



Cuba Trade & Investment News

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Embargo Update

ADIOS, DETENTE

As U.S. troops were toppling the Iraqi government, U.S.-Cuban relations have undergone a drastic turn for the worse. The lowest point in bilateral relations since 1996 came as a result of \$20 million in U.S. government payouts to organizations that support dissidents on the island and a flurry of political activism by James Cason, head of the U.S. Interests Section in Havana. Cuba reacted with a Stalinist-style crackdown, handing down long prison terms to 78 dissidents for cooperating with Americans, and executing three ferry hijackers after quasi-summary judgments.

As a result, efforts in the United States Congress to lift the embargo have stalled for at least this year. As of late April there were no indications that Cuban food purchases in the U.S. had slowed. But U.S. exports — last year companies sent \$138 million worth of goods to Cuba — are now expected to stop growing, at best.



*Wants regime change:
James Cason*

“For political causes,” the United States “is not a reliable food supplier for the Cuban people,” Party daily Granma wrote recently, suggesting

Cuba is prepared for a cutoff in cash food sales.

Here are some recent moves by United States actors (also see our interview with Wayne Smith on page 3):

- An inside source ‘leaked’ to New York Times and Washington Post reporters that the White House is now considering a series of steps to further tighten the embargo. The White House test balloons included cutting off cash payments to relatives in Cuba, halting direct charter flights to the island, and suspending migration accords. Food sales were not mentioned. James Cason said that a policy review would take place in April, as soon as senior policymakers found time to turn their attention from the war in Iraq. Some observers believe Geroge W. Bush will make an announcement on May 20, Cuban Independence Day.

- Hans Hertell, U.S. ambassador to the Dominican Republic, told reporters that events in Iraq were a “very good example for Cuba.” The U.S. State Department and Pentagon denied there were any military plans for Cuba. However, Defense Secretary Donald Rumsfeld did not totally close the door to the possibility of military action in Cuba, indicating it might

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Economy

FALLOUT?

The Cuban government decided to take the harsh measures, apparently well aware of the likely cost of increased international isolation. However, early indications show that Cuba’s anaemic economy is continuing its slow recovery. Also, reactions by Cuba’s trade partners have been rather cautious.

- It’s still too early to tell, but the renewed atmosphere of political oppression doesn’t seem to scare away tourists. In



*Accor hotel in Varadero:
Arrivals 30% up*

fact, Cuba is doing better than other Caribbean destinations suffering from the Iraq war’s impact. Arrivals are up around 30% at the four Cuba hotels operated by French hotel chain Accor for the first three months of the year. The largest chain on the island, Sol-Meliá, reportedly isn’t far behind.

The December-through-March high season closed with a recovery in all tourism resorts, after the sector suffered a 14-percent decline in arrivals in the year-earlier period. Cuba’s most important resort, Varadero, reported revenues up 36% and profits up 70% so far this year, compared with the same period in 2002. Cuban Tourism Minister Ibrahim Ferradaz said April 10 that the month had started off well.

- The Canadian government sent a protest note to Castro, but said it wants to continue its course of engagement.

- The crackdown has thrown a wrench into closer relations with the EU. The European Union, meeting in Luxembourg,

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CUBA POSTPONES DIALOGUE WITH EXILES

Cuba's Foreign Ministry (MINREX) postponed the first major encounter between Cuban expatriates and Cuban officials since 1995, citing heightened tension caused by the war in Iraq and increased U.S. hostilities. The Third Meeting of the Nation and Emigration April 11-13 was expected to draw 700 people from 59 countries. MINREX also said Cuba remains committed to fomenting "a fuller and more direct exchange" between Cubans abroad and Cuban authorities, as well as more "normal" and "fluid" relations between émigrés and Cuba. The ministry said it would try to set a new date.

LEGAL CONFERENCE MOVES TO JULY

The organizers of the Third Annual US/Cuba Legal Conference in Havana said that because they hadn't received a license by the Office of Foreign Assets Control (OFAC) they were forced to delay the conference to July 28-31. The Miami-based US/Cuba Legal Forum, which had originally planned the event for May 25-28, wants to go ahead with the event in spite of worsening U.S.-Cuban relations. The two previous conferences, dealing with U.S.-Cuban legal relations, were held in Miami and Havana.

PORT OF TAMPA TRIP IN LIMBO

A Cuba trip planned for June by the Tampa Port Authority is in limbo. Treasury's Office of Foreign Assets Control (OFAC) is reviewing whether to let officials from Tampa and a number of other ports make future trips. Other port authorities previously received licenses and traveled to Cuba. But Tampa's port applied for a different kind of license than port authorities traveled under in the past, said a Treasury spokesman. The port applied in March for a six-month travel license to attend a meeting with food importer Alimport S.A. in June to determine demand for cargo from Tampa.

N.C. FIRMS TO SHIP COTTON

North Carolina firms will sell the first shipment of American cotton to Cuba, said state Agriculture Commissioner Meg Scott Phipps. On her second visit to Cuba with a group of North Carolina business leaders, Phipps said that North Carolina producers also want to sell more apples and turkey to the island.

More embargo news on page 5

'Fallout,' from page 1

condemned the actions and warned that they would affect future relations with Cuba. But it didn't outline specific steps.

After months of political dialogue and negotiations, the EU was about to admit Cuba into the Cotonou Agreement with its aid (\$250 million in five years) and trade privileges. The admission process is now paralyzed and surrounded by all kinds of uncertainties. It's up to the 15 member nations to accept or reject Cuba's application now, unless Cuba pulls out. Cuba's foreign minister has threatened Cuba could withdraw its application again, as it has done in 2000.

•A number of European Union governments are considering cutting back cultural, business and other programs. Italy sent a letter of protest to Castro, Italy's Communist Party criticized the crackdown. Sweden warned the actions could harm Cuba's prospects for a better relationship with the European Union.



*Venezuelan oil supplies:
Back to speed*

•While international criticism was pounding Cuba, Venezuela resumed normal delivery of oil to the island and said it was willing to reschedule Cuba's \$140 million oil debt. This is the first time in the 12 months since a failed coup against President Hugo Chávez that Venezuelan oil deliveries are reaching the intended size. Venezuela has also voted to prevent a condemnation of Cuba in the UN and OAS.

•Brazil's government criticized the crackdown, but said it was a result of U.S. pressure. Brazil has resisted a condemnation of Cuba in the Organization of American States (OAS) and abstained from a similar vote in the United Nations. Brazil's foreign minister said the country will continue a "policy of constructive rapprochement." Cuba has been banking on increased trade and investment with South America's largest economy since the inauguration of leftist President Luiz Inacio 'Lula' da Silva early this year. State oil company Petrobras may be getting back into offshore drilling in Cuba.

More economy news on page 5

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Moves to ease sanctions: 'Totally on hold now'

Ex-diplomat and Cuba expert Wayne S. Smith blames 'clumsy and inappropriate' U.S. diplomacy for the arrests of more than 70 dissidents and the quasi-summary executions of three ferry hijackers by the Cuban government. But he also believes the ball is in the Cubans' court now. Unless there's some visible improvement of human rights conditions on the island, he believes, U.S. Congress' moves to broaden trade with Cuba are stalled.

Smith, now a Senior Fellow at the Center for International Policy, an anti-embargo think tank in Washington, was Third Secretary of Embassy at the American Embassy in Havana from 1958 until the United States broke relations in January of 1961, and was Chief of the U.S. Interests Section there from 1979 until 1982.

Did the Cuban crackdown take you by surprise?

It did, because things were moving in a relatively positive direction. Carter had med with the dissidents when he was down there, talked about the Varela Project, other Americans have been meeting with the dissidents without any problems. Oswaldo Payá was allowed to come to the United States to receive the W. Averell Harriman award and then went on to Europe. The Cuban government may not have liked what he had to say when he was here, but it was tolerated. He wasn't punished for it when he went home. So things seemed to be moving in a somewhat better direction, with a degree of more tolerance for dissent. Then comes the crackdown.

Why?

Number one, because of the very clumsy and inappropriate diplomacy on the part of the U.S. Interests Section.

Clumsy and inappropriate?

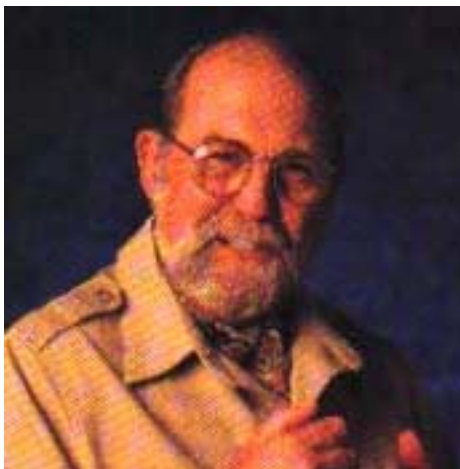
Yes, clumsy and inappropriate and inevitably counterproductive.

But what's the difference between the activities and statements of James Cason, the new head of the Interests Section, and those of his predecessor, Vicky Huddleston?

The principal difference: Cason was having these meetings in a very public way, having seminars in the residence. And he was saying that the purpose of all this was to bring about more rapid transition to a more representative form of government. That's an intervention in internal affairs.

And how's that different from Huddleston?

Vicky Huddleston was not saying that. I never heard Vicky Huddleston say that her purpose was to bring about a rapid transition. Sure, we'd all like to see Cuba move towards a more open society. But a diplomat does not say that his purpose in the host country is to bring about a change of government. Imagine the reaction of the U.S. government — especially now — if the chief of the Cuban Interests Section were holding meetings periodically with disgruntled groups of Americans. He meets with Americans all the time, there's nothing wrong with that. But if he said that his purpose in holding these



Ex-diplomat Wayne Smith is a long-time advocate of engaging Cuba

meetings is to bring about a new form of government in the United States, that's entirely different. He would be declared persona non grata so fast it would make your head swim. There's the key difference.

What role does regime change in Iraq play in Cuba's attitude?

The reason the crackdown came when it did was because of the invasion of Iraq. The Cubans looked at this — the fact that we ignored the UN, didn't care what the rest of the world thought, and went along with this concept of pre-emptive strikes — and decided it meant they're next on the list. The Cubans remembered that the Bush administration a year ago was trying to claim that they had some

biological warfare capability and posed a potential threat to the United States. If that is their calculation — and it was, because I talked to a number of them — their analysis was they couldn't afford to have these dissidents, some of whom were controlled by the United States, roaming loose on the island. So they arrested them all. They battened down the hatches. I think that's a total overreaction. I don't think the United States had any intention to go after them. Even if so, it's now evident that they had the dissident movement thoroughly penetrated. Some of the people appearing as witnesses against the dissidents at the trials are state security agents we thought were other dissidents. It wasn't really necessary to arrest everyone to keep an eye on things. I think it's a matter of shooting themselves in the foot. This is an overreaction that harms them more than anyone else.

Talking about harm — what is now going to happen to Congress initiatives to soften the embargo?

Moves to ease sanctions — maybe to ease travel controls, and do away with the prohibition to give credits in the sale of agricultural goods — are totally on hold now.

"On hold" — that means you don't see any movement in Congress in, say, the next six months or year?

Not until there's some amelioration in Cuba. Until some of these people are released, until there's some sign that they're moving in a different direction, I don't think there's any possibility at all. The Bush administration will do everything

Continued on next page

'Adios, detente,' from page 1

happen if Havana has or develops weapons of mass destruction. Without any specific evidence, the Bush administration last year said that it believed Cuba has "at least a limited offensive biological warfare" program.

•Protesting the Cuban crackdown, the chairman and board of directors of the Cuba Policy Foundation disbanded the group. The Policy Foundation has been a driving force behind efforts in Congress to lift the embargo. Executive Director Brian Alexander said the group still believes the United States would benefit from increased economic ties with Cuba. "But we also feel that under Fidel Castro significant change in Cuba will be very hard to come by. I hate to use the phrase 'death watch,' but the man has made it clear that unilateral efforts by the United States at improving relations will be rebuffed and they will be rebuffed violently," he said.



"It's difficult to imagine an effective political strategy in the United States when you don't know what kind of bomb is going to be thrown over the fence next."

Alexander accused the Cuban government of deploying spies posing as waiters during a recent dinner of members of Congress with dissidents in Havana.

•The U.S. House of Representatives voted 414-0 for a resolution demanding the immediate release of the 78 imprisoned dissidents. Although many lawmakers remain committed to lifting the embargo, that issue has been trumped for now by outrage over human rights abuses. The next step, most believe, is up to Cuba.

•Members of the bipartisan Cuba Working Group, who had been pushing for an easing of the embargo in the House, said that the dissidents' arrests only underscored the need to engage in a dialogue with Cuba. Half a dozen members of the group expressed their displeasure of the crackdown to Dagoberto Rodriguez, chief of the Cuban Interests Section in Washington.

•The Senate's new Cuba Working Group took its first action: Sending a letter to Havana's interests section in Washington condemning the crackdown.

•"The crackdown happened not under our proposed policy but under the policy we had for 42 years," said Jeff Flake (R-Az.). Although even sympathizers give it little chance, Flake vowed to keep at his campaign and said he will still introduce his bill to lift U.S. restrictions on citizens traveling to Cuba. But he also hinted at a possible change in strategy. "Our policy has given [Castro] everything, and he's played it like a fiddle. Maybe it's time to try something new."

•Sen. Max Baucus (D-Mon.) said he will still present his law project to eliminate travel restrictions. But this proposed legislation and another project to lift trade financing restrictions, according to observers, have already been weakened by a notable lack of effort.



Iowa Gov. Vilsack cancels trip

•Some U.S. companies and state delegations have delayed trips to Cuba. Iowa Gov. Tom Vilsack scrapped plans to visit the island to market Iowa products. U.S. Sen. Tom Harkin (D-Io.) traveled to Cuba to promote sales of Iowa farm products, but ended his visit April 24 calling on Fidel Castro to release the jailed dissidents. However, he also called for "engagement not isolation."

Q&A: Wayne Smith

Continued from previous page

it can to provoke and pressure, and therefore to prevent any amelioration.

What kind of a perspective should businesspeople interested in trading with Cuba take?

There's certainly not going to be much in the way of trade over the next six months to a year, and probably beyond that. But the best way to encourage positive change in Cuba is through a reduction of tensions, a dialogue and increased contacts. We're moving exactly in the opposite direction. We intend to continue to press for a more sensible policy towards Cuba.

"We" is the Center for International Policy?

Yes. But we fully understand we won't be able to bring that about until there's some change in Cuba.

Do you think the political crackdown could also affect the Cuban economy?

In a sense it will. The Cuban economy is in real trouble. This will make it worse. You'll have less tourism. Certainly, fewer people are going to be traveling to Cuba. In light of this, the Bush administration just may prohibit remittances from Miami. That's one of the largest sources of hard currency coming into the country.

How likely is a remittances prohibition? Have you seen hints that it'll happen?

No. The idea has been raised. It's a possibility. I think there'll be a reaction from the majority in the Cuban American community, so they'll probably think twice about it. But you can't exclude it. It's a possibility.

The European Union has also threatened it may take back its support for Cuba's membership in the Cotonou agreement.

Exactly. That is on hold until we see some change in Cuba.

More Embargo News

MARYLAND GROUP CANCELS TRIP TO CUBA

The Maryland Department of Agriculture canceled a May 24-28 trade mission to Cuba, due to the Cuban crackdown. The trip, planned on behalf of state agricultural and food businesses on board the *Pride of Baltimore II*, was canceled by the state agriculture commissioner. Talib Rashada, president of W.C. Dunn, a Maryland import-export company, said he had hoped to sell between \$3 million to \$4 million in spices and other commodities as a result of the trip.

A replica of a sleek 1812-era topsail schooner, the *Pride* was scheduled to leave Baltimore April 25 and arrive in Havana on May 24.

FERRY OWNER GIVING UP, FOR NOW

U.S. regulators haven't responded to an application to ferry medical supplies, cancer drugs and other humanitarian goods from Tampa to Cuba on the *M/S Scotia Prince* (see our March issue). Matt Hudson, the Canadian owner of the cruise ferry, in March applied for a temporary permit for two trips on April 15 and April 22, scaling down previous plans of weekly ferry service. The ship provides a Canada-New England service during the summer. It leaves Tampa in late April and will be gone through November.

More on the Economy

CUBA APPLIES TO HOST 'MODEST' OLYMPICS

Cuba is applying to hold the 2012 Olympics in Havana, the National Olympic Committee announced. Cuba's NOC chief said the island could host "excellent games, with modesty, austerity and efficiency." Havana is up against New York, Toronto, São Paulo or Rio de Janeiro, London, Paris, Madrid, Moscow and Leipzig. Athens will host the 2004 Games, Beijing the 2008 Games (for which the Cubans had been in the race as well).



FOOD FAIR NETS RECORD SALES

Amid a severe recession on the island, contracts worth a record \$60 million were signed during the Alimexpo 2003 food fair in Havana in April. This and the participation of 320 companies from 11 countries convinced the organizers to turn Alimexpo into an annual event. Italy's Logidiuce SpA said it sold \$2 million worth of equipment to food manufacturers and hotels on the island. Brazilian companies will supply margarine, hydrogenated fats, crude vegetable oil and soy beans, as well as equipment for the beverages and soft drinks industry. Brazil's Bunge SA signed a shipping contract for those goods. Colombia's Molcauca S.A. will be selling a line of corn and soy products on the island with Cuba's Corporación Alimentaria S.A.

CONFERENCES & EVENTS

- Cuban Tourism Convention, Varadero, 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
- FIMAE (international fashion and interior decor fair), Havana, July 2-6
- US/Cuba Legal Conference, Havana, July 28-31
- 21st Intl. Havana Fair (trade fair), Havana, Nov. 2-9

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

PLANE SEIZURES CAUSING CONCERN IN U.S.

The seizure and slated sale of three hijacked planes from Cuba on behalf of the ex-wife of a Cuban spy have prompted worries that the United States is violating international law. One U.S. government official said he feared that Cuba could retaliate if a hijacked American plane would end up in Cuba. •

SUGAR HARVEST TO BE 700,000 TONS SHORT?

Cuba's sugar harvest remains well behind schedule, with the first province reaching 200,000 metric tons of raw sugar six weeks later than last year. Yields have hovered 1.5 percent to 2 percent below the expected 12 percent. Plans called for the harvest to close by May, but it has now been extended through May.

The national production target is 2.7 million tons, but some analysts now forecast a yield of 2 million tons. Cuba has closed more than half of its sugar mills and converted much of the sugarcane land to other agricultural purposes. Although the harvest totals aren't of primary importance anymore, Cuba has international supply commitments it must fulfill.

CUBA SEEKS BRAZILIAN ETHANOL KNOW-HOW

Cuba and Brasil signed a memorandum of understanding to explore the development of alcohol as automotive fuel in Cuba. Brazil has more than 30 years of experience in the production of ethanol based on sugarcane. The agreement was signed during a recent visit of Foreign Trade Minister Raúl de la Nuez in Brasilia. De la Nuez also talked about exporting Cuban biotechnology products, vaccines, and generic medicines. Brazil, according to the trade minister, showed "great interest" in a joint venture to make soy products in Cuba. •



De la Nuez

Company Briefs

“**La Gloria Cubana**,” a cigar-themed bar-restaurant operated by Cuba’s state tourism enterprise **Cubanacán** and China’s **Shanshan Group**, opened in Shanghai’s business district Pudong. The restaurant, which is managed by Cubanacán subsidiary **Palmares**, serves typical Cuban dishes and cocktails prepared with Havana Club rum. Five Havana musicians provide live music entertainment. In addition, an expert on-site tobacco roller will show clients how Cuban cigars are made. The joint venture partners said they plan to open at least another two similar restaurants in Shanghai.



Meanwhile, Cuba’s **Gran Caribe** chain recently opened an offshoot of Havana’s famous **Bodeguita del Medio** in Prague, Czech Republic. The restaurant is run by a Czech franchisee, **KVP Gastro**. Gran Caribe franchised the first bodeguita in 1997 in Palo Alto, Calif. Currently there are 15 Bodeguitas in places such as Mexico City, Dubai, Milan, Paris, Warsaw, Canada and Japan.

Cuba’s **Horizontes** hotel chain received 5% more guests during the first trimester of 2003 and 10% more revenues than in the same period of 2002. Profits were up 20%. The company, which operates 40 hotels, didn’t provide dollar figures. Horizontes also said it will remodel its **Capri Hotel** and **Salon Rojo** nightclub in Havana. The chain is also growing its extended stay segment with new apartment-hotels at Varadero and Santa Maria in Havana province. In May, Horizontes will open the 466-room **Palma Real Hotel** in Varadero.



it will remodel its **Capri Hotel** and **Salon Rojo** nightclub in Havana. The chain is also growing its

Puerto Rico-based **Panamerican Grain** signed a second and larger contract to sell \$550,000 worth of rice and dry grains to Cuban food importer **Alimport S.A.**

Negotiations for a third sale are underway, a company executive said. Fifteen percent of exports by Panamerican, known for its “**Rico**” rice brand, now go Cuba.

Hialeah, Fla.-based **Crone, Inc.** signed an agreement with Cuban telecom **ETECSA** to offer messaging services between the U.S. and Cuba. The agreement, which was only announced recently, has been in effect since February. The “**Rapid Gram**” service allows for delivery of document copies, photos, video or audio tapes within 72 hours. The service only offers U.S.-Cuba mailings today, but is expected to include Cuba-U.S. in the near future.

Playboy Enterprises paid the U.S. Treasury Department \$27,500 to settle an allegation that it violated the embargo. The Playboy case involved a feature article about Cuba. Treasury’s Office of Foreign Assets Control (OFAC) said its investigation centered on a “currency travel-related transaction.”

The **New York Yankees** paid \$75,000 to OFAC to settle violations stemming from the signing of **Orlando Hernández** and three other Cuban-born players. The team will not be fined for signing righthander José Contreras. Reportedly the Dodgers and Devil Rays also have settled cases in recent years.

TV cable channel **HBO** suspended the May 25 airing of a documentary on Fidel Castro by film maker **Oliver Stone**. An HBO spokesman called Stone’s **Comandante** “incomplete,” asking Stone to return to Cuba and ask Castro about repression on the island. The film was produced in Spain.

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