



# Cuba Trade & Investment News

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

Vol. V, No. 7

July 2003

## Embargo Update

### WASHINGTON BLOCKS TRADE FAIR

Reacting to Cuba's recent crackdown against hijackers and U.S.-connected political dissidents, the U.S. government denied PWN Exhibicon International a license to host a second agricultural and food fair in Havana. The Connecticut-based company had planned a follow-up in January 2004 to last September's wildly successful fair that generated an estimated \$92 million in sales for U.S. companies.

OFAC also denied PWN Exhibicon a license to host a separate health products fair in Cuba. PWN held its first healthcare fair in Havana in 2000.

Treasury's Office of Foreign Assets Control (OFAC) declined to comment, but said in a statement that the decision was "based on foreign policy guidance received from the Department of State."

June 20, John Kavulich, president of the U.S.-Cuba Trade and Economic Council and one of the organizers of the fair, told Reuters that companies, state agriculture officials and Congress members are pressing the State and Treasury departments to reverse their decision.

Cuban official media are speculating the license denials could be a first step in an effort by the Bush administration to limit trade with the island. However, since the license denials, Washington has allowed wood sales (see news on page 2) and granted visa to two Cuban cattle inspectors. The veterinarians in June visited cattle ranches in 10 states, including Florida. Analysts interpret the administration's contradictory signals as an effort to avoid all-out conflict with agribusiness interests while trying to please Cuban exiles.

More embargo news on page 2

## INSIDE THIS ISSUE

**Cuban trademark wars:  
A new way to peace and security?**

page 3



- Cuba buys lumber, beef, pork.....2
- Lula endorses Petrobras deal..... 5
- Accor pulls out of Novotel Miramar..... 6

## Economy

### CABINET RESHUFFLING CONTINUES

Amid a slumping economy, the Cuban Council of State gave the boot to two key ministers. The move is part of a reshuffling of an economic team that has so far failed to revive Cuba's stagnant economy.

Observers expect more replacements as Fidel Castro tries to restart growth with younger executives.

Finance and Prices Minister Manuel Millares Rodríguez, 69, was replaced by Georgina Barreiro Fajardo, 39, a vice president at the Central Bank. After eight years in the post, Millares will be reassigned to "other tasks," official daily Granma wrote in a terse note.



Gone: Millares



Gone: Pérez Morales

Two days earlier, Transport Minister Alvaro Pérez Morales, 54, was replaced by Carlos Manuel Pozo Torrado, a 40-year-old engineer who previously headed the Department of Construction,

Transportation and Communications of the Communist Party's Central Committee. No reason was given for that shift either.

### **GDP: No recovery in sight**

*The semi-independent Centro de Estudios de la Economía Cubana (CEEC) in Havana predicts a modest 1.5% growth of the island's economy, making 2003 the third subsequent year that economic growth has fallen below government expectations. Government officials had originally set 3% as their economic growth target for this year. Cuba's economy grew just 1.1% in 2002, 2.5% in 2001 and 5.3% in 2000.*

Leading officials recently announced that the miserable condition of public transportation in Cuba couldn't be improved due to the economic crisis. The number of road accidents and deadly railroad crashes rose considerably last year.

The two appointments were made on recommendation by the Politburo of the Communist Party's Central Committee, which is headed by Fidel Castro.

Cuba fired four of six deputy ministers at the Economy and Planning Ministry in March, sparking speculation that Minister José Luis Rodríguez would also be forced out. In December, the construction minister was replaced.

More economy news on page 2

## More Embargo News

### CUBA BUYS LUMBER, BEEF, PORK

Despite a war of words between Havana and Washington, Cuba is continuing to buy more food and agricultural products.

Lanahan Lumber Co. of Jacksonville, Fla., announced it closed a sales contract for softwood lumber with Cuba. It took company president Michael Lanahan six visits to Cuba since September to seal a deal for 360 containers in 2003, with an option for 800 more over the next year. In June, Lanahan began shipping orders twice monthly out of Jacksonville and Gulfport, Miss.

The lumber will be used mainly to rebuild homes destroyed by hurricanes and make pallets to move goods shipped from U.S. farms.

Negotiations are also underway between Cuban officials and another Florida company in the Tampa Bay region for the sale of lumber.

This is the first time the Cuban government is going beyond food in its U.S. purchases.

Also, food importer Alimport S.A. is now including beef and pork purchases in its shopping list with U.S. companies. Washington has granted visas to two Cuban meat inspectors.

### LEADING EXILE GROUP SELLS OFF ASSETS

Attempting to stabilize its financial situation, the Cuban-American National Foundation (CANF) is selling off most of its real estate holdings.



*Freedom Tower:  
No takers*

Only two years after buying it, the foundation put up its Washington “embassy” and another building in the capital for sale. Also, the foundation is trying to find a taker for the Freedom Tower in Miami, which just underwent a costly renovation. Miami-Dade Community College recently rejected a political advance to take over the historical building near the port of Miami.

The most influential Cuban exile organization has recently lost clout due to a split with some of the more radical membership and the bad financial shape of MasTec, the company owned by CANF chairman Jorge Mas.

*More embargo news on page 4*

## More on Cuba's Economy

### CASTRO LASHING OUT AT EUROPEAN UNION

Cuba's crackdown against dissidents and hijackers has triggered a conflict with its biggest trade partner, the European Union. So far trade and investment have not been affected in a major way by the row.

After the EU froze Cuba's application for membership in the Cotonou Agreement and recommended its member governments to limit high-level governmental exchanges, the Cuban government reacted by accusing the EU of caving in to U.S. pressure, organizing mass demonstrations in front of the Italian and Spanish embassies in Havana, closing Spain's cultural center in Havana, and calling Italian and Spanish leaders Silvio Berlusconi and José María Aznar fascists.



*Castro: 'Benito Berlusconi' and 'Führercito'*

government already cut \$45 million in aid.

However, the EU is not likely to impose any sanctions beyond those previously announced, and most European governments have soft-pedaled the conflict since. Spain, Cuba's largest trade partner in Europe, said it will maintain economic ties with Cuba. Belgium's foreign minister rejected the idea of sanctions against the island. In June, a high-profile British business delegation toured the island, and Austria signed a judicial cooperation agreement with Cuba.

European diplomats say investment, trade and tourism could be hurt if ties deteriorate further. Italy's right-wing

### ***No EU embargo against Cuba in sight***

*U.S. Secretary of State Colin Powell expressed his delight over what he said could be a coordinated U.S.-EU approach vis-à-vis Cuba. Cuba was an issue in informal conversations at the U.S.-EU summit in Washington in June, but according to a source close to EU commissioner Javier Solana, the EU continues to reject economic sanctions because they would hurt the Cuban people.*

*More economy news on page 5*

*Cuba Trade & Investment News* is a monthly publication of **North American Partners (NAP)**, Tampa, FL, USA, for its clients. It has also served as the “Official Publication” of the US-Cuba Trade Association and the 2000 and 2001 US-Cuba Business Summits.

Publisher	<b>Andrew Goddard</b> P.O. Box 13752 Fax: 813 831 3811	<b>Tampa, FL 33681-3752 USA</b> E-mail: <b>Dagodd100@aol.com</b>	<b>Tel: 813 839 6988</b>
Editor	<b>Johannes Werner</b>	E-mail: <b>huitzi@aol.com</b>	

**SUBSCRIPTIONS** Call 813 839 6988. One year \$215. In Canada and Mexico, add \$15 postage.

**COPYRIGHT NOTICE** No part of this publication may be copied, photographed or duplicated without NAP's consent.

## House members pitch trademark and patent bill

Members of the House Ways and Means and Judiciary committees in June introduced the "U.S.-Cuba Trademark Protection Act of 2003." The bill's sponsors say it will help U.S. companies protect trademarks registered in Cuba and prevent Cuba from becoming a haven for cyber squatters.

For the first time in 40 years, U.S. companies are selling their brand products in Cuba, but due to a lack of agreements and a politicization of the issue in the United States, mutual patent and trademark recognition is shaky on both sides of the Florida Straits. Section 211 of the 1999 U.S. Appropriations Bill, a special-interest U.S. law passed in 1998, openly breaches U.S. treaty commitments to Cuba. The law, pushed by lobbyists of exile Cuban-owned Bacardi Ltd. in a row with the Cuban government over the rights to the Havana Club name, prohibits renewal of Cuban trademarks confiscated by the Cuban government after the revolution and denies their holders access to U.S. courts. In response, the Cuban government has repeatedly threatened to stop honoring the various international treaties protecting U.S. trademarks in Cuba, but it hasn't acted on the threats yet.

The World Trade Organization ruled that Section 211 violates two basic principles of the TRIPs agreement and gave the U.S. Congress until June 30 to become compliant with the treaty or face possible sanctions, fines or other retaliatory actions.

U.S. companies have registered more than 4,000 trademarks and patents on the island (out of a total of 60,000), and Section 211 triggered a rush of new registrations. In 1998 and 1999, applications by U.S. companies at Cuba's Office of Industrial Property (OCPI) piled up so quickly that the backlog is still felt today. The beginning of U.S. food and agricultural goods to Cuba in late 2001 created another rush on OCPI, which operates in Havana under the auspices of the Ministry of Science, Technology and Environment.

Most Fortune 500 companies have tried to make sure their names and brands are protected in Cuba, according to Jay Sanchelima, a patent and trademark attorney with Sanchelima & Associates in Miami. The list ranges from giants such as PepsiCo and McDonald's Corp. to smaller companies such as New Jersey-based Goya Foods and rather unexpected brands such as Weight Watchers.

The U.S. Trading with the Enemy Act of 1963 allows to pay for trademark registrations in Cuba. The Clinton administration in 1995 amended the Cuban Assets Control Regulation, specifically allowing payments related to intellectual property protection in Cuba.

However, there still is no mechanism for U.S. companies to monitor the accuracy, reliability and stability of the Cuban government's registration and renewal process.

Cuba has set up a half-dozen lawyers' collectives in Havana such as Bufete Internacional, Consultores de Marcas y Patentes, Consultores Asociados and others, to deal with international patent and trademark issues. The typical cost is \$550 plus attorney fees. The Cuban lawyers then deal with OCPI. Registrations lapse after 10 years if they aren't renewed.

A handful of law practitioners in the U.S. also specialize on the issue.

Cuba, which is a member of most international property rights treaties, in 2000 introduced a new trademark law that is seen as quite advanced.

Decree-law 203, for instance, recognizes fragrances, sounds, colors and three-dimensional objects. But the Cuban test as to whether a new trademark can be registered over existing trademarks is not clear, and how those laws will be enforced remains to be seen.

The only recent case of a U.S. company trying to make a trademark case in Cuban courts involved Northfield, Ill.-based Kraft Foods Inc. In 1998, the food giant successfully appealed against an OCPI decision to cancel the Kool-Aid trademark for non-use.

The proposed law would put a U.S.-controlled process in place. The bill directs the administration to begin consultations with Cuba to obtain assurances that Cuba will continue to comply with the Paris Convention, the Inter-American Convention, and the Madrid Agreement and Protocol. At the same time, it would force Washington to comply with those agreements regarding Cuba.

Other aspects of the bill:

- It directs the administration to get assurances that Cuba will agree to follow international procedures for resolving disputes over Internet domain names.

- It directs the U.S. Patent and Trademark Office to assist U.S. companies seeking to protect and enforce their rights in Cuba by establishing a shadow registry of U.S. trademarks registered or submitted for registration in Cuba since Jan. 1, 1959 and a registry of U.S. trademarks in Cuba that meet the requirements for well-known marks as of Dec. 31, 1958.

- It directs the Secretary of the Treasury to create a general license that allows U.S. citizens to engage in the full range of activities needed to protect their trademarks and trade names against infringement in Cuba.



*Bacardi led the United States into murky waters.  
A proposed law is seeking a way out.*

*Continued on next page*

# Congress tackles Cuban trademark issues

Continued from previous page

- It directs the Treasury Secretary to establish a general license for the transfer of U.S. trademarks and trade names in which Cuban entities have an interest.

- It directs the Treasury Secretary to establish a general license to allow U.S. citizens to make the payments necessary to register their trademarks and trade names as domain names in the .cu Internet domain and to investigate and pursue removal of infringing .cu domain names.

- It restores the jurisdiction of U.S. federal courts to enforce rights to foreign-origin trademarks based upon intellectual property treaties and laws in order to return to the status quo before Section 211.

The bill was introduced by Charles B. Rangel (D-N.Y.), Jeff Flake (R-Ariz.) William Delahunt (D-Mass.), Amo Houghton Jr. (R-N.Y.), Robert Matsui (D-Calif.) and Earl Pomeroy (D-N.D). Rep. Gregory Meeks (D-N.Y) of the House International Relations Committee also is a co-sponsor of the bill. •

## More embargo news

### TRAVEL BAN BATTLE SET TO CONTINUE

Support for ending travel restrictions against Cuba continues strong in both chambers of Congress, in spite of a near-unanimous vote censuring Fidel Castro over the recent crackdown against dissidents and hijackers, and the administration's effort to portray Cuba as a security threat to the U.S.

The House and Senate Cuba Working Groups' companion bills, HR 2071 and S 950, continue to collect co-sponsors. As of June 20, the House bill stood at 55 co-sponsors and the Senate bill at 20.

The law would likely pass in the House, but because Republicans control the committees in the House, they are able to block this bill from reaching the floor for a vote.

Due to this, Cuba travel activists are planning again to attach a Cuba travel amendment to the Treasury Appropriations bill, which may be in committee in the weeks of July 7 or July 14 and come to a vote either the week of July 14 or July 21. The amendment would cut off Treasury Department funding for the enforcement of the travel ban.

Also in the House, the Working Group may introduce legislation disapproving of the March decision by Treasury's Office of Foreign Assets Control (OFAC) to eliminate people-to-people educational travel to Cuba.



Held up: Noriega

Meanwhile, Senator Max Baucus (D-Mt.) has blocked the nomination of Roger Noriega, a former aide of Sen. Jesse Helms, for the position of Assistant Secretary of State for Western Hemisphere Affairs. That way, Baucus hopes he can pressure Senate Majority Leader Bill Frist (R-Tn.) to allow a vote on S 950, the bill to end the travel ban. Proponents believe it would pass. If

Senate Republicans are successful in blocking a vote, the Senate Cuba Working Group is expected to try a similar amendment approach as their House colleagues.

Noriega's confirmation is also being held up by Sen. Chris Dodd (D-Ma.). Dodd is requesting access to two Cuba-related documents: a memo that former U.S. Interests Section Chief Vikki Huddleston wrote when she left the post last year, and documents that the Bush administration may have sent to new

Interests Section Chief James Cason, instructing him how to reach out to Cuban dissidents.

### OAS REJECTS U.S. PRESSURE ON CUBA

The Organization of American States (OAS) rejected a U.S., Costa Rica- and Canada-sponsored declaration of "concern about the situation of human rights in Cuba." Twenty of 34 OAS members said it was inappropriate to discuss the issue in absence of Cuba, which has been barred from the organization since 1962, and suggested to include the U.S. embargo against the island in any discussion.

Also, the member nations of the OAS for the first time voted to exclude the United States from the Inter-American



Commission on Human Rights, the most prestigious human rights monitoring body in the hemisphere. The U.S. candidate for representative was Rafael E. Martinez, a Cuban-American lawyer from Orlando, leading fundraiser for the campaign of George W.

*Mel's brother didn't make the cut*

Bush, and brother of Housing and Urban Development Secretary Mel Martinez.

### FISK: COVERT ACTION POSSIBLE

Daniel Fisk, Assistant Subsecretary of State of the Western Hemisphere, said the United States is preparing further measures against Cuba and suggested indirectly that this could include covert action.

"We're studying actions, some of which will be visible, others not," Fisk said, according to German news service dpa. Fisk, according to dpa, admitted that George W. Bush is "disillusioned" about the lack of support in Latin America for a stronger reaction in response to the Cuban crackdown against dissidents and hijackers.

Meanwhile, the U.S. State Department added Cuba to its list of countries that allow "trafficking of persons," a euphemism for sexual slavery.

## *More embargo news*

### **JUDGE OVERTURNS SABZALI CONVICTION**

A U.S. judge overturned a conviction of Canadian businessman James Sabzali for violating the U.S. embargo against Cuba and ordered a new trial, because of misconduct by prosecutors handling the case.

Sabzali, who lived and worked in Philadelphia selling water purification equipment on behalf of a U.S. company, faced a life sentence or millions of dollars in fines.

Sabzali, 42, and two colleagues at Purolite and Bro-Tech Corp. were charged with conspiracy and 75 violations of the Trading With The Enemy Act. Almost half of the charges stem from work Sabzali did while he was residing in Canada and operating his own business there.

### **FIRST HIJACKED, NOW SOLD**

Two hijacked Cuban planes that ended up in Key West were auctioned off for \$19,000 in June. The proceeds will go towards a \$27.1 million settlement awarded to the ex-wife of a Cuban double agent. U.S. observers criticized the step as a violation of international agreements and warned that Cuba could retaliate by seizing U.S. airliners hijacked to Cuba. •

## *More on the economy*

### **SUGAR: SMALLEST HARVEST SINCE '33**

The Cuban Sugar Ministry ended this year's disastrous harvest in most parts of the country well before meeting its plan, as summer rainfall makes cutting and milling too costly. None of the 13 provinces reached their production goals. The ministry did not release any figures. News agency Reuters estimated the final crop as between 2 million and 2.1 million metric tons of raw sugar, the lowest in 70 years. Cuba had planned a harvest of between 2.6 million and 2.7 million tons this year, down from 3.6 million tons in 2002. Cuba will likely have to import hundreds of thousands of tons to meet domestic needs. Otherwise it won't be able to fulfill export commitments to Russia and China.

Last year, Cuba converted 1.2 million of 2 million hectares of sugarcane fields to other crops, and closed 70 of 156 sugar mills.

### **ALARCON: MORE BELT TIGHTENING AHEAD**

Cuban parliament president Ricardo Alarcón told 100 representatives of municipal governments in Camagüey that he expects the United States to increase pressure on countries that trade with Cuba. "We're reaching a period of major limitations," Alarcón said, adding that Cuba will have less capacity to import products from abroad.

### **CUBA INVESTS IN SUGAR DERIVATIVES**

Cuba said it will invest millions of dollars on a program to develop products made of sugarcane derivatives during the next five years. Sugar derivatives, ranging from construction



*Bitter harvest*

## **CONFERENCES & EVENTS**

- FIMAE 2003 (international fashion, furniture and interior design fair), Havana, July 2-6
- Third Annual US/Cuba Legal Conference, Havana (postponed, no new date set)
- Expovaradero 2003 (tourism fair), Varadero, Sept. 16-19
- FIT 2003 (international transportation fair), Havana, Sept. 17-20
- 3<sup>rd</sup> World Congress of Law and Technology, Havana, Sept. 29-Oct. 3
- Turnat (environmental tourism fair), Marea del Portillo, Granma, Oct. 13-17
- 21<sup>st</sup> International Havana Fair (general trade fair), Havana, Nov. 2-9
- 3<sup>rd</sup> International Conference on Science and the Environment, Santa Clara, Nov. 22-28
- Feria Comercial del Tabaco (tobacco trade fair), Pinar del Río, Nov. 25-28
- Latin American Film Festival, Havana, Dec. 2-12

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

material to rum, animal feed and citric acids, should rise from 5 percent to 20 to 25 percent of Cuba's income, officials hope. The initial investment is Cuban, but "we will be forced to look for external financing," the head of a Cuban research institute said. Cuba is also planning to use sugarcane-based ethanol as automotive fuel.

### **LULA ENDORSES OIL DEAL**

A Cuban offer to Brazil's state oil company Petrobras to drill for offshore oil in the Gulf of Mexico has the political endorsement of Brazilian President Luiz Inacio Lula da Silva, Reuters reports, quoting a Brazilian diplomat. "The political will exists, though Petrobras will decide on the basis of risk, convenience and profit, like any commercial operation," the diplomat told Reuters. Petrobras spent \$15 million in the late 1990s exploring for oil off the north coast of Cuba, but did not find anything and left with an option to come back.



### **POPULATION GROWING ... OLD**

Cuba's population is growing older, but a large percentage of young people have no plans on how to confront old age, found a survey of 300 people by Cuban magazine Bohemia. Fourteen percent of Cuba's population of 11.273 million are older than 60. Official projections predict that seniors will make up 22.8 percent of the population by 2020, making Cuba older than Sweden. Since 1978, the average Cuban has had fewer than one child. Average life expectancy is 77. •

## Company Briefs

**Cubaníquel** officials announced that the nickel industry has begun to use domestic oil, in an effort to cut back expensive oil imports and increase profit margins. The first converted processing plant is that of Punta Gorda, Cuba's largest, in the eastern part of the island. Cuban oil is of lower quality, due to high sulphur content. Nickel processing plants burn 1 million metric tons of gas oil every year, allowing for savings of "several million dollars," according to officials. As a result of the conversion, profit margins should rise.

\*\*\*

Madrid-based **Occidental Hotels & Resorts SA** entered the Cuban market by taking over operations of the 427-room Miramar hotel in Havana. Opened in early 2000 and owned by Cuban state company **Gaviota S.A.**, the four-star hotel had been administered by France's **Accor SA** under the **Novotel** brand. No information was available why Accor dropped the hotel. Occidental, which renamed the hotel **Occidental Miramar**, manages 24 hotels in the Dominican Republic, Mexico, Costa Rica and elsewhere in the Caribbean.



*Novotel Miramar*

\*\*\*

Spanish consultancy **C. E. Consulting Empresarial** signed an agreement with the Cuban Government to set up a joint company and start operating in Cuba. The company will be the first international consultancy brand in the Cuban market. Madrid-based Consulting Empresarial operates 62 offices in Spain, specializing on small and medium-size enterprises.

\*\*\*

North Carolina businessman **Terry Bollinger's Mountain Home Care Services Inc.** was the sole U.S. company among 500 foreign vendors at a medical products trade show in Havana in April. Mountain Home Care sells products such as oxygen tanks and walkers and provides in-home aides.

Italy's **Elettrica Vicentina S.p.A.** signed an agreement to supply Cuba's **Esatel S.A.** with \$500,000 worth of electrical equipment for "energy and bioenergy projects." The contract was signed during the Expocaribe fair in Santiago. Elettrica Vicentina also got a supply contract for an unspecified amount with Cuba's Eastern Electric Company.

\*\*\*

Cuba's **Combinado de Componentes Electrónicos Che Guevara** has begun to export solar panels to Germany, Spain and Japan. The systems are distributed by **Ecosol Solar S.A.** The Pinar del Río-based Combinado began operations in 2001 and now manufactures 1,500 systems per year. The panels are mainly used in Cuba by schools, doctors' offices, rural hospitals, social circles, and residences in areas with no access to the electrical distribution network.

\*\*\*

The Cuban government is creating a **National Phonographic Office (ONF)** to manage record projects that haven't been under state control. Officials, while assuring they won't close the door to foreign music labels, told news service IPS that ONF will require a license from foreigners who want to produce records in Cuba. The move is seen as a reaction to **Buena Vista Social Club**, which sold 10 million copies, creating a windfall for British label **World Circuit**, but leaving little for the Cuban state. Cuban musicians, who for decades exclusively produced records with state label **Egrem**, are increasingly working with higher-paying foreign labels.

"Right now, anybody can come with a tourist visa, gets a studio, hires Cuban musicians, and leaves with a great master tape," **Cubadisco** President **Ciro Benemelis** told IPS during the music industry fair in June.

The Cuban state is also creating a quick-turnaround label called **In Situ** aiming at the tourist market in Cuba, to battle the fast-growing market of pirated CDs. Officials estimate In Situ's initial sales at \$1 million. One-fourth of CD sales of Cuban music are pirated copies sold to tourists on the island.

### NORTH AMERICAN PARTNERS

*Connecting Business to New Markets*

P.O. Box 13752 Tampa, FL 33681-3752 USA

Tel.: 813 839 6988 Fax: 813 831 3811

Dagodd100@aol.com www.napartners.com



ADDRESS CORRECTION REQUIRED