soviet Union, which subsidized Cuba's economy to the tune of \$4

billion a year, collapsed and Castro's communist system seemed in trouble. Cuban communism survived and since then the registration of U.S. trademarks has ebbed and flowed with the state of U.S.-Cuba relations, rising when they improved and falling when they worsened.

#### TENSIONS DURING BUSH ERA

The number of applications fell by 36 percent during the George W. Bush administration. His hard-line policies toward Cuba increased tensions between the two countries. The advent of Obama is expected to bring a fresh look at Cuba from U.S. companies interested in opening new markets. He is the first U.S. president in half a century who has said he is willing to talk with Cuba's leaders, and he has promised to ease the trade embargo. There has been a "marked increase in interest among major U.S. companies in the trade and investment climate in Cuba since the election of President Obama," said Jake Colvin, Vice President for Global Trade Issues at the National Foreign Trade Council, which promotes rule-based trade. If history is a guide, that interest will translate into another wave of new U.S. registrations in Cuba, but not until the global financial crisis has passed, industrial property experts in both countries said. To a certain extent, U.S. companies which seek a Cuban trademark are betting on the future. Even with Obama in office, they do not expect the Cuban market, that has been mostly off-limits for 47 years, to open up overnight. "There is no expectation by senior management of large United States corporations that a return to Cuba is imminent," said John Kavulich, senior policy advisor for the U.S.-Cuba Trade and Economic Council, which monitors trade between the two countries. But companies that already have trademarks are expected to keep renewing them every 10 years as required, both to keep their foot in the door and to protect against piracy. Registering a trademark cost only about \$1,500. "They have to protect their rights. They don't want to create another Taiwan 90 miles (144 km) from the United States -- you don't want people manufacturing (fake) Nike shoes there," said Jesus Sanchelima, a Cuban-American lawyer in Miami who has registered numerous trademarks on the island.

#### BURGER KING AND BACARDI

The National Foreign Trade Council often cites the example of South Africa, where after the end of apartheid rule some U.S. companies such as Burger King found their trademarks had been registered by someone else. Regaining control over the brands took a lot of time and money. "Protecting trademarks in the absence of trade is important to ensure that a company like Starbucks will be able to establish a business and maintain control of its reputation in Cuba in the future," Colvin said. Experts say the Cuban authorities have honored trademarks. When they found that some brands had been registered by people with no legal claims to them, they awarded the rights to the legitimate owners.

The biggest trademark dispute involved Bacardi, the rum maker which fled Cuba after the revolution and then years later laid claim to Cuba's best-known rum brand, Havana Club. The claim touched off a politically-charged legal battle between Bacardi and the Cuban government and its joint venture partner, French liquor giant Pernod Ricard, that is not yet fully resolved. In response to this controversy, an angry Fidel Castro, before illness forced him from office a year ago, vowed to start producing Coca-Cola in Cuba to retaliate against what he viewed as U.S. maliciousness. So far, with Fidel's brother Raul Castro now Cuba's president, that vow remains only a threat.

#### **U.S. FOOD SALES TO CUBA SOAR 61 PERCENT IN 2008**

Source: Reuters, Marc Frank; February 11, 2009

The value of U.S. agricultural sales to Cuba soared 61 percent in 2008 to \$710 million, a record amount since American producers began exporting to Cuba under a 2001 amendment to the U.S. trade embargo against the communist-run island, a U.S. trade council said on Wednesday.

The booming sales, up from \$437.5 million in 2007, made Cuba the United States' 29th largest agricultural export market. It was the 37th largest market in 2007, said the U.S.-Cuba Trade and Economic Council, which monitors trade with Cuba. The group said in a statement that the increased sales were due mainly to higher food prices, with increased volume in some products. U.S. policy requires that the goods be purchased in cash. Cuba has said it imported more food in 2008 due to crop damage from three hurricanes that battered the island last year and paid more for what it bought due to rising fuel and commodity prices worldwide. Its primary U.S. purchases included corn, wheat, chicken and soybean products, the council said. The United States was Cuba's 5th largest trading partner in 2007, the last year for which Cuban data are available. Congressional lobbyists working to further open trade with Cuba point to the food sales as an indicator of broader potential at a time when the U.S. economy is struggling.

The 47-year-old trade embargo was tightened under President George W. Bush, but his successor, President Barack Obama, has said he would ease it by lifting restrictions on Cuban-Americans traveling to Cuba and the amount of money they can send to Cuban relatives. Obama has said he would maintain the embargo unless Cuba changes its political and human rights policies. Trade Council senior policy advisor John Kavulich told Reuters that pressure to ease the embargo could increase if Cuba sales continue to be strong. "If Cuba continues to increase its purchases of food and agricultural products in 2009, and the U.S. economy continues to be problematic, President Obama will receive bipartisan pressures from members of Congress and from state governors to use executive orders as a means of providing greater export opportunities," he said.

## **US FOOD SALES TO CUBA SEEN BOOSTED BY PENDING LAW**

Source: Reuters, Mark Frank; February 27, 2009

Pending U.S. legislation aimed at easing the 47-year-old trade embargo against Cuba should boost food sales to the communist-led island, but increases will be limited until the embargo is fully lifted, experts in U.S. and Cuba said Thursday.

Legislation passed by the House Wednesday and now awaiting a vote in the Senate would eliminate some of the obstacles to trade created by the embargo and toughened under former President George W. Bush. While the proposed law is not a panacea for what ails U.S.-Cuba trade, it would make it somewhat easier, said Pedro Alvarez, head of Cuba's state-run food importing monopoly Alimport. "Everything they do toward lifting the embargo would benefit the United States and Cuba," he told Reuters. "We have never blocked U.S. companies from doing business with us. It is their own government that is doing that." Cuba began importing U.S. agricultural products under a 2000 amendment to the trade embargo allowing purchases for cash. Trade dipped after the Bush administration modified the rules in 2005 to require that Cuba pay in cash before ships left U.S. ports, instead of upon arrival in Cuba, complicating trade and adding to costs. Food sales came back, reaching a record \$710 million last year amid soaring commodity prices, but some, such as rice, did not recover in the face of tough competition from Vietnam, Cuba's main rice supplier, and other Asian countries. The House bill would prohibit the Treasury Department from enforcing the Bush regulations, make it easier for U.S. marketers and sellers to go to Cuba and at the same time ease limits on family visits and remittances sent to relatives in Cuba.

### **SIGNIFICANT BOOST**

Marvin Lehrer, senior adviser on Cuba for the USA Rice Federation, said the proposed changes could provide a significant boost for U.S. rice sales to Cuba. The island, just 90 miles from Florida, imports about 600,000 tonnes of rice, making it the second-largest importer of rice in the hemisphere after Mexico. Before the embargo, Cuba was the largest export market for U.S. rice. In 2004, the United States shipped 175,000 tonnes of rice to Cuba, which was about 30 percent of its total demand, Lehrer said. But the Bush regulations caused sales to plummet to 12,600 tonnes in 2008. Removing those obstacles could return sales to 25 to 30 percent of Cuba's rice consumption, he said. "We have logistic and transport advantages over Far East suppliers to Cuba. They also prefer the quality of U.S. rice," he said.

With countries such as Vietnam providing preferential financing to Cuba, Lehrer thinks the United States can only reach part of its rice potential in Cuba until the embargo is fully lifted. "Open trade and travel would bring our share of imports to 50 percent," he said. The proposed legislation is tucked into a larger spending bill, under which most of the changes would expire on Sept. 30 unless extended by Congress or President Barack Obama. The bill still must be passed in the Senate where it faces stiff opposition, then would have to be signed by Obama. Alvarez said that tweaking regulations would not be enough to significantly increase U.S. food sales to his country, but agreed that elimination of the embargo could make a big difference. "We are not China, but could be an important market close to home," he said. "Every little bit of trade would help struggling U.S. farmers and companies as well as Cuba in these hard economic times."

## SUGAR

### PLAN DE CUBA PARA AZÚGAR PELIGRA POR BAJO RENDIMIENTO MOLINERA

Source: Reuters, La Habana; February 17, 2009

Los planes de Cuba para producir 1,5 millones de toneladas de azúcar sin refinar peligran desde la primera quincena de febrero, porque los ingenios están trabajando por debajo de su capacidad, dijeron medios oficiales el fin de semana.

"Hasta la fecha el país tiene un acumulado potencial de molienda similar al del pasado año por esta fecha (...) 64 por ciento", dijo Juan Varela Pérez, el principal reportero de azúcar de Cuba a una emisora de radio local. "El azúcar producida hasta la fecha es casi un 20 por ciento más que el pasado año en igual etapa de operaciones y esto se debe al anticipo de algunos centrales y al tener más centrales moliendo en la etapa actual que en la pasada", agregó. Cuba produjo 1,5 millones de toneladas de azúcar sin refinar durante la zafra 2007-2008, debido a un clima inusualmente seco entre mayo y junio, un escenario que no parece repetirse este año. El Ministerio del Azúcar había dicho que esperaba llegar a resultados similares este año, pese a los daños ocasionados por tres huracanes.

Sin embargo, la producción superaba 1 millón de toneladas a inicios de mayo del 2008, según cálculos de Reuters basados en fuentes del sector y reportes provinciales. Esto significa que la cosecha podría oscilar entre 1,2 y 1,3 millones de toneladas, considerando que haya una temporada de lluvia normal y un incremento del 20 por ciento de la cosecha respecto a la temporada anterior. La cosecha en Cuba se extiende desde diciembre hasta abril, con rendimientos óptimos a partir de febrero. La temporada de lluvias comienza en mayo, cuando el clima cálido y húmedo hace difícil la recolección mecánica, y provoca una caída del rendimiento. Cuba cosechó unas 330.000 hectáreas de caña de azúcar durante la zafra 2007-2008. La isla tiene un total de 700.000 hectáreas dedicadas a la caña de azúcar. Cuba consume un mínimo de 700.000 toneladas de azúcar por año y exporta 400.000 toneladas a China.

## CUBA AND ITS PARTNERS

### IRÁN ELEVA EL CRÉDITO A CUBA DE 200 A 500 MILLONES DE EUROS

Source: EFE; 7 de enero, 2009

El ministro de Industrias y Minas de Irán, Ali Akbar Mehrabian, anunció hoy en La Habana que el Gobierno de su país elevó el crédito financiero otorgado a Cuba de 200 a 500 millones de euros (de 272 a 680 millones de dólares) y agregó que se están adoptando acuerdos bilaterales "muy importantes". "Hoy tuvimos la suerte de tener muy buenos encuentros en cuanto a los temas de colaboración", dijo el ministro a periodistas, luego de entrevistarse con el vicepresidente cubano Ricardo Cabrisas y el canciller Felipe Pérez Roque. Explicó que Irán "decidió extender el techo financiero del crédito que le ha concedido a Cuba hasta 500 millones de euros" y que hoy se logró un acuerdo para "hacer operativo este crédito lo más rápido posible".

Irán concedió a Cuba en noviembre de 2007 el crédito de 200 millones de euros para financiar importaciones en transportes y otros campos. Cuba compró a Irán 550 vagones de carga y 200 coches ferroviarios de pasajeros en 2007, como parte de un plan de inversiones puesto en marcha hace dos años para reanimar ese sector, uno de los más golpeados, tras el desplome del bloque socialista europeo en la década de los noventa. Por otro parte, el ministro iraní, que terminó hoy en La Habana una gira que también lo llevó a Venezuela y Nicaragua, denunció lo que calificó de "genocidio" por los ataques del Ejército israelí a los palestinos en Gaza. "Todo esto está ocurriendo, mientras los países occidentales se lanzan como los precursores y los defensores de los derechos



humanos, y los países como los nuestros no pueden quedarse callados ante esta agresión y debemos apoyar del modo que se pueda a la causa palestina".

#### **CUBA, ECUADOR SIGN COOPERATION AGREEMENTS**

Source: Trend News Agency; January 9, 2009

Cuban President Raul Castro and his Ecuadorian counterpart Rafael Correa signed a series of agreements Thursday to boost bilateral cooperation.

The agreements cover a wide range of fields, including science, sports, health, education, risk management and economic cooperation, reported Xinhua [<http://www.xinhua.org/>]. Cuba and Ecuador agreed to tackle health problems by carrying out social security programs, which will facilitate the rehabilitation of disabled people. Both countries also decided to enhance the exchange of experience between their cultural and social institutions and organizations. They also reached agreements on reciprocal visa exemption and political consultations and negotiations to promote economic and other kinds of cooperation. Both countries further expressed their hope to introduce a dialogue mechanism to deepen their bilateral commercial ties.

#### **TOURISM**

#### **RECORD NUMBERS VISITED CUBA IN 2008, MORE GROWTH PROJECTED**

Source: Caribbean Media Corporation; January 6, 2008

Havana, Cuba: More tourists visited Cuba in 2008 than during any 12-month period in history, with further growth projected for the year ahead, according to official statistics released here Monday.

Tourism Vice Minister Maia Elena Lopez said the data showed that 2.35 million tourists visited the Caribbean's largest island last year, marking growth of over nine per cent. In fact, she said that those figures represented a national record for tourist arrivals over a 12-month period. Lopez noted that while member states of the World Tourism Organization registered growth between zero and two per cent, Cuba was able to see the dividends of "all the hard work in the system". "We have to improve and make our promotion, fight for competitiveness for our products," she stated. The minister also projected that the island's tourist industry would be able to reap greater rewards in 2009. She said Cuba was poised to receive 2.5 million tourists in the coming year.