



Cuba Trade & Investment News

A service of NORTH AMERICAN PARTNERS, Tampa, FL, USA,
a marketing management firm connecting business to new markets.

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Embargo Update

GOP LEADERS AXE TRAVEL PROVISION

The Senate Republican leadership quietly axed language from the 1,052-page omnibus spending bill that would have allowed travel to Cuba. The sweeping spending bill combines the budget bills for 11 separate federal agencies the Senate never finished voting on last year. Controversial language is usually stripped from omnibus spending bills. The full House and the Senate Appropriations Committee voted last year to stop funding enforcement of the travel ban.

AIRLINE INVESTOR EYES CUBA FLIGHTS

US Airways Group's biggest investor plans to establish direct flights to Cuba. David Bronner, chief executive of the Alabama pension fund that will assume a controlling stake in US Airways once it emerges from bankruptcy, told the Charlotte Observer he may meet with Cuban President Fidel Castro in February to discuss the possibility of airline service between the United States and Cuba.



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This would be the first time since 1960 that a major U.S. airline offers scheduled service to the island. Several charter companies currently use aircraft from Continental Airlines, American Airlines and AirTran Holdings for charter flights to Cuba for some 20 weekly charter flights from Miami to Havana. But none of the majors is directly involved.

"We do want to establish airline service into Cuba, and I'd love to be first," Bronner said. "One of the things US Airways does well is the Caribbean, and Cuba (would be) gigantic compared to the rest of the Caribbean." Arlington, Va.-based USAir's main hub is in Charlotte, N.C. Bronner will be in Cuba in February as part of a push to build more trade between Cuba and Mobile, Ala.



Bronner

Bronner's Retirement Systems of Alabama will put up \$500 million in emergency financing to run US Airways, along with \$240 million for a 36-percent equity stake in the airline and a 71-percent voting stake.

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Economy

NEW RESORT: IT'S 100% CUBAN

Fidel Castro officially opened Cuba's largest resort hotel in Puerto Pesquero, in the island's eastern province of Holguín, expressing his hope that U.S. tourists will use the facility.



Construction of the 944-room Hotel Playa Pesquero was financed exclusively with Cuban money and is operated by the military's Gaviota S.A., a rare exception in an industry driven by Cuban-foreign joint ventures. The five-star hotel was built on land claimed by the Sánchez-Hill family which now lives in the United States. The family filed a claim under the Helms-Burton law in 2000 against Spanish hotel chain Sol Meliá which it said planned to manage the hotel.

A Sol Meliá executive told Reuters the company had planned to manage the Playa Pesquero hotel but recently pulled out. Sol Meliá manages 23 hotels on the island.

"We don't want to reject any investment," Castro said during the opening ceremony. "But if we can do it by ourselves, we'll do it. And when we learn how to operate (hotels), we'll do it."

The hotel was built in 22 months by Unión de Construcciones Militares and France's Bouygues Bâtiment SA at a cost of \$100 million. The resort features dozens of bungalows for 1,500 tourists on 71 acres of beachfront property, seven restaurants, six bars, two conference rooms and five pools.

Puerto Pesquero is now Cuba's third-largest beach resort.

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DISSIDENT VISIT HIGHLIGHTS RIFTS IN U.S.

Cuban dissident Oswaldo Payá's visit to the United States shed a harsh spotlight not only on the divisions among Cuban exiles, but also on a split within the Republican leadership. While many exiles in Miami praised Payá, initiator of a referendum petition on the island signed by 11,000 citizens, the Cuban American delegation in Congress accused Payá of legitimizing Castro and undermining more radical dissident groups' efforts. Secretary of State Colin Powell came out in Payá's support, but a day later, presidential brother Jeb Bush sent a letter to Cuba supporting Payá rival Oscar Elías Biscet. The Florida governor is said to be a key figure in the administration's U.S.-Cuba policy.



Payá

Payá's referendum petition, which was shelved by Cuba's parliament in January, aspires major political reforms in Cuba. However, he is also a critic of the Helms-Burton Act, has repeatedly demanded that United States lift its embargo and asked exiles to tone down demands for a return of their properties confiscated four decades ago.

Many Cuban exiles and some U.S. corporations are demanding that Cuba give back expropriated properties. Cuba has settled property issues with most countries except the U.S.

CNP REPORT ADDS TO ANTI-EMBARGO CHORUS

A bipartisan delegation of the Center for National Policy (CNP) Cuba Policy Advisory Group, headed by a Reagan-appointed former ambassador to Mexico, visited Cuba in January. After the trip, Ambassador James R. Jones called for the Bush administration, Congress and the Cuban government to begin a "negotiated normalization" process. The group issued a report recommending a lifting of the travel ban and criticizing restrictive policy on travel.

The delegation included Thomas Wenski, auxiliary bishop at the Archdiocese of Miami, former Texas Governor Ann Richards, and Peter Magowan, managing general partner of the San Francisco Giants.

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TOURISM SEASON OFF TO A GOOD START

The overall number of visitors to the island jumped 33 percent in the first half of January compared with the same period in 2002, giving officials hope that tourism is recovering from last year's miserable season. Cuba suffered a 5 percent drop in visitors last year.

Nearly 265,000 tourists visited Varadero, Cuba's largest beach resort, in the first half of January, according to the tourism ministry. That's 15 percent more than in the same period in 2001, the last comparable period before the 9-11 attacks put a dent in tourism. The number of visitors to Varadero dropped 9 percent last year.

Unlike some other Caribbean countries, Cuba did not lower prices or put together travel packages to lure visitors during the slump, preferring to focus on cutting operational costs.

CHINESE COMPANY SIGNS NICKEL DEAL

A state-owned Chinese company has agreed to buy Cuban nickel and make investments in the sector. The agreement was signed by Miao Gengshu, director of China's Import and Export of Minerals and Metals Co. (Minmetals), and Angel Roberto Fernández, director of Cubaniquel Managerial Group.

The Chinese company's Cuban purchases will cover all its nickel needs, replacing nickel imports from other countries. No further details about the agreement were made public.

China and Cuba also agreed on sugar purchases as well as on joint projects in the tourism sector. China donated \$6 million for educational and cultural projects in Cuba.

COTONOU: BALL IS IN EU'S COURT

Cuba officially filed its request to join the Cotonou Accord under which 77 Asian, Pacific and Caribbean countries receive preferential trade treatment from the European Union. Until recently, Cuba has scorned the conditions for political change the European Union demanded from Cuba to receive its share of 13.5 billion euros in development aid through 2005 and favorable access to European markets for certain exports.

Poul Nielson, European development commissioner, will arrive for a working-visit Feb. 13 related to the planned opening of a full-fledged delegation (embassy) in Havana.

Also see oil news on next page

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Ag machines may join exemptions list

Agricultural machines could be included in the list of goods exempted from the U.S. embargo against Cuba this year, says Brian Alexander, executive director of the embargo-critical Cuba Policy Foundation.

No bill has been drafted, but Alexander expects an initiative soon. "This is a provision that will meet little resistance," he told Cuba Trade & Investment News.

Hundreds of U.S. companies, ranging from giants such as John Deere or Caterpillar to small suppliers of milking machinery could benefit from such a measure.

Actual sales, however, would depend on what volume and kind of equipment Cuba will want. Since the 1960s, the island has mainly used machinery of east European provenance. During the 1990s, Cuba partly shifted to equipment made in Latin America, Canada and western Europe. Purchases are hampered by a lack of cash.



Alexander also cautioned that his organization would not back the measure if it were used as a tradeoff for a more significant step forward, such as lifting the travel ban. He called the machinery exemption a "fairly modest provision."

"Of course, any increase in sales right now is more than welcome. But if we have a choice between tractor sales or lifting the travel ban, this would clearly be a smaller step," Alexander said.

Agribusiness lobbies are in line with that strategy. The farm community has recently joined the coalition in Congress that pushes for a lifting of the travel ban.

"Everybody now knows that the benefit of travel to Cuba is significant," Alexander said.

The Cuba Policy Foundation plans to release a study in February that shows the potential relation between allowing U.S. tourism in Cuba and demand for agricultural machines on the island.

Oil

Repsol makes offshore move

Cubapetróleo (Cupet) President Fidel Rivero said the first offshore test well will be drilled in Cuba's 43,250 square mile Gulf of Mexico waters in late 2003 by Spain's Repsol-YPF.

It would take two to three years to develop the necessary infrastructure if Repsol finds oil.

The only other oil company with Cuban offshore exploration rights, Canada's Sherritt International, has not announced a test drilling date yet.



Geological experts agree that the terrain off Cuba's north coast could potentially hold oil in wells deeper than 1,000 meters. However, they also caution that potential oil fields may be small and scattered. Large oil companies tend to hunt for big deposits.

In the early 1990s, France's Total drilled two dry offshore wells before abandoning Cuban exploration. Two years ago, Brazil's state oil company, Petrobras, sunk \$16 million into an unsuccessful search for oil on Cuba's northeast coast.

Cuba's oil and natural gas output is expected to increase 17 percent this year, reaching a record 34.1 million barrels. Cupet's Rivero told business weekly Opciones that oil production was forecast at 29.1 million barrels, up from 25.39 barrels, and natural gas close to 800 million cubic meters, up from 569 million cubic meters. According to Cupet, domestic oil and gas will cover 58 percent of Cuba's fuel needs this year, compared with 50 percent in 2002. Cash-strapped Cuba spent \$1 billion on oil imports in 2002.

PEBERCAN DOUBLES PRODUCTION

Montreal-based Pebercan Inc. said it more than doubled production at Block 7, its main on-shore property in Cuba, in 2002. The



Canadian company produced 5.2 million barrels last year, up from 2.4 million barrels the year before. Pebercan, which exploits Block 7 in a joint venture with Cubapetróleo (Cupet), is paid with half the production. Pebercan also announced a new test well, Canasi 9, which began Jan. 7.

VENEZUELAN OIL: ON AGAIN

After more than a month of disruption, Venezuelan oil arrived again in Cuba. Jan. 8, the tanker Victoria arrived in Havana with 350,000 barrel crude oil. That shipment was followed by a 230,000-barrel sendoff a few days later. Shipments at favorable prices have been interrupted by a strike in Venezuela that aims at ousting President Hugo Chávez.

The head of Venezuela's striking oil worker union Unapetrol criticized the shipments in the middle of the strike while fuel is scarce in Venezuela.

Chávez agreed in 2001 to supply Cuba with up to 53,000 barrels per day, partly at preferential prices. The deal covers half of Cuba's oil import needs. However, shipments were disrupted from April through October, after an aborted coup against Chávez. The oil flow stopped again Dec. 2, due to the strike.

Port of Tampa finally looking South

In a 180-degree turn from its previous refusal, the Tampa Port Authority is now actively seeking business with Cuba. The port authority should consider future marketing and trade trips to Cuba, said Authority Chairman Joe Diaz. Board members told the port director they wanted a report on Tampa's opportunities in Cuba at a Feb. 18 meeting.

Fertilizer, the port's main bulk commodity, could be shipped to Cuba under current U.S. exemptions.



Arthur Savage

Tampa Port Authority officials said in September they wouldn't send representatives on sales trips or trade missions to Cuba until "the official U.S. government position changes."

The about-face came after port tenant Arthur Savage, whose company A.R. Savage & Sons recently shipped animal feed to Cienfuegos through nearby Port Manatee (see box), harshly criticized the port.

Two days before the port's turnaround announcement, the head of the Cuban Interests Section in Washington, Dagoberto Rodríguez Barrera, told 43 businesspeople in Tampa about opportunities in Cuba. The event was organized by North American Partners, the publisher of this newsletter.

Rodríguez told the crowd that Tampa could fall behind competing ports if it doesn't strike up a business relationship with Cuba soon. He also played out Miami-Tampa rivalries. "It has been a myth in U.S. policy with Cuba that the state of Florida is very opposed to Cuba," he said. "I had the impression that was wrong; that maybe it was true in Miami or Calle Ocho,

but that there are people in Florida who really want to stop looking to the past and look to the future."

"Tampa's geographic position makes it an excellent gateway for a trade route to Cuba. The port of Tampa has



all the requirements for being one of the most important for our developing relationship," he added.

NIMBLE NEIGHBOR BEATS TAMPA

Trade between the Tampa Bay area and Cuba resumed after 40 years with a shipment of animal feed in January from Port Manatee to Cienfuegos. The shipment of 3,150 metric tons of dicalcium phosphate took less than three days aboard the 330-foot vessel Frigga. The supplement comes from the White Springs, Fla. plant of Illinois-based PCS Phosphate, a subsidiary of Potash Corp. of Saskatchewan Inc.

PCS was one of nearly 300 companies that exhibited products at the first U.S. food and agribusiness exhibition in Havana in September. PCS has had previous shipments to Cuba from other U.S. ports.

More on the embargo

DIPLOMAT: NO CHANGE, NO GROWTH

Dagoberto Rodríguez Barrera, chief of the Cuban Interests Section in Washington, said that Cuban purchases of U.S. goods wouldn't grow without any significant changes in U.S. law.



Rodríguez

"For significant increases we will need to see significant changes" in U.S. law, such as trade financing or lifting the travel ban, he said.

At the same time, he asserted that those purchases would continue, even if there is no progress in relations. Cuba has spent \$260 million on U.S. goods since November 2001.

BILL AIMS AT EASING BASEBALL DIPLOMACY

Rep. José E. Serrano (D-N.Y.) introduced a "Baseball Diplomacy Act" in the House. HR 189 intends to ease travel of Cuban athletes to play "organized professional baseball" in the United States. Since 9-11, Cuban celebrities have had to cancel trips because the U.S. did not issue visas in time.

BUSH PICKS NORIEGA FOR LATIN POST

Roger F. Noriega, 43, U.S. ambassador to the Organization of American States and formerly a staffer of Sen. Jesse Helms, replaced anti-Castro activist Otto Reich as Undersecretary of State for Interamerican Affairs. Reich rotated into a "Special Envoy for Western Hemispheric Initiatives" position, without a clearly defined field. This allows President Bush to avoid a nomination battle in the Senate. Reich now reports to Security Advisor Condoleezza Rice, and is in charge of "aspects of U.S.-Cuba policy."



Noriega

Although Noriega is considered more flexible and open-minded than Reich, Cuba's Granma wasn't too excited about the appointment of another veteran anti-Communist. The Communist Party newspaper called Noriega "an activist/official whose anti-Cuban fanaticism is matched only by his mediocrity."

CONFERENCES & EVENTS

- 11th International Book Fair, Havana, Feb. 7-17, 2003
- U.S.-Cuba Agricultural/Wood/Medical Products Conference, Cancún & Havana, Feb. 17-19, 2003
- Informática 2002 (computing, automatization and communications fair), Havana, Feb. 19-24
- FIAGROP (intl. agriculture fair), Havana, Feb. 23-Mar. 2
- Festival Internacional del Habano (cigars), Havana, Feb. 24-28
- FIMAR (International Ocean Fair), Cienfuegos, Mar. 4-8
- Havanabel (3rd Intl. Beauty Fair), Havana, Mar. 12-16
- 9th International Convention of Informatics (includes First Workshop on e-commerce), Havana, Mar. 17-23
- 1st International Congress of Digital Journalism, Havana, Mar. 17-23
- Alimexpo 2003 (International fair of food and packaging industry), Havana, Mar. 24-28
- FECONS (international construction industry fair), Havana, Apr. 2-6
- Cuban Tourism Convention, Havana, May 6-10
- Expoagua (3rd international water industry fair), Havana, May 8-12
- Cubadisco (music and film fair), Havana, May 22-26
- 21st International Havana Fair, Havana, Nov. 2-9

Call (941) 330-0303 or send an e-mail to huitzi@aol.com for more information on events

More on the Economy

ALIMPORT SIGNS DEAL WITH ARGENTINA

Cuba's Alimport S.A. agreed to buy pork and chicken meat as well as milk products from Argentina. The value of the imports was not announced. A delegation of Cuban inspectors recently visited production facilities in Argentina.

FERRADAZ COURTS CANADIAN TOURISTS

Tourism minister Ibrahim Ferradaz García visited Canada to promote tourism, emphasizing the diversity of Cuban destinations. He said he hoped that Cuban architecture, music, history, eco-tourism and scuba diving will also lure Canadians, and that it will become a popular spot for conventions. Ferradaz recently instituted reforms to tempt Canadian snowbirds to linger longer. Tourist cards can now be issued for 90 days, and can easily be renewed for a further 90 days. Cuba operates tourism offices in Toronto and Montreal. Canadians make up 20 percent of the total number of tourists to Cuba, the largest single national group.

SINGAPORE EYES CUBAN BIOTECH

A special envoy of Singapore Prime Minister Goh Chok Tong, Michael P. C. Cheok, said Singapore is interested in an exchange with Cuba on biotechnology. Cheok visited the Genetical Engineering and Biotechnology Center (CIGB) in Havana's outskirts.

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JONES, CONWAY LAUNCH TRADE GROUP

Washington consultant Kirby Jones and Atlanta-based Conway Data, organizers of the U.S.-Cuba Business Conference, plan to officially launch a U.S.-Cuba Trade Association at the event. The conference will take place in Cancún and Havana Feb. 17-19.

Jones has been a trade consultant for the Cuban market since the 1970s. The new organization will go neck-to-neck with the New York-based U.S.-Cuba Trade and Economic Council. Headed by John Kavulich since 1994, that organization has garnered most recent headlines.

Pedro Álvarez, chairman of Alimport S.A., who heads the Cuban delegation at the meeting, said Cuba is interested in buying food, medicine, and agricultural and wood products. Also attending will be Sens. Maria Cantwell (D-Wash.) and Byron Dorgan (D-N.D.), as well as Reps. Jo Ann Emerson (R-Ms.), George Nethercutt (R-Wash.) and Jeff Flake (R-Az.).

CUBAN INSPECTORS VISIT N.C.

Cuban importers made inspection visits of North Carolina food producers in January. One of the inspected companies was Laurel Park-based apple producer C.L. Henderson Produce. The company landed a contract to sell 378,000 pounds of apples at a trade show in Havana in September. Shipments were expected to begin in November. The Cubans also met with a group of North Carolina cotton growers in Raleigh.

WASHINGTON GIVES COODER THE BLUES

Guitarist-producer Ry Cooder told Billboard magazine that due to the U.S. embargo he fears "this whole Cuban experience is at an end for me." Cooder, together with a group of aging Cuban stars, produced the Grammy-winning Buena Vista Social Club album.



Ry Cooder

Since then, Cooder has released a string of highly successful Cuban albums. He produced "Mambo Sinuendo," due Jan. 28, on his Perro Verde label, via Nonesuch Records. March 11, he plans to release "Buenos Hermanos." Both albums were recorded simultaneously in Havana in 2001.

To get permission for the sessions, Cooder fought a long-running battle in Washington. After recording "Buena Vista," he was fined for breaching the embargo and had to promise he would not make another record in Cuba without official approval. When he sought permission to return, his application was refused. As a last resort he appealed directly to the White House. In one of his final acts in office, President Bill Clinton granted him a one-year exemption from the embargo, which has now expired.

Company Briefs

Switzerland-based **Crown Resources AG**, a Russian-controlled company which has offered to build out **Cubapetróleos'** mothballed oil refinery in **Cienfuegos** (see our September issue), has been hit hard when oil tanker **Prestige** sank off Spain's coast in December, causing a major environmental disaster. Crown had chartered the aging tanker.



Crown's Swiss offices Crown Resources AG, which belonged to Russian holding company **Alpha Group**, has been trading in low-quality, low-price oil products since 1992. It's not clear what caused the tanker to break up, but Spanish officials, facing a cleanup bill of up to \$2.5 billion, are considering suing Crown Resources for negligence. In January, Crown's management bought all of the company's stock from Alfa Group and renamed the trader Energy, Resources and Commodities Trading Co., or **ERC Trading Co.** Crown Resources has refused to reveal the price for the takeover.

The Cuban government has not made an announcement since Crown submitted a \$40 million bid for Cienfuegos last summer. It is not clear if ERC Trading can maintain the bid.

Cienfuegos was all but completed and then abandoned in the early 1990s when the Russians left Cuba after the fall of the Soviet Union.

Thomas Cook Ltd. initiated the first direct flights between Glasgow and Havana. The tour operator is offering two-week packages on the beaches of Holguín province during the peak summer period. Other British charter flights leave from London-Gatwick and Manchester. The Scottish city has a sister city relationship with the Cuban capital.

P&O Princess Cruise PLC's official endorsement of **Carnival Corp.'s** \$5.22 billion takeover bid will eventually mean the end of Princess winter cruises to Cuba. The British firm will now have to "comply with U.S. laws relating to doing business with Cuba," according to Carnival spokesman Tim Gallagher. Carnival is based in Miami. Princess' German subsidiary **Seetours AG** has deployed its **A'Rosa Blu** to Jamaica with scheduled visits to Havana this winter. The ship's Cuban voyages will end in March, which is the same time Carnival takes full control of Princess.

Nevertheless, Cuba's **Silares** cruise ship terminal management company is expecting 120 cruise ship visits in 2003 — double the number in 2002.

Regular charter flights to new resort **Cayo Coco** are planned by **Air Canada**, Austrian carrier **Lauda Air** and **Condor**, a German charter company. Cuban authorities in January officially opened the airport able to handle wide-body jets. The island off Cuba's north-central coast is expected to challenge the dominance of Cancún and Jamaican resorts in the Caribbean.

Cuba's **Centro de Inmunología Molecular** has developed a successful medication for advanced cancer patients. **H-R3**, designed to treat solid head and throat tumors, is based on a humanized monoclonal antibody.

Clinical tests in combination with radiation therapy have shown partial response and even complete remission of tumors. H-R3 has received patents in 17 nations, including the United States, and a gold medal by the World Organization of Intellectual Property. H-R3 is undergoing clinical tests in Canada, China, Italy and Mexico.

Cuban biotechnology exports generated \$30 million in revenues last year, up 10 percent from 2001. •

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