



Cuba Trade & Investment News

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Embargo Update

HAVANA FAIR DRAWS U.S. COMPANIES

This year's International Havana Fair is shaping up as an alternative venue to a canceled show for U.S. food and agribusiness firms.

Alimport S.A., Cuba's food importing agency, said it expects to sign several new buying agreements with U.S. companies at the 21st International Havana Fair Nov. 2-9.

The trade show, the largest in the Caribbean, will host companies from at least 40 countries, according to the organizers. That would be down from previous events with exhibitors from 60 nations. The largest exhibitor contingents hail from Spain and Latin American countries.



Last year's U.S. Food & Agriculture Exhibition in Havana, the first of its kind, was a runaway success with \$92 million in closed deals. But in June, the U.S. Treasury Department denied

Connecticut-based PWN Exhibicon a license to hold the fair again this year.

TRAVEL BAN: HOUSE VS. WHITE HOUSE AGAIN

Defying the administration's confrontational Cuba policy and repeated threats by President George W. Bush to veto a \$89.3 billion spending bill, the Republican-controlled House of Representatives continues to push for a change in U.S.-Cuban relations.

Sept. 9, the House voted 227-188 for an amendment to the Treasury spending bill prohibiting the use of any funds to enforce the travel ban, which would effectively open travel to Cuba. Although the margin was narrower than in last year's vote, this was the third consecutive year the House passed such an amendment.

The House also voted 222-196 to lift the \$100-a-month cap on sending money to relatives in Cuba, and 246-173 on another amendment to reinstate people-to-people educational travel.

Before and after the vote, a Bush spokesman, Subsecretary of State Roger Noriega, and Rep. Ileana Ros-Lehtinen (R-Fl.) announced that the president will veto the entire spending bill if the amendments remain attached to it. Bush hasn't vetoed any spending bill yet.

Although the measures are not expected to become law this time, the House vote increases the pressure on the White House to change its Cuba policy.

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Economy

BRAZIL SHOWERS CUBA WITH DEALS

Before and during a visit by Brazilian President Luiz Inacio 'Lula' da Silva to Cuba Sept. 26-27, the two countries announced a series of business deals and cooperation agreements valued at \$200 million. Bilateral trade — so far modest, with Brazil exporting \$74 million worth of goods to Cuba in 2002, and Cuban exports of only \$14 million — is expected to get a boost from the agreements. However, contrary to recent reports, Brazil will not extend Cuba a \$400 million line of credit for purchases in Brazil.



Luiz Inacio da Silva

•Although it hasn't announced a decision yet, Petrobras has opened an office in Havana and signed a letter of intent to investigate onshore oil drilling and a possible return to offshore oil exploration in Cuba. The state-owned oil company abandoned a previous effort in 2000. Petrobras is also investigating the possibility of updating the mothballed oil refinery in Cienfuegos.

•Cuba renegotiated its estimated \$45 million debt with Brazil, agreeing to pay down the debt with a fixed percentage of Cuban exports to Brazil.

•Brazilian companies agreed with Cuba's Gran Caribe S.A. to build four beach resort hotels with 2,500 rooms, reportedly worth \$114 million.

•Brazil's development bank BNDES will finance the \$20 million conversion of a Cuban sugar mill to produce alcohol. Mixed with gasoline, the sugar derivative will be used as fuel. Brazil's Cia. Energetica Santa Elisa will execute the project.

•A Brazilian company is negotiating the \$30 million renovation of one of Cuba's nickel processing plants.

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HOUSE VOTES TO EASE TRAVEL BAN (cont'd.)

The Senate will vote on similar amendments in the coming weeks, but a date had not been set as of late September. There is a possibility that House-Senate negotiators could take out the controversial provisions from the spending bill.

National security adviser Condoleezza Rice wrote a letter to South Florida Republican legislators to stress that the president is committed to the embargo. The letter came in response to a collective threat of the Cuban American legislators to withdraw support for Bush's presidential campaign.

A relaxation of the travel ban would give U.S. companies considerably more flexibility in doing business with Cuba.

BAUCUS AND COLEMAN: TALE OF TWO SENATORS



Baucus

Members of U.S. Congress continued to travel to Cuba in September, albeit with mixed outcomes.

Sen. Max Baucus (D-Mt.), a key player in efforts to lift the embargo, became the highest-ranking U.S. politician to visit Cuba since a crackdown in April. Baucus talked with dissident Oswaldo Payá before meeting with Fidel Castro and signing a six-month, \$10 million trade agreement between Montana and Cuba's Alimport S.A. Alimport President Pedro Alvarez surprised the group by meeting them with an agreement in hand, ready to buy wheat, malt barley, cattle, and beans.

The delegation included Rep. Dennis Rehberg (R-Mt.); Robert Whitely, president of the U.S. Tour Operators Association; Scott Johe, vice president of Delta Airlines; Sandra Depoy, vice president of the American Resort Development Association; Susan Flack, a consultant of Target Corp.; and representatives of Montana's agriculture sector.

Meanwhile, Sen. Norm Coleman (R-Minn.) was shunned by Castro after Coleman made a surprise declaration that it's not the right time to lift U.S. sanctions. Coleman, who runs George W. Bush's re-election campaign in Minnesota, had previously supported an end to the embargo. Alimport did not sign a deal with Coleman's delegation of Minnesota farmers.

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More on Cuba's Economy

INVESTORS SWALLOW BITTER MEDICINE

Two months after Cuba's Central Bank imposed a set of hard-currency controls on state firms, foreign investors and suppliers have stopped protesting and are adapting to a "more bureaucratic and insecure environment," Reuters writes in an analysis piece.

The article suggests the measure came in part to raise the state's liquidity for cash purchases of U.S. products.

Many companies, surprised by the July measures, have suffered a drop in revenues after their Cuban business partners had to get Central Bank approval to spend U.S. dollars. A foreign banker told Reuters that foreign finance companies have practically stopped all activities in Cuba while they observe the new climate. But a top executive of French hotel chain Accor SA told Reuters that the restrictions have not affected tourism businesses too much.

Cuban Central Bank President Francisco Soberón said Sept. 15 that state reserves were rising. He added that more than 10,000 requests for dollars had been approved so far, and that only a handful had been questioned. Soberón said there were no delays in paying for food, fuel and medical products.

Cuba's state firms now must exchange their dollars for convertible pesos and ask the Central Bank every time they want to spend more than \$5,000. Joint ventures between foreign firms and the Cuban state are exempt, as are letters of credit and bills of exchange up to \$150,000.

Reuters concludes that Cuba has now lost one of its major attractions for foreign investors, the capacity to operate freely with dollars. Also, investors are now facing the risk of devaluation.

Cuban cash purchases in the United States (since Dec. 2001)

Wheat	480,000 metric tons
Corn	610,000 tons
Chicken	2 million tons
Rice	200,000 tons
Soy	600,000 tons
Total value*	\$500 million
Sellers	104 U.S. companies in 34 states

Source: Alimport *all products

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Cancún meeting pushes travel agenda

The US-Cuba Travel Conference Oct. 16-18 is shaping up as a landmark event for U.S.-Cuban tourism interests. As U.S. Senators are set to vote on an amendment that would factually allow travel to Cuba, dozens of U.S. travel agency, tour operator, hotel industry, cruise line and airline executives will be hobnobbing with the tourism minister and other high-ranking Cuban officials at the Gran Meliá Hotel in Cancún.

As of late September, more than 100 U.S. businesspeople and politicians had signed up for the three-day event. Lifted by a September House vote to ease the U.S. travel ban, the U.S. businesspeople are eager to get updated about the island's travel sector and meet a 20-member Cuban delegation headed by Tourism Minister Ibrahim Ferradaz.

Participants include members of the American Society of Travel Agents (ASTA), the National Tour Association (NTA), and the United States Tour Operators Association (USTOA). As of late September, executives for a major U.S. airline and two big cruise lines with ties to Miami had confirmed their attendance.

Experts at hand include some 20 managers of Cuban hotel chains and tourism companies, officials from the foreign and

transportation ministries, as well as executives from Spain's Sol Meliá hotel chain and other foreign companies doing business in Cuba.

The first-of-its-kind event was put together by the Association of Travel-Related Industry Professionals (ATRIP), a trade association founded in June by U.S.-Cuba travel service providers to lobby against U.S. travel bans, as well as trade consultant

Kirby Jones and the U.S.-Cuba Trade Association (USCTA), a group recently launched by Jones. Sponsors include ABC Charters, MarAzul Charters Inc., Cuba Travel Services, USA*Engage, the National Foreign Trade Council, law firm Patton Boggs, and the Cuban American Alliance.

Congressional leaders supporting the event include Sen. Max Baucus (D-Mt.) and Reps. Bill Delahunt (D-Ma.), Jo Ann Emerson (R-Mo.), Sam Farr (D-Ca.) and Jeff Flake (R-Az.).

The agenda's highlights are talks by Ferradaz, members of Congress, and officials from U.S. travel associations. There are also panel discussions and workshops on the travel industry potential of Cuba, on practicalities about how to prepare for

Continued on next page



The lure

A lifting or easing of the travel ban and embargo would provide a major boost to troubled airlines and sagging cruise companies, according to a University of Colorado study commissioned last year by the now-defunct Cuba Policy Foundation. In travel-related business, an end to the embargo would generate \$545.6 million in revenues and 3,797 U.S. jobs after one year. Within five years, the study estimates, the U.S. economy would gain \$1.9 billion in income and 12,180 jobs.

Simply allowing U.S. airlines, cruise line and tour operators to operate in Cuba would yield \$522.6 million in the first year, and \$1.6 billion in the fifth year.

The minister

Ibrahim Ferradaz García assumed the post of tourism minister in August 1999. He replaced Osmany Cienfuegos, following the dismissal of some mid- and lower-level ministry officials. Ferradaz, who headed the Ministry of Foreign Investment before, has a degree in economic control. He also holds a seat in Cuba's Congress, the Asamblea Nacional del Poder Popular.



Ferradaz

The destination

In just a little more than a decade, Cuba has become the 9th largest destination in the Americas, receiving close to 2 million visitors annually. The island now offers more than 40,000 up-to-date hotel rooms, and expects to have 50,000 available by 2005.

The growth engine of the Cuban economy began to sputter after 9-11, but this year's figures suggest Cuba is back on a growth track and doing better than the rest of the Caribbean.

The main tourism centers are Havana, Varadero, Jardines del Rey, Holguín, Santiago de Cuba, Cienfuegos, Trinidad, and Cayo Largo and the Isle of Youth.

The largest contingents of foreign visitors hail from Canada, Germany, Italy, Spain, France, United Kingdom, United States, Mexico, and Argentina.

More than 60 percent of visitors want beaches, but Cuba has begun to promote city tourism, events, historical tours, eco tourism, multideestination tours with other Caribbean nations, medical tourism, and water sports.

The largest foreign tourism investors include Sol-Meliá and Barceló (Spain), Leisure Canada and Sherritt International (Canada), LTI (Germany), Sandals Club (Jamaica), Festival Cruises (Italy) and Accor (France).

Travel conference draws heavyweights

Continued from previous page

doing business with Cuba, on first-hand experiences by foreign companies already doing business in Cuba, and on the prospects of changes in U.S. laws. Finally, participants will have a chance to talk informally with Cuban officials.

"I welcome the opportunity to meet representatives of all interested U.S. companies who wish to talk with me and other members of the Cuban delegation to exchange information and to learn about the potential for future tourism in Cuba," Ferradaz wrote in an open letter to conference attendees. "We will get to know each other on a personal basis."

Cuban tourism operators such as Cubanacan, Gran Caribe, Habguanex, Havanatur and San Cristobal will be staging a mini trade show at the conference hotel.

In addition, Havanatur and the Cuban Tourism Ministry are offering a fully hosted tour of Havana on Oct. 19 for individual U.S. participants at the conference.

U.S. tour operators, cruise lines and airlines believe that the current trend of U.S. tourists seeking safe destinations close to home will work in favor of Cuba.

Havanatur expands U.S. traveler services

Havanatur S.A., a subsidiary of Corporación Cimex S.A., in September opened a new office in the Cuban capital for its Celimar and Tour &Travel operations. Tour &Travel is a new brand exclusively dedicated to U.S. visitors to Cuba. During the opening ceremony, Havanatur chief Berto Pérez said that the new offices will allow his company to be better prepared to "one day serve U.S. tourism while preserving national interests." He told Prensa Latina that the number of U.S. visitors his company serves has grown 61 percent annually over the past five years. Pérez also said that the number of direct flights from the United States has risen 38 percent annually since 1999.

More embargo news

CALIFORNIA DEAL INCLUDES MED SUPPLIES

A delegation from Southern California crowned a one-week trade mission to Cuba by signing an agreement with Alimport S.A. and Medicuba for \$10 million worth of food, agricultural products and medical equipment. No other state has included a health care component in their agreements with Cuba.

Alimport and Medicuba signed letters of intent to formalize specific purchases with California companies that offer competitive prices. The World Trade Center Association will also help identify air and sea routes from the U.S. west coast to Cuba. The agreement was signed by Barry Sedlik, vice chairman of business development of the World Trade Center Association Los Angeles-Long Beach. Consulting firm Global Strategies Trading LLC, which put together the trip for 10 California companies, said it is organizing another trip in November for California companies.

U.S., CUBA FACE OFF - IN BASEBALL TOURNAMENT

As the world is expecting another showdown between Olympic champion United States and world champion Cuba, the island's national team is preparing to open the 35th baseball world championships Oct. 12 with a game against Taiwan at Havana's Estadio Latinoamericano. Other venues for the world championship are Santiago de Cuba and Holguín.



Estadio Latinoamericano

The U.S. will play Mexico in their first match in Santiago. The United States team is in Miami until Oct. 10 before flying to Cuba. This year's U.S. lineup includes 24 professional players.

DEMS MAKE U-TURNS TO WIN FLORIDA

Democratic presidential candidates are sacrificing their support for a change in U.S.-Cuban policy to get the Florida vote. The leading Democratic contender, former Vermont Gov. Howard Dean, said he originally favored rolling back the embargo. However, in light of Cuba's recent crackdown, he said he wouldn't lift the embargo right now. Massachusetts Sen. John Kerry, who has campaigned heavily in Florida, shifted his stance on the embargo, saying that he now supports keeping sanctions. In 2000, Kerry said that a reevaluation of the embargo was "way overdue" and that the only reason Cuba has been treated differently than China is the "politics of Florida." At the same time, Kerry is a co-sponsor of a Senate bill that would lift the travel ban.



Kerry: 'politics of Florida'

Dick Gephardt, Bob Graham and Joseph Lieberman are embargo supporters. John Edwards has not made up his mind.

PENSACOLA SHIPS BEANS TO CUBA

The Port of Pensacola saw its first shipment to Cuba in more than 40 years. On Aug. 24, a barge left the northern Florida port with 2,000 tons of pinto beans. Officials said larger shipments are on the way. Port officials went on a trade mission to Cuba last year. In August, nearby Port of Mobile agreed to ship millions of dollars worth of goods to Cuba.



More embargo news

CUBA DROPS ENTRY VISA FOR EMIGRES

Cuba Foreign Minister Felipe Pérez Roque announced during a speech in New York that in the second quarter next year, Cuba will drop its entry visa requirement for Cubans living abroad, including Cuban Americans. All that Cuban visitors to the island need is a valid Cuban passport.

Pérez also said that the “Nación y Emigración” meeting with emigrés, which had been postponed this year due to U.S.-Cuban tensions, has been rescheduled for May 27-29, 2004.

FREE MARKET AFTER CASTRO? MAYBE NOT

Scholar and policy analyst Mark Falcoff published a book in which he rejects the notion that after Fidel Castro Cuba will become a free market democracy. In “Cuba, the Morning After,” Falcoff argues that the island nation has changed fundamentally during Castro’s 44-year rule. Falcoff assumes that the embargo will eventually be lifted, but he doesn’t predict normalized bilateral relations anytime soon.



CONFERENCES & EVENTS

- 3rd World Congress of Law and Technology, Havana, Sept. 29-Oct. 3
- National Summit on Cuba, Miami, Oct. 4
- Cuban-American Leaders’ Roundtable, Miami, Oct. 5
- Turnat (environmental tourism fair), Marea del Portillo, Granma, Oct. 13-17
- US-Cuba Travel Conference (ATRIP), Cancún, Oct. 16-18
- 21st International Havana Fair (general trade fair), Havana, Nov. 2-9
- 3rd 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
- SubastaHabana art auction, Havana, Dec. 8-10
- 3rd Intl. Conference of the Society of Orthopaedic and Traumatological Surgery, Havana, Sept. 23-29, 2004

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

More on the economy

CUBA EXPECTS RECORD TOBACCO HARVEST

Rising international demand for Cuban cigars has triggered preparations for a record-breaking harvest, according to Cuba’s Tabacuba.

The group, which is in charge of the island’s tobacco crops, said that 120 more acres of tobacco were seeded this year, for a total of 1,058 acres. Coupled with higher acreage productivity, the harvest is expected to rise to 61,289 pounds, breaking the previous record of 55,997 pounds set in the 1970s. The main markets for Cuban cigars are Spain, France, Germany, Britain, North Africa and the Middle East.

SECOND HAVANA ART AUCTION PLANNED

The second SubastaHabana art auction is scheduled for Dec. 8-10 in Cuba’s capital.



*For sale: ‘untitled’,
by Kcho*

Last year’s auction sold about 60 percent of its offerings for about \$500,000. Most of the buyers in last year’s online auctions were Americans.

This year, an expected 142 pieces of art by internationally recognized painters, sculptors and photographers including Armando Menocal, Wifredo Lam, Alexis Leyva (Kcho) and Alberto Díaz (Korda) will be offered in live and

online auction.

The online auction will take place Oct. 1-30. For more information, see www.subastahabana.com.

TOURISM NEARING 2-MILLION MARK

The number of foreign visitors in Cuba grew 15 percent during the first eight months of this year, compared to the same period in 2002. With the one-million mark reached in late June, officials now hope Cuba can break the 2-million barrier this year, a feat officials had expected for 2001 before the terrorist attacks caused a drop in tourism. Cuba is expecting to open four new hotels this year: The Yaraguanal Hotel, in eastern Holguín province; the second Maravilloso Hotel, in Cayo Santamaría; Bucanero I, in Cayo Largo del Sur; and another hotel in the Playa Azul area of Varadero.

Meanwhile, Spanish consolidator Booking Fax, which has 11,000 users, ranked Cuba as its most visited destination. The company supplies travel offers from providers, via the Internet, to major travel agencies.

BRITISH DELEGATION SEEKS BUSINESS

Largely ignoring political flaps between the European Union and Cuba, a high-profile British business delegation toured the island in September to scout out activities in the oil sector and in sports. The group included two members of the House of Lords, Colin Moynihan and Sebastian Coe.

Moynihan, on his third visit to Cuba, is co-president of the United Kingdom-Cuba Initiative and a former sports minister under Maggie Thatcher. He is also CEO of Consort Resources Ltd., a consulting firm to energy companies. He said some of his clients are interested in offshore exploration drilling in Cuba’s exclusive zone in the Gulf of Mexico.

Coe, a two-time Olympic gold medalist, now co-owns a chain of health clubs in Britain.

Company Briefs

Toronto-based **Sherritt International Corp.** agreed to sell its 40-percent stake in Cuban cellphone operator **Teléfonos Celulares de Cuba S.A. (Cubacel)** to **Telefónica Antillana S.A.**, a Cuban government agency, for approximately \$45.1 million. The price corresponds to the net book value of Sherritt's indirect stake in Cubacel. Antillana will make an initial payment of \$10 million and quarterly payments through Aug. 2007. Antillana committed to 6 percent annual interest on outstanding amounts. Sherritt reportedly pulled out of Cubacel because it objected to Cuban plans to offer peso-denominated cellular service to Cubans.

Russian automaker **AvtoVAZ Inc.**, operating in Latin America as **Rusia Automotriz S.A.**, formed a joint venture with Cuba's **Motores Taino S.A.** to assemble more than 4,500 Lada 2105 and 2107 models annually on the island. The dated



The matchbox: Lada 2107

but robust models — nicknamed 'matchbox' — are based on a 1960s Fiat design. More than 100,000 matchboxes are already circulating on Cuban roads. Complete knock-down (CKD) production is set to start in mid-2004, with a gradual increase of locally produced components. Production will include ambulance and light cargo versions. In the future, Avtovaz may also assemble its more contemporary 2110 model in Cuba. **Unecamoto S.A.**, Taino's parent company, is already assembling minibusses on Mercedes-Benz chassis under **Transbuss S.A.**, a joint venture with a Brazilian company.

Corporación Cimex S.A. agreed to acquire 600 Toyota cars from Cuba's **Calsa** for its car rental subsidiary.

Cuban tour operator **Veracuba S.A.** will buy 33 tourist buses from Volvo do Brasil. Volvo will send the chassis and engines from its Curitiba, Brazil plant, and final assembly will occur in Guanajay, Cuba. With some 500 buses already circulating on the island, Volvo is the intercity bus market leader in Cuba.

The historic **Sevilla Sofitel**, owned by **Gran Caribe S.A.** and operated by France's **Accor SA**, reopened as a five-star hotel after a 14-month, \$10.6 million remodeling. The hotel in the center of Havana, which now features central air conditioning, first opened its doors in 1908. In 2004, three more historic hotels will open in the center of Havana, including a five-star outlet of the exclusive British boutique operator **One and Only Saratoga**.



Sevilla Sofitel

A recent air transportation agreement between Cuba and Canada has allowed Montreal-based **Air Canada** to become the second Canadian airline to fly to Cuba after **Air Transat**. Beginning this winter, Air Canada will offer 25 scheduled weekly flights from Calgary, Halifax, Ontario, Montreal, Ottawa and Toronto to Havana, Varadero and Holguín. Air Canada is completing a bankruptcy restructuring.

Chilean Sky Airlines plans to start flights between Chile and Cuba by the end of 2003. Sky started operations in 2002 and had a 22.5-percent share of the Chilean market in July 2003. **Lan Chile** operates two flights a week to Cuba.

Four technicians from state energy company **Ingeniería Eléctrica de Cuba (IEC)** are assisting Ecuador's **Consejo Nacional de Electricidad (Conelec)** to convert power plants from refined to crude oil. Cuba recently finished the conversion of its largest power plant to the use of high-sulfur domestic oil with the help of French company **Alstom SA**.

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