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Cuba Commits to Private Enterprise and Foreign Developers Want In

Jonathan Kandell

As Raúl Castro vows to create new openings for private enterprise, foreign developers are eager for a piece of the action.

For a country that claims to want to open its economy after five decades of communism, Cuba has chosen an unlikely poster child for its efforts to attract foreign tourists: Che Guevara. A photograph of the revolutionary leader dressed in combat fatigues and swinging a golf club adorns walls at the Ministry of Tourism and at the Havana offices of some of the foreign companies that are teaming up with the government to develop golf courses, luxury hotels, vacation villas and condominiums. Never mind that Che posed for that photo op to thumb his nose at Yankee capitalists during the 1962 Cuban Missile Crisis. The picture's message today is that there is nothing counterrevolutionary about golf — or about seeking to lure the game's well-heeled practitioners from abroad.

“The Cubans have been astute in gauging the competitive climate in tourism and coming up with new product offerings to meet foreign consumer demand,” says Robin Conners, president and CEO of Vancouver-based Leisure Canada, a leader among private developers planning high-end resorts in partnership with the Cuban government.

Foreign companies like Leisure Canada have dreamed about the potential of the Cuban market for years. Now they hope the political conditions are finally right for turning their plans into reality.

In August, President Raúl Castro announced that the government would lay off half a million workers — roughly 10 percent of the labor force — by March and open up new sectors of the economy to private enterprise. Also that month, the government declared it would allow foreigners to take out 99-year leases on state property; industry executives regard this measure as crucial for developing high-end tourist resorts in the country.

The layoff decision, if implemented, would signal a historic policy shift by this Caribbean nation. Since Castro's ailing brother, Fidel, led a Communist revolution here in 1959, the government has maintained an iron grip on the economy and remains virtually the sole employer in the country. Now, decades after China and Russia abandoned central planning for their own forms of capitalism, Havana appears to have decided that it too needs to unleash market forces to revive the island's stagnant economy.

“We have to erase forever the notion that Cuba is the only country in the world where one can live without working,” Raúl Castro, 79, said in announcing the layoff plans in a speech to the National Assembly.

Is Cuba serious about opening its economy or just making a feint toward capitalism? Observers have their doubts. Consider the regime's heavy bureaucratic hand. Supposedly to free up the economy, the government has designated 178 specific businesses — including family-run boardinghouses, small restaurants, tourist boat rentals, taxi owners and even party clowns — that will be eligible to operate privately under state licenses beginning next year. “This enumeration of private work seems more in tune with a feudal village than a 21st-century country,” wrote Yoani Sánchez, Cuba's most famous dissident blogger, in September. Private businesses, ranging from small farms to market stalls to barbershops and beauty salons, currently employ just 144,000 workers, and they have no access to credit from the state-owned banking system or to microfinance. It's hard to see how this tiny private sector can absorb the looming army of unemployed, few if any of whom have entrepreneurial experience. “It is challenging to suggest that the least productive 10 percent of the labor force will become a juggernaut of commercial enterprise,” says John Kavulich II, a senior adviser to the U.S.-Cuba Trade and Economic Council, a New York-based organization that advises U.S. businesses on Cuban affairs.

In short, the new era does not yet appear to be a Cuban version of 1978, the year Deng Xiaoping unleashed market forces in China by allowing peasants to cultivate private plots. Yet Castro's gesture marks a welcome change after five decades of suffocating state control. “This is no opening of the floodgates, but it may mean the beginning of a new socialist era,” says Ted Henken, an expert on the Cuban private sector who teaches at New York's Baruch College.

If private sector employment is to take off, tourism is bound to play a leading role. The island — the largest in the region — boasts white-sand beaches and expanses of unspoiled nature. Havana itself is a virtual museum of architecture. The old town center, Habana Vieja, features scores of Spanish colonial buildings dating to the 16th century, while Centro, the downtown district, has hundreds of neoclassical, art nouveau and art deco structures.

Along with oil exploration and nickel mining, tourism is one of the few areas of the economy open to foreign investment, and it has grown rapidly over the past two decades to overtake sugar as Cuba's largest source of hard-currency revenues. The sector pulled in \$2.1 billion in 2009, compared with \$2.88 billion for all the country's exports of goods and services. “I believe the economic reforms are cause for optimism,” says Andrew Macdonald, chief executive of Esencia Hotels & Resorts, a privately held company based in London that is seeking government approval to develop a \$200 million luxury resort east of Havana complete with a golf course, 800 luxury apartments and 100 villas. “Anything that increases the private sector and reduces the role of the state in the economy is a favorable development.”

Cuba began developing its tourism industry nearly two decades ago. The country was hit hard by the 1991 collapse of the Soviet Union, which had propped up the Castro regime with subsidies. Cuba's economic output contracted by a third in the three years after 1991. In a bid to cover the shortfall, the government ordered ministries to devise commercial strategies to help fund their budgets. The Ministry of Education sent teachers to Nicaragua and Venezuela, and the Ministry of Health dispatched an army of doctors overseas to earn hard currency. The armed forces, then under the command of Raúl Castro, plunged into tourism.

In 1991 the new Russian government abandoned plans to build a naval base on the coast east of Havana, forfeiting tens of millions of dollars that the old Soviet regime had placed in escrow for the project. Castro's Ministry of the Revolutionary Armed Forces used those funds to expand its fledgling tourism arm, Gaviota, into luxury hotels, travel agencies, car rentals, marinas and restaurants. The company currently operates 38 hotels.

Gaviota's success has spawned several imitators. The Ministry of Tourism is considering proposals from several joint ventures to develop a dozen golf resorts — this in a country with only one 18-hole course, at Varadero, a beach resort town 86 miles east of Havana. Foreign investors know the wait can be painfully long. “In normal countries joint ventures are quickly created and assume high risks for potentially high profits,” says a Cuban working with a foreign developer. “In Cuba decisions are so centralized and slow that it can take years to form a joint state-private venture. On the other hand, once it is created, the business risks are very low and high profits are almost guaranteed.”

Leisure Canada hopes to prove that hypothesis correct. The small company (market cap \$31 million) focuses exclusively on the Cuban market and has been lobbying the government for more than a decade for the right to develop tourism projects. The company has a ready market: Canadians are avid snowbirds, accounting for 933,000 of the 2.4 million foreign tourists who visited Cuba last year. The U.K. ranked a distant second with 171,800 visitors. The half-century-old U.S. trade embargo continues to keep American companies and tourists out of Cuba, although an estimated 200,000 Cuban-Americans (who are not counted as tourists by either Havana or Washington) visit relatives in Cuba each year.

Last year, Leisure Canada finally won approval to set up a 50-50 joint venture with Grupo Hotelero Gran Caribe, a fully owned entity of the Ministry of Tourism. The company plans to break ground in early 2011 on a \$200 million, 716-room hotel in Miramar, a Havana district popular with wealthy Cubans and Americans before the revolution that today houses a number of government agencies and foreign multinationals. “Now they are reacting pretty quickly to feedback from us,” CEO Conners says of the authorities.

In August, for example, the government announced it would allow foreigners to take out 99-year leases on state property, up from a previous maximum of 50 years. The move followed lobbying by Leisure Canada and Esencia, which regard long-term leases as essential to developing resort properties for upscale foreign tourists. “We explained to our Cuban partners just how important a 99-year lease is for this sort of client and to obtain better financing terms for the project,” says Conners. “Banks view it as virtually full ownership.”

The new long-term leases are crucial for Leisure Canada's other two projects, which are pending approval. The company wants to develop a \$130 million luxury resort with 425 hotel suites, condo apartments and villas at Cayo Largo, an islet 50 miles south of Cuba's main island that has an air force base with a runway large enough for transatlantic aircraft. Even more ambitious, Leisure Canada hopes to build a \$900 million resort with a golf course, marina, hotels, condos and villas at Jibacoa, some 40 miles east of Havana.

Both of those projects could take years to get started. The site currently houses a state-run campground and cabins for the Cuban proletariat. Conners is optimistic that economic necessity will ultimately prevail. “Cuba has a large pool of workers available for the hotel construction and service industry,” he says. Groups of people hanging around the Jibacoa village square attest to that fact. Nearby, a bare-chested watchman stands guard at the entrance to the planned development site. After letting a company executive enter the area, he pleads, “Hurry up with the project — and sign me up for the first job.”

At the other end of the tourist industry spectrum, family-run bed-and-breakfasts and restaurants are also expected to expand in number as a result of the economic reforms, but that will require new sources of financing. Thus far the state banks that monopolize credit do not lend to the private sector. The most obvious source of foreign capital is the Cuban-American community. “But will the Cuban government allow somebody in Miami to send a relative in Havana \$50,000 to start a business?” asks U.S.-Cuba Trade and Economic Council adviser Kavulich. “And will the U.S. government allow it?”

To survive and succeed as a private innkeeper in socialist Cuba demands the sort of entrepreneurial spirit, ingenuity and persistence that Carlos Repilado has displayed over a quarter century. Repilado rents out three rooms to foreign tourists for about \$30 a night in a bed-and-breakfast called Carlos&Nelson that he has created in his second- and third-floor apartment in a 1920s Havana townhouse.

Repilado, a broad-shouldered 72-year-old who looks two decades younger, began his adult life as a computer programmer for IBM Corp. in the mid-1950s. When the Castros and Che entered Havana triumphantly in 1959, Repilado was among the revolutionaries' excited sympathizers. IBM pulled out of Cuba in the early 1960s, leaving him without a job, but Repilado took advantage of the new regime's large cultural affairs budget and found work in the theater, eventually gaining a reputation as a lighting designer. He has worked in Havana and abroad on Cuban theatrical and musical productions, from highbrow European plays to the high-kicking Tropicana Cabaret. But even with his renown, Repilado earns barely double the average monthly wage of \$20 in his profession; the B&B provides the bulk of his income.

Becoming a jack-of-all-trades during a half century of theater assignments has made him an expert at the home repairs necessary to running a thriving guesthouse. Finding specialized labor and ready-made products is nearly impossible in Cuba. “Here you have to learn to do many things on your own,” says Repilado as he goes about reupholstering an ancient sofa on a hot, humid

afternoon. Later in the week he and a friend will stanch a leak in the 20-foot-high ceilings and repair the wooden window shutters that have been lashed by tropical storms.

Repilado became an innkeeper through luck, skillful bargaining and a Rolodex of foreign contacts. With aging parents and aunts to care for, he traded his own small apartment and theirs for the large duplex apartment, which had been occupied by a friend whose growing family required more than one residence. This is the usual horse-trading that goes on in Cuba, where there is no legal right to sell one's dwelling and where there has been almost no urban residential construction for 50 years. Repilado's relatives moved in with a bounty of heirlooms that later turned his B&B into a comfortable living museum of armoires and tables with matching carved wood chairs, European paintings and sepia photographs, porcelain statuettes and alabaster chandeliers.

After his parents and aunts died, Repilado began to offer free lodging to foreign theater colleagues. When a 1985 government decree authorized a limited number of B&Bs in private homes, he opened his residence to paying guests recruited through the grapevine of his acquaintances abroad. Now there are 138 B&Bs — known as *casas particulares* — in Havana and more than 200 nationwide, according to the Casa Particular Association. But few have lasted as long as Repilado's. In a country where hardly any innkeepers speak foreign languages, his serviceable English has allowed him to expand his guest list to Canadian, British and even U.S. travelers.

Only a robust occupancy rate enables Repilado to survive the onerous taxes and fees that scuttle dozens of *casas particulares* every year. Like other guesthouse keepers, he hopes the government's reforms will include lower fees and taxes. "But until now we have heard nothing," he says. He must pay the government about \$300 a month in guesthouse fees regardless of how many clients arrive. And taxes rise steeply depending on his occupancy rate. Other *casas particulares* are known to underreport income or secretly rent unauthorized rooms. "But I'm not going to do anything that is against the law — it's just not worth it," says Repilado.

Determination and serendipity in the face of a hostile state bureaucracy have also been keys to success for restaurateur Omar González Rodríguez. Lean, angular and white-haired, the 64-year-old González bears an uncanny resemblance to the late Gregory Peck in the lead role of *Old Gringo*, which is why he named his Havana restaurant after the 1989 film based on the Carlos Fuentes novel. "We met when Mr. Peck came to Cuba for a film festival, and he did say we looked like each other, except he was a head taller," recalls González.

González opened *Gringo Viejo* 15 years ago in a basement in Havana's Vedado neighborhood, right after a 1995 decree allowing entrepreneurs to go into the restaurant business. These private restaurants, known as *paladares* (from the Spanish word for "palate"), were permitted only 12 seats each and had to be located in the owner's home and staffed only with family members. They were prohibited from serving lobster and beef, which were available only in state restaurants catering to foreigners. Taxes were steep and have continued upward, ensuring that the government takes well over half of reported profits. Little wonder that after reaching a peak of more than 200 *paladares* a decade ago, the number has dropped to fewer than 100 today.

González has made the most of his cramped, windowless dining space. The room is unexpectedly splendid, lined with photographs of prominent diners and a poster of Peck in *Old Gringo*. There are exposed racks of imported wines against the walls. A flat-panel television above the bar plays a video of Aretha Franklin belting out "Respect." The menu offers dozens of main courses, mostly pork and chicken dishes. All the clients are foreigners, including a Chinese family, an Italian couple and two German friends. At the equivalent of \$15 to \$30 a meal, *Gringo Viejo* is far beyond the reach of ordinary Cubans.

González was a graphic designer by training and made a living by producing handmade sandals and wallets as well as metal sculptures, one of which hangs in his *paladar*. The dining area used to be his workshop, in the basement of his home. "At night friends would come by because they knew there was always a bottle of rum," says González.

When the decree permitting private restaurants was announced, González opened his *paladar* with encouragement from his friends. He hired his son as bartender, his daughter as chief waitress and other relatives as cooks and assistant servers. González himself enrolled in cooking and wine-tasting classes. His idea was to infuse traditional Cuban dishes with European and Asian ingredients. Today one of *Gringo Viejo*'s most popular entrées is a typically Cuban pork cutlet topped with fried quail eggs and a soy-based sauce, with flash-fried bok choy and bean sprouts on the side. "I'm always experimenting with recipes, and then I turn them over to the cooks," says González.

A government decree issued in October allows *paladares* to expand to 20 seats, hire employees who aren't related to the owner and, finally, serve lobster and beef. But the measures don't evoke much enthusiasm among private sector advocates. "They are just enough to survive," says Baruch College's Henken. "Obviously, the government doesn't want *paladares* to become full-scale restaurants and compete against the state."

Becoming too well known and successful can incite a government backlash. Only last year the authorities shut down one of the top *paladares*, *El Hurón Azul*, because the owner had purchased forbidden luxury imports, including a refrigerator and a stove. González is savvy enough to navigate these political shoals. But he does complain that it is hard to compete with government-owned restaurants that have no capacity restrictions and lower costs.

He is optimistic, however, that the government will expand its tepid reforms. "Joblessness will push the growth of *paladares*," he predicts. His son, the bartender, is already planning to start his own *tapas* bar. For now, González would be content if he was permitted to expand his *paladar* to the cramped terrace, located between the street and the basement entrance, to accommodate a barbecue grill and a smoking area. "After a meal, people should be allowed to enjoy a good Cuban cigar," he says.

Texas Tribune

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Texas' Trade With Cuba Slower Than Expected

By Julian Aguilar



photo by: Louis Vest

Barbour's Cut Container Terminal

When the global shipping giant CMA CGM announced in April that it had obtained a license to ship container vessels to Cuba via the Port of Houston, business executives and trade experts marveled: Unabashedly Republican Texas would soon become the Communist island nation's leading U.S. trade partner.

Seven months later, the relationship between two very different kind of red states has not quite lived up to expectations.

As of September, fewer than 20 percent of the large containers that were expected to leave Houston for Cuba had set sail, said George Armaos, the director of strategic accounts at CMA CGM in Houston. Though the company planned to move 200 to 300 containers by October, so far it has been just 30 or 40 — the result, Armaos said, of Cuba's insistence on engaging only with like-minded governments in a foundering global economy.

“Venezuela may be influencing the Cubans not to buy too much from the U.S. producers,” he said. “We spoke with some shippers here in the U.S., and they do have some orders, but finances are coming very, very slow.”

Countries like Venezuela, China, Brazil and Vietnam and others offer more trade incentives to the Cuban government than the private sector in the U.S. does, said John S. Kavulich, a senior policy adviser with the U.S.-Cuba Trade and Economic Council Inc., a Washington-based nonprofit that deals directly with the Cuban government. Cuba is “focusing on countries that will give them substantial government credits that they know they won't have to pay back,” he said.

According to the economic council's latest report, these countries provide more “favorable payment terms and less publicity when those payment terms are not honored,” which is expected given the lack of foreign investment.

“There is absolutely no incentive for the government of Raúl Castro to seek any re-engagement with the United States,” Kavulich said, “because any re-engagement with the United States has one guarantee, and that is uncertainty.”

Although Texas only recently got permission to ship large containers to Cuba, it has consistently traded in smaller shipments. In 2009 it trailed only Louisiana in terms of the value of cargo that left its ports bound for Cuba. But trade with the country at both the state and national level has slipped in the last year.

Parr Rosson, the director of Texas A&M University's Center for North American Studies, said that in 2009, \$85 million in goods left Texas bound for Havana, compared with \$143 million in 2008. (These goods are not necessarily manufactured in Texas but depart from there, Rosson said, creating jobs and boosting the state's economy.)

From January through September of this year, Texas ports shipped \$18.2 million to Cuba, but Rosson estimates that only \$354,000 of that left through large container shipments from Houston.

Meanwhile, the U.S. as a whole sent \$528 million in goods to Cuba in 2009, a dip from the \$710 million shipped in 2008. Should the trend hold for 2010, it would represent the third consecutive year in which the island nation's trade with the U.S. has slipped. The Trade and Economic Council estimates total U.S. trade with Cuba this year through September is about \$288 million — just slightly more than half of last year's total.

Rosson said a contributing factor is the steady decline of the price of nickel, Cuba's leading commodity, which makes the country less likely to engage in trade.

Despite the downward trend, Agriculture Commissioner Todd Staples said the state should continue to expand the dialogue — and trade opportunities — between the two nations.

“I support allowing Texas farmers and ranchers to engage in fair competition when selling their agricultural products to Cuba,” he said in a statement. “Texans will benefit through job growth and Cubans can see the success of democracy and a free-market society.”

CNN

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Signs of change in Cuba as U.S. tunes out

By David Ariosto, CNN

STORY HIGHLIGHTS

Cuba is making economic reforms and releasing political prisoners

But it may not be enough to fix relations with the U.S.

Washington is focused on upcoming elections with could see the balance of power shift

The continued detention in Cuba of an alleged U.S. spy is another obstacle

Havana, Cuba (CNN) -- A young Cuban man slouched against his city's famous sea wall, enjoying fall's cool breeze and thinking about the world little more than 90 miles north.

"A lot of people died in that sea trying to make it to the other side," Yoandri Perez, 20, said, while resting along the Malecon, a concrete partition and six-lane highway that holds back the Florida straits from the Cuban capital.

"It's very difficult here. The economy is bad and now they're cutting jobs," he said, enjoying the seasonal shift of cooler weather and rough seas. "But at least the Malecon is a place where we can come to relax." More than 1,300 miles north, another possible shift is under way. In Washington, as midterm campaigning is peaking, powerbrokers are discussing the effects of a possible change in the balance of power in Congress.

One thing that isn't being discussed: Cuba.

"People on the Hill are just not focused on Cuba," said Sarah Stephens of the Center for Democracy in the Americas, a Washington-based group that advocates an end to the 48-year-old U.S. trade embargo.

"Right now they have the votes [to end the travel ban], but after November it's a whole new ball game."

And President Barack Obama, who pledged "a new beginning" in relations with Cuba, has made few changes since loosening Treasury restrictions in 2009.

"We already initiated some significant changes around remittances and family travel. But before we take further steps, I think we want to see that in fact the Castro regime is serious about a different approach," the U.S. president said last week.

Obama said he was interested in more openings with Cuba, but the Castro government must first do some shifting of its own.

Last year, the president made a similar pledge.

"What we're looking for is some signal that there are going to be changes in how Cuba operates that assures that political prisoners are released, that people can speak their minds freely ... and do the things that people throughout the hemisphere can do and take for granted," he said during a 2009 interview with CNN en Espanol.

The island has since released dozens of political prisoners and announced massive public sector layoffs to pave the way for free market enterprise intended to create new jobs for its former state workers.

"What we're now left with is a president on the hook," said Phil Peters of the Washington-based Lexington Institute. "He said if there were positive developments he would respond, and now we're seeing the release of political prisoners and some pretty significant economic changes."

Senior U.S. officials and congressional sources told CNN the White House had been considering further relaxing regulations, but had been persuaded to hold off until after the November midterm elections. Republicans are expected to pick up seats in both the House and Senate, leaving the White House with the possibility of facing a Congress more opposed to changing U.S.-Cuba policy.

"The political costs of getting these [changes] out are higher," said one congressional source, suggesting the administration might now trim the package that was being fashioned over the summer. "The question is how much stomach at the White House is there to take that hit?"

Peters said that with the U.S. still engaged in Iraq and Afghanistan and still reeling from a global financial crisis, "Cuba is not a high priority."

"But I think the White House will respond because Obama's word is on the line," Peters added.

In September, Cuban Foreign Minister Bruno Rodriguez accused Obama of failing to keep his promise, saying that far from easing regulations, the U.S. administration had tightened the enforcement of trade restrictions. "The president has fallen far short of the expectations created by his speeches," Rodriguez said in the Havana news conference, stressing the reach of U.S. sanctions on international business and Cuban trade.

"The true impact of the embargo is not just a bilateral impact," said John Kavulich of the U.S.-Cuba Trade and Economic Council. "It isn't Cuba's inability to access U.S. markets, it's Cuba's inability to access foreign exchange and the U.S. ability to manipulate private companies and some governments in their relationship with Cuba."

Despite the U.S. trade embargo, which Cuba calls "a blockade," the United States is the island's leading source of food and agriculture. In 2000, the U.S. allowed American farmers to sell food and farm products directly to Cuba. A bill passed eight years earlier permits the shipping of medical supplies although red-tape has often slowed the delivery of goods.

While the White House cannot lift sanctions without congressional approval, some analysts believe the real obstacle to improved relations is Alan Gross, an American jailed in Cuba on suspicion of spying.

Gross, 60, had been working for a USAID subcontractor called Development Alternatives Incorporated (DAI) when he was arrested at Havana's international airport on December 3, 2009.

His continued imprisonment -- although he has not been charged -- prompted one of the highest-level diplomatic exchanges between the two countries in recent years.

During the U.N. General Assembly in New York last month, U.S. Assistant Secretary of State Arturo Valenzuela spoke with Cuban Foreign Minister Rodriguez in a meeting intended to "encourage the release" of Gross.

Cuba is one of a handful of places -- including Iran and Myanmar -- where the U.S. funds what it calls democracy-building initiatives without the host country's permission.

USAID -- the U.S. Agency for International Development -- came under intense scrutiny in 2006 and 2008 as a result of reports by the U.S. Government Accountability Office that identified potential misuse of U.S. grant money to promote Cuban democracy.

DAI, where Gross was working, does not receive those grants but is a USAID subcontractor engaged in Cuba to "strengthen civil society in support of just and democratic governance," according to a statement from the company's president and chief executive Jim Boomgard.

Gross' continued imprisonment and the potential fallout from the upcoming U.S. election may already have cooled what had once appeared to be a warming of relations.

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Cuba to Move State Employees Into Private Sector

Brian Wagner | Miami 14 September 2010



Photo: AP
Cuba's President Raul Castro (file photo)

Cuba's government is planning to lay off half a million state workers and encourage them to move into private sector jobs, as part of a sweeping economic reform. Economic experts say Cuba faces several challenges in fostering private businesses.

For months, President Raul Castro has been warning about inevitable layoffs in the state sector, which represents 95 percent of Cuba's economy. He says the state is struggling because too many workers are redundant and have low productivity.

On Monday, the Cuban Workers Confederation unveiled a plan that includes cutting more than 500,000 state employees by April. The labor union group says the government cannot continue to support entities with inflated payrolls and losses that drag down the island's economy.

Washington-based economist George Montalvan says the plan is in response to an economic crisis. He says Havana made a similar move when the Soviet Union and its financial support of Cuba collapsed in the early 1990s.

"They are doing something that is similar, but definitely of greater magnitude because 500,000 individuals is 10 percent of the Cuban labor force," he said. "So it is a lot of people."

Cuban officials say most of those people can be absorbed into private sector jobs as the government prepares to relax rules on non-state industries. The workers confederation says new reforms will allow Cubans to lease land, form cooperatives and become self-employed.

Cuba made a similar move in the 1990s when it allowed people to open small restaurants and hostels, and allowed businesses to accept U.S. dollars. Analysts say the current plan might go even further, by allowing businesses to hire employees and lease property.

U.S.-Cuba Trade and Economic Council Senior Advisor John Kavulich says many questions

remain about how these changes will be implemented. He says current laws make it nearly impossible for Cubans to form a small business.

"They have to make available the means of production," he said. "If someone needs a machine for example, does the person own the machine? Does the government own the machine and lease the machine?"

Another question is where Cubans will find the money to finance their own businesses. George Montalvan says many foreign investors are wary of Cuba because of its history of failing to pay back loans and not respecting foreign ownership rights.

He says some Cubans might receive remittances from relatives abroad, but that it is unclear how the government will allow people to use that money.

"The Cuban government does not have the wherewithal to finance, in any important way, small businesses," he said. "So the question is: where is that financing going to come from?"

The proposed reforms also might have a strong social impact for a communist state that for decades has sought to eliminate class divisions.

Analyst John Kavulich says that opening the door to private enterprise might enable some business owners to prosper, especially in the eyes of other Cubans. He says it is unclear whether Cuban officials are ready to allow that to happen.

"The Cuban government does not do well with success; it tends to penalize it," he said. "The model, in its purest form [is this] - you bring 10 Cubans from throughout the country together. You ask them to open their wallets and they all have the same amount of money in them because they neither want more money nor need more money."

Earlier this month, former Cuban leader Fidel Castro was quoted by a U.S. journalist as saying that the Cuban model no longer works, even for Cuba. He later said he was misquoted and that he believes capitalism does not work.

The latest reforms, analysts say, suggest that the Cuban government led by Raul Castro is ready for a change to overcome the country's economic crisis and build Cuba's future.

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Cuba's Public-Sector Layoffs Signal Major Shift



Alejandro Ernesto/EFE, via European Pressphoto Agency

In a move to open up Cuba's economy and create new areas for private business, the government will be giving more licenses to private taxi drivers.

By Elisabeth Malkin

MEXICO CITY — In perhaps the clearest sign yet that economic change is gathering pace in [Cuba](#), the government plans to lay off more than half a million people from the public sector in the expectation that they will move into private businesses, Cuba's labor federation said Monday.

Over the past several months, President [Raúl Castro](#) has given stern warnings that Cuba's economy needs a radical overhaul, beginning with its workers. With as many as one million excess employees on the state payroll, Mr. Castro has said, the government is supporting a bloated bureaucracy that has sapped motivation and long sheltered a huge swath of the nation's workers.

"We have to erase forever the notion that Cuba is the only country in the world where one can live without working," he told the National Assembly last month.

Since permanently [taking over from his brother Fidel two years ago](#), Mr. Castro has often pledged to make Cuba's centralized, Soviet-style economy more efficient and open up opportunities for people. The government has handed tens of thousands of acres of state-held farmland to private farmers and begun freeing up a market for agricultural supplies. It has loosened restrictions on cellphones and other electronics, and created a few areas for private business, allowing barbers' shops to become cooperatives and giving more licenses to private taxi drivers.

But these initial reforms have been comparatively limited, many analysts contend, and Cuba's economy — grappling with the fallout from the global financial crisis and the aftermath of devastating [hurricanes](#) in 2008 — appears to be in dire shape.

Tourism revenues have flagged, the country has faced rice shortages and its sugar crop has been disastrous. Last year, as the government tried to hold onto desperately needed hard currency, imports fell by 37 percent.

In its statement Monday, the Cuban Workers' Central, the country's only recognized labor federation, openly acknowledged the nation's troubled economy, saying that changes were "necessary and could not be delayed."

"Cuba faces the urgency to advance economically," the statement said. "Our state cannot and should not continue supporting companies" and other state entities, "with inflated payrolls, losses that damage the economy, which are counterproductive, generate bad habits and deform the workers' conduct," the labor federation added.

To that end, the government has previously said that it would grant new licenses to entrepreneurs, vastly expanding the kinds of businesses that can be run privately. But the announcement on Monday — saying that the layoffs would be completed by next March — suggested that Mr. Castro now intended to move ahead vigorously.

“What’s stunning today is that they put a date and they put a number on it — 500,000,” said Philip Peters, who follows Cuba for the Lexington Institute. “It’s a very substantial decision,” he added. “It’s a major shift towards a larger private sector in a socialist economy.”

New openings in the private sector would be welcomed by many Cubans, who are weary of the island’s stagnation and desperate for new opportunities.

Even so, the disappearance of hundreds of thousands of jobs — and with them the security of a salary, workplace meals and the chance to make extra money through tips in some cases — would come as a shock.

While Cubans have access to free health care, education and subsidized food and housing, the government has already cut some of the subsidies that many Cubans rely on to supplement their average monthly wage of about \$20. And given the government’s record of introducing new areas for enterprise only haltingly, it is unclear that new jobs can be created as quickly as the public sector positions will be cut.

“They are in the process of massively reducing the size and participation of the state in Cuban life,” said Julia E. Sweig, a Cuba expert at the [Council on Foreign Relations](#) who was in Havana a couple of weeks ago. “There is a belief that there is so much pent-up demand on the one hand and so much skill on the other that the private sector will absorb them pretty rapidly.”

Ms. Sweig said that it appeared the government was preparing to open up a vast range of activities, including light manufacturing like furniture making and garment production. Cuba’s underground economy already provides a broad array of products, she said, but under the new arrangement the government would begin to tax those new businesses.

To absorb all those workers who will be laid off, the federation said that hundreds of thousands were expected to move into some form of private enterprise over the next few years.

Just how strongly the government plans to hold onto its traditional economic philosophies are a matter of debate.

In an [interview published online by the Atlantic last week](#), Fidel Castro said that the Cuban model no longer worked. But in a speech at the University of Havana shortly after his remarks were published, he said that he had been misinterpreted and that what he meant was that capitalism did not work.

Ms. Sweig, who was present for the first interview, said that Mr. Castro’s speech correcting himself was not backtracking. Instead, she said his words were most likely intended to reassure Cubans that he did not intend to import American-style capitalism. “It is a hybrid that is evolving,” she said.

Still, John Kavulich, a senior adviser for the U.S.-Cuba Trade and Economic Council, warned that it would be difficult for Cuba to follow through on the full scale of its announcement. On a practical level, he asked, would the government be able to import all the tools the new entrepreneurs or small manufacturing cooperatives will need?

There is also a larger question that goes to the heart of Cuba’s ideology, Mr. Kavulich said. “The Cuban government is going to allow and by definition encourage people to go into private sector opportunities,” he said. “What happens when some people get rich?”

“The government is going to have to determine whether it will allow and embrace success, not just opportunity,” he said.

Associated Press

New York, New York

28 August 2010

Cuba Eases Property Laws, Could Open Door To Golf

HAVANA - Cuba has begun allowing foreign investors to lease government land for up to 99 years, a step toward a future that could be filled with golf courses ringed by luxury villas, beachfront timeshares and vacation homes for well-heeled tourists.

But while overseas developers are cheering, some caution that the communist island has been down this road before, embracing foreign ownership with an eye toward bolstering tourism revenues — only to scrap those reforms when the economy improved and profit margins no longer seemed as important as maintaining state control of commerce.

A decree that was published as law Thursday loosened property laws enough to allow 99-year leases for foreigners. A measure appearing the following day expanded self-employment, letting Cubans grow and sell small amounts of farm products out of their homes or special kiosks.

Large agricultural holdings are state-controlled, but small farmers were already allowed to work their own land. The law will allow more Cubans to do so and let them sell what they produce, but will also make them pay taxes on their profits.

The moves are significant as President Raul Castro promises to scale back the state's near-total dominance of the economy while attempting to generate new revenue for a government short on cash.

Still, it's too early to herald a new Cuba, said John Kavulich, a senior policy adviser for the U.S.-Cuba Trade and Economic Council in New York.

"I don't think it's going to open a floodgate. I think it may turn on a tap so that people know there's water," he said.

Far more optimistic was Robin Connors, president and CEO of Vancouver-based Leisure Canada, which wants to build hotels, villas and two golf courses on a stretch of beach in Jibacoa, 40 miles (64 kilometers) east of Havana.

"We see the times are changing, so to speak," Connors said.

Cuba already allowed leases of state land for up to 50 years with the option to extend them for an additional 25, but foreign investors had long pressed tourism officials to endorse 99-year lease deals to provide additional peace of mind to investors.

The longer leases also mean lower interest rates on international banking mortgages, Connors said.

"I think this is huge," he said by phone while vacationing in Paris.

Connors' company hopes to begin construction on a luxury hotel in the Havana neighborhood of Miramar next year — with the project at Jibacoa and another plan for development on Cayo Largo, a cay off Cuba's southern coast, "not far off."

Investors in Canada, Europe and Asia have been waiting to crack the market for long-term tourism in Cuba, built on visitors who could live part-time on the island instead of just hitting the beach for a few days. The U.S. bars its companies from doing business with Cuba.

The change may also help Cuba embrace golf. Investment firms have for decades proposed building lavish 18-hole courses with luxury housing for foreigners.

Despite years of grand plans, however, Cuba has just two golf courses and has yet to approve construction of any new ones — though the tourism Ministry says it would like to build 10 more.

Andrew Macdonald, CEO of Britain's Esencia Hotels and Resorts, said his company had planned to start construction last year on the Carbonera Country Club, a \$300 million development outside the resort of Varadero, but is still waiting for government approval. In addition to an 18-hole golf course, Macdonald's plan calls for 800 luxury apartments and 100 villas.

"It's exceedingly good news," Macdonald said of the new rule. "It's been a long road. But having said that, it's very important for the country that they get each step right, and this is a very big step for them."

The new law makes it clear Cuba is looking to boost profits, saying the step is necessary "for the sustainable development of the country and the international economy."

While the longer-term leases could reshape international investment in Cuba, meanwhile, allowing more production and sales of agriculture products will likely have far greater impact on ordinary Cubans.

The law marks the first major expansion of self-employment since Castro said in an address to parliament Aug. 1 that his government would reduce state controls on small businesses and private enterprise — a big deal in a country where about 95 percent of people work for the state.

Cubans already sell fruit, pork, cheese and other items on the sides of highways across the country, fleeing whenever the police happen past. The new measure legalizes such practices by letting Cubans grow whatever they wish and sell it, while bolstering state coffers with new taxes on their earnings.

Oscar Espinosa Chepe, a state-trained economist who became a dissident anti-communist and was jailed for his political beliefs in 2003 before being paroled for health reasons, called the decree "an intelligent move."

"It's good, though still something very limited," Espinosa Chepe said.

Associated Press

New York, New York

12 August 2010

Cuba cuts US food imports 28 percent in early '09 [10]

By WILL WEISSERT

HAVANA

Cash-strapped Cuba has continued to slash agricultural purchases from the U.S. even as a key bill that would ease Washington's Cuban travel ban and make it easier to sell more food to the island works its way through Congress, according to a report released Thursday.

Imports fell 28 percent through the first six months of the year to about \$220 million. That follows a 26 percent slippage to \$528 million in 2009, down from a peak of \$710 million the year before, according to the New York-based U.S.-Cuba Economic Trade Council.

"There are no indications that the Cuban economy is going to rebound to the extent that the Cuban government will be able to substantially increase its level of purchasing of food and agricultural products to those it reached in years past," John Kavulich, senior policy adviser for the council, said by telephone.

The island has been weakened by the global economic crisis and a drop in revenues from tourism and the natural resources it exports. It is also struggling to recover from three hurricanes two summers ago.

The council does not include shipping and transaction costs when calculating Cuban funds spent on U.S. imports, meaning its figures are lower than those Havana releases. Still, all sides agree the communist government has reduced imports from all its major trading partners. It has made a special effort to stop buying foreign food, however, while launching campaigns to increase domestic farm production.

But so far, food output across Cuba has remained mostly stagnant, and the cuts in imports have sparked periodic shortages of such staples as rice.

U.S. farm exporters have been hit especially hard by Cuba's belt-tightening because -- despite the 48-year-old trade embargo against the island -- America is the largest seller of food to Cuba. Food and agriculture products have been exempted from the embargo since 2000, though Cuba must pay cash up front.

The island originally balked at the law, but a 2001 hurricane hurt food production and gave it little choice. Today, Cubans getting food from monthly ration books eat chicken from Arkansas. Upscale island markets stock everything from Kellogg's cereal to Heinz ketchup.

Kavulich said Cuba has made up for some of its recent cutbacks on U.S. imports by buying food from Vietnam and other countries that offer it more time to pay.

The 2008 record figure for imports may also have been inflated by hoarding, as the island tried to stockpile food, believing that commodities prices that were then on the rise would continue to spike. Instead, they fell and having extra stocks was no longer so important.

The U.S. House Agriculture Committee voted June 30 to lift the ban on American travel to Cuba and make it easier to sell agricultural exports to the island. While the bill has made headlines because of the travel component, it is backed by farm-state members of Congress hungry for a larger slice of the Cuban market. Unclear is when it will be considered by the full House.

Kavulich said supporters of the measure will use the drop in Cuban imports as evidence U.S. policy needs to be changed to keep from losing Cuban business to foreign competitors offering food exports. Opponents, meanwhile, will say American food sales to Cuba are no longer so potentially profitable.

But, for him, the issue is simply that Cuba is short on funds.

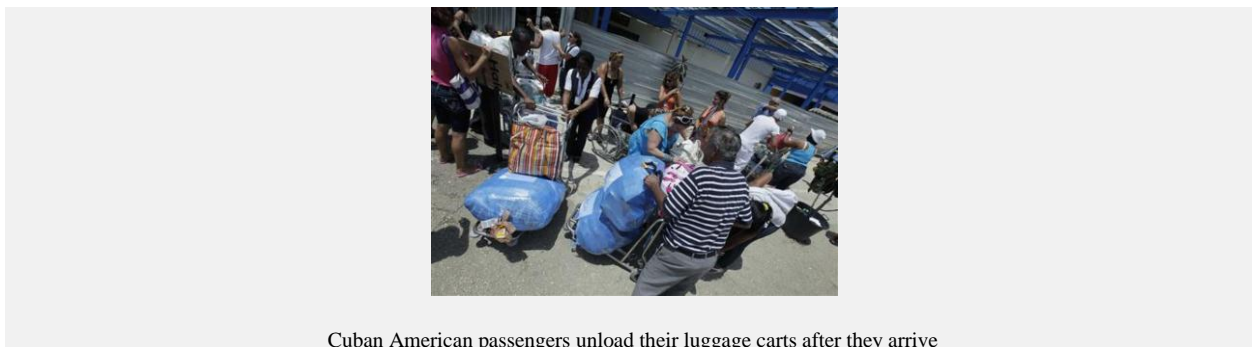
"Why are they buying less? I haven't read one Cuban official saying it's because of U.S. law and policy," Kavulich said. "They say they don't have the money."

Reuters Americas

London, United Kingdom

12 August 2010

"Mules" stretch limits of U.S. trade embargo on Cuba



Cuban American passengers unload their luggage carts after they arrive from Miami at Havana's Jose Marti International Airport August 11, 2010.

By Esteban Israel

(Reuters) - It all starts with a description given over a mobile phone: "Look for a woman with long blonde hair, blue jeans, silver heels and a black T-shirt arriving on the next flight from Miami."

When the woman emerges from Havana's international airport pushing a cart loaded with bulky black duffel bags, she is greeted effusively by a man she has never seen before.

"They hug as if they had known each other all their lives. Once in the parking lot, the woman hands over the bags and says goodbye," says Yanet, a Miami resident.

She is describing the tactics of growing numbers of human "mules" who regularly travel between the United States and Cuba carrying in their bags loads of clothes, food, consumer goods, electrical appliances and millions of U.S. dollars to the communist-ruled Caribbean island. They deliver the goods for a fee or free ticket, often to complete strangers.

"The system works beautifully," said Yanet, making her second trip as a "mule" to Havana in less than a month. "But you have to stage a little show because you never know who may be watching," she added.

This burgeoning informal commerce between two neighbors whose governments have maintained a Cold War-era enmity for half a century belies the 48-year-old U.S. trade embargo against Cuba -- but also reflects recent relaxations of it.

Since 1962, the U.S. embargo's intended aim has been to force the Cuban government to abandon its communist rule. But informal trafficking of cash and goods to Cuba has boomed since President Barack Obama last year lifted restrictions on Cuban Americans traveling to their homeland and significantly increased the amount of money they could take.

His calibrated measures, part of a process of promoting "people-to-people" contacts Washington believes can foster political change in Cuba, also increased the type of consumer items that could be included in gift parcels for Cuba.

Also authorized under a telecoms initiative was the export or re-export to Cuba by visitors of donated personal telecoms devices, such as mobile phones, computers and software.

Travelers to Havana were already able to bring parcels of food and medicines, and the embargo has for some years allowed the export of U.S. farm products to the island.

"MORE TRAVELERS, MORE MONEY"

On the U.S. side, from where daily two-way charter flights ferry more and more Cuban Americans to Cuba on family visits, there is significant tolerance for passengers to load up with consumer goods.

But the mules also need to outsmart tight Cuban customs restrictions, where taxes are levied for baggage over certain limits and luggage contents are frequently inspected.

Chronic scarcity and the high prices of the narrow range of imported goods that are sold in Cuba's state-run dollar stores have prompted thousands of Cubans to use the human "mules" to import everything from clothing to toiletries, electronics and money.

John Kavulich, who monitors commerce between the two nations at the New York-based U.S.-Cuba Trade and Economic Council, says it is impossible to accurately quantify this informal trade.

"But more travelers means more money and more expenditure in Cuba," he said.

Manuel Orozco, a remittances expert with the Inter-American Dialogue think-tank in Washington, says Cuban exiles in the United States sent to the island some \$636 million in 2008 and probably slightly less in 2009 due to the economic downturn. "About 60 percent of that money is sent through informal channels or mules. That is quite a lot," he said.

Bureaucratic requirements in the United States, a lack of competition for services and a charge on foreign exchange charge levied by Cuba on transferred dollars make formal money transfers through financial agencies like Western Union costly.

UNDERGROUND FINANCE

Formal transfers cost 17 percent of the money sent, whereas mules cost around 13 percent, says Orozco, adding they deliver the money much faster.

The mules are part of an emerging underground industry of financial services offering credit and installment payments otherwise unthinkable in Cuba's state-run economy.

There are no figures available for the size of the informal trade in goods, but it has become quite organized. There are even privately run places in Havana where Cubans can shop from catalogues sent by email. They pick an item, make a 50 percent down payment and 15 days later they get their order. All for a 25 percent commission.

Most of these informal businesses are family-run. A Havana resident, for example, sends a list of products to a relative in Miami, who then finds a Cuban American willing to transport them as a mule in exchange for a free ticket.

Cubans are crazy for big brands, says Diana, who sends items from Miami to Havana. "They ask me for instance to send sunglasses that say Dolce & Gabbana or Gucci. They're cheap replicas, of course, but they sell very well because of the brands. Cubans love that," she explained.

Profit margins are striking when it comes to high-end electronics. A flat screen TV bought in Miami for \$700 can be sold in Cuba for up to \$2,000. Such a television would likely cost \$2,500 in a state store, if it were available.

The informal trade also feeds an endless network of informal vendors who receive small commissions. But the "mule" business is not without risks. "You need to be careful and make sure you don't bring too many of the same products, because Cuban customs officers are not stupid and if they realize it is for sale they will take it away on the spot," said Yanet.

Cigar Aficionado

New York, New York

4 August 2010

Change in Cuba: Castro To Allow More Private Business

By *David Savona*

Cuban president Raúl Castro made headlines this week when he said more private businesses would be allowed to operate in the communist country and that many state jobs would be eliminated.

"We have to permanently erase the notion that Cuba is the only country in the world where people can live without working," Castro said, according to a transcript of his speech reported by *Granma*, Cuba's newspaper of the communist party. Castro said that Cuba would extend the "exercise of self-employment" and cut "various existing prohibitions on the granting of new licenses and the marketing of certain products, thus making labor contracts more flexible."



Cuba has been here before. In the early 1990s, Cuba freed up some private business sectors to help make up for the loss of aid from the former Soviet Union. One example was the country's *paladar* program, allowing individuals to turn their homes into small, privately-owned restaurants. These boomed, becoming the best places to dine in Cuba, but they became a victim of their own success, and the plan was cut back.

"I'm cautious, I've seen this before," said Cuba expert John S. Kavulich II, senior policy advisor to the U.S.—Cuba Trade and Economic Council Inc. "The last time they did this was due to dire economic circumstances, then they backed away. Are we going to see a repeat? I'm probably more optimistic this time."

Cuba's flirtations with private enterprise have yielded positive results. In the world of cigars, the most famous example is that of late tobacco farmer Alejandro Robaina, who showed the Cuban government that privately-owned tobacco farms produced yields far greater than those owned by the state.

Miami Herald

Miami, Florida

29 July 2010

Big drop in U.S. agricultural sales to Cuba

BY JUAN O. TAMAYO

U.S. agricultural exports to Cuba fell 35 percent in the first five months of this year compared with the same period in 2009, largely because of the island's shortage of hard currency, according to a recent report.

The report by the U.S.-Cuba Trade and Economic Council, a New York-based group that monitors bilateral trade, showed U.S. sales to Cuba from January to May of this year hit \$182 million, compared with \$278 million for the same period last year.

U.S. exports to Cuba already had seen a 24 percent drop in 2009 -- \$528 million, compared with 2008, when they hit a record of \$710 million, according to the report issued Tuesday.

Cuba imports an estimated 60 to 80 percent of all the food its 11 million people consume, but its U.S. purchases must be paid in cash because U.S. laws bar giving credit to the island.

John Kavulich, senior policy analyst at the trade council, wrote in the report that the main reason for the drop-off was the island's shortage of the hard currency it needs to pay for the imports.

Cuba faces an economic crisis sparked by a steep drop in the price of nickel, its key export and hard-currency earner, damage caused by three hurricanes in 2008 and the higher food prices and sagging incomes from tourism and remittances caused by the global economic crisis.

The U.S. House of Representatives is considering a bill that would provide Cuba with a gusher of U.S. tourism dollars by ending all restrictions on travel to the island. It would also ease some of the limitations on U.S. exports to Cuba.

The bill was approved by the House Agricultural Committee, with strong backing from farm and business lobbies. It must still be approved by the full House and then the Senate, where Cuban-American Sen. Bob Menendez, D-N.J., has vowed to block it.

El Nuevo Herald

Miami, Florida

28 July 2010

Caen exportaciones de EEUU a la isla

Por JUAN O. TAMAYO

Las exportaciones agrícolas de EEUU a Cuba bajaron 35 por ciento en los primeros cinco meses de este año en comparación con el mismo período del 2009, en gran medida debido a la escasez de divisas de la isla, según un reciente informe.

El informe del U.S.-Cuba Trade and Economic Council, un grupo radicado en Nueva York que monitorea el comercio bilateral, mostró que, entre enero y mayo, las ventas de EEUU a Cuba de este año llegaron a \$182 millones en comparación con \$278 millones en el mismo período del año pasado.

Las exportaciones de EEUU a Cuba ya habían visto un descenso de 24 por ciento en el 2009 --\$528 millones-- en comparación con los \$710 millones sin precedentes del año anterior, según el informe publicado el martes.

Cuba importa entre 60 y 80 por ciento de todos los alimentos que consumen sus 11 millones de habitantes pero sus compras a EEUU tienen que hacerse en efectivo porque las leyes estadounidenses prohíben extenderle crédito a la isla.

John Kavulich, analista político del consejo comercial, escribió en el reporte que la principal razón de la disminución en las compras cubanas en EEUU está en la escasez de las divisas duras que necesita para pagar las importaciones.

Cuba afronta una crisis económica desatada por un fuerte descenso en el precio del níquel, su principal exportación y fuente de divisas; los daños provocados por tres ciclones en 2008; la elevación de los precios de los alimentos y el descenso de los ingresos del turismo y las remesas ocasionados por la crisis económica mundial.

El reporte del consejo plantea otras cuatro razones por la caída en las importaciones de productos norteamericanos:

* a "generosidad económica" de los gobiernos de Venezuela y China, que ha disminuido el interés cubano en comprar bienes norteamericanos "independientemente del costo, calidad o consideraciones de entrega".

* La "reemergencia y/o continuación de las relaciones de importación" entre Cuba y los gobiernos de Brasil, Argentina, Vietnam, México, Canadá, Rusia, Irán y Francia, entre otros.

* Cuba prefiere comprar productos de entidades controladas por el gobierno, "que proveen términos de pago más favorables y menos publicidad cuando no se cumplen los términos de pago".

* Los esfuerzos de Washington para presionar a las empresas de EEUU a que cabildeen en el Capitolio para relajar las sanciones a la isla, en ocasiones firmando y otras reteniendo la aprobación de contratos de importación con las firmas de EEUU.

El año pasado, el gobierno de Raúl Castro congeló más de \$600 millones en cuentas bancarias de compañías extranjeras que estaban haciendo negocios en la isla, diciendo que no tenía el dinero para pagar.

Alrededor de un tercio de los fondos congelados se han resuelto desde entonces, según funcionarios cubanos, aunque algunas de esas compañías se vieron obligadas a aceptar el equivalente de Certificados de Depósito, pagaderos en varios años.

La Cámara de Representantes está considerando un proyecto de ley que le daría a Cuba una fuerte entrada en dólares del turismo al terminar con todas las restricciones para viajar a la isla. También relajaría algunas de las limitaciones a las exportaciones norteamericanas a Cuba.

El proyecto de ley fue aprobado por la Comisión de Agricultura de la Cámara, con fuerte apoyo de los cabilderos de los granjeros y las empresas. Sin embargo, todavía tiene que ser aprobado por el pleno de la Cámara y luego por el Senado, donde el senador Bob Menéndez, demócrata de Nueva Jersey, se ha comprometido a bloquearlo.

Thomson Reuters

London, United Kingdom

27 July 2010

U.S. food sales to Cuba in steep decline

U.S. prohibition on credit to Cuba hits food sales

2010 drop follows 24 percent decline in 2010

U.S. food sales to Cuba fell by 35 percent from January through May compared with the same period in 2009, as the cash-strapped nation cut imports and bought from countries offering credit, a U.S.-based trade group said on Tuesday.

The steep decline followed a 24-percent drop in sales to the island in 2009 after record sales of \$710 million in 2008.

Cuba imports about 60 percent of its food, and the United States has been the Communist-led island's main provider for years despite political tensions and the almost five-decades-old U.S. trade embargo.

The Caribbean nation is required to purchase agricultural goods with cash under a 2000 exemption to the embargo, but Havana is cash-strapped due to the impact of three hurricanes in 2008, the global financial crisis, lower tourism revenues and declining earnings for nickel and other exports.

U.S. food exports to Cuba through May were \$182.3 million compared with \$278.2 million during the same period last year, according to figures released by the U.S.-Cuba Trade and Economic Council, a New York-based group monitoring trade between the two countries.

The report said Cuba was turning more to countries such as Brazil, France, Canada, Russia and China where it could purchase food on credit, and to state-run companies from private ones in many countries.

Legislation under consideration in the U.S. Congress would lift restrictions on Americans traveling to Cuba and some regulations on the food sales.

A broad coalition of farm, business and human rights groups have backed the bipartisan bill as an important step toward ending the U.S. embargo and promoting trade and change on the island.

Cuban officials have encouraged visiting U.S. trade delegations to work to abolish the travel ban and lift food sale regulations, arguing that boosting American tourism to the island would give Havana more money to buy U.S. goods.

But John Kavulich, who heads up the U.S.-Cuba Trade and Economic Council, said he doubted improved regulations would increase sales due to Cuba's chronic economic problems.

"Changes to the existing laws and regulations governing United States agricultural products and food products will not result in meaningful increases in exports," he said, while not commenting on the travel ban.

U.S. exports to Cuba include corn, wheat, chicken, soybeans and powdered milk.

National Public Radio

Washington, DC

11 July 2010

Cuba's New Deepwater Oil Well Uncomfortably Close

by Greg Allen

As a legal case over a moratorium on deepwater drilling works its way through the U.S. courts, a Spanish-led consortium is now preparing to sink a deepwater exploratory well in Cuban waters, just 60 miles off the Florida coast. The move raises concerns about how the U.S. could respond in the event of a major spill.

LIANE HANSEN, host:

Cuba has long drilled for oil but has never produced enough for itself. However, the U.S. Geological Survey estimates there may be up six billion barrels of oil reserves offshore, enough to meet all of Cuba's needs and more. So far, Cuba state-run oil company has been unable to tap them. A Spanish energy company now wants to drill an exploratory well early next year in Cuban waters.

And as NPR's Greg Allen reports, several other international oil companies are expected to follow.

GREG ALLEN: Repsol is a Spanish company with long experience in deepwater drilling. Last year, it successfully sank a well more than six and a half miles down on the floor of the Gulf of Mexico. In 2004, Repsol drilled its first exploratory well off Cuba's northern coast. Now the company says it will drill a second well in the same area early next year.

Jorge Pinon is a former Shell and AMOCO executive, now a research fellow at Miami's Florida International University. I asked him if Repsol is going back for more, does that mean the oil is there.

Mr. JORGE PINON (Senior Energy Research Fellow, Miami's Florida International University): Yes, we assume that it is because a company like Repsol is a company that is not going to go through an exercise like this; talking about a 45 to \$50 million expenditure, if they didn't have a good expectation that there is going to be oil.

ALLEN: Repsol isn't saying much about its plans, other than to confirm that we'll use a deepwater rig currently being assembled in China, and that it's partnering in the project with Norwegian and Indian energy companies. Because of the longstanding U.S. trade embargo, U.S. companies are banned from any participation in Cuban oil production, onshore or off.

That worries David Guggenheim, and he has nothing to do with the oil industry. He's a marine researcher and senior fellow with the Ocean Foundation. The oil well may be in Cuban waters, he says, but with the Loop Current and the Gulf Stream, a spill would quickly become a U.S. problem.

Dr. DAVID GUGGENHEIM (Senior Fellow, Ocean Foundation): The modeling studies that they've performed predict that 90 percent of a oil spill would end up in U.S. waters - in the

Florida Keys and up the East Coast of Florida and the U.S. And I think all of this underscores the importance of having a dialogue between the United States and Cuba on this issue.

ALLEN: Next month, a group from the Houston-based International Association of Drilling Contractors is traveling to Havana to discuss best practices, environmental protection, and safety procedures with Cuban officials.

Jorge Pinon says through legislation or an executive order, U.S. companies could be allowed to respond to an oil spill in Cuban waters. But it's important those measures be adopted now before a spill occurs.

Mr. PINON: So that the oil companies operating in Cuba can pick up the phone and in short notice, have the equipment, personnel and other resources necessary in Cuba, in order to suppress any oil spill before it hits Key West or South Beach.

ALLEN: Along with Repsol, at least seven other international energy companies have purchased oil leases off Cuba's northern coast, some just 60 miles away from Key West. Pinon says he and others close to the industry are not asking that U.S. companies be allowed to take part in Cuban drilling, just cleanup. But if oil production takes off in Cuban waters, that's likely to change.

John Kavulich is senior policy advisor to the U.S.-Cuba Trade and Economic Council.

Mr. JOHN KAVULICH (Senior Policy Advisor, U.S.-Cuba Trade and Economic Council): U.S. companies will definitely put pressure on the U.S. Congress and on the White House to, at minimum, allow the oil companies to access information, to have meetings and if they can't directly contract, perhaps contract as a subcontractor.

ALLEN: That would mean easing the U.S. trade embargo, a touchy subject.

And there's another way in which Cuba's new off-shore oil production may have a profound impact on the U.S. If a mini drilling boom gets underway in the Atlantic off Cuba, and eventually the Bahamas, pressure will build to lift the ban on drilling in U.S. waters, near the coast of Florida.

Greg Allen, NPR News, Miami.

National Journal

Washington, DC

27 May 2010

Star Time For Brazil's President?

By Tom Risen



Brazilian President Luiz Inacio Lula da Silva, left, has worked to portray himself as a mediator. Here he poses with Iranian President Mahmoud Ahmadinejad and Turkish Prime Minister Recep Tayyip Erdogan after the signing of the Iranian nuclear fuel swap deal on May 17 (Credit: Atta Kenare /AFP/Getty Images).

As Brazilian President **Luiz Inacio Lula da Silva** increases his worldwide visibility, does it come at a cost to his country?

Lula touts his solidarity with Cuba and Iran, but he also beat out Chicago -- and **President Obama** -- to bring the 2016 Summer Olympics to Rio de Janeiro. His encouragement of economic reforms and his government's hands-off attitude with Brazil's nationalized oil company, Petrobras, helped Brazil grow steadily into the world's ninth-largest national economy -- and gave him the clout to be very hands-on in a nation with a traditionally reserved foreign policy.

Lula's presidency expires in October, but his global influence could last longer as a result of his frequent efforts to make Brazil, and himself, a force in world diplomacy. Most recently, Brazil and Turkey helped work out a nuclear fuel swap with Iran. Brazil is a temporary member of the U.N. Security Council, and it's trying to become a permanent member as part of an overhauled power structure.

Eliot Engel, D-N.Y., chairman of the House Foreign Affairs Subcommittee on the Western Hemisphere, said Brazil has earned its place as a global player, but "the path that Lula has sent it on is a misguided path."

"I think he's trying to show that Brazil is a power that needs to be reckoned with and doesn't need the United States or anybody else to tell it what to do, but at the same time he's playing with fire by hanging around with" Iranian President **Mahmoud Ahmadinejad**, said Engel, also co-chair of the Congressional Brazil Caucus.

"I don't know what Lula's game is," Engel added. "He thinks Brazil should be a member of the U.N. Security Council, but I don't think that his actions show Brazil deserves to be on the Security Council. If you play with fire, you get burned."

The deal Brazil helped broker with Iran involves Turkey refining uranium for Iran to use as fuel for nuclear reactors instead of Iran enriching uranium on its own. Engel said it could undermine U.S. efforts to secure U.N. sanctions against Iran with the help of fellow permanent council nations China and Russia, with whom Brazil also has good relations.

Florida Rep. **Connie Mack**, ranking member of the Western Hemisphere Subcommittee, said Lula "is joining the ranks of Venezuelan strongman **Hugo Chavez** and other thugocrats," referring to Lula's relations with Cuba's Castro regime and his endorsement of Ahmadinejad's controversial 2009 election. Mack is also concerned Lula's nuclear proposal in Iran will have "little or no effect."

"Instead of squandering Brazil's emerging influence by embracing the world's thugs, Lula should support freedom and democracy and stand against tyranny," Mack said.

While Lula has lobbied for a \$1 billion deal to help Cuba develop infrastructure for its oil resources in the Gulf of Mexico, he has cultivated a more serious economic image, unlike Chavez, who has used Venezuela's national oil company to fund his political aims, for instance sending 100,000 barrels of oil a day to Cuba.

"Lula likes to portray himself as a reasonable version of Chavez," said **John Kavulich**, senior policy adviser for the U.S.-Cuba Trade and Economic Council.

Lula also helped found the Union of South American Nations, in part as an attempt to exert a political force in the Americas independent of the United States, according to **Mauricio Cardenas**, director of the Latin American Initiative at the Brookings Institution.

"Brazil is going to try to move some of the issues away from the United States' influence, and I think tension could emerge," said Cardenas, formerly a senior economist in the Colombian government. "We're seeing it with Honduras, where there is a difference of view there between those nations. Lula has also been lobbying against a 10-year military agreement granting U.S. forces access to seven Colombian military bases for counternarcotics."

Because Lula put himself out in front on foreign policy so much during his second term, the October presidential election in Brazil has become a "plebiscite of his record," according to **Peter DeShazo**, director of the Americas Program at the Center for Strategic and International Studies. The latest polling by the Brazilian Sensus institute indicates a close race between Lula protege **Dilma Rousseff** and top opposition candidate **Jose Serra**.

"Lula looms large because he's very popular there and would win if he could run again," said DeShazo, a former U.S. representative to the Organization of American States. "If Brazil continues an activist role in foreign policy, then the U.S.-Brazil relationship will be all the more important."

Associated Press

New York, New York

4 May 2010

Cuba OKs residential projects linked to resorts

By WILL WEISSERT (AP)

HAVANA — 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 projects 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.

Associated Press

New York, New York

24 April 2010

Golf in Cuba: Is the communist gov't really game?

VARADERO, Cuba (AP) -The two revolutionary icons were playing the gentlemen's game in fatigues and combat boots. And they weren't playing well. Che Guevara shot a 127, besting Fidel Castro's 150 on a par-70 golf course.

Their 1961 round a month before the Bay of Pigs invasion was the beginning of the end for golf in Cuba - soon the communist government had eliminated the sport from the island almost entirely.

Only one 18-hole course remains, the Varadero Golf Club in this beach resort 85 miles east of Havana. On Friday and Saturday it hosted two one-day pro-am tournaments featuring half a dozen Cuban golfers paired with wealthy foreigners. Organizers say the events are small steps in a campaign to bring golf back to Cuba, a country that is both the best and worst imaginable place to play.

The Tourism Ministry says it would like to build 10 new courses around the country and attract high-rollers from Europe, Canada and even the United States should Washington ease its 48-year trade embargo. Investors in Europe and Canada have long clamored to build courses, presenting plans that include luxury hotels, apartments and health spas. But those proposals have remained stalled for years, with not even one foreign-financed project having broken ground.

Cuba is "the sand trap from hell," said John Kavulich, senior policy analyst at the U.S. Economic Trade Council in New York.

"The conflict is imagery versus profit," said Kavulich, whose group advises U.S. businesses on trade with Cuba. "Concerns about the image of golfers in the worker's paradise. And, if accepted, how does Granma (the Communist Party newspaper) explain the obese U.S. golfer with poor clothing color coordination, running about in their

'Caddyshack' like golf cart, betting on each hole?"

It does indeed seem hard for Granma to stomach golf, with its refined decadence. But Antonio Zamora, a Miami attorney and expert on Cuban real estate, said the government has overcome old ideological concerns and sees the sport as a way to get foreigners to visit the countryside, rather than simply staying in Havana and other cities.

The state-run tourism concern Palmares is developing golf, but Zamora said it has moved slowly because it plans to build courses in clusters of three or more, enticing players to stay in particular areas long enough to try all courses. "There's been a lot of work done. This is not just 'blah, blah, blah,'" Zamora said.

Among those playing in Saturday's tournament was Canadian Graham Cooke, a top golf course architect. At a similar event last year, three-time major winner Ernie Els made an appearance to represent his development company.

In June 2008, Britain's Esencia Hotels and Resorts announced the Tourism Ministry had approved construction of the Carbonera Country Club for around \$300 million on a stretch of beach not far from Varadero. In addition to an 18-hole golf course, the development calls for 800 luxury apartments and 100 villas.

Cuba does not recognize the right to buy or sell property and prohibits foreign ownership, but Esencia said it was hammering out a 75-year lease on the property. Construction was slated to begin in 2009, but has now been postponed indefinitely.

On Friday, Esencia CEO Andrew Macdonald took a group of investors to the site where the Carbonera project would be built, offering a tour of a windy beach amid high reeds that faced a rocky and narrow blue lagoon.

"It's spade ready," he told The Associated Press, offering a map showing that where he stood could one day be a small wooden pier in front of a luxury hotel. "We could go tomorrow."

Macdonald said the proposal has been endorsed by Cuba's Tourism and Foreign Investment Ministries, but that more than 20 other government ministries have to approve the plan before it can go ahead.

"If you haven't done anything for 50 years, you want to do it right," he said. "They're totally committed to this. It's just a timing issue."

Macdonald said the golf course and some of the homes could be built in two years once the project is approved, but he is through speculating on when exactly that might come.

Gilberto Avila, a Tourism Ministry promotional communications officer, said Cuba solicited foreign companies for proposals to build 10 golf courses across the island, and had received at least 11 such proposals since 2007 - though he offered no explanation on why none has moved forward.

Cuba's vacation industry set records for foreign visitors each of the last two years, despite the deep recession. In 2009, over 2.4 million tourists came, mostly from Europe and Canada. But many stayed fewer days than usual, and tour operators offered deep discounts to keep them coming, meaning revenues slumped nearly 12 percent.

Golf could bring tourists ready to spend regardless of how dire the world economy looks.

"You've got a cigar and you are playing golf with the beach right there," said Jose Tovar, general manager of the Varadero Golf Club. "It's perfect."

There were about a dozen topflight Cuban courses before Castro came to power on New Year's Day 1959. The PGA Tour hosted an annual Havana tournament in the 1950s that attracted Arnold Palmer, among others.

Castro and Che's round at Havana's Colinas de Villareal course was meant to thumb their noses at the Kennedy administration. Many claim Castro wanted to eradicate the game because he wasn't good at it, something his son Antonio has denied, saying his father liked trying all sports.

The grounds of the Havana Country Club were converted into a music and dance academy, and another course, the Havana Biltmore Club, became a military zone where Castro now is believed to keep one of his many homes. Colinas de Villareal also became a military camp.

Just one golf course survived in the capital, the nine-hole Havana Golf Club, located off the road to the airport. The

course was originally the British-owned Rovers Athletic Club and was spared mostly so foreign diplomats could play, said Johan Vega, the local pro. Sticks and tree branches are used as flag poles on some holes and an antiquated irrigation system makes it difficult to keep the grass from turning brown.

Vega was not invited to the Varadero tournaments. He doesn't believe golf is too capitalist for his country, but said he's not hopeful it will take off in Cuba because "there's no national golf culture."

Things are far less bleak at Varadero, the only golf course built since Castro's revolution. It opened in 1999, after more than five years of construction and with the Cuban government financing all of its \$20 million budget, said Tovar, the general manager.

The course's clubhouse, high on a bluff, used to be "Xanadu," an 11-bedroom mansion built by U.S. chemical tycoon Irene DuPont.

There was a seven-hole golf course on the grounds - two holes were destroyed by a hurricane - until the Soviet Union disbanded, ending its billions of dollars in annual subsidies to Cuba and bringing the island's economy to its knees. Officials then embraced foreign tourism and built the full-size course to attract golf-hungry visitors.

Varadero hosted qualifying tournaments for the European Tour in 1999 and 2000, but since has been unable to afford to stage more, and efforts to promote golf languished until pro-am tournaments this year and last.

But Tovar said Cuba can no longer afford to not build more golf courses, given the sport's global popularity.

"From a golf course, it's a different view of our country, maybe it's not so cultural," he said. "But it's still Cuba."

National Journal

Washington, DC

20 April 2010

Cuban Oil Fields Beckon Embargo Reform

By Tom Risen



*This refinery in Cienfuegos, Cuba, is part of the oil infrastructure Venezuela has assisted in building
(Credit: Adalberto Roque/AFP/Getty Images)*

As **President Obama** re-examines the nation's offshore oil drilling options, some observers are hoping one area, currently off limits, proves too tempting to overlook: Cuba.

The U.S. Geological Survey estimated in 2004 that drilling efforts in Cuba's territorial waters could yield at least 5 billion barrels of oil. **Carol Graham**, a senior fellow on foreign policy at the Brookings Institute, put the find in context as "equal to major fields in Alaska people want to drill."

One Senate bill that's been idling since last year seeks to take advantage. Sens. **Lisa Murkowski**, R-Alaska, and **Mary Landrieu**, D-La., included a provision in their Domestic Energy Security Act that would lift part of the Cuban embargo to allow oil executives to conduct business in the communist nation. The bill would expand the Trade Sanctions Reform and Export Enhancement Act of 2000, which enacted limited exceptions in the embargo for medicine and agriculture. The bill's main provision is to share government revenue with coastal states that allow offshore drilling. This leaves little hope for the measure getting out of the Energy and Natural Resources Committee, since Chairman **Jeff Bingaman**, D-N.M., opposes the concept.

Aaron Saunders, communications director for Landrieu, expected a "reflex reaction" against loosening the embargo to keep the bill from moving out of committee but hoped it would inform future legislation to open trade with Cuba. "The embargo hasn't done anything to shake **Fidel Castro's** grip on power, not by one iota," Saunders said. "In the past it cost us very little strategically, but here is a case where it could cost us a great deal."

Small discoveries of heavy crude in recent years have led to a Cuban oil rush, with countries from across the world lining up to build rigs in Cuba's territorial Gulf of Mexico waters.

Yet companies have not begun drilling for fear of steep development costs. Cuba lacks advanced refineries to produce its heavy crude, along with industrial oil expertise to use them. The operations would be even more expensive because the embargo restricts the involvement of refineries, shipping and experienced personnel from America. Saunders advocated American involvement for fear that inadequate Cuban regulations and limited drilling experience by the countries that have signed contracts, such as Vietnam, could result in accidents that pollute the nearby Florida Keys.

"We feel that a greater reliance on American technology to develop their resources could have a positive influence on the Cuban culture," said **Robert Dillon**, spokesman for Murkowski. "American companies are the best equipped and experienced to deal with offshore drilling like this, and we feel that American oil workers are missing out."

While the exact quality and location of the oil is still undefined, Brazilian national oil company Petrobras is finalizing a billion-dollar deal with Cuba, according to **John Kavulich**, senior policy adviser for the U.S.-Cuba Trade and Economic Council. Venezuela and China have been providing aid and loans to Cuba for years and are already aiding Cuba's search for oil, with Venezuela providing two-thirds of Cuba's oil consumption. Kavulich said oil development is Cuba's chance to be more commercially independent, with a well-rounded economy, but "as long as Venezuela and also China in a lesser role continue aid, then the government of Cuba has absolutely no incentive to make any changes."

Jorge Pinon, former president of Amoco Latin America, agrees that the Castro government would profit and continue its policies if it successfully commercialized its oil. Yet he said this would also free Cuba from the implicit policy influence of the 100,000 barrels of oil that Venezuelan President **Hugo Chavez** donates every day.

"If Cuba finds oil then they would not have that extra obstacle of Chavez threatening to pull away the oil if Cuba decided to work closer with America," Pinon said. "The country is bankrupt. If you want a Cuba of the future to really have democratic ways, then you want them to find oil and work on it with us."

The New York Times

New York, New York

29 March 2010



Desmond Boylan/Reuters

Tourists cruised Havana's seafont, El Malecón, in a 1952 Cadillac, a pleasure that few Americans have experienced in decades.

Dreaming of Cuban Profits in Post-Embargo World

By Marc Lacey

CANCÚN, Mexico — Would Americans' playing bingo in a Havana retirement home violate the Cuban government's socialist ethos? How about avowed capitalists living on their 401(k) accounts in condominiums along the Cuban coastline? Or, horror of horrors, fast food outlets offering Big Macs, Whoppers and buckets of fried chicken along the seaside Malecón?

Although Cuba remains closed to American investment, dreamers in both countries are actively considering the money-making possibilities that the island might offer once the half-century-old travel and trade embargoes imposed by the United States become policies of the past.

"Cuba does have problems," said Kirby Jones, a business consultant, stating the obvious at the start of a meeting last week that brought American travel industry executives and Cuban government officials to Cancún to strategize on what might, and what might not, play out in the years ahead.

Mr. Jones urged potential investors to banish certain words from their minds — Bay of Pigs, dissidents, Elián González, hijackers and socialism, for instance — and to focus on the fact that the Cuban government had already joined more than 200 joint ventures with foreign corporations, none of them American.

“Everyone is there, except us,” he told the travel agents, hoteliers, tour operators, charter companies and others with an eye on Cuba. “There are offices and representatives of over 500 companies around the world. Nobody knows when it will open up for Americans, but it will.”

But as Cuban officials nodded and participants scribbled notes, the likelihood of wholesale change in American-Cuban relations, widely considered a possibility in the early days of the Obama administration, seemed slim.

On Wednesday, the day the conference began, President Obama was scolding Cuba for its treatment of dissidents. “Instead of embracing an opportunity to enter a new era, Cuban authorities continue to respond to the aspirations of the Cuban people with a clenched fist,” Mr. Obama said in a statement.

And Cuban papers were reporting Fidel Castro’s written comments the same day calling Mr. Obama a “fanatic” when it comes to capitalism and dismissing his remarks on Cuba as “foolishness.”

Senator Byron L. Dorgan, a North Dakota Democrat, is pushing legislation that would lift the ban on travel, and he offered an optimistic view of his bill’s chance of passing this year. But he also told the Cuban officials at the meeting that they were endangering the legislation by jailing an American government contractor, Alan P. Gross, whom the Cubans accuse of espionage but the State Department says was engaged in democracy-building.

“That sort of thing is a problem and a hindrance to change U.S. policy toward Cuba,” said Mr. Dorgan, addressing the conference by telephone.

The highest ranking Cuban official in attendance, Tourism Minister Manuel Marrero Cruz, brushed off questions of Mr. Gross’s jailing as being outside his portfolio. But he did say that the Cuban government was not concerned about large numbers of visiting Americans prompting any change to Cuba’s government or culture.

As for the likelihood that the embargo would end soon, he shrugged. “It’s impossible to predict,” Mr. Marrero said. “We have many scenarios. We are not waiting for the Americans. We’re developing tourism for others around the world.”

The same thing has happened in other aspects of Cuba’s economy, as the government, which is dependent on imports, has struck deals with countries like China, Venezuela and Iran as well as Britain, France and Spain.

“Cuba already trades with the rest of the world,” said Philip Peters, an expert on the Cuban economy at the Virginia-based Lexington Institute, a policy research group. “A lot of the opportunities are taken already.”

But Cuba may yet offer healthy profits one day to American entrepreneurs who manage to get in.

“It’s going to be a very slow process,” said John S. Kavulich II, an adviser to the U.S.-Cuba Trade and Economic Council in New York, who criticized the Cancún meeting as a show that would probably not lead any of the attendees to real deals in Cuba. “The Cuban government is going to be very cautious about turning over the keys to the country.”

In a telephone interview, Mr. Kavulich said that Cubans already closely identified with many American brands. And he envisions that Coca-Cola, McDonalds and others will have no problem one day establishing themselves, even though Cuban government enterprises now control the market when it comes to cola and fast food.

Katia Alonzo, director of Cuba’s Ministry of Foreign Trade and Investment, made clear that there would be no unregulated rush of outside investment into Cuba. She outlined a few areas the government had identified as essential, including mining, oil exploration and tourism development.

She left unsaid the risks of doing business in a country where the government is used to operating unchecked, like Cuba’s decision last year to freeze hundreds of millions of dollars in bank accounts held by foreign companies.

Already, there is more of an American imprint on the island than during the Bush years. The Cuban government said that 250,000 Cuban-Americans visited from the United States in 2009, up from roughly 170,000 the year before. Mr. Obama’s loosening of restrictions on Cuban-Americans’ travel last year prompted such a crush of new visitors that the Cubans have begun remodeling the airport terminal used for flights arriving from Miami, New York and Los Angeles.

But that is still a long way from opening travel to all Americans, which legislation in Congress would couple with an easing of restrictions on American farm exports to Cuba. The Cuban government has been permitted to buy agricultural products from the United States since 2001, but the Cubans must wire payments to third-country banks before goods are shipped, making other countries’ products far easier to buy. All the same, the agricultural exports to Cuba, which include American meat, shellfish, coffee, bread, wine, cigarettes and pistachios, among other products, reached a peak of \$710 million in 2008.

Until other business is allowed, however, the dreaming goes on.

Frank C. Weed, head of real estate investment for The Americas Group, which helps businesses break into emerging markets in Latin America, envisions retirement communities in Cuba one day and American-run golf courses linked with residences that give buyers longtime rights to their vacation homes.

"Not everybody will want to live there," he acknowledged. "They have to be an adventure seeker."

ThomsonReuters

London, United Kingdom

24 March 2010

Cuban Americans filling planes to homeland

Cuban American visits jump after restrictions lifted

- * About 300,000 passengers expected in 2010
- * Tighter U.S. security regulations not affecting business

By Esteban Israel

HAVANA, March 24 (Reuters) - When a recent flight from Miami touched down at Havana's Jose Marti Airport, a passenger shouted "Viva Cuba!" in a show of the enthusiasm Cuban Americans have for returning to their homeland.

Since President Barack Obama lifted restrictions last year on their visits to Cuba aiming to increase people-to-people contact, they are coming in such numbers that Cuba has had to remodel the airport terminal for U.S. flights.

The immediate beneficiaries are the eight U.S.-based charter services who operate the only flights allowed from the United States and who say business is booming.

The only foreseeable fly in the ointment, they say, is the U.S. government's inclusion of Cuba in countries where U.S.-bound passengers must undergo extra screening, which Cuba has protested.

The charter companies say direct flights by Cuban Americans to their homeland skyrocketed 70 percent in 2009 and are expected to jump another 36 percent this year.

Cuban officials recently said about 250,000 Cuban exiles visited the island from the United States in 2009 up from an estimated 170,000 the year before, when many found a way around the old restrictions by traveling through third countries.

Obama, who has said he wants better relations with Cuba, lifted restrictions imposed under President George W. Bush that limited Cuban Americans to one visit home every three years.

The result, said Armando Garcia, president of Miami-based Marazul Charters, "has been a tremendous growth and 2010 looks incredible."

"I would say we will reach 300,000 passengers just from the U.S. (this year)," he told Reuters.

MORE DEMAND, MORE FLIGHTS

Garcia and other operators said they were scheduling more flights to meet demand. In March, a total of about 250 flights were scheduled from Miami, New York and Los Angeles, up from 170 a month last year, the operators said.

The United States has imposed a trade embargo against Cuba since 1962, which still prevents most Americans from visiting the island 90 miles (145 km) from Florida.

But there are an estimated 1.5 million Cuban exiles in the United States, a big enough market that charter operators are interested in flying from more cities, including Fort Lauderdale, Tampa, Key West and Jacksonville in Florida and Las Vegas.

The Obama administration sent a chill through the Cuba charter industry in January when it included Cuba among 14 countries where extra security, including a pat down, is required for U.S.-bound passengers due to terrorism concerns.

Despite its protests, Cuba has been on the U.S. State Department's list of terrorism-sponsoring countries since 1982.

The Cuban government reacted angrily, calling in the chief U.S. diplomat in Havana to deliver a note of protest and saying it would "categorically reject this new hostile action."

Charter operators say so far the measures have not been enacted and they are hoping Cuba's airport security is sufficient to keep the U.S. government from shutting down the flights.

"Even before the rule came out Cuba had a very high level of security for people leaving the country," said Tom L. Cooper, owner of Gulfstream International Airlines.

"It appears to me to be fully compliant and we are not foreseeing any problem whatsoever either going to Cuba or coming from Cuba."

One U.S. transportation official in Washington told Reuters all indications suggest Cuba does comply with security standards set by the International Civil Aviation Organization, but declined to comment on the new security measures.

John Kavulich, senior adviser at the U.S.-Cuba Trade and Economic Council in New York, thinks it unlikely Washington will make an exception for Cuba unless it faces mounting pressure from Cuban exiles annoyed with the requested pat downs.

With Cuban Americans emerging as Cuba's second-largest source of visitors after Canadians, Kavulich said he expects Cuba will somehow accommodate the new regulations to keep the flights, and the money they bring in, coming.

Cuban Americans are an important source of dollars for the communist regime as it deals with the global economic downturn.

"They will comply in a meaningful way because the revenue stream is pretty significant and important," he said.

Star Tribune

Minneapolis, Minnesota

15 March 2010

Midwestern farmers push for Cuban markets Minnesota lawmakers look to help ease trade rules with the communist nation.

By KEVIN DIAZ, Star Tribune

WASHINGTON - Nearly a decade after then-Gov. Jesse Ventura met with Fidel Castro in Cuba, a new wave of Minnesota politicians is leading efforts to end travel and trade restrictions with the communist island nation.

Much like Ventura's 2002 Havana trade mission, the political muscle is being provided by Midwestern farmers and agricultural interests in search of new markets for exports.

"It's a very promising market," said House Agriculture Committee Chairman Collin Peterson, D-Minn., the sponsor of a bill that would cut through the red tape farmers face in trying to sell food to the nation of 11 million people.

Similar legislation was introduced last week by U.S. Sen. Amy Klobuchar, another Minnesota Democrat. "American farmers can greatly benefit from access to new markets in Cuba at a time when our economy needs it most," she said.

The legislation is aimed mostly at U.S. farm exports to Cuba, which have tripled since they were first allowed in 2001, hitting a record \$710 million in 2008.

Some restrictions remain, however, that make the sales cumbersome. The legislation is aimed mostly at lifting those restrictions. But its quantum leap would be ending the ban on travel to Cuba, which was a popular casino playground for American gangsters, celebrities and tourists right up until the final hours of the 1959 Cuban Revolution.

Though likely to be the most controversial part of the legislative initiative, farm groups say that ending the ban would foster tourism, helping Cubans generate the cash they need to buy more U.S. exports.

But even if the new bills expanded trade and travel, there is one door that would remain firmly shut: the decades-old U.S. trade embargo that prohibits imports from Cuba, including the island's rum and famed Cohiba cigars.

Nor would it end the credit ban that forces the Cuban government to pay cash up front for food sales.

The bills would, however, end clunky payment restrictions unpopular with farmers like Ralph Kaehler, a St. Charles, Minn., cattleman who has to transact his sales to Cuba through a bank in France.

Minnesota farmers, who sold \$52 million worth of goods to Cuba in 2008, say they could easily sell 50 percent more without the rules that force them to use banks outside the United States.

"It's a no-brainer. It would reduce cost and make it quicker," said Kaehler, whose two fair-haired sons grabbed international headlines in 2002 showing Castro a bull named "Minnesota Red."

Though the legislation enjoys bipartisan support in farm country, it faces an uncertain future in Congress, where normalization efforts with Cuba have met with mixed receptions over the years, particularly at times of increased tension with the Castro regime.

"The history is littered with legislation having not become law," said John Kavulich, senior policy adviser for the U.S.-Cuba Trade and Economic Council, a group of major U.S. companies exploring business opportunities in Cuba.

Minnesota-based companies that have been members of that council at different periods since 1994 include 3M Co., Medtronic and Carlson Cos., which has long expressed interest in being able to build hotels and book travel to Cuba's famed Varadero Beach.

Americans traveling to Cuba must obtain a special license, typically granted for business purposes or to visit immediate relatives. American tourists do travel there, but must go through another country -- typically Mexico or Canada -- and must lie to U.S. Customs officials on their return or risk civil penalties and criminal prosecution. Cuba encourages the travel by not stamping U.S. passports.

Earlier attempts have failed Minnesota-based Cargill Inc., a global food marketer that has done business with Cuba for years, has jumped on the trade bandwagon, as have others, but to little avail.

A 2007 attempt to further ease restrictions on food sales to Cuba was defeated in the House 245 to 182, with 66 Democrats opposing the measure.

The Obama administration, trying to ease the 50-year-old rift with a nation still described by the State Department as a "totalitarian police state," last year softened the travel ban a bit, allowing Cuban Americans to visit relatives and send them money.

But anti-Castro sentiment is strong in some quarters, and Cuban dissident groups say little has changed in the two years since the ailing Fidel Castro relinquished power to his brother Raul. The recent death of political prisoner Orlando Zapata Tamayo after an 83-day hunger strike hasn't helped soften tensions. Nor has the recent arrest of an American technology contractor, whom the Cubans accused of spying.

Despite the bad feelings, U.S. food sales to Cuba have continued to grow, helping build political support for normalization. Minnesota Agriculture Commissioner Gene Hugoson has been to Cuba three times, joining a virtual caravan of farm-state governors from Illinois to Idaho.

ThomsonReuters

London, United Kingdom

9 March 2010

U.S. loosens payment rules for food sales to Cuba

WASHINGTON, March 9 (Reuters) - The United States is easing rules for cash payments of agricultural sales to Cuba through September 2010, according to a document posted on the U.S. Treasury Department's website.

The move is at least a temporary victory for U.S. farmers whose trade with Cuba was complicated by payment rules issued by Treasury's Office of Foreign Asset Control (OFAC) during the administration of President George W. Bush.

The loosening was approved by Congress in December in a provision added to a spending bill funding federal agencies for the rest of the 2010 fiscal year.

It will disappoint those in Congress who oppose any easing of trade sanctions against Cuba's communist government and see the move as ill-timed after the recent death of political prisoner Orlando Zapata Tamayo from a hunger strike.

The rule change can be found on OFAC's website at http://www.treas.gov/offices/enforcement/ofac/programs/cuba/fy2010_cashadvance.pdf and is labeled a final rule, although the effective date is not given.

Farm sales were exempted in 2000 from the long-standing U.S. embargo on Cuba so long as Havana pays in advance for the goods and the money is handled by a third-country bank.

The Bush administration interpreted payment of cash in advance to mean Cuban buyers had to pay for the U.S. farm goods before they left port for Cuba.

OFAC's new regulations, which it said only covered the remainder of fiscal 2010, reinterprets payment of cash in advance to mean before title and control of the farm goods are transferred to the Cuban buyer.

That would allow Cuban buyers to pay for the goods just before they are unloaded in Cuba, lowering the financial cost of the transactions that are paid through third-country banks. John Kavulich, a senior policy advisor at the U.S.-Cuban Trade and Economic Council, said he doubted the rule change would lead to a big increase in U.S. farm exports to Cuba. "From a strictly commercial viewpoint, it's going to have very little benefit for Cuba," Kavulich said.

Even though Cuba decried the rule change in 2005, they continued to buy U.S. farm goods with purchases reaching a record \$710 million in 2008.

Purchases fell in 2009 to \$528 million, but the decline reflected Cuba's dire economic situation much more than the OFAC rule, Kavulich said.

The House of Representatives Agriculture Committee has scheduled a hearing on Thursday on farm trade with Cuba.

Committee Chairman Collin Peterson, a Republican from Minnesota, has offered legislation to further ease food sales by allowing direct payments between U.S. and Cuban banks and lifting restrictions on travel to Cuba by U.S. citizens.

AHN

West Palm Beach, Florida 25 February 2010

Congressmen Propose Lifting Embargo Of Cuba For U.S. Farm Products

Tom Ramstack – AHN Correspondent

Washington, D.C., United States (AHN) – Another crack is opening in the decades-long embargo of Cuba by the U.S. government with a bill introduced this week by Farm Belt congressmen.

The bill would expand agricultural export opportunities to Cuba. At the same time, U.S. farmers and other Americans could travel to Cuba when they wanted. President Obama has hinted in recent speeches that he is open to the idea of better relations with Cuba.

U.S. farm groups have supported more trade with Cuba for years but always were blocked by Cold War-era politics. The politics included an embargo since 1960 prompted by Fidel Castro's anti-American sentiments. The U.S. State Department lists Cuba as a "state sponsor of terrorism."

"We currently export food to Cuba and these changes will level the playing field for American farmers," said National Corn Growers Association Vice President Bart Schott. "It is important to note, though, that it does not eliminate the embargo itself."

About \$528 million in U.S. farm products were sold to Cuba last year, according to the U.S.-Cuba Trade and Economic Council. Eighty-three percent of the sales consisted of frozen poultry, corn, wheat, soybeans and soymeal.

The Travel Restriction Reform and Export Enhancement Act, H.R. 4645, would allow Cubans to pay for U.S. farm exports upon delivery and to make payments directly to U.S. banks.

Now, Cubans can receive the U.S. farm products only by payment through foreign banks. The payment must be made before the products leave U.S. ports. U.S. farm groups say the banking restrictions add to their export costs and give foreign competitors an advantage in the Cuban market. Another bill that would loosen export policies to Cuba was introduced in the Senate last year but has not yet won a vote of approval. The House bill was introduced by Agriculture Committee Chairman Collin Peterson (D-Minn.) and Rep. Jerry Moran (R-Kan.).

"Opportunities to sell to paying customers in Cuba have been hindered by bureaucratic red tape and by arbitrary prohibitions on the ability of U.S. citizens to travel to Cuba," Peterson said. "This bill cuts the red tape and allows that trade and travel to happen."

Despite the intentions for better international relations in the bill, Cuban government hostility toward the United States continues. In the latest move, Cuban President Raul Castro this week proposed that Latin American nations form a new political union that would exclude the United States.

He made the suggestion during a meeting of the "Rio Group" of Latin American countries during a conference at Playa del Carmen, Mexico. The group condemns the U.S. embargo of Cuba.

Castro – who succeeded his brother, Fidel, as Cuba's president in 2008 – also criticized the United States for recently adding Ecuador to its list of "state sponsors of terrorism." Others on the list include North Korea, Iran, Angola and Ethiopia.

The new international group Castro proposes would largely replace the Organization of American States, which last year lifted its 47-year ban on Cuba's membership. Cuban officials have said they do not want to join the Organization of American States at least partly because the United States is a member.

Despite the embargo's requirement of cash payment for all U.S. imported goods, 6.6 percent of Cuba's imports come from the United States.

Reuters Americas

Washington, DC

23 February 2010

*** Bill filed to encourage U.S. farm exports to Cuba**

WASHINGTON, Feb 23 (Reuters) - The chairman of the U.S. House Agriculture Committee on Tuesday called for a higher threshold for farm disaster relief than the 5 percent that has been proposed in the latest Senate package.

Senate Agriculture chairman Blanche Lincoln, a lead sponsor of a \$1.5 billion aid package, has called for farmers to receive disaster relief if they lose more than 5 percent of their crop to natural disasters.

"That doesn't fly. That's asking for trouble," said House Agriculture Chairman Collin Peterson at a rice industry conference.

He spoke after Lincoln said "I've been working hard about disaster assistance." She said she was trying to steer the package to a floor vote. The House has not acted on the matter.

Persistent rains mired the fall harvest in the U.S. South, lowering cotton quality and water-logging soybeans. Drought baked Texas for much of 2009.

Peterson said stop-gap disaster bills in the past commonly required a one-third loss before compensation was paid. He said "I think there's going to have to be a higher loss" trigger this time and that lawmakers would work on the issue.

A plan presented by Lincoln in mid-February would release payments to growers who suffered a 5 percent loss and are in a county declared as a disaster area by the Agriculture Department.

In that case, cotton, grain and soybean growers would get a payment set at 90 percent of their annual "direct payment" subsidy. About \$1.1 billion would be paid that way. Aid also would go to cottonseed handlers and to livestock, fish, fruit and vegetable producers.

Afterward, rice growers said a small loss in yield can be catastrophic because of the additional expense in harvesting fallen stalks. Linda Raun, a Texas grower, said growers worry about the cost of production compared to market price.

Also on Tuesday, Peterson and three dozen other U.S. representatives filed a bill to expand trade with Cuba. It would allow payment to U.S. banks for U.S. farm exports to Cuba and allow payment upon delivery. At present, payment must be made through foreign banks and must be made before goods leave U.S. ports.

A similar bill was filed in the Senate last year.

Larger agricultural trade with Cuba is a popular issue with U.S. farm groups, who regard Cuba as a natural and nearby customer. Some \$528 million in U.S. farm goods was sold last year, with frozen poultry, corn, wheat, soybeans and soymeal accounting for 83 percent of sales, according to the U.S.-Cuba Trade and Economic Council.

Texas Tribune

Austin, Texas

19 February 2010

Trading Places

by [Julian Aguilar](#)



The ships bound for Havana aren't loaded with weapons, and rebel soldiers don't stand guard on their bows. Instead, they set sail from Texas ports carrying basic food staples — and they do so with the blessing of one of the state's top Republican elected officials.

Texas, that famous bastion of conservatism, has quietly become a leading exporter to communist Cuba — second only to Louisiana among the 50 states. The U.S. government still has the island nation on its list of countries that promote state-sponsored terrorism, but millions of dollars in American agricultural products move there annually, resulting in hundreds of jobs for Texans during a down economy. “Texas products are attractive and high quality, and Cuba wants to do business with us,” said Texas Agriculture Commissioner Todd Staples. “We know that they are doing business with those that are basically enemies of the United States, but the more opportunities that we have to develop relationships, the more we can have a better situation with a country that is so close to us.”

Parr Rosson, the director of Texas A&M's Center for North American Studies, said that in 2009, \$85 million in goods left Texas bound for Havana (Louisiana shipped \$241 million). The U.S. as a whole sent \$528 million in goods to Cuba, a dip from the \$710 million shipped in 2008. That year, approximately \$143 million in food and agriculture — mainly wheat, corn, poultry, and vegetable and animal fats — left through Texas ports. Slightly less than a third, about \$45 million worth, were products grown and processed in Texas.

By Rosson's estimates, for every dollar in Texas agriculture shipped to Cuba, there's an additional \$0.91 produced in additional business activity: That \$45 million in 2008 generated another \$41 million to support the trade relationship. It also created more than 750 jobs in Texas. “We are getting a sizable economic impact from these products,” he said, “and we haven't had any [backlash] at all.”

The trade relationship is legal, Rosson said, as long as participants comply with the Trade Sanctions Reform Act. “What the law does is allow an exemption to the embargo for food and agricultural products,” he said, “but it does not open up trade entirely.”

The very fact that the U.S. allows trade to Cuba raises the eyebrows of many who are still under the impression that the country is completely isolated from the U.S. politically. Even some government

officials aren't up to speed, said Cindy Thomas, the founder of the Texas-Cuba Trade Alliance. "It's not well known in Texas or the country," Thomas said. "We've gone as far as to talk to commerce officials in Texas who speak at our workshops, and they come back to us and say, 'You can't sell to Cuba.'"

Thomas said she has to remind officials about the exemption. "We [tell them], 'You guys issued the licenses,'" she said. "It doesn't filter down very well."

Thomas has traveled for more than 10 years to Cuba and said she returned from her 40th trip last month. She sees progress, though she admits it's limited. "I don't think anyone can point to anything that the embargo has done positively, which was the original intent of the law," she said.

Strained relations

"We do not put any preconditions whatsoever upon establishing relations [with the United States], but at the same time we are not prepared to accept any preconditions ourselves."

That statement was made by Argentinean-born Cuban rebel Ernesto "Che" Guevara shortly after the successful revolution of Fidel Castro and his bearded rebels in the late 1950s. It was an early sign that the already strained relations between Castro and the U.S. would only dissolve in the years to follow.

Rosson said that despite the expanded trade, much of the ill will still lingers. "This is the most political issue I've dealt with in a long time," he said. One example, he said, is the U.S. government's recent shift in the way it allows Cuba to pay for its goods. "[The money] has to go through a third country, and the Cubans like to use a French bank," he said. "Once it's there, it is then wired to a U.S. bank. Once the U.S. bank gets it, under the current rules, we can release the cargo. The boat can then leave the dock."

When asked why the change from the former policy, where money could be wired directly from Cuba, Rosson said it was "punitive." "It runs up the cost of doing business with our companies," he said. "It's a way to tighten the regulations in retaliation for something Cuba did." What Cuba "did," he explained, was jail dissidents and block anti-Castro propaganda. "It's a lot of tit-for-tat stuff. It's just more of the same."

The Cubans have their own way of reminding the U.S. that it has withstood the pressure from nine U.S. presidents. In its annual report, the New York-based U.S.-Cuba Trade and Economic Council said Cuba decreased purchases of U.S. products in 2009 "to increase the motivation of United States-based companies, organizations; state and local government representatives; and members of the United States Congress to be more visible in their lobbying efforts for changes in United States policy, law, and regulations." The Cubans also tout the "financial largesse" of the Chinese and Venezuelan governments as reasons its interest in purchasing goods from the U.S. could further decline.

"The Green Party"

Despite the continued rift, some Texas lawmakers are open to expanding even more financial and diplomatic avenues with Cuba. State Rep. Jose Menendez, D-San Antonio, authored and successfully passed a resolution in 2001 requesting that Congress ease up on its trade sanctions with Cuba. "I have been convinced for quite some time that the only people that are suffering in Cuba because of the trade embargo are everyday folks," he said. "Castro and his lieutenants — the people that are in with the Communist Party government — they are all living well with the European and Mexican investments that are going on there."

Menendez's father fought against the rebels during the Bay of Pigs invasion and was jailed shortly thereafter. He was offered a chance to leave after his release and thought he would one day return. "Dad said to [his family], 'I'll come back as soon as [Castro] is gone.' He never made it back," Menendez said.

What Menendez would like to see is more outreach, and even more economic gains. Despite some backlash from GOP leaders when he introduced his bill — he recalled that one Republican was staunchly against a resolution that would "embarrass" George W. Bush — he said he knows how to speak their language. "In the end, most business people are people of the green party: the almighty dollar," he said. "If they are going to make money, they are going to make money."

U.S. Sen. John Cornyn, R-Texas, a member of the Senate Agriculture, Nutrition and Forestry Committee, said Texans should toe a fine line with Cuba. "Anything that we can do to create markets for our agriculture and produce creates jobs here in America, so I support that," he said. "The challenge we have is that we don't want to prop up a dictator — somebody who basically runs a police state and is crushing free expression and free political expression in that country."

Associated Press

New York, New York

10 February 2010

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

Imports fell 26 percent in 2009 to \$528 million, after peaking at \$710 million the year before, according to a report Wednesday by the New York-based U.S.-Cuba Economic Trade Council, which provides nonpartisan commercial and economic information about the island and claims to have no position on policy.

"The decrease has nothing to do with U.S. regulations, U.S. law or U.S. policy," said John Kavulich, a senior policy analyst at the council. "It is a function of Cuba not having the resources."

Kavulich said Cuba has increasingly turned to other countries like Vietnam that will sell it lower-quality food and not ask for payment for as long as two years.

Despite the half-century feud across the Straits of Florida, the United States is the largest seller of food to Cuba: Food and agriculture products have been exempted from the 48-year embargo since 2000.

Cuba waited more than a year after that to start importing U.S. food _ angered by a provision requiring it to pay cash upfront before delivery.

But a hurricane in late 2001 hurt food production and gave it little choice. Today, Cubans getting food from monthly ration books eat chicken from Arkansas and wheat from Nebraska. Upscale markets stock everything from Kellogg's cereal to Heinz ketchup to Oreo cookies _ though the prices are exorbitant.

Imports from other major trading partners such as Venezuela, China and Spain are also down. Rodrigo Malmierca, the minister of foreign trade, said in November that trade during the first three quarters of 2009 was off 36 percent.

Cuba's economy has recently been hit by a triple-whammy of bad news: Three major hurricanes did more than \$10 billion in damage in 2008, the global economic crisis dampened tourism profits and a drop in commodities prices hurt nickel sales for much of 2009.

President Raul Castro has tried to offset falling imports by increasing domestic agriculture production, turning over tens of thousands of hectares (acres) of fallow land to small farmers.

He has warned repeatedly that the government can no longer afford to spend so much subsidizing life on the island, and that Cubans must work harder and take more responsibility for their economic well-being.

The government controls well over 90 percent of the economy and heavily subsidizes all aspects of life while paying an average salary of about \$20 a month. Cubans get free health care and education, and usually pay next-to-nothing for housing and utilities.

Havana has taken baby-steps toward changing that system, eliminating some staples from the ration book, dropping free lunches for workers at some state enterprises and trimming health and education spending.

Reuters Americas

New York, New York

10 February 2010

USA-CUBA/TRADE

* Drop due to Cuba's economic troubles

* Unlikely that sales will increase this year

By Esteban Israel

WASHINGTON, Feb 10 (Reuters) - U.S. food and agricultural exports to Cuba plunged 26 percent to \$528 million in 2009 as the cash-strapped island scrambled to reduce its huge import bill, a New York-based trade group said on Wednesday.

The severe drop, from \$710 million in 2008, broke a long trend of rising sales since the U.S. government authorized agriculture exports to the Communist-run island in 2000 in a break in the longstanding U.S. trade embargo against Cuba.

"The decrease has nothing to do with U.S. law, regulation, or pricing. It's simply a consequence of Cuba being in troubling commercial and economic times," said John Kavulich, senior advisor at the U.S.-Cuba Trade and Economic Council.

He said there "nothing to indicate" that 2010 exports would be any better than 2009.

Cuba has seen its foreign income severely reduced by the global recession, which cut revenues from nickel exports and tourism, the island's biggest money earners.

Major hurricanes that swept the island in 2008 further drained its resources.

President Raul Castro has taken several steps aimed at producing more food locally to reduce the need for imports.

Cuba imports about 70 percent of its food because of its inability to grow what it needs.

The \$710 million value for 2008 exports was partly due to an increase in commodity prices, the trade council said.

Strict U.S. regulations require Cuba to pay cash in advance to U.S. producers, with no credit available.

In recent years the island has turned to friendlier governments offering flexible long-term financing, such as Brazil, China and Vietnam.

"They are turning to suppliers who don't mind waiting for their money," Kavulich said.

Venezuela is Cuba's top-political ally and number one trading partner. The U.S. comes fifth.

Still, U.S. exports to Cuba in 2009 made the island the 36th biggest market for American agricultural products, the council said.

Cuba imports from the U.S. last year included, among other things, frozen chickens, corn, wheat and soybeans.

Reuters Americas

New York, New York

10 February 2010

Exportaciones de comida EEUU a Cuba caen 26 pct en 2009

Por Esteban Israel

WASHINGTON (Reuters) - El valor de las exportaciones estadounidenses de alimentos y productos agrícolas cayó un 26 por ciento en el 2009, cuando una crisis de liquidez obligó a la isla a reducir su abultada cuenta de importaciones, dijo el miércoles un grupo comercial en Nueva York.

La severa caída desde 710 millones de dólares vendidos en el 2008 interrumpió una tendencia ascendente desde que el Gobierno estadounidense autorizó las exportaciones agrícolas a la isla de gobierno comunista en el 2000, en una enmienda a su largo embargo contra Cuba.

"La caída no tiene nada que ver con las leyes de Estados Unidos, las regulaciones, ni los precios. Es sólo consecuencia de que Cuba atraviesa por problemas comerciales y económicos", dijo John Kavulich, asesor del U.S.-Cuba Trade and Economic Council.

Nada indica que en el 2010 las exportaciones se recuperarán, dijo a Reuters.

Cuba ha visto sus reservas internacionales caer seriamente por la recesión global, que redujo sus ingresos por exportaciones de níquel y turismo, dos de sus principales fuentes de ingresos.

Grandes huracanes que barrieron la isla en el 2008 consumieron aún más sus recursos.

El presidente Raúl Castro ha tomado varias medidas destinadas a producir más alimentos en la isla y reducir la dependencia de las importaciones.

Cuba importa alrededor del 70 por ciento de su comida por su incapacidad de producir lo que necesita.

El valor de 710 millones de dólares en el 2008 fue en parte debido a un alza de los precios de las materias primas, dijo el U.S.-Cuba Trade and Economic Council.

Estrictas regulaciones estadounidenses exigen a Cuba pagar sus importaciones en efectivo y por adelantado, sin permitirle acceder a créditos.

En los últimos años, la isla se ha aproximado a gobiernos más amigables, que le ofrecen condiciones más flexibles de largo plazo.

"Están volviéndose hacia los proveedores que no tienen problemas con esperar por su dinero", dijo Kavulich.

Venezuela es el principal aliado político y socio comercial de Cuba. Estados Unidos ocupaba el quinto lugar en el 2008, el último año con cifras disponibles.

Aún así las exportaciones convirtieron el año pasado a Cuba en el 36 mayor mercado para los productos agrícolas de Estados Unidos, dijo el U.S.-Cuba Trade and Economic Council.

Cuba importó el año pasado de Estados Unidos pollo congelado, trigo, maíz y soja.

Radio Marti

Miami, Florida

10 February 2010

Reduce Cuba importación de productos de EE.UU



John Kavulich.

(Radio Martí)- El gobierno de Cuba redujo el año pasado la importación de productos agropecuarios de Estados Unidos, su suplidor más grande de alimentos.

El Consejo Comercial Económico Estados Unidos-Cuba informó que en el 2009 el gobierno de Raúl Castro compró 528 millones de dólares en alimentos estadounidenses, una reducción anual del 26 por ciento.

En el 2008, agricultores estadounidenses vendieron más de 710 millones de dólares en productos alimenticios a Cuba.

La reducción sólo se debe a la falta de recursos que hay en Cuba, declaró John Kavulich, analista de la entidad con sede en Nueva York.

El embargo al gobierno castrista autoriza ciertas transacciones, como la venta de alimentos, y hoy en día Estados Unidos es el país que más comida vende a Cuba.

En la isla hay una variedad de productos americanos, como pollos de Arkansas y trigo de Nebraska, así como cereales de Kellogg's, ketchup de la marca Heinz, y galletitas Oreo.

