



Cuba Trade & Investment News

A service of NORTH AMERICAN PARTNERS, Tampa, FL, USA,
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Embargo Update

CUBA TRADE: SO FAR, SO GOOD

Despite the rapid deterioration of U.S.-Cuban relations, food and agricultural sales to the island continued at a brisk pace through March.

Sales during the first quarter reached \$44.2 million, up 40% from the previous year, according to the New York-based U.S.-Cuba Trade and Economic Council. In March, U.S. companies exported \$18.2 million worth of goods to Cuba, up 121%.

Unfazed exporters?

(U.S. sales to Cuba, in US\$)

<i>period</i>	<i>amount</i>	<i>change</i>
<i>Jan.-Mar. '03</i>	<i>44.2 mln.</i>	<i>+40%</i>
<i>March '03</i>	<i>18.2 mln.</i>	<i>+121%</i>
<i>2003*</i>	<i>166 mln.</i>	<i>+19%</i>

**projection by US-Cuba Trade and Economic Council*

Total sales for 2003 are projected to reach \$166 million, a 19% increase from 2002.

To be sure, figures for April, when the turn for the worse in U.S.-Cuban relations climaxed, aren't available yet. Some exporters are now wary of alienating their own government. "We're going to continue to carefully monitor the situation with the Bush administration and work cooperatively with them," David Radlo, president of Watertown, Mass.-based Radlo Foods LLC, told the South Florida Sun-Sentinel. "And as long as the administration feels it is appropriate to trade we will continue to trade."



Some exporters are walking on eggshells

Radlo, who has contracted to sell 40 million eggs to Cuba, said he has deals set through June.

Some U.S. business groups and politicians put their Cuba trips on hold after a Cuban crackdown on dissidents and hijackers.

However, in May a delegation of 25 business representatives from Iowa, headed by Rep. Leonard Boswell (D-Ia.), visited Havana. Boswell announced \$4 million in corn and wheat sales by Des Moines-based farmers' cooperative F.C. Stone Group as a result of the visit. Negotiations also included sales of Iowa ice cream, animal feed, pork, beef and eggs.

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Economy

ECONOMY FACES STAGNATION

On the background of thriving tourism and a crashing sugar industry, Cuba's economy seems to have stagnated through March this year. Tourism has recovered well since 9-11, setting a record of nearly 800,000 arrivals through April, 19% more than last year, and 2% above the previous record set in 2001.

But forecasts for this year's raw sugar production call for only 2 million tons, a 40% decline from 3.6 million tons in 2002. The government has not officially commented on the economic situation since December. Official economic growth forecasts predict 1.5% growth this year, compared with 1.1% in 2002, 3% in 2001 and 6% during the 1999-2000 period.

Public transportation has noticeably declined and power outages increased, while many Cubans remain hard pressed to meet their basic food, clothing and other needs.

CUBA PULLING EU TREATY APPLICATION

Reacting to a crackdown against dissidents and hijackers by Cuba, the European Union announced it would indefinitely postpone a review of Cuba's application for full membership in the Cotonou Agreement. The agreement established a \$15.5 billion fund to pay for development programs for former European colonies between 2003 and 2008.

The European Commission also recommended its 15 member states limit high-level visits to Cuba.

Nevertheless, a major British trade mission visited Cuba in May. Representatives of 16 British companies — from Rolls Royce to Virgin Atlantic — spent a week in Havana, led by former UK sports minister Lord Moynihan.

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U.S., CUBA TRADE RHETORIC

Suggesting they were spying, but without giving specifics, the Bush administration expelled 14 Cuban diplomats from Cuba's UN mission in New York and the Interests Section in Washington. An FBI source told the New York Times that the decision wasn't based on any new evidence from the law enforcement agency.

Also, the United States broadcast radio and TV signals to Cuba for four hours in May, using a C-130 aircraft.

Despite the stiff rhetoric, the basic areas of U.S.-Cuban relations remain untouched (see analysis, page 3). Although the Bush administration was said to ponder tightening more the already tight embargo, it hasn't announced any further actions. Instead, President Bush recorded a 40-second radio greeting expressing little more than sympathy for Cubans.

Cuban officials responded with harsh words to the expulsions and said it was the prelude to a military attack, but they haven't taken any retaliatory steps.

EFFORT TO LIFT TRAVEL BAN CONTINUES

The House and Senate Cuba Working Groups on May 14 launched an effort to get the "Freedom to Travel to Cuba Act of 2003" to President Bush's desk this year. The bill would lift all U.S. restrictions on travel to Cuba.

The backers are hoping to get a hearing for the stand-alone bill, but they will also try to attach a travel measure to the upcoming Treasury-Postal appropriations bill. The group is urging the Senate to take the same action to make it difficult to remove from a final conference committee report on the spending bill. The Senate Finance Committee will hold a June 11 hearing on Cuba.

House Majority Leader Tom DeLay (R-Tx.) opposes lifting the restriction. President Bush is expected to veto a stand-alone measure, but vetoing the larger bill would be more difficult.

Both Congress and Senate have previously voted to ease the embargo, but after the latest U.S.-Cuban spats, fewer votes are expected for such a détente measure.

Senate bill 950 was introduced April 30 by Michael Enzi (R-Wy.) and eight other Senators. The House companion bill was introduced May 14 by Rep. Jeff Flake (R-Az.), all of the other 49 members of the House Cuba Working Group, plus five additional members.

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More on Cuba's Economy

CUBA PROMOTES EVENT TOURISM

In an effort to diversify its leading industry, Cuba is putting more emphasis on cultural tourism. Trying to leverage a series of high-profile music festivals and other arts on the island, the tourism ministry launched a cultural program for foreign visitors during a recent tourism convention in Varadero. Target events include the Havana International Book Fair, the Latin American Film Festival, the International Ballet Festival, the Guitar Festival, Cubadisco and Boleros de Oro. There are also 450 international congresses every year.

Fifteen percent of Cuba's tourism in 2002 was event-related, officials said.

U.S. TOUR OPERATORS FLOCK TO VARADERO

About 900 tour operators from 60 countries attended the annual tourism convention in Varadero this year, including 63 from the United States, according to Granma. United States is potentially the most attractive market for Cuban tourism.

EXPORTS TO VENEZUELA TRIPLE

Venezuelan officials said Cuba's exports to Venezuela — mostly medicine and technology — have increased to \$82 million in 2003 from \$25 million in 2002. Venezuela is negotiating to import prefabricated houses from Cuba.

Venezuela and Cuba will sign 15 cooperation agreements that cover health, agriculture,

construction, tourism, science and technology this month. The ceremony will be in the presidential palace in Caracas. An agreement signed by Presidents Hugo Chávez and Fidel Castro in 2000 allows Cuba to pay part of 53,000 barrels of oil per day with services.

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*Hugo Chávez, Fidel Castro:
Let's trade*

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Bush and Cuba: Big words, little substance

More than two years into the Bush administration, the U.S. executive has considerably sharpened its tone against Cuba. But the main tenets of the relation remain untouched, according to critics both on the left and right. This report outlines the main areas of the Bush Cuba policy, the political context, and new measures the administration might take as it considers ways to respond to the recent crackdown against Cuban dissidents. Author Philip Peters, vice president of free-market think tank Lexington Institute, served for six years as a State Department appointee under Reagan and Bush, Sr., including as a political counselor in the U.S. embassy in Nicaragua and as a spokesman for the Bureau of Inner-American Affairs.

The president is facing a situation where his Cuba policy and his Cuban American political strategy may both fall short of their objectives.

The administration has stated the goal of “promoting a rapid and peaceful transition to democracy in Cuba,” yet neither its current policies nor new proposals lead rapidly to that destination. With 75 Cuban dissidents recently jailed, the administration’s goal seems more distant than before.

Meanwhile, the administration’s key Cuban American constituency is increasingly noticing the gap between ends and means in Cuba policy, and is increasingly impatient to see it closed. But it is not clear that the administration is willing to satisfy those who want a declaration in favor of regime change in Cuba and a policy to deliver that result.

Political backdrop

While ample attention is paid to the administration’s debate with Democrats and Republicans who promote engagement with Cuba, there are also hard-liners pressing to maintain or increase sanctions.

Two years ago, expectations were high that the Bush administration would make significant changes in Cuba policy. However, no significant action came during the administration’s first year.

The recess appointment of Assistant Secretary of State Otto Reich again raised expectations for a change. In January 2002, the administration announced a formal review of Cuba policy. The result of that review, the Initiative for a New Cuba, came on last year’s Cuban Independence Day, May 20. But the initiative was only a series of relatively small steps.



Today, dissatisfaction among hard-liners continues. Rep. Ileana Ros-Lehtinen wrote to the president on January 23, 2003 to complain that the administration has not implemented a series of measures that Congressional proponents of a hard-line policy have advocated. She noted that the administration, among other things:

- has not used the Helms-Burton law to penalize foreign investors in Cuba;

- has not worked in the United Nations to press for a global trade embargo of Cuba;

- has not directly pressed Cuba’s trade partners to end their trade and credits to Cuba “in a manner consistent with United States policy;”

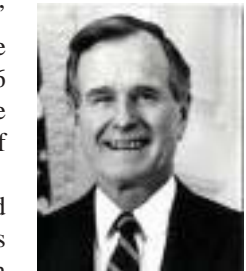
- has not sought an indictment of the “Castro regime” for the 1996 shutdown of the Brothers to the Rescue aircraft over the Straits of Florida; and

- has neither reviewed nor revoked the policy whereby Cuban migrants interdicted at sea are, pursuant to an agreement with the Cuban government, returned to Cuba.

In the context of the recent crackdown on Cuban dissidents, Rep. Lincoln Diaz-Balart wrote President Bush to urge that he stop focusing on “collateral issues at the margin of the Cuban tragedy” and instead act to “end the 44-year totalitarian nightmare of the Cuban people.”

Food sales

Not by its own choice, the administration has presided over a significant rupture in the trade embargo: the sale of more than \$200 million in U.S. food and agricultural products to Cuba since fall 2001.



Continued on next page

Critics on right, left attack Bush's Cuba policy

Continued from previous page

Secretary of State Colin Powell told Congress in April 2001 that the administration was "pleased that the sales are taking place," while then-Assistant Secretary Otto Reich complained that sales harm the U.S. national interest because they are "delaying the transition to democracy in Cuba."

Helms-Burton

The administration has continued President Clinton's practice of waiving Title III of the 1996 Helms-Burton law, which would allow Cuban Americans to use U.S. courts to press claims for properties in Cuba. Because Presidents Clinton and Bush have waived this title every six months since the law was enacted, it has never gone into effect.

The administration has not used Title IV of that same law to impose sanctions against foreign investors in Cuba whose investments allegedly touch properties expropriated from American nationals. Title IV sanctions were imposed by the Clinton Administration in two cases only.

In last year's May 20 speech, President Bush distanced himself from a key provision of the Helms-Burton law by defining new circumstances under which sanctions might be eased. His statement did not commit the President to a specific course of action, but it makes a clear break with the Helms-Burton law.

Travel and remittances

Since taking office, the administration has slowed licensing of Cuba travel and enforced the travel ban against Americans who violate the travel regulations. The sum of its policies seems to be to favor travel by Cuban Americans and to reduce the scope for travel by all other Americans.

The Cuban American community has been effectively exempted from enforcement actions. In response to Congressional inquiries, Administration officials have not provided information on a single case of enforcement against a Cuban American for excessive travel for family visits or delivery of remittances. Cuban Americans account for about three fourths of U.S. travel to Cuba, delivering hundreds of millions in remittances.

Last March, the administration eliminated an entire travel category: non-degree educational programs with a people-to-people component.

AID grants, aid to dissidents

The president declared in July 2001 that he would expand support for human rights activists and the democratic opposition and provide additional funding for non-governmental organizations to work on pro-democracy programs in Cuba. From its inception to May 2002, \$15.5 million was obligated under this program. The Bush Administration has continued this program, obligating about \$4.6 million more. Under this program, AID grantees may provide resources to dissidents in Cuba. The Bush

administration has continued the Clinton policy of barring direct cash assistance to dissidents.

Security

The administration has charged that Cuba represents a threat to American national security, but apart from an expulsion of diplomats of the type that the United States and other countries do routinely after discovering espionage activities, the administration seems to have taken no action to address its security concerns. The administration alleges that a 1998 intelligence community assessment underplayed the Cuban threat to U.S. security because of the involvement of Cuban agent and former Defense Intelligence Agency analyst Ana Belen Montes in that product. The administration has produced no new intelligence assessment to support its conclusion.

Undersecretary of State John Bolton alleges that Cuba has a biological weapons effort under way, a claim that the Secretaries of State and Defense have contradicted. The administration has taken no action to promote inspections or any increased scrutiny of Cuba's biotechnology program, and it has not used diplomacy to test Cuban offers to make its biotechnology available for scrutiny.

The administration has continued two active avenues of U.S.-Cuba cooperation on security issues: the migration accords, which aim to curtail illegal migration, and the limited cooperation in drug enforcement, which includes a U.S. Coast Guard officer posted at the U.S. Interests Section in Havana. However, this year it is falling far short of the American commitment under the immigration accords to issue 20,000 immigrant visas per year; in the first half of the fiscal year, fewer than 3,000 were issued.

Options for responding to the crackdown

The administration has been under considerable pressure to respond strongly to the summary trials and long sentences handed to 75 Cuban dissidents. But with a comprehensive set of economic sanctions in place already, its options are limited. One hard-line group, the Cuban Liberty Council, has called for a ban on remittances and an end to direct flights to Havana.

No administration official has embraced this proposal. Possibly, the expulsion last week of 14 Cuban diplomats for alleged espionage was intended as a substitute — a tough, dramatic action that would win favor among hard-liners, and give the administration a way to decline to cut remittances and flights to Cuba.

Another option is a diplomatic campaign to condemn Cuba's human rights practices and to increase international pressure on the Cuban economy. This is a difficult proposition for the United States, because nearly all governments are consistently on the record in opposition to the U.S. embargo. There has been very broad international condemnation of Cuba's crackdown, but this sentiment does not seem to translate into support for U.S. policy. For example, the Organization of American States (OAS) debated but did not adopt a mild statement calling attention to Cuba's human rights practices. •



More on the economy

BLACKOUTS: DOMESTIC OIL'S NOT TO BLAME?



*Guiteras power plant:
technical problems*

Cuban officials are defending the use of domestic oil in running power plants on the island. They deny that recent power plant breakdowns, causing unscheduled blackouts, have been caused by the lack of oil or the sulphur-laden domestic oil.

Officials blamed the blackouts on other, unspecified, technical reasons at a power plant in Holguín and “failure of technological protection” at the Antonio Guiteras power plant in

Matanzas province. Cuba’s power plants are now running almost exclusively on sulphur-heavy domestic gas-oil. •

CONFERENCES & EVENTS

- ExpoBuceo (diving tourism fair), Varadero, June 3-5
- 12th ExpoCaribe (general trade fair, in combination with the 4th Gran Caribe Trade Forum), Santiago de Cuba, June 8-13
- 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), Varadero, Sept. 16-19
- FIT 2003 (transportation fair), Havana, Sept. 17-20
- 3rd World Congress of Law and Technology, Havana, Sept. 29-Oct. 3
- Turnat (environmental tourism fair), Marea del Portillo, Granma, Oct. 13-17
- 21st International Havana Fair (general trade fair), Havana, Nov. 2-9
- 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 for more information on events

More embargo news

OFAC BLOCKS LEGAL CONFERENCE



Zamora

Treasury’s Office of Foreign Assets Control (OFAC) denied the US/Cuba Legal Forum a license to stage a law conference in Havana July 25-28, mentioning “new policies.” The Miami-based association had initially planned to hold the legal event in May, but postponed it to July.

The US/Cuba Legal Forum is appealing OFAC’s decision. To hold the conference in Cuba is necessary to ensure the presence of Cuban lawyers, Forum President Antonio Zamora wrote in the appeal to OFAC. A Forum representative said there is no new date yet, but that he is hopeful because previous appeals have been successful.

The organizers want to bring U.S. and Cuban lawyers together to talk about legal problems affecting bilateral relations. Planned workshop topics include trade in agricultural and medical products; inheritance and travel; intellectual property; and judicial practices. Four U.S. judges and four Cuban Supreme Court judges are planning to attend.

NORIEGA: ALLIES SHOULD PRESS CUBA



Noriega

President Bush’s new assistant secretary of state for Western Hemisphere affairs, Roger Noriega, said he would like to organize greater international pressure on Cuba’s government and more help for the dissident movement on the island.

Noriega talked about his Cuba ideas during a confirmation hearing.

COMPLAINT SHUTS DOWN MUSIC CLUB

Responding to a complaint that it was operating with improper Public Place of Amusement licenses, the city of Chicago on May 9 shut down HotHouse, a non-profit music club. HotHouse was going to host a second concert by Cuban band Orquesta Aragón the same night. The performance had been sold out. HotHouse management says its licenses are in good standing, and accuses that the shutdown was politically motivated.



Orquesta Aragón: cause for HotHouse troubles?

MISSISSIPPI GROUP PLANS CUBA TRIP

The Mississippi Coast Trade Council has been granted a travel license to visit Cuba by the U.S. Treasury. The council, established to represent the state’s companies, has not set a date for a trip.

Mississippi companies are interested in selling poultry, wood products, rice, soybeans and cotton.

NEW MEXICO GOVERNOR CANCELS TRIP

New Mexico Gov. Bill Richardson canceled a trip to Cuba with a 150-member goodwill group.

Richardson, a former United Nations ambassador, said that “now is not the time,” in light of Cuba’s recent crackdown against dissidents.



Company Briefs

French oil and gas company **Maurel & Prom** took over a majority interest in Montreal-based oil company **Pebercan Inc.** (TSX: T.PBC), allowing French actor **Gérard Depardieu** and nine fellow investors to cash out.

Maurel & Prom bought the 66% stake of **Peberinvest** in Pebercan, which operates 13 oil wells near Varadero, for \$95 million, increasing its ownership of the company to 86%. Maurel & Prom originally held a 20% stake in Pebercan.

The growing independent company has oil wells in Cuba and Congo, identified wells in Russia and Vietnam, and exploration projects in Hungary and Senegal. The acquisition should be completed by the end of the second quarter.

The company's 13 Cuban onshore wells are expected to double daily production at the end of this year to 14,000 barrels. Although the quality of the oil is mediocre, production costs at \$3 per barrel are low.

The company has explored one-seventh of the block covered by its permit. It also has rights to four other onshore blocks.

Pebercan is led by French entrepreneur **Gérard Bourgoïn**, a former president of France's pro soccer league known as the "chicken king." Peberinvest has 10 shareholders, including Bourgoïn and Depardieu.

...

British spirits giant **Allied Domecq** is interested in swallowing Bermuda-based Bacardi Ltd., ahead of Bacardi's possible stock market float. A \$14.3 billion merger would create the world's largest spirits concern. Bacardi is controlled by 600 members of a Cuban exile family. The company, which has been in an extended battle over the U.S. rights to the **Havana Club** name, in the past has successfully lobbied to stiffen U.S. policy vis-a-vis Cuba.



Depardieu

American actor **Danny Glover**, 55, gets to feel the fallout for his outspoken criticism of U.S. policy in Cuba and Iraq. A number of groups have threatened to boycott telephone giant **MCI** if it doesn't disconnect Glover as spokesman from its ad campaign. In a statement, MCI praised Glover's work. But the company added that it is reviewing "options for new product campaigns." Glover's contract with MCI runs out at the beginning of June.

Movie director **Oliver Stone** returned to Cuba in May to film interviews with prominent dissidents and family members of jailed activists. He also had another 20-hour meeting with Fidel Castro. The trip came after cable channel **HBO** suspended airing Stone's "**Comandante**" documentary about Castro, in light of the recent crackdown in Cuba. **HBO** declined to comment about Stone's activities.

Spain's **Hotetur S.A.** opened the **Palma Real** hotel in Havana. The four-star, 440-room hotel uses two existing hotel buildings that were extensively remodeled. The Cuban state built the Atabey and Siboney hotels in the 1970s.

Flag carrier **Cubana de Aviación** said it added an **Airbus 330/200** to its fleet. Cubana will use the aircraft on its Havana-to-London, Paris and Madrid routes.

Havana-based **Neuronic S.A.** has developed a microbiological diagnosis system that has been successfully used in Cuba. **Diramic** provides rapid dosage information for antibiotics. The PC-based system is able to detect a urinary tract infection within four hours.

Meanwhile, **Novatec S.A.**, also based in Havana, began production of an anti-retroviral medicine for AIDS patients. The drug cocktails are distributed free to patients in Cuba. Each tablet costs \$3 to produce. Novatec exported \$1 million worth of anti-retrovirals in 2002. •

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