

**ECONOMIC EYE ON CUBA©
 11 June 2001 To 17 June 2001**

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U.S. DOLLAR UNCHANGED IN VALUE AGAINST THE PESO- Republic of Cuba government-operated Cajas de Cambio S.A. (CADECA) sold the Convertible Peso (equal to US\$1.00) for 22 Pesos and purchased the U.S. Dollar for 22 Pesos in the city of Havana since 16 May 2001. CADECA has varied exchange rates for specific areas of the Republic of Cuba. CADECA has sold the Convertible Peso (equal to US\$1.00) for 22 Pesos and purchased the U.S. Dollar for 21 Pesos in the central provinces of the Republic of Cuba and in the eastern provinces of the Republic of Cuba. 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>
22	22	16 May 2001 to Present
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
20	22	13 September 1999 to 1 October 1999
20	20	1 September 1999 to 12 September 1999
20	21	13 August 1999 through 31 August 1999
22	22	16 June 1999 to 12 August 1999

LEGISLATIVE OUTLINE PROVIDES FOR PROGRESSIVE FINANCING OF SOME EXPORTS TO CUBA- A legislative outline, with initial bipartisan support from members of the United States Congress, may be included as an amendment to legislation already introduced

in the United States Congress or within legislation not yet introduced in the United States

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Congress. The legislative outline includes provisions to permit a United States-based exporter to eventually apply for United States-based commercial bank financing (20%, 40%, 60%, 80%, and 100%) for authorized exports from the United States to the Republic of Cuba, if annual reporting benchmarks are achieved by Republic of Cuba government-operated entities from year one to year six. A primary goal would be to assist the government of the Republic of Cuba toward adopting a transparent financial commercial structure. According to a senior-level executive of a United States-based agribusiness, *“Credit is not a right, countries should neither expect it nor demand it as a condition for commercial relations with the United States. Credit must be earned. The Cuban government would find great value in making a series of clean small purchases of agricultural products from United States companies as soon as the regulations for the new law [Trade Sanctions Reform and Export Enhancement Act of 2000] are published [scheduled by 15 July 2001]. This will demonstrate that the Cuban government has the political will and financial ability to engage the United States business community, as the United States business community has already demonstrated its political will and financial ability to engage the Cuban government. There must be reciprocity.”* According to a senior-level executive of a United States-based financial institution involved with financing exports of United States-produced agricultural products, *“... the outline, although unusual, is commercially workable and politically cautious, thus, as a compromise, could be supported.”*

Provisions within the legislative outline include specific benchmarks as established in the United State Code of Federal Regulations (USCFR) or as established by United States Department of the Treasury in Washington, D.C., for the evaluation of a credit worthiness for a Republic of Cuba government-operated entity.
The specific benchmarks would be similar to existing USCFR regulations for the extension of financial guarantees by the United States government to a non-United States-based entity. Alternatively, the specific benchmarks could be similar to generally-accepted criteria used by United States-based commercial banks in evaluating financing risk.
A Republic of Cuba government-operated entity could be required to provide all financial data that United States-based commercial banks normally require of non-United States-based government-operated entities and non-United States-based non-government-operated entities.
A Republic of Cuba government-operated entity (as defined by the United States Department of the Treasury in Washington, D.C. or United States Department of Commerce in Washington, D.C.) seeking financing from a United States-based commercial bank would be required to provide audited annual financial reports which were prepared by recognized global accounting companies using generally-accepted international accounting practices.
The legislative outline includes a provision that any asset(s) conveyed to a United States-based commercial bank or to a United States-based exporter to be held as collateral for providing financing to a Republic of Cuba government-operated entity would not be subject to seizure by the United States government or any court toward the adjudication of any claim against the government of the Republic of Cuba.
A goal of the legislative outline is to reassure United States taxpayers that the possibility of default by a Republic of Cuba government-operated entity can be minimized, thus establishing a scenario whereby eventually a Republic of Cuba government-operated entity could seek access to financing guaranteed by the United States government.
A Republic of Cuba government-operated entity would be authorized to apply to United States-based commercial banks for an increasing percentage of financing per specific transaction.
The legislative outline provides that on 1 March of each year (until year six), the President of the United States would submit a determination to the United States Congress that all Republic of Cuba government-operated entities receiving United States-based commercial bank financing were in compliance with their payment obligations to United States-based commercial banks during the previous calendar year. The determination would list all Republic of Cuba government-operated entities receiving commercial bank financing during the previous year, including the duration of the commercial bank financing for each Republic of Cuba government-operated entity. United States-based commercial banks and United States-based exporters would be required to provide to the Office of Foreign Assets Control (OFAC) of the United States Department of the

Treasury in Washington, D.C., by 15 January of each year the following information for transactions occurring

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within the previous calendar year: **a)** a name(s) of each Republic of Cuba government-operated entity to which financing has been provided **b)** the duration of the financing provided to the Republic of Cuba government-operated entity and **c)** whether the repayment schedule for financing received by the Republic of Cuba government-operated entity was maintained during the previous twelve months.

On 1 March of the sixth year, the President of the United States would be authorized, after submitting a determination to the United States Congress that all Republic of Cuba government-operated entities were in compliance with their payment obligations to United States-based commercial banks during the previous twelve months, to permit United States-based companies to apply to receive United States government-guaranteed financing for exports from the United States to the Republic of Cuba.

The President would have the authority to waive the annual stepped-in available financing percentages (moving from 40% to 100% after year one, for example) upon a written determination to the United States Congress that such action was in the interests of the United States. The United States Congress could prevent such action with a majority vote within thirty days of Presidential waiver.

The United States government would only be permitted to disclose financial information obtained from a Republic of Cuba government-operated entity that would be required by United States government regulations to which all non-United States-based applicants (or United States-based applicants) for financing guaranteed by the United States government were required to make available.

Period	Percent Of United States-Based Commercial Bank Financing Available To United States-based Companies For Exports To The Republic Of Cuba Under Proposed Legislative Outline
Year One	20%
Year Two	40%
Year Three	60%
Year Four	80%
Year Five	100%
Year Six	President Makes Determination Whether To Authorize United States Government Guarantees

USDA REPORTS DISCREPENCIES WITH ALIMPORT FOOD/AGRICULTURAL IMPORT VALUES- The Foreign Agricultural Service (FAS) of the United States Department of Agriculture (USDA) in Washington, D.C., reports that the value of agriculture product imports reported by 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, is less than the value of agriculture products reported as exported to the Republic of Cuba by other countries. The definition of agriculture is based on the USDA's definition and is somewhat different from others in that neither cigarettes nor distilled spirits are included. The data, compiled substantially from data obtained from the New York, New York-based United Nations (UN) Statistical Office, is based upon what countries report that was exported to the Republic of Cuba, rather than what the Republic of Cuba reports was imported from other countries. Thus, the values provided by the USDA are f.o.b. and exclude transportation charges, which are generally included in import statistics collected by importing governments, such as the government of the Republic of Cuba. An estimate of the shipping and insurance differential between agriculture import statistics and export statistics is 12%. Therefore, 12% may be added to the following values to arrive at a comparable figure. However, the USDA reports that with the addition of the 12%, the values of agriculture exports to the Republic of Cuba as reported by other countries remain below the officially reported ranges of agriculture imports (US\$600 million to US\$750 million) reported by Alimport.

Alimport is responsible for the importation of food products for use by the Republic of Cuba's 11.217 million citizens. Alimport reported that in 1999 and in 2000, the company purchased approximately US\$750 million in food products from companies located in Canada, France, Brazil, New Zealand, Argentina, Mexico, Vietnam, and the People's Republic of China among other countries. Among the products imported were powdered milk, cooking oil, rice, wheat, soy, corn, beans, peas, poultry, and vitamins. Alimport also reported purchasing in 1999 and in 2000 approximately US\$250 million in food products and fertilizers for use by **a)** Republic of Cuba government-operated

U.S. Dollar retail stores **b)** Republic of Cuba government-operated companies **c)** Republic of Cuba-based joint ventures and **d)** tourism sector.

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Agricultural Products Imports To Cuba (Value In US\$1,000.00's)					
Country	1999	1998	1997	1996	1995
France	134662	148455	134763	150274	91298
Canada	115318	101651	80156	66682	70616
Spain	67805	61517	49242	39884	46188
Argentina	53321	62353	109628	119351	61607
People's Republic of China	52242	33899	59588	29051	25903
Netherlands	20410	12190	12691	9016	26521
Brazil	19669	11310	12141	10099	16711
Italy	15124	8835	7924	10567	9497
Belgium	10441	NA	NA	NA	NA
United Kingdom	8235	2761	1812	11855	1939
Chile	6665	4544	6524	5727	5628
Germany	3171	4181	3346	4222	8251
Denmark	2680	701	1063	791	1241
Thailand	2238	38440	0	36470	26701
New Zealand	2076	21541	25599	20277	15342
Panama	1556	1229	557	47	375
Venezuela	928	304	470	466	2503
Finland	870	1397	1221	250	2025
Uruguay	838	1209	1102	16	0
Japan	505	389	481	640	790
Colombia	340	372	186	106	148
Portugal	206	125	413	38	13
Singapore	172	182	93	228	58
Turkey	168	110	60	0	3736
Switzerland	167	520	4	25	1460
Ireland	151	27	0	0	5116
Costa Rica	142	211	10	93	0
Australia	125	114	2	0	0
Czech Republic	124	21	42	194	263
Greece	122	26	4	0	0
Ecuador	119	850	56	1256	728
Peru	95	0	0	0	0
Philippines	63	31	0	19	797
Slovakia	51	46	1	0	18
Guatemala	43	168	876	1251	288
Austria	38	0	49	0	5
Russian Federation	31	0	0	0	NA
Trinidad and Tobago	19	93	229	28	0
Hong Kong	7	0	5	50	0
Ghana	6	0	NA	NA	NA
S.Afr.Cus.Un	5	8	3	24	0
United States	4	0	13	0	28
Norway	1	0	0	0	18
Belgium-Luxembourg	NA	11446	11019	24020	47606
Malaysia	0	7382	0	0	0
Romania	0	1235	0	9978	2165
Poland	0	962	1016	793	0
Honduras	0	168	3	0	0
Egypt	0	57	28	0	0
Cameroon	0	20	20	0	136
India	NA	6	4	0	0
Mexico	0	0	37903	38789	38452
Indonesia	0	0	5093	370	910
Bangladesh	NA	0	2175	0	0
Nicaragua	0	0	49	17	1047
Jamaica	NA	NA	40	83	65
Bulgaria	NA	NA	4	0	NA
Sweden	0	0	1	0	0
Dominican Republic	NA	NA	0	359	NA
Hungary	0	0	0	0	37
Uganda	0	0	NA	0	27
Total	520,953,000.00	541,086,000.00	567,709,000.00	593,406,000.00	516,257,000.00

Total (Plus 12% Differential)	583,467,360.00	606,016,320.00	635,834,080.00	664,612,480.00	578,207,840.00
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MEMBERS OF CONGRESS EXEMPT THEMSELVES FROM OFAC PRODUCT IMPORT REGULATIONS- The Committee on Standards of Official Conduct of the United States House of Representatives has authorized an exemption for Members of the United States House of Representatives to the value of Republic of Cuba-produced products permitted by the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury in Washington, D.C., to be imported to the United States by individuals subject to United States law. However, the OFAC has confirmed that Members of Congress are not exempt from OFAC regulations. The United States Congress *“has consented, through the vehicles of the Foreign Gifts and Decorations Act (FGDA) and the Mutual Educational and Cultural Exchange Act (MECEA), to the acceptance of certain gifts from foreign governments.”* A Member of the House of the Representatives may retain a *“gift from a foreign government that is a souvenir or mark of courtesy, provided that its value does not exceed US\$260.00.”* Members of Congress (including Members of the United States Senate under separate rules) have been permitted to retain boxes of Cohiba brand cigars and other Republic of Cuba-produced cigar brands, some of which were signed by H.E. Dr. Fidel Castro Ruz, President of the Republic of Cuba. A box of Cohiba brand cigars signed by President Castro is generally valued at more than US\$1,000.00. A box of Cohiba brand cigars sold a Republic of Cuba government-operated retail stores within the Republic of Cuba range in price from approximately US\$150.00 to US\$425.00, with specially packaged varieties priced up to US\$700.00.

Individuals subject to United States law traveling to the Republic of Cuba under the auspices of either an OFAC General License (excluding *“fully hosted”* travelers subject to United States law) or an OFAC Specific License may return from the Republic of Cuba to the United States with up to US\$100.00 worth of Republic of Cuba-origin products (such as cigars, rum, tee-shirts, crafts, etc.) for their personal use. For cigars, the United States Customs Service permits up to 100 cigars, but the total value must not exceed US\$100.00.

“The FGDA authorizes House Members, officers and employees to accept ‘a gift of minimal value tendered as a souvenir or mark of courtesy.’ Under implementing regulations issued by this Committee, the term ‘minimal value’ as used in the Act is currently defined, by reference to a statutory formula, as US\$260.00.” The following is selected portions of the FGDA relating to Members of the United States House of Representatives:

“As a general rule, when a Member, officer or employee receives a gift that cannot be accepted under the gift rule, he or she must either pay the donor the market value for the gift, or return the gift to the donor promptly. However, a perishable item may be donated to charity or destroyed.”

“Valuation of gifts. As is generally the case under the gift rule, items are valued at their retail, rather than wholesale price. The lowest price at which an item is available to the public may be used. However, for the purpose of simplicity, tax that would be imposed on the sale of the item, as well as gratuities, are excluded in determining the value of any gift.”

“Special rules apply to gifts from foreign governments. This is so because the Constitution prohibits Government officials, including Members and employees of Congress, from receiving ‘any present . . . of any kind whatever’ from a foreign state or a representative of a foreign government without the consent of the Congress.”

“The FGDA further allows a Member or staff person to accept (but not to retain) a gift of more than minimal value, as defined above, when refusal of the gift ‘would likely cause offense or embarrassment or otherwise adversely affect the foreign relations of the United States.’ Such gifts, however, are deemed to be accepted on behalf of the United States and become the property of the United States. Within 60 days of accepting such a gift, a Member or staff person must turn the gift over to the Clerk of the House for disposal or, with the consent

of this Committee, the recipient may retain the gift for display in his or her office or other official use. At the time such a gift is deposited for disposal or official use, the recipient must also complete and sign a foreign

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gifts disclosure form, and file it with the Standards Committee. The form is reprinted as one of the appendices to this booklet, and copies are also available from the Committee office or its Web site, www.house.gov/ethics. If a Member or employee is uncertain whether the value of a gift exceeds 'minimal value' as defined above, the Clerk's office can arrange for an appraisal."

"When a Member, officer or employee receives a gift that is not acceptable under the gift rule, and for which a gift rule waiver is not available, he or she generally has two options: pay the donor the 'market value' of the gift, or return the gift to the donor. However, where the unacceptable gift is a perishable item, such as flowers or a fruit basket, the rule also provides the options of donating the item to charity or destroying it. In addition, other options may be available for a gift that is unusual in nature, such as a work of art from one's home state. These options are detailed below. At times when a Member, officer or employee is unexpectedly presented with a gift at an event, he or she may be uncertain whether it can be accepted under the gift rule. In that circumstance, the individual may receive the gift and wait until after the event to review the provisions of the gift rule and make a decision on the gift's acceptability. Members and staff should always feel free to contact the Committee's Office of Advice and Education on such matters. In general, the gift rule provides that a Member, officer or employee may accept '[a]nything for which the [official] pays the market value' (clause 5(a)(3)(A) of House Rule 26). Generally, for the purpose of the gift rule, items are valued at their retail, rather than wholesale prices. Often an item may be priced differently at different stores. A gift may be valued at the lowest price at which the item is available to the general public."

"A House Member or staff person wishing a waiver of the reporting requirement must submit a written waiver request to the Standards Committee. Additional information on the reporting of gifts on one's annual Financial Disclosure Statement, and the criteria for granting a waiver of the reporting requirement, are provided in the Financial Disclosure Instructions booklet issued by the Standards Committee. In addition, as noted above (in the section 'Gifts from Foreign Governments and International Organizations'), tangible gifts of over minimal value that may be received from foreign governments must be disclosed at the time such gifts are required to be turned over to the United States, that is, within 60 days of receipt."

REPRESENTATIVE JAMES MCGOVERN OF MASSACHUSETTS TO VISIT CUBA-

The Honorable James P. McGovern (D-Massachusetts, 3rd District) will visit the Republic of Cuba from 22 June 2001 to 25 June 2001 in conjunction with a delegation from the Boston, Massachusetts-based Massachusetts College of Pharmacy and Health Sciences.

LEISURE CANADA SIGNS ENGINEERING AND CONSTRUCTION AGREEMENT

WITH SNC-LAVALIN- North Vancouver, Canada-based Leisure Canada Inc. (CDNX:LCN) has signed an agreement with Montreal, Canada-based SNC-Lavalin Inc. (2000 revenues approximately US\$1 billion) for the provision of contracting and technical services for projects within the Republic of Cuba. The projects include five-star hotels, two 18-hole championship golf courses, and timeshare communities. SNC-Lavalin Group Inc., with 39,000 employees located in thirty-five countries and forty-three of the fifty states of the United States, has offices throughout Canada and in thirty other countries; and has projects in approximately 100 countries. SNC-Lavalin Inc. has offices in Washington, D.C., and in Englewood, Colorado. Under the terms of the agreement between SNC-Lavalin Inc. and Leisure Canada Inc., SNC-Lavalin Inc. will provide engineering and design work expertise at three resort developments within the Republic of Cuba: Jibacoa, Monte Barreto and Cayo Largo. SNC-Lavalin Inc. will appoint a project manager at each resort development. SNC-Lavalin will work with Leisure Canada Inc. to create the financial modeling for the each resort project. SNC-Lavalin Inc. also has the option to assist Leisure Canada Inc. with securing project financing, and has the right to participate either through equity or debt in any established project financing arrangement. Mr. Peter D. MacLeod, President and Chief Operating Officer of Leisure Canada Inc. said, *"This agreement establishes a multi-dimensional partnership between Leisure Canada Inc. and SNC-Lavalin. The*

partnership ensures Leisure Canada Inc. will have access to a powerful and well-respected engineering construction company, as well as new avenues for project financing.”

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<p>Leisure Canada, Inc., through its North Vancouver, Canada-based Wilton Properties subsidiary, plans to invest approximately US\$400 million to develop within the Republic of Cuba hotels, marinas, golf courses, equestrian riding centers, cruise ship facilities, tennis courts, convention centers, health spas, retail facilities, and eco-tourism facilities in through a joint venture with Republic of Cuba government-operated Gran Caribe S.A., one of the three largest Republic of Cuba government-operated tourism companies.</p>
<p>San Francisco, California-based Robertson-Stephens, Inc. (2000 assets exceeding US\$50 billion), which focuses exclusively upon growth companies, has a 26.2% (fully diluted) shareholding in Leisure Canada. The investment was made in 1997 through a registered offshore fund, ROBERTSON STEPHENS Orphan Fund, located on Grand Cayman, Cayman Islands. Robertson Stephens Inc., is a subsidiary of Boston, Massachusetts-based FleetBoston Financial Corp. (2000 assets exceeding US\$150 billion). <i>On 4 March 1994 the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury in Washington, D.C., issued an opinion to Mr. John S. Kavulich II, which stated that a U.S. business or individual subject to U.S. law may make a secondary market investment in a third-country business which has commercial dealings within the Republic of Cuba provided that the investment does not result in control-in-fact of the third-country business by the U.S. investor and the third-country company does not derive a majority of its revenues from business activity within the Republic of Cuba. Secondary market investment that falls short of a controlling interest in such a business is not prohibited.</i></p>
<p>Other investors in Leisure Canada include Paris, France-based Societe General and Paris, France-based LCF Rothschild. Leisure Canada reports no current revenues from operations within the Republic of Cuba, but expects that within the next two years more than 51% of its revenues will be from operations within the Republic of Cuba.</p>
<p>In February 1999, Leisure Canada, Inc., announced the appointment of Mr. Simon F. Cooper as a member of the Board of Directors. Mr. Cooper is President of Toronto, Canada-based Marriott Lodging Canada and is Senior Vice President-Lodging, Canada Region for Washington, D.C.-based Marriott International, Inc. (2000 global revenues exceeded US\$8 billion). Undisclosed is whether Mr. Cooper and/or Marriott International, Inc., has now or plans to have a financial interest in Leisure Canada. Mr. Cooper previously served as President and Chief Operating Officer of Toronto, Canada-based Delta Hotels and Resorts (a subsidiary of Calgary, Alberta, Canada-based Canadian Pacific Limited), which had managed properties within the Republic of Cuba, but in 1998 ceased all activity within the Republic of Cuba.</p>
<p>Leisure Canada and Paris, France-based Meridien Gestion SA (a subsidiary of London, United Kingdom-based Forte Hotel Group, which itself is a subsidiary of London, United Kingdom-based Compass Group plc) which manages Le Meridien Hotels & Resorts have an agreement to develop the Le Meridien Village in Jibacoa.</p>
<p>Kinston, Jamaica-based SuperClubs Super-Inclusive Resorts has an agreement with Leisure Canada Inc. to manage at least one of the to-be-developed Leisure Canada Inc. properties within the Republic of Cuba. SuperClubs Super-Inclusive Resorts manages and markets four hotels within the Republic of Cuba, with two additional properties under construction. Upon completion of the sixth hotel within the Republic of Cuba, SuperClubs Super-Inclusive Resorts will manage and market approximately 2,250 rooms within the Republic of Cuba. SuperClubs Super-Inclusive Resorts manages eight properties in Jamaica and one property in the Bahamas.</p>
<p>Leisure Canada, Inc. and London, United Kingdom-based PGA Golf Management Ltd. (PGAGM) have a joint venture agreement to establish professional golf within the Republic of Cuba by assisting in the organization of amateur golf within the Republic of Cuba through the development of PGA of the United Kingdom and Ireland golf academies to provide for the coaching of amateur golfers and professional golfers and for the training of both amateur golfers and professional golfers. The joint venture will merchandise the PGA of the United Kingdom and Ireland brand and market media rights. Established in 1992, PGAGM (which shares a similar name but is not controlled by Palm Beach Gardens, Florida-based PGA of America) is a subsidiary company of the PGA of the United Kingdom and Ireland, the oldest professional golf association in the world. Ponte Vedra Beach, Florida-based PGA tour is also not affiliated with the PGA of the United Kingdom and Ireland. The PGA of the United Kingdom and Ireland, and/or the PGA of any other country, the PGA tour in Europe can add a PGA Tour-sanctioned golf tournament within the Republic of Cuba to its tour schedule. PGAGM provides development, operational and management consultancy to the golf industry. PGAGM reports that the company has previous experience working within the Republic of Cuba through Europe-based companies. The final round of the European Challenger Tour was held 28 October 1999 to 31 October 1999 at the Varadero Golf Course. The Republic of Cuba's first professional golf championship since 1959 was sponsored by Palma de Mallorca, Spain-based Sol Melia S.A. (1999 revenues US\$610 million) which manages fifteen hotels within the Republic of Cuba. In August 2000, Sol Melia reported that the company was purchasing Madrid, Spain-based Hoteles Tryp which manages four hotels within the Republic of Cuba. Sol Melia S.A. has an agreement with PGAGM to sponsor at least one tournament annually in Varadero (which currently has the Republic of Cuba's only 18-hole professional golf course).</p>

**ETG OF PANAMA RESTRUCTURES, ACCEPTS REPAYMENT SCHEDULE FOR
OUTSTANDING DEBT- Panama City, Panama-based Eberhard Transamerica Group S.A.
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(ETG) has reportedly has accepted a repayment schedule for outstanding debt by Republic of Cuba government-operated companies, and has resumed exports of vehicles to the Republic of Cuba. However, Panama City, Panama-based Motores Internacionales de Caribe S.A., which had represented ETG within the Republic of Cuba and during the terms of the representation had become sold more vehicles to the Republic of Cuba than any other non-Republic of Cuba-based company, is no longer operating within the Republic of Cuba. Panama City, Panama-based Sunset Group International S.A., which is also affiliated with ETG, has replaced Motores Internacionales de Caribe S.A.

In 2000, Motores Internacionales de Caribe S.A. reported that the company was experiencing financial difficulties due to a continuation of delays receiving payments (for vehicles and for credits, including funds for agriculture) from Republic of Cuba government-operated companies. As a result, Panama-based banks had suspended some dealings with Motores Internacionales de Caribe S.A., and the company reduced its workforce in Panama and in the Republic of Cuba.
In 2000, the government of the Republic of Cuba investigated the activities of Motores Internacionales de Caribe S.A. and reported improprieties involving some senior-level Republic of Cuba-based executives of the company.
Representatives of Sunset Group International S.A. report that funds from Panama-based banks are again available. Last week, the company displayed a 2001 Lancer (manufactured by Tokyo, Japan-based Mitsubishi Motors Corporation) in the city of Havana. Mr. Martin Rodin, a Republic of Cuba-based representative of Sunset Group International S.A., said that “... was as if our company has been reborn, because we are leaving behind a difficult period- we faced a serious financial crisis in 1999-2000, but with the support we have gotten from banks and Republic of Cuba entities and government, we are optimistic about the future.” Mr. Rodin, apparently referring to Motores Internacionales de Caribe S.A. and ETG, reported that Sunset Group International S.A. revenues from commerce with the Republic of Cuba averaged US\$70 million to US\$80 million annually, representing 70% to 80% of the total revenues of the company. However, he reported that commerce with the Republic of Cuba is expected to be US\$40 million to US\$50 million; with commerce with the Republic of Cuba in 2002 expected to be US\$70 million to US\$80 million
Earlier in 2000, companies operating in Panama’s Colon Free Trade Zone reported that Republic of Cuba government-operated companies had not paid approximately US\$40 million for exports to the Republic of Cuba. One company, Kunzing S.A., was reportedly owed approximately US\$30 million for vehicles, spare parts, machinery, and other products exported to the Republic of Cuba. Kunzing S.A. is reportedly affiliated with ETG. Mr. Jorge Fernandez, Director of the Colon Free Trade Zone, reported that in 2000 Republic of Cuba government-operated companies imported products valued at approximately US\$260 million from companies operating in the Colon Free Trade Zone, compared with US\$100 million in 1998.
Motores Internacionales de Caribe S.A. had specialized in importing vehicles (such as those of Mitsubishi Motors Corporation and Tokyo, Japan-based Fuji Heavy Industries, Limited’s Subaru) to the Republic of Cuba and was the partner of the first joint venture vehicle dealership to be established within the Republic of Cuba after the collapse of the then U.S.S.R. Motores Internacionales de Caribe, S.A. provided Republic of Cuba government-operated Cubazucar with millions of U.S. Dollars to finance sugar harvests.
ETG (through Sunset Group International S.A.) represents Osaka, Japan-based Daihatsu Motor Co., Ltd , within the Republic of Cuba. Sunset International Group S.A. reportedly exported 300 Cuore mini-vehicles to the Republic of Cuba in 1998. ETG reported that the company sold 10,000 vehicles to the Republic of Cuba since 1995, primarily through Motores Internacionales de Caribe, S.A.
Motor Centro, an affiliate of the Ministry of Transportation of the Republic of Cuba, a certified repair and certified service facility for vehicles manufactured by Munich, Germany-based Bayerische Motoren Werke AG (BMW). Motor Centro is under contract with Sunset Group International S.A.. ETG is a distributor within The Americas and Caribbean Sea-area countries for BMW. Motor Centro has a contract with an unidentified Republic of Cuba government-operated vehicle rental agency to service thirty-nine 2001 BMW vehicles.
In September 2000, ETG awarded exclusive distribution rights for the Republic of Cuba to Motores Internacionales de Caribe S.A. (2000 revenues approximately US\$80 million, 1999 revenues approximately US\$80 million, and 1998 revenues approximately US\$60 million).
Stuttgart, Germany-based Mercedes-Benz AG (a subsidiary of Stuttgart, Germany-based DaimlerChrysler Aktiengesellschaft) and Goteborg, Sweden-based AB Volvo currently have the majority market share of the luxury

vehicle market within the Republic of Cuba, however this presence is secondary compared with the sales of commercial vehicles (passenger buses, trucks, heavy equipment, and heavy equipment motors) within the Republic of Cuba.

Various other vehicle automotive manufacturers, for example Paris, France-based **Peugeot S.A.**, Paris, France-based

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PSA Peugeot Citroen, and Turin, Italy-based **Fiat S.p.A.** have commerce with Republic of Cuba government-operated entities and maintain dealerships and service centers in association with the Republic of Cuba government-operated **Cubalse S.A** and Republic of Cuba government-operated **Corporacion Cimex**.

In 1995, Unecamoto (the automotive division of the Ministry of the Steel and Mechanical Industries of the Republic of Cuba) and Cairo, Egypt-based Mr. Karim Ghabbour (whose family-owned companies have dealings with Mercedes-Benz AG) established MCV Comercial S.A. which **1)** re-motorizes heavy agricultural and other transportation equipment with Mercedes-Benz AG engines for five years **2)** has six Mercedes-Benz AG service centers within the Republic of Cuba and **3)** has an interest in a bus assembly (200 annually) production agreement between Unecamoto and Joinville, Santa Catarina, Brazil-based **Busscar Onibus S.A.** (2000 revenues approximately US\$220 million).

CIGAR EXPORTS OF 170 MILLION UNITS PROJECTED FOR 2001- Cigar exports in 2001 are projected to be 170 million units, compared with 117 million units in 2000, and 146 million units in 1999. Reportedly, the 2001 tobacco crop is similar in volume to the 2000 tobacco crop (approximately 40,000 tons of leaf). However, there is reportedly an increase in high quality rapper leaf required to produce cigars for export and there is improved humidity required to cure tobacco leaf, two factors that contributed to production problems in 2000. Nevertheless, there is skepticism that cigar production will be 170 million units in 2001 and, if such a production goal is achieved, quality consistency would most certainly be problematic. In February 2001, Mr. Manuel Garcia, Vice President of Corporacion Habanos S.A., the exclusive marketing representative for Republic of Cuba-produced cigars, reported that 150 million cigars and 60 million mini-cigars would be exported in 2001. However, this projection contradicted previous statements by Ms. Ana Lopez, Director of Marketing of Habanos S.A., that cigar exports from 2000 would increase 5% in 2001.

Habanos S.A. is a 50%-50% joint venture owned by Madrid, Spain-based **Altadis S.A.** (Alliance Tabac Distribution) and Republic of Cuba government-operated **Empresa Cubana del Tabaco (Cubatobaco)**.

Mr. Garcia reported that Corporacion Habanos S.A. gross revenues in 2000 were US\$150 million, of which US\$129 million was from the export of 118 million cigars (103 million of which were hand rolled). He reported that 13.5% of gross revenues in 2000 were from the export of tobacco leaf and 0.5% of gross revenues in 2000 were from the sale of cigar-related accessories. Ms. Lopez had reported that in 2000, 117 million cigars were **a)** exported from the Republic of Cuba and **b)** sold within the Republic of Cuba at Republic of Cuba government-operated U.S. Dollar retail stores; and mini-cigar exports were expected to be 60 million units in 2001, compared with approximately 20 million units in 2000.

In November 2000, the government of the Republic of Cuba reported that a lack of rainfall (reportedly the least amount of rain in ten years) would result in a 15% decrease in gross export revenues from tobacco and tobacco-related products in 2000, compared with gross export revenues from tobacco and tobacco-related products in 1999; and a 25% decrease from previously-announced estimates for 2000 for gross export revenues from tobacco and tobacco-related products.

For 1999, Corporacion Habanos S.A. previously reported that 152 million cigars to 155 million cigars were manufactured, of which a total of 148 million cigars were **a)** exported from the Republic of Cuba and **b)** sold within the Republic of Cuba at Republic of Cuba government-operated U.S. Dollar retail stores. For 1998, the company previously reported that 126.8 million cigars were exported. The company reported 1999 gross revenues (cigars, tobacco leaf, Casa de Habano retail stores, royalties, distributor payments, etc.) of US\$280 million to US\$290 million and gross profits of US\$50 million to US\$60 million.

In 2000, Corporacion Habanos S.A. reported that Montecristo brand cigars accounted for 22% of total cigar sales, followed by Romeo y Julieta brand with 12%, Partagas brand with 10%, Quintero brand with 7%, and Cohiba brand with 6%. Spain remained the largest importer of

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Republic of Cuba-produced cigars with 45.9 million units (38.3% of total exports), followed by France with 16 million units (14% of total exports), and the Republic of Cuba with 9.5 million units (7.2% of total exports). Fifteen Casas de Habano retail stores were established in 2000, bringing the total number of Casas de Habano retail stores to 88 located in 46 countries. Ten Casas de Habano retail stores are to be established in 2001. Corporacion Habanos S.A. previously reported that the production of mini-cigars (less than 3 grams) would increase by 100% (50 million units) in 2001 from production of mini-cigars in 2000.

MAY 2001 FREE-MARKET MONTHLY FOOD PRICE REPORT- The following includes **1)** the monthly free-market price check for the cities of Havana, Camaguey (500 kilometers east of Havana), and Santiago de Cuba (861 kilometers east of Havana) which compares end of May 2001 prices with end of May 2000 prices and **2)** information with respect to monthly wages. The government of the Republic of Cuba manages food markets where prices are established by the government of the Republic of Cuba. The government of the Republic of Cuba has a stated policy of seeking to increase the supply and quality of products sold at Republic of Cuba government-operated food markets with a goal of having prices lower than at Republic of Cuba government-operated *farmers markets* where prices are established by farmers and brokers, based upon supply and demand.

Year	Average Reported Monthly Wage
2000	249 Pesos
1999	223 Pesos (217 Pesos In January 1999)
1998	214 Pesos
1997	203 Pesos
The government of the Republic of Cuba reported that with various bonuses, the actual monthly wage in 2000 was 359 Pesos. [The government of the Republic of Cuba reported in December 1999 that the average monthly wage in 1999 increased to 223 Pesos from 211 Pesos in 1998 (although the government of the Republic of Cuba had previously reported that the average monthly wage in 1999 was approximately 230 Pesos and that the average monthly wage in 1998 was 217 Pesos)].	
All Cuban nationals receive a limited subsidized monthly food ration (which generally provides nutrition for approximately two weeks), free health care and education, and pay no more than 10% of their wage for housing. In February 2001, the government of the Republic of Cuba reported that 15% of Republic of Cuba nationals pay an average of 26 Pesos per month for residence rental; the remaining 85% pay no residence rental as they own their residences. Workers, with the exception of the self-employed all receive various forms of social security coverage.	
The government of the Republic of Cuba reported that the average cost in 2000 per month for Republic of Cuba nationals who paid for their housing was 26.6 Pesos; for electricity 13.6 Pesos; for telephone 6.25 Pesos; for cooking gas 7.73 Pesos; for water 1.3 Pesos (per capita); and for the food ration for a family of four, 45.56 Pesos.	
In 2000, the government of the Republic of Cuba reported that A) 1.158 million Republic of Cuba nationals (out of total workforce of 4.5 million) received U.S. Dollar bonuses and that B) 700,000 Republic of Cuba nationals (out of a total workforce of 4.5 million) received a selection of consumer goods (which could only be obtained at Republic of Cuba government-operated U.S. Dollar retail stores) such as personal hygiene products.	
In 1999, the government of the Republic of Cuba reported that the number of Republic of Cuba nationals receiving U.S. Dollar bonuses or U.S. Dollar-based bonuses was 1,796,000 (out of a total workforce of 4.5 million) and that the total value of the bonuses (U.S. Dollar bonuses and U.S. Dollar-based bonuses), reported to be equal to 1 to 7 times the average monthly wage, was US\$52.3 million, an increase of 18.9% from 1998.	
In July 1998, the Ministry of Finances and Prices of the Republic of Cuba reported that 1.1 million Republic of Cuba nationals (out of a workforce of approximately 4.5 million), or 24%, received U.S. Dollar or U.S. Dollar-	
related bonuses equal to 1 to 7 times their monthly wage. In July 1997, the government of the Republic of Cuba reported that approximately 1.3 million workers (out of a total workforce of 4.2 million), or 30%, received U.S. Dollar or U.S. Dollar-related bonuses equal to 1 to 7 times their monthly wage.	
The government of the Republic of Cuba reported that 1.461 million Republic of Cuba nationals received meals at their workplace in 2000 and that 1.990 million Republic of Cuba nationals received workplace clothing and workplace shoes in 2000. The government of the Republic of Cuba reported spending the equivalent of US\$128.9 million in 1999 on uniforms, work clothing, lunches, etc., an increase of 13.7% from 1998.	
The government of the Republic of Cuba reported that access to U.S. Dollars by Republic of Cuba nationals increased to 62% in 1999, compared to 56.3% in 1998, and 49.5% in 1997. [Republic of Cuba-based economists and non-Republic of Cuba-based economists believe that the percentage of Republic of Cuba nationals with continuing access to U.S. Dollars in 1999 was 27% to 35%]. 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.	
KEY: LB- per pound. U- Per unit. #- End of May 2001 price. ()- End of May 2000 price. NA- not available. SSB-socka-sized bottle.S-Soft.	

H- Hard. B- Bunch. Prices in Cuban Pesos.			
<i>Food Product</i>	<i>Havana</i>	<i>Camaguey</i>	<i>Santiago de Cuba</i>
Rice (LB)	7 (5)	4-5 (4)	5-6 (5)
Black Beans (LB)	7 (8)	6 (6)	7 (10)
Pork (LB)	25 (25)	19-20 (16)	17-18 (15)
Cooking Fat (LB)	15 (15)	18 (15)	16 (14)
Lamb (LB)	25 (25)	18 (14)	15 (15)

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<i>Food Product</i>	<i>Havana</i>	<i>Camaguey</i>	<i>Santiago de Cuba</i>
Ham (LB) boned	37 (35)	31 (29)	NA (NA)
Garlic (U)	.5-1 (1)	.6-1 (.8-1)	.5-.8 (.5-1)
Onion (LB)	6-10 (4-5)	3-5 (2)	3 (2)
Tomato (LB)	6-10 (5-10)	NA (3)	4-5 (4)
Lettuce (B)	5 (5)	1 (1 small)	2 (2 small)
Cabbage (U)	5 (5)	2-3 (NA)	2 (2-5)
Cucumber (LB)	2-4 (1.5-2)	1 (1)	1.5 (1)
Carrots (LB)	5 (4)	1.5 (1.5)	3 (3)
Malanga (LB)	5-6 (4)	3-4 (3)	4-5 (4)
Yucca (LB)	2 (2)	1 (1)	1 (1)
Sweet Potato (LB)	2 (1.5)	1.2 (1)	1 (1.5)
Squash (LB)	2 (2)	1.2 (1.2)	1 (1.5)
Tomato Sauce (BSB)	10 (10)	8 (8)	10 (10)
Limes (U)	.5-1 (.5-1)	.2 (.15)	.15 (.10)
Oranges (U)	.5-1 (.5-1)	.25 (NA)	.33 (.25)
Tangerines (U)	NA (NA)	.25 (.25)	NA (33)
Grapefruit (U)	1 (1)	NA (NA)	NA (NA)
Pineapple (U)	10-20 (5-10)	6-10 (5-6)	10-20 (4-12)
Papaya (LB)	4 (4)	2 (1.5)	2 (1)
Banana (U) Fruit	.5-1 (.5-1)	.5-1 (.5)	.5 (.5)
Banana (U) Soft Cooking	3-5 (2-4)	1.5-3 (1.5-3)	1.5-2 (1-2)
Banana (U) Hard Cooking	.5 (.5)	.25 (.25)	.25 (.2)
String Beans (B)	5 (5)	3 (2)	2 (2)
Peanuts (LB)	8 (10)	9 (9)	8 (10)
Corn Meal (LB)	6 (6)	2.5 (3)	3 (3)

Updated Speaking Schedule

Mr. John S. Kavulich II, President of the U.S.-Cuba Trade and Economic Council, has accepted an invitation from the Washington, D.C.-based **Cato Institute** to be a participant on a panel discussion, “*Cuba Policy in the Bush Administration- Directions and Prospects for Change*,” from 11:00 a.m. to 12:45 p.m. on 20 June 2001. **C-SPAN** is scheduled to broadcast the panel discussion. The other panelists are Mr. Mark Falcoff, American Enterprise Institute; Mr. Ignacio Sosa, One World Investments; and Dr. Mark Groombridge, Cato Institute. *For additional information, please contact Dr. Mark Groombridge at Telephone (202) 842-0200; Facsimile (202) 842-3490; e-mail: mgroombridge@cato.org; Internet: http://www.cato.org*

Mr. John S. Kavulich II, President of the U.S.-Cuba Trade and Economic Council, has accepted an invitation from the **102nd Rice Millers’ Association Convention** at the Boca Raton Resort & Club in Boca Raton, Florida, on 28 June 2001 to deliver a presentation, “*Cuba: The New Realities- Opportunities and Challenges*,” at the Latin America Seminar from 8:00 a.m. to 9:45 a.m. The Arlington, Virginia-based USA Rice Federation (which includes the USA Rice Council, U.S. Rice Producer’s Group, and Rice Millers’ Association) is a national industry association representing approximately 24,000 producers, millers, and allied businesses. *For additional information, please contact Ms. Jeanette Davis at Telephone (703) 351-8161; Facsimile (703) 351-8162; e-mail: riceinfo@usarice.com; Internet: http://www.usarice.com*

Mr. John S. Kavulich II, President of the U.S.-Cuba Trade and Economic Council, has accepted an invitation from the Rockville, Maryland-based **Association of the Study of the Cuban Economy** (ASCE) to serve as a Discussant for the panel on “*Foreign Investment in Cuba*” at the annual meeting of the ASCE from 2 August 2001 to 4 August 2001 at the Biltmore Hotel in Coral Gables, Florida. *For additional information, please contact Mr. Steven Escobar, ASCE Secretary, at telephone: (301) 770-2962; facsimile (301) 770-3619; e-mail: escobars@aol.com; and Internet: http://www.ascecuba.org*

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*

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