

**ECONOMIC EYE ON CUBA©
 10 December 2001 To 16 December 2001**

Click on thumbnail to navigate

Peso Unchanged Against The U.S. Dollar- 1

55.5 Million Pounds Of Corn From ADM Arrives In Cuba- 2

Poultry Sold By Louis Dreyfus Corporation Of France Arrives In Cuba- 2

U.S. Government No Longer Expediting BXA And OFAC Export Licenses For Cuba- 3

Officials From USDA And Ministry Of Agriculture Of Cuba To Meet In New Orleans- 4
Hotels Magazine Ranks Cuba Companies In Top 100, Based Upon Number Of Rooms- 4

Rhoss Of Italy Has Marketing Agreement For Climate Control Systems In Cuba- 4

Old Havana Restoration Update- 5

Argentina Reports Corn, Sunflower Oil, Soybean Meal Exports To Cuba- 5

Canada Reports 3,385.6% Increase In Wood Products Exported To Cuba In 2001- 5

Canada Reports 4,000 Cubic Meters Of Logs Exported To Cuba In 2001- 6

Honey Export Update- 6

Hurricane Michelle Damage To Tourism Sector Approximately US\$25 Million- 6

Speaking Schedule- 7

Attachment: Articles From St. Louis Post-Dispatch, Chicago Tribune, Times Picayune, Herald & Review, The Miami Herald, Reuters

PESO UNCHANGED AGAINST THE U.S. DOLLAR- Republic of Cuba government-operated Cajas de Cambio S.A. (CADECA) sold the Convertible Peso (equal to US\$1.00) for 27 Pesos and purchased the U.S. Dollar for 26 Pesos in the city of Havana from 3 December 2001. This is the highest value of the U.S. Dollar against the Peso since 1997. Since October 2001, the government of the Republic of Cuba has decreased the value of the Peso to the U.S. Dollar by as much as 19%. The percentage of Republic of Cuba nationals with access to U.S. Dollars is highest in Havana (population 2.19 million) where approximately 20% of the Republic of Cuba's 11.217 million citizens reside. The official international exchange rate of one Peso to one U.S. Dollar, in effect for more than thirty years, remains unchanged. The government of the Republic of Cuba maintains a fixed exchange rate for its international dealings and a more flexible exchange rate for domestic use. The government of the Republic of Cuba does not fluctuate the value of the Peso for commercial transactions regardless of any fluctuation with the value of the U.S. Dollar or other currencies on the international market. The Peso and the U.S. Dollar circulate freely in the Republic of Cuba.

<i>CADECA Buy (Havana)</i>	<i>CADECA Sell (Havana)</i>	<i>From / To</i>
26	27	3 December 2001 to Present
26	26	24 October 2001 to 2 December 2001
25	25	22 October 2001 to 23 October 2001
23	23	8 October 2001 to 21 October 2001
22	22	4 July 2001 to 7 October 2001
21	22	22 June 2001 to 3 July 2001
22	22	16 May 2001 to 22 June 2001
21	22	19 April 2001 to 15 May 2001
22	22	10 January 2001 to 19 April 2001
21	22	20 July 2000 to 9 January 2001
21	21	16 April 2000 to 20 July 2000
20	21	27 January 2000 to 15 April 2000
21	21	24 December 1999 to 23 January 2000
21	22	2 October 1999 through 23 December 1999

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55.5 MILLION POUNDS OF CORN FROM ADM ARRIVES IN CUBA- On 16 December 2001, 24,000 metric tons (55,555,460 pounds) of corn (No. 2 and No. 3) with a market value of approximately US\$2.5 million from Decatur, Illinois-based **Archer Daniels Midland Company** (2000 revenues US\$20.1 billion) arrived at the Port of Havana aboard the 189.8 meter (622.7 feet), 50,000 metric ton deadweight, Singapore-registered bulk carrier M.V. Ikan Mazatlan, operated by Cuernavaca, Mexico-based **PACNAV de Mexico S.A. de C.V.** and owned by Cuernavaca, Mexico-based **Mazatlan Shipping Pte Ltd.** The M.V. Ikan Mazatlan departed from the Port of New Orleans, Louisiana, on 14 December 2001.

The corn represents the first direct commercial export of agricultural commodities from a United States-based company to the Republic of Cuba since 1963. The corn is from farms in *Illinois, Indiana, Iowa, Kansas, Kentucky, Minnesota, Missouri, Ohio, and Wisconsin.*

The corn was sold to Republic of Cuba government-operated Empresa Cubana Importadora de Alimentos (Alimport), under the auspice of the Ministry of Foreign Trade of the Republic of Cuba.

The total approximate market value (not contract value) of the products contracted by Archer Daniels Midland Company to Alimport since 20 November 2001 is approximately US\$14 million, representing approximately 1.8% of the approximately US\$750 million in purchases by Alimport in 2000. The current list:

Product	Quantity	Date	U.S. Port	Status
Yellow Corn No. 3*	20,000 Metric Tons	December 2001	Louisiana	<i>Delivered</i>
Yellow Corn No. 2**	4,000 Metric Tons	December 2001	Louisiana	<i>Delivered</i>
Soy Bean Meal 44% Protein	10,000 Metric Tons	December 2001	Louisiana	<i>Licensed</i>
Yellow Soy Bean No. 1	6,000 Metric Tons	December 2001	Louisiana	<i>Licensed</i>
Hard Red Winter Wheat No. 2	30,000 Metric Tons	20 Dec To 10 Jan	Texas	<i>Licensed</i>
Soy Bean Meal 44% Protein	10,000 Metric Tons	January 2002	Louisiana	<i>Licensed</i>
Yellow Soy Bean No. 1	6,000 Metric Tons	January 2002	Louisiana	<i>Licensed</i>
Paddy Rice No. 2	5,000 Metric Tons	January 2002	Louisiana	<i>Licensed</i>
Milled Rice No. 5	5,000 Metric Tons	February 2002	Louisiana	<i>Licensed</i>
<i>Total</i>	<i>96,000 Metric Tons</i>			

*For feed/industrial purposes **For food/human consumption (Starlink Negative)

POULTRY SOLD BY LOUIS DREYFUS CORPORATION OF FRANCE ARRIVES IN CUBA- On 16 December 2001, the M.V. Express container vessel arrived at the Port of Havana, Republic of Cuba, with refrigerated containers carrying 500 metric tons of frozen chicken leg quarters. The M.V. Express departed Gulfport, Mississippi, on 14 December 2001. The frozen chicken leg quarters were sold to Republic of Cuba government-operated Empresa Cubana Importadora de Alimentos (Alimport), under the auspice of the Ministry of Foreign Trade of the Republic of Cuba, by Wilton, Connecticut-based **Louis Dreyfus Corporation**, a subsidiary of Paris, France-based Louis Dreyfus Corporation (2000 revenues approximately US\$27 billion).

An additional 2,000 metric tons of frozen chicken leg quarters sold to Alimport by Louis Dreyfus Corporation will be delivered to the Port of Havana during the week of 17 December 2001 aboard the 119.6 meter, Panama-registered Japan Star refrigerated cargo vessel. The Japan Star is owned by Athens, Greece-based **Laskaridis Shipping Co. Ltd.**

Louis Dreyfus Negoce (a subsidiary of Louis Dreyfus Corporation) has a representative office located in the city of Havana, Republic of Cuba. Louis Dreyfus Corporation has offices in New York City, New York, and in Wilton, Connecticut; and the company is a partner in a joint venture that owns the 260-room Four Seasons Hotel in Washington, D.C.

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Of the agricultural commodities (with a total market value of approximately US\$30 million) contained in the list presented by Alimport to the United States Department of State on 14 November 2001, Louis Dreyfus Corporation has contracted to export from the United States the following products, with a total market value of approximately US\$3.5 million: 2,500 metric tons of frozen chicken leg quarters (including the 500 metric tons delivered on 16 December 2001); 22,000 metric tons of corn; and 2,500 metric tons of rough (unmilled) rice.

Reportedly, Alimport was requested to include Louis Dreyfus Corporation as a means to lessen unease expressed by current France-based suppliers to Alimport, especially as the government of the Republic of Cuba has substantial outstanding debt to France-based entities (government and private sector).

Alimport is purchasing approximately 6,000 metric tons of poultry (with a market value of approximately US\$6.7 million) from the following companies: Louis Dreyfus Corporation; Atlanta, Georgia-based **Gold Kist** (2000 revenues exceeded US\$1 billion); Arkansas-based **Tyson Foods** (2000 revenues exceeded US\$7 billion); Salisbury, Maryland-based **Perdue Farms** (2000 revenues exceeded US\$2 billion); Pittsburg, Texas-based **Pilgrim's Pride Corporation** (2000 revenues exceeded US\$2.2 billion); and Omaha, Nebraska-based **ConAgra Foods, Inc.** (2000 revenues exceeded US\$27 billion).

U.S. GOVERNMENT NO LONGER EXPEDITING BXA AND OFAC EXPORT LICENSES FOR CUBA- The United States Department of State has instructed the United States Department of the Treasury, United States Department of Commerce, United States Department of Agriculture, and United States Department of Defense not to expedite the application review process for licenses (and license exceptions) submitted by United States-based companies for exports to the Republic of Cuba based upon the list of products submitted on 14 November 2001 by the government of the Republic of Cuba.

The reason for the change in policy is due to a belief by the United States Department of State that, as the government of the Republic of Cuba has not requested that all of the products be delivered immediately (which would generally be consistent with a “*humanitarian*” need), no expedited application review process for licenses is warranted. The products contracted since 14 November 2001 by the government of the Republic of Cuba are, thus far, scheduled for delivery from December 2001 through March 2002. The United States Department of State has yet to formally (publicly) announce that there has been a change in policy regarding the application review process for licenses.

Under regulations implemented in July 2001 for the Trade Sanctions Reform and Export Enhancement Act (TSRA) by the Bureau of Export Administration (BXA) of the United States Department of Commerce and the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury, applications for license exceptions must be granted or denied within twelve (12) business days and applications for licenses must be granted or denied within thirty (30) business days.

On 8 November 2001, the United States Department of State in Washington, D.C., officially (publicly) stated that license applications submitted to the BXA and to the OFAC in conjunction with the 14 November 2001 request (to purchase agricultural products, food products, and healthcare products due to the impact upon inventories by hurricane Michelle on 4 November 2001) by the government of the Republic of Cuba would be “*expedited due to the humanitarian nature*” of the request by the government of the Republic of Cuba.

On 29 November 2001, at an Inter-Agency Review meeting on the TSRA, which included representatives from the United States Department of the Treasury, United States Department of

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Commerce, United States Department of Agriculture, United States Department of Defense, and United States Department of State (which chaired the meeting), the representatives were instructed not to expedite the licensing process. However, the BXA and OFAC have thus far continued to expedite the application review process for licenses (and exceptions).

Some United States-based companies are participating in the “*humanitarian*” export opportunity to the Republic of Cuba due, in part, to the United States Department of State officially (publicly) stating that **a)** the export opportunity is of a “*humanitarian*” nature and **b)** the application review process for licenses (and exceptions) would be expedited. With the government of the Republic of Cuba seeking prompt delivery of certain products, some companies adjusted existing transaction schedules and other resources; and license application processing delays impact profit margins already reduced due to the “*humanitarian*” aspect of the purchases by the government of the Republic of Cuba; and may be impacted by changes in weather conditions.

OFFICIALS FROM USDA AND MINISTRY OF AGRICULTURE OF CUBA TO MEET IN NEW ORLEANS- Officials of the United States Department of Agriculture (USDA) in Washington, D.C., and officials of Republic of Cuba government-operated Instituto Veterinario de Cuba e Instituto de Sanidad Vegetal (under the auspice of the Ministry of Agriculture of the Republic of Cuba) will meet in New Orleans, Louisiana, on 18 December 2001 for “*technical discussions*” relating to the development of Animal Plant Health Inspection Service (APHIS) of the USDA processes acceptable to the government of the Republic of Cuba for United States products to be exported to the Republic of Cuba. The meetings will also be attended by officials of the United States Department of State. The officials from the Instituto Veterinario de Cuba e Instituto de Sanidad Vegetal, USDA, and United States Department of State will travel in separate vehicles. The delegation will also visit Westwego, Louisiana, Ama, Louisiana, Laurel, Mississippi, and Pascagoula, Mississippi; and inspection facilities operated by the USDA will be visited by the delegation. The discussions are being held in conjunction with various United States-based agricultural organizations. The delegation from the Republic of Cuba will, in part, be hosted by Decatur, Illinois-based **Archer Daniels Midland Company** (2000 revenues US\$20.1 billion); Minneapolis, Minnesota-based **Cargill Inc.** (2000 revenues US\$48 billion); and New York, New York-based **Louis Dreyfus Corporation**, a subsidiary of Paris, France-based Louis Dreyfus Corporation (2000 revenues approximately US\$27 billion).

HOTELS MAGAZINE RANKS CUBA COMPANIES IN TOP 100, BASED UPON NUMBER OF ROOMS- Des Plaines, Illinois-based Hotels magazine has ranked two of the Republic of Cuba’s five Republic of Cuba government-operated hotel companies amongst the 100 largest in the world, based solely upon number of rooms, not quality of rooms, in 2000. Republic of Cuba government-operated Cubanacan S.A., with 46 hotels (10,859 rooms) was ranked 77th (compared to 107th in 1999) and Republic of Cuba government-operated Grupo Hotelero Gran Caribe S.A., with 45 hotels (10,253 rooms) was ranked 83rd (compared to 89th in 1999). Republic of Cuba government-operated Horizontes Hoteles S.A., with 48 hotels (4,720 rooms) was ranked 172nd (compared to 173rd in 1999). Revolutionary Armed Forces of the Republic of Cuba-operated Gaviota S.A. and Republic of Cuba government-operated Isla Azul S.A. were not ranked.

RHOSS OF ITALY HAS MARKETING AGREEMENT FOR CLIMATE CONTROL SYSTEMS WITH CUBA COMPANY- Republic of Cuba government-operated Dita S.A. (a subsidiary of Republic of Cuba government-operated Cubalse S.A.) and Pordenone, Italy-based **Rhoss S.p.A.** have signed a marketing agreement to provide computer-controlled climate

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systems for hotels and commercial buildings. Rhoss S.p.A. is providing the equipment. Dita S.A. (which markets computers, computer software, high technology equipment, and household appliances) is providing computer software and after-market service. Dita S.A. and Rhoss S.p.A. have also signed a Letter of Intent to assemble Rhoss S.p.A. equipment in the Republic of Cuba.

A pilot system, which will reportedly reduce energy consumption by 25% to 30%, is being installed in two hotels owned by Republic of Cuba government-operated Gaviota S.A. (under the auspice of the Revolutionary Armed Forces of the Republic of Cuba).

OLD HAVANA HOTEL RESTORATION UPDATE- On 1 December 2001, Republic of Cuba government-operated Habaguanex S.A., which manages the restoration of the 4.25 square kilometer colonial district (Old Havana) of the city of Havana, inaugurated the 63-room Telegrafo Hotel, which will focus toward the “*German, French, Spanish, and United States markets,*” according to Mr. Ariel Fuachet Martinez, Assistant Manager. The Telegrafo Hotel, constructed in 1888, was rebuilt above its ruins (which are partially preserved in the lobby).

Habaguanex S.A. currently manages a combined 265 hotel rooms contained within the Hotel Telegrafo, Hotel Santa Isabel, Hotel Florida (with capital from Italy-based Tognozzi), Hotel Ambos Mundos, Hostel Valencia, Hostel Condes de Villanueva, Hostel El Comendador, Hostel Tejadillo, Hostel Palacio San Miguel, and Hostel Los Frailes. Habaguanex S.A. reported 2000 gross revenues of US\$60 million, compared with gross revenues of US\$53 million in 1999, and gross revenues of US\$44 million in 1998. Habaguanex S.A. reported that 65% of net profits are used for restoration of buildings located in Old Havana and that 30% to 35% of net profits are used to provide social services for residents of Old Havana. While most of the funds used for the restoration of Old Havana are provided by cash flow from Habaguanex S.A., especially from rental income from offices used by non-Republic of Cuba-based companies and from Republic of Cuba government-operated companies earning revenues in U.S. Dollars, some of the funds used for restoration are obtained from **1)** foreign investment **2)** donations (non-Republic of Cuba-based companies, non-Republic of Cuba-based international organizations, and foreign governments) and **3)** the government of the Republic of Cuba.

ARGENTINA REPORTS CORN, SUNFLOWER OIL, SOYBEAN MEAL EXPORTS TO CUBA- The Secretariat of Agriculture of Argentina reported the following values for September 2001 agricultural commodity exports to Republic of Cuba government-operated Empresa Cubana Importadora de Alimentos (Alimport), under the auspice of the Ministry of Foreign Trade of the Republic of Cuba:

Reporting Period	Corn	Sunflower Oil	Soybean Meal
September 2001		648 Metric Tons	12,000 Metric Tons
August 2001	20,189 Metric Tons	47 Metric Tons	14,650 Metric Tons
July 2001	23,800 Metric Tons	664 Metric Tons	3,300 Metric Tons
June 2001	-0-	891 Metric Tons	2,240 Metric Tons
April 2001	24,483 Metric Tons	274 Metric Tons	16,660 Metric Tons
March 2001	26,250 Metric Tons	269 Metric Tons	18,300 Metric Tons
Total	<i>94,722 Metric Tons</i>	<i>2,892 Metric Tons</i>	<i>67,150 Metric Tons</i>

CANADA REPORTS 3,385.6% INCREASE IN WOOD PRODUCTS EXPORTED TO CUBA IN 2001- The government of Canada reports that exports of “Builders’ Joinery and Carpentry (Fabricated Wood Members)” to the Republic of Cuba have increased by 3,385.6% for the period January 2001 through August 2001.

U.S.-Cuba Trade and Economic Council, Inc.

January 2001 to August 2001	January 2000 to August 2000	% Change for Reporting Period	2000	1999
US\$576,500.00	US\$16,500.00	3,385.6%	US\$91,700.00	US\$337,100.00

CANADA REPORTS 4,000 CUBIC METERS OF LOGS EXPORTED TO CUBA IN 2001-

The government of Canada reports that exports of “Canadian Softwood Logs” exports to the Republic of Cuba have are 4,000 cubic meters for the period January 2001 through August 2001.

January 2001 to August 2001	January 2000 to August 2000	% Change for Reporting Period	2000	1999
4,000 Cubic Meters	-0-	-0-	-0-	4,000 Cubic Meters

HONEY EXPORT UPDATE- Mr. Adolfo Perez Pineiro, President of the Republic of Cuba government-operated Honey Producers Society of the Republic of Cuba, reported that honey exports in 2001 would be 6,000 tons, compared to 5,000 tons in 2000, despite damage to flowers and bee hives caused by hurricane Michelle on 4 November 2001. Mr. Perez reported that beehive owners and honey processors were using new technologies to improve quality. In September 2001, Republic of Cuba government-operated Empresa Cubana de Apicultura (which manages all producers of honey within the Republic of Cuba) reported that total honey production as of September 2001 was more than 8,000 tons, compared with 6,500 tons in 2000, and 6,800 tons in 1999. The majority of the honey production is exported in bulk to customers within the European Union (primarily France, Germany and Spain) and to customers in Argentina, Mexico, and countries in the Middle East. In September 2001, Republic of Cuba produced honey was reportedly selling for up to US\$930.00 per ton, above world market pricing as Republic of Cuba-produced honey is generally considered to be of high quality; and is often mixed with other honey types. In 2000, honey-related export earnings were reported to be approximately US\$10 million. The Republic of Cuba has begun producing organic and single flower honey, for example orange blossom honey, which is generally priced 25% above other some honey types. Prior to 11 September 2001, honey-related product sales at Republic of Cuba government-operated U.S. Dollar retail stores were reportedly averaging US\$7,000.00 per month. Honey is widely available on the Republic of Cuba black market for approximately US\$3.00 for 750 liters. Empresa Cubana de Apicultura reported that the Varroasis plague, which destroyed 16,000 beehives and caused an estimated US\$2 million in damage during the last two years, has been controlled. There are currently 136,000 beehives harvested for honey in the Republic of Cuba.

Some Republic of Cuba-produced honey is processed into more than 20 products (including cosmetics and pharmaceuticals) and distributed for use within the Republic of Cuba and exported.

The Ministry of Agriculture of the Republic of Cuba reported that the 1999 average quantity of honey produced by each bee hive within the Republic of Cuba was 48.3 kilograms, which would be the second highest reported production rate in the world, after Canada, which reports 60 kilograms of honey produced by each bee hive.

HURRICANE MICHELLE DAMAGE TO TOURISM SECTOR APPROXIMATELY

US\$25 MILLION- Republic of Cuba government-operated La Isla S.A. (an insurance company focusing upon tourism facilities), a subsidiary of Republic of Cuba government-operated Grupo de Seguros y Servicios Financieros de Cuba (Caudal S.A.), reported that damage to the tourism industry caused by hurricane Michelle on 4 November 2001 was between US\$25 million and US\$30 million, not including lost business (which is being evaluated). La Isla S.A. reported that

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the heaviest damage was to Cayo Largo (approximately 150 kilometers off the south coast of Matanzas Province), where all hotels (with a combined approximately 1,000 hotel rooms) and all related facilities were damaged. On Cayo Largo, the telecommunications tower was destroyed and the airport was damaged.

Palma de Mallorca, Spain-based **Grupo Sol Melia S.A.** (2000 revenues approximately US\$800 million) reported that the company's hotel on Cayo Largo was damaged. In Matanzas Province, Republic of Cuba government-operated tourism facilities located at the Bay of Pigs and Zapata swamp were severely damaged. La Isla S.A. reported that most hotels and related facilities at the resort area of Varadero (140 kilometers east of the city of Havana) were slightly damaged. "Damage of some consideration" was reported at the Playa de Oro, Paradiso Puntarenas, Villa Cuba, Bella Costa, and Super Club Breezes, as well as, at hotel construction sites, warehouses, and Republic of Cuba government-operated U.S. Dollar retail stores. At King's Gardens (a chain of islets located 450 kilometers to 550 kilometers east of Havana off the northern coast of Ciego de Avila Province) damage was reported to hotels operated by Grupo Sol Melia S.A.; and there was damage reported to six hotels located in the Havana Province, Cienfuegos Province, Villa Clara Province, and Sancti Spiritus Province, as well as, to marinas and Republic of Cuba government-operated U.S. Dollar retail stores.

Speaking Schedule

Mr. John S. Kavulich II, President of the U.S.-Cuba Trade and Economic Council, has accepted an invitation from Decatur, Illinois-based **Decatur Sister Cities Committee** to deliver a presentation at the 2002 Illinois State Sister Cities Convention on 13 April 2002. *For additional information, please contact Mr. Bruce Nims at telephone (217) 877-5177; facsimile (217) 877-5732; and e-mail: bims@nims.net*

Mr. John S. Kavulich II, President of the U.S.-Cuba Trade and Economic Council, has accepted an invitation to give a presentation "*Cuba: The Petroleum Future & Future Potential*" at the **Sanctioned Oil States Conference: Strategies, Conflicts, Legalities, Investments & Issues** on 21 May 2002 at the Paris Marriott Hotel in Paris, France. *For additional information, please contact Ms. Amanda Wellbeloved, Global Pacific & Partners at telephone 27 11 778-4360; facsimile 27 11 880-3391; e-mail: amanda@glopac.com; and Internet: <http://www.glopac.com>*

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