



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

EMBARGO BUSTERS ARE BACK

In an opening salvo for a renewed campaign in Congress, Senators Max Baucus (D-Montana) and Chuck Hagel (R-Nebraska) introduced a bill Feb. 13 to end the embargo. The "United States-Cuba Trade Act of 2003" would lift the embargo, provide Cuba with normal trade relations on a permanent basis, and repeal travel restrictions.

In early February, the White House succeeded in stripping language to weaken the embargo from the omnibus spending bill. Rep. Lincoln Diaz-Balart (R-Miami) credited President Bush and his threat to veto the entire \$397 billion spending bill if legislators dismantled any part of the embargo.

But majorities in both the House and Senate are in favor of easing the embargo. Separate law projects will propose to lift the travel ban, make it easier for Americans to sell farm products to Cuba, protect American trademarks in Cuba by repealing "Section 211," broaden the categories of products Americans can export to Cuba, sunset the 1996 Helms-Burton bill that tightened the embargo, and expand cooperation with Cuba on counternarcotics.

The anti-embargo Cuba Policy Foundation expects a solid 230 House votes in favor of eliminating the travel ban, against 148 congressmen who oppose such a move.

EXPORTERS: HOOKED ON CASH

The Congressional push to lift financing restrictions on Cuba sales seems to be losing steam. U.S. agricultural exporters and the American Farm Bureau are drifting apart over the issue of allowing U.S. financing for food sales to Cuba. According to a survey of executives from 307 companies by the U.S. Cuba Trade and Economic Council, 94% are content with the financial restrictions. Exporters like the cash-only provision because Cuba's cash crunch has led to late payments to foreign partners from other countries.

Cuba bought \$189 million worth of United States agricultural goods and food in 2002, according to Cuban food importer Alimport. The purchases, which have been all paid for, made the United States Cuba's 10th largest trade partner.

Last year, U.S. exporters and the Farm Bureau lobbied Congress jointly to remove a ban on financing of U.S. agricultural exports to Cuba.

Farm Bureau officials said they continue to push for an end to the cash-only provision.

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Economy

ALIMPORT MONOPOLY TO FALL?

Carlos Lage is pushing for changes in Cuba's foreign purchasing procedures. Warning that Cuba will be facing an "exceptionally complex" economic situation if oil prices continue to rise, the architect of Cuba's economic reforms urged officials of the Foreign Trade Ministry in February to seek additional savings and more efficiency, using "the advantages offered by a planned economy, combining it intelligently with the necessary and convenient decentralization."



Lage: "Urgent review"

The vice president in charge of the economy ordered the ministry to execute an "urgent review of those foreign trade functions that must be centralized and those that must not be centralized, and who will take up those functions."

Lage lauded recent U.S. purchases for the savings they represent to Cuba. He didn't mention food importer Alimport S.A., but observers have been predicting the demise of Cuba's centralized food purchasing procedures because Alimport's monopoly produces bottlenecks. Companies involved in Cuba's dollar sector, such as Cimex, Cubalse, TRD Caribe and others, have become much more involved in the purchasing process lately.

Lage proposed the development of "wholesale warehouses" for imported goods throughout the country to improve the efficiency of companies, and urged a crackdown on corruption in foreign trade. He wasn't more specific.

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AG MACHINE BILL STILL IN FIRST GEAR

Plans to include agricultural machines in the list of embargo-exempted goods Americans can sell to Cuba are advancing slowly. As of deadline of this newsletter Feb. 26, a draft bill was circulating in the Senate. However, it had not been introduced and the sponsor had not gone public with it because details were still being worked out. In the House, several representatives were interested in the initiative, but no sponsor had taken up the issue.

CUBA MAY CUT RED TAPE FOR VISITING EXILES

Parliament President Ricardo Alarcón told Cuban-Americans in Havana that Cuba is considering easing travel restrictions for U.S. citizens born in Cuba, setting a precedent that may help those pushing the U.S. Congress to lift the travel ban. Cuba is thinking about dropping entry permits, but it won't scrap exit permits for Cubans who want to travel abroad, Alarcón said. Many foreign observers consider Cuba's exit permits an infringement on Cubans' human rights.

Ending entry visas for Cuban exiles could cause the Cuban government to lose revenues of more than \$300 million annually. But the measure could also triple the number of visitors, which would make up for the shortfall. Some 100,000 Cuban Americans visit the island every year.



*Alarcón:
Entry si, exit no*

After a previous "Nation and Emigration" conference in 1995, Cuba began to offer multiple-entry permits good for up to two years. However, the application process is cumbersome and lengthy.

Alarcón and other officials met with more than 100 moderate Cuban-Americans to listen to their priorities for the third "Nation and Emigration" conference, to be held in Havana April 11-13.

Also, Cuba's top diplomat in the United States, Dagoberto Rodríguez, met with some 100 Cuban exiles in Miami — an unprecedented event — to gather ideas for the conference.

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TRADE EXPANSION STOPPED IN 2002

Cuba's foreign trade declined by more than \$900 million or 13.9% in 2002. This was the first decline since 1994, as a foreign exchange shortage forced Havana to slash imports by \$677 million. Total trade amounted to \$5.574 billion. Imports declined 14% last year and exports 13.6%. The trade deficit was \$2.725 billion, a 14.2% decline from \$3.176 billion in 2001, thanks to Cuba's import substitution efforts.

Oil and its derivatives accounted for 21% of Cuba's imports last year, and food 20%.

Trade in 2002: More Downs than Ups

- Total trade: down 13.9%
- Cuban imports: down 14%
- Cuban exports: down 13.6%
- Trade balance: improved 14.2%
- Imports represent 75% of Cuba's foreign trade

TELECOMS NEGOTIATE MARRIAGE

Cuba is preparing a merger of its fixed-line and wireless telecoms, reports British information service WMRC Daily Analysis, without referring to sources.

According to the newsletter, fixed-line operator Empresa Nacional de Telecomunicaciones de Cuba S.A.



(Etecsa) and mobile phone provider Teléfonos Celulares de Cuba S.A. (Cubacel) are in merger negotiations. As a result of the merger, the Cuban government is expected to offer cell phone services to the population.

Canada's Sherritt International owns a minority interest in Cubacel, Italy's STET International is Etecsa's main foreign partner. Cubacel has 12,000 foreign and government subscribers.



The Brazilian Development Bank has recently provided Cuba a \$60 million loan for the acquisition of wireless equipment in Brazil. Cuba has one of the lowest telephone densities in Latin America, with just 5.8%.

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Tampa-Matanzas ferry: Swim or sink

Yucatán Express has been operating an ailing Tampa-Yucatán ferry route since last fall. Now, the Bermuda-based and Canadian-owned company is looking at sending its cruise ferry M/S Scotia Prince to Cuba, too. Pressed by a breaking news story in the Tampa Tribune in late January about the company's plans, Chairman Matt Hudson dashed ahead and announced his project to establish the first ferry route between the United States and Cuba in four decades. Hudson had planned to begin the service with humanitarian shipments by late February. But foot dragging by the embargo regulators at the Office for Foreign Assets Control (OFAC) and apparent confusion among Cuban officials have made it less likely that the ferry will dock in Matanzas before its owners move the Scotia Prince back to its summer route from Portland, Maine to Yarmouth, Nova Scotia in April. Nevertheless, Hudson was undaunted in an interview with Cuba Trade & Investment News in mid-February.

Was Cuba on your mind when you first moved the Scotia Prince to Tampa?

No, it wasn't. The ship was moved to Tampa because we wanted to go to two different ports in Yucatán. We started out the season doing that, on a basis that was fairly good. We used the ship for most of the week. It worked quite well. We very reluctantly had to stop going to one of the ports because of dredging issues. We had been promised a 300-yard stretch, but it didn't take place. This had been supposed to take place several months before we actually started. We were hopeful that maybe once we showed up, then they would get the dredging done. But they didn't. So we ended up having to sail late because we couldn't sail anywhere near the low tide. We ended up in one occasion going to a different port. You can't build a clientele that way.



M/S Scotia Prince

Suddenly, you had capacity.

Suddenly, Tuesday through Friday we weren't doing anything.

But Cuba wasn't on your mind from the beginning?

I used to live in Miami. I have quite a number of Cuban friends. When I first acquired Scotia Prince, one of my friends would say to me: 'Wouldn't it be great, one day, once the embargo is over, you'll be able to go to Cuba.' I would say 'm-hm,' thinking the embargo would be forever. But the ship was lying there, and some people in the Tampa area would begin to say to us, 'We would like to be able to take humanitarian aid to Cuba while the ship's not doing anything. Would you be interested?' That's where we really started talking about it.

How's the Yucatán service doing in its first season?

We're losing money, we've told everybody that. I told everybody from the beginning that we were going to lose money. [Bookings] vary from week to week. Last week, we averaged about 300 passengers. That's not enough, but it's not bad. Route development is very expensive. If you don't have the deep pockets, you shouldn't start it.

What's your time frame? How long do you intend to hang in there?

It's not a question of hanging in there. We announced the season that went from Nov. 22 to April 25, and that's what we're doing. It doesn't save much money not to go the second trip a week. So we're actually losing a lot more money than we said we were going to when this thing started.

So you couldn't say that you'll be back to Tampa next season?

Oh no, we'll be back.

Why Matanzas instead of Havana?

Because we're a [roll-on roll-off] ship. Matanzas, I understand, has a ro-ro facility that Havana doesn't have. We're really not going with a cruise ship, we're going to take

humanitarian aid. We need to have the ro-ro facility. If we were just taking people, it wouldn't matter. We could go anywhere.

Are there updates on your application with the U.S.?

The honest answer to that is, I don't know. We have applied, we're keeping close to the situation. We're talking to various humanitarian groups. I think it's pretty clear we're not going on Feb. 25. We're looking at what all this means and if there's something we could propose that would be easier. With Iraq hanging over everybody's head, perhaps the American government got its eyes on other problems. These are not necessarily good days to get anything new done. But we're hopeful. We're working with a couple of humanitarian groups. I'd like to think that within the next week or 10 days we'll have something to say.

What if there's no approval by the U.S.?

There's something lesser we can apply for, that would allow us to go and make a couple of trips, just with humanitarian goods. We're looking at perhaps doing that as well. [The

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Foundation stops short of U-turn

Shifting its longtime stance, the staunchly anti-Castro Cuban American National Foundation announced it is open to “dialogue” with Cuba. More than half of Cuban Americans in South Florida now say they support dialogue with Cuban government officials, and 70% believe that dissidents on the island are more important than exiles to Cuba’s political future, according to two recent polls.

CANF chairman Jorge Mas Santos and executive director Joe García said they would talk with any Cuban official except Fidel Castro, 76, and his brother Raúl, 71. Mas specifically named National Assembly President Ricardo Alarcón, Vice President Carlos Lage and Foreign Minister Felipe Pérez Roque. “It’s inevitable, talking to those people, there’s no other option,” Mas said. “Your only other option is when the Castros die,



Jorge Mas Santos

(we wait until) Alarcón dies and Lage dies and they all disappear, and we’ll be here for another 50 years.”

At the same time, though, the CANF continues to hold on to the embargo and travel ban.

Cuban officials, not surprisingly, have not reacted, and likely won’t. Havana is accusing the most powerful exile organization of having terrorist ties and gets popularity mileage in Cuba out of denouncing the “Miami Mafia.”

PROSECUTORS TARGET MAS FAMILY

In February, Spanish prosecutors quizzed brothers Jorge and Juan Carlos Mas Santos in the allegedly fraudulent bankruptcy of a Spanish telecom firm once owned by MasTec, the Mas family’s Miami-based company.

Sintel was sold by Spain’s then-state telephone company, Telefónica, to the Mas family in the early 1990s. The sales price was lower than Sintel’s assets, critics claim. The company filed for bankruptcy in 2000, after a spin-off.

q&a: Tampa-Matanzas ferry

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bureaucratic process to get] regular service, even for a fairly small number of trips, will takes longer. And we don’t have much more time, because at the end of April the ship has to go up North again. We would like not to waste the opportunity. We’d like to take medical supplies and other things to the Cuban Red Cross, for instance.

So you have applied for the temporary sojourn permit?

We haven’t applied for it, because we’ve made the rather fuller application under OFAC regulations. That would allow us to become licensed like the charter airlines that fly [to Cuba] from Miami, and have a scheduled service. But we don’t want to miss the opportunity this year to take humanitarian goods. So we’re looking to apply for a temporary sojourn permit, along with humanitarian groups, for perhaps two or three voyages. The vessel is there. It seems a shame to not use it to help people who are impoverished.

What legal argument are you using?

It’s about the extraterritorial effect of laws. America is passing American laws which regulate things in other countries. Our company is Bermuda-based, our main subsidiary is Canadian, the owner of the ship is a Panamanian company, and the ship is flagged in Bermuda. There’s a fairly straightforward argument that neither the Cuban Democracy Act nor the Helms-Burton Act apply to us.

Has the Cuban government received you with open arms?

I don’t know about that. I’ll be traveling to Cuba at the end of [February]. I want to see the port facilities in Matanzas, and I’d like to meet some of the people there. I’ve never been to Cuba myself. I’m a Canadian, so I’m allowed to go.

Silvio Calves, a Cuban Transportation Ministry official, said during a press conference in mid-February that he didn’t know about your Matanzas ferry project.

Señor Calves may not have been made aware of the situation by the Cuban Interests Section in DC. Application was made to OFAC in a letter dated Jan. 18 and to the Cuban Interests Section in DC by letter dated Jan. 21, following a meeting with the chief of the Interests Section which took place in Tampa earlier in January.



You haven’t heard anything from the Cuban government?

Nothing positive.

If you get the go-ahead from both sides, do you have any passenger projections?

No. I haven’t even thought about that. It seems to me to be out of sequence. We don’t have a permit yet. We only made the announcement because the [Tampa Tribune], a few days before that, said we were going to do that. We wouldn’t have normally said anything until we were further along. This is such an emotional topic.

I really didn’t want people thinking we were taking tourists, getting it all stirred up.

CONFERENCES & EVENTS

- FIMAR (International Ocean Fair), Cienfuegos, Mar. 4-8
- Havanabel (3rd International 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 (international music and film fair), Havana, May 22-26
- 12th ExpoCaribe (general trade fair, in combination with the 4th Gran Caribe Trade Forum), Santiago de Cuba, June 8-13
- 4th Entrepreneurial Forum of the Caribbean, Santiago de Cuba, June 10-12
- 21st International Havana Fair (general trade 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

CUBA EXPANDS USE OF EURO

After a half-year test run in the resort town of Varadero, the Cuban government said it will expand the use of the Euro to tourism centers on the entire island. This makes the euro the fourth currency circulating in Cuba, next to the peso, convertible peso and U.S. dollar. Forty percent of foreign tourists come from the euro zone.

DEMAND FOR LOBSTER AND SHRIMP UP

Cuba's seafood exports rose 35% in 2002 to \$99.8 million, thanks to rising demand for Cuban lobster and shrimp, according to Fishing Ministry figures. Officials expect another rise of 13% for this year, thanks to repairs of idled trawlers and processing and cooling facilities, and the creation of joint ventures with foreign partners.

RICE PRODUCTION RISING SLOWLY

Rice production in Cuba rose 10% in 2002 to 290,000 metric tons, according to the Cuban Agriculture Ministry. That number is still well below domestic demand. State-run rice farms produced 65,000 metric tons, down slightly from 2001. Farm cooperatives and private farmers produced 225,000 tons, up from 195,000 tons in 2001. In 2001, Cuba imported 451,000 tons, exclusively from China and Vietnam. Last year, the country began to buy rice in the United States. •

More Embargo News

TEXAS FARMERS CREATE CUBA GROUP

Texas farmers, ranchers and food processors interested in the Cuban market have formed a strategic alliance to support them with information about economics, business opportunities, and export trade policies. Initial partners for the Texas Cuba Trade Alliance (TCTA) include the Texas Farm Bureau, Texas Cooperative Extension, TriDimension Strategies and U.S. Rice Producers.



Port of Corpus Christi

Meanwhile, Port of Corpus Christi officials made their first trip to Cuba in February, attending the U.S.-Cuba Business Conference where they met with the president of the Cuban Port Association, Abdías Peón García. The Texan port wants to secure its share of U.S.

food and agricultural exports to Cuba

SODA MAKER GETS DEAL

Kentucky-based soft drink maker Greensburg Bottling Co. landed a contract to sell two of its products, "Ski" and "Diet Ski," to Cuba. A first shipment worth \$35,000 landed in Cuba in late February, where the drinks will be available in dollar stores, tourist hotels, restaurants and some vending machines throughout the island. The soft drinks were part of the Kentucky Department of Agriculture exhibit at the US Agribusiness Expo in Havana last fall.

FLORIDA CONGRESSMAN WALKS ON EGGHELLS

U.S. Rep. Jim Davis (D-Tampa) visited Cuba in February, becoming the first member of Florida's congressional delegation to openly travel to the island. Davis, who sought input by the anti-Castro Cuban American National Foundation and wanted to take a pro-embargo activist with him on his five-day trip, has voted against lifting the trade embargo, but also voted to allow the Cuban government to buy American food and medicine.



Davis: struggling to be neutral

He is said to plan a run for Florida governor in 2006.

CUBA BECOMES TOPIC IN MAYORAL ELECTIONS

Last fall's Cuba trip of outgoing Tampa Mayor Dick Greco is now playing a role in the mayoral race. Most anti-Castro exile groups are throwing their support behind candidate Bob Buckhorn instead of Frank Sanchez. Sanchez says the embargo isn't a city issue, but he suggests the business community should be engaged with Cuba.

Buckhorn, a longtime supporter of the anti-Castro position, raised \$15,000 in a fundraiser in Miami held by Miami-Dade County Mayor Alex Penelas and Joe Garcia, director of the pro-embargo Cuban-American National Foundation.

Meanwhile, a group of Tampa Cubans in favor of contact with Cuba came out in support of Pam Iorio and Sanchez. •

Company Briefs

Cubanique S.A. is looking at expanding its Che Guevara processing plant to 50,000 tons-per-year nickel and cobalt from 31,500 tons. The company's Pedro Sotto Alba plant could also be expanded to 50,000 tons from 33,000 tons. That plant is a 50/50 joint venture with Canada's **Sherritt International**. Both plants are in Moa, Holguín province, and were originally built with Soviet technology.

Cuban cigar export revenues declined 9% in 2002 due to a worldwide slump in demand, said a **Habanos S.A.** executive in Havana. But the Cuban joint venture with Spain's and France's tobacco giant **Altadis S.A.** that monopolizes cigar exports, says it is hopeful about regaining some of the lost market this year. The company didn't release figures but said that Cuban cigars continued to generate revenues of \$240 million annually. Cuba's cigar industry was also hit by a pair of hurricanes that leveled scores of curing houses in the province of Pinar del Río.

Scottish whisky maker **Glenfiddich**, which has begun to mature some of its Scotch in old Cuban rum barrels, has been banned from the U.S. market by Treasury officials. Glenfiddich Havana Reserve 21-year-old single-malt Scotch whisky can not be bought in the United States, the Office of Foreign Assets Control (OFAC) decided, because the company bought Cuban rum to let barrels steep in the liquor before emptying them and refilling them with whisky. Glenfiddich is marketing Havana Reserve in Canada under the tongue-in-cheek slogan "Politics hang heavily over this product."



The taste of politics

Tourism conglomerate **Grupo Cubanacan** said its 14 hotels and other tourist facilities generated \$42 million in revenues last year and \$670,000 in profits. Overall occupancy increased by 18% in 2002 over the previous year.

Brazil and Cuba recently signed a memorandum of understanding about the construction of lobster fishing boats by Cuba's **Grupo Acinox S.A.**, and the creation of a joint venture for the marketing and distribution of lobsters. Brazilian officials have also expressed interest in buying sugarcane cutting machines in Cuba.

Cuban officials are hopeful that Brazil's importance as a trading partner will rise under the presidency of Luiz Inacio "Lula" da Silva, the first man with a working-class background in power in that country. Brazil is Latin America's largest producer of steel and machinery.

Tranbuss, a Brazilian-Cuban joint venture that assembles minibuses using **Mercedes-Benz** chassis and engines, is considering to set up another assembly plant in Venezuela, reports Brazilian magazine Mais e Mais. Tranbuss was created in 2000 by Brazil's **Grupo Busscar** and Cuba's **Unecamoto S.A.**

Brazil's **Láminas de Metal Pulista Ltda.** has agreed to form a joint venture with **Alcuba S.A.**, to make laminated aluminum products for the Cuban market. Láminas de Metal will contribute technology, machinery and raw materials. The joint venture expects to generate revenues in the \$5 million range.

Mexico's **Grupo Alquimia** said it will build an ecological theme park on an island near beach resort Varadero. The project, which includes dolphin and snorkeling areas and a mangrove walk, is expected to be completed by 2006. The company operates four resorts in Mexico. •

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