

**ECONOMIC EYE ON CUBA©**  
**2 July 2001 To 8 July 2001**

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**U.S. DOLLAR INCREASES 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 4 July 2001. CADECA had sold the Convertible Peso for 22 Pesos and purchased the U.S. Dollar for 21 Pesos in Havana since 22 June 2001. *CADECA has varied exchange rates for specific areas of the Republic of Cuba.* CADECA has sold the Convertible Peso 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	4 July 2001 to Present
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

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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

**MEMBER NOTIFICATION: E-MAIL REQUEST-** If you have not already done so, as soon as possible, please send your e-mail address and any change in mailing address to the U.S.-Cuba Trade and Economic Council at e-mail address: [council@cubatrade.org](mailto:council@cubatrade.org)

**CHIEF OF CUBAN INTERESTS SECTION IN WASHINGTON, D.C., TO BE REPLACED-** H.E. Dr. Fernando Remirez, Chief of the Cuban Interests Section in Washington, D.C., since 1995, and First Deputy Minister of Foreign Affairs of the Republic of Cuba, will be returning to the Republic of Cuba in August 2001 and be full-time First Deputy Minister of Foreign Affairs. He is reportedly to be replaced as Chief of the Cuban Interests Section in Washington, D.C., by Mr. Dagoberto Rodriguez, Director- North American Department of the Ministry of Foreign Affairs of the Republic of Cuba. The North American Department of the Ministry of Foreign Affairs of the Republic of Cuba manages official relations (immigration, migration, diplomatic personnel issues, treaties, etc.) between the Republic of Cuba and the United States and between the Republic of Cuba and Canada. The Ministry of Foreign Affairs of the Republic of Cuba also has a United States Department, which is responsible for non-official issues (media, business, cultural, religious, academic, humanitarian, etc.). Mr. Rodriguez previously served in the Cuban Interests Section in Washington, D.C.

**REPRESENTATIVE OF ALIMPORT AND MINISTRY OF FOREIGN TRADE TO VISIT U.S. IN JULY 2001-** Mr. Pedro Alvarez, President of 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, and Mrs. Maria de la Luz B'Hamel, Director- North America Department, of the Ministry of Foreign Trade of the Republic of Cuba, are planning to visit the United States in July 2001 at the invitation of United States-based agricultural organizations.

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 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. Products imported included powdered milk, cooking oil, rice, wheat, soy, corn, beans, peas, poultry, and vitamins. Alimport also reported purchasing 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.

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 Alimport 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 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 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 reported by Alimport.

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**PEPSICO DENIES THAT CUBALSE IS EXCLUSIVE DISTRIBUTOR IN CUBA-** A city of Santiago de Cuba-based representative of Republic of Cuba government-operated Meridiano S.A., the wholesale and retail consumer goods subsidiary of Republic of Cuba government-operated Cubalse S.A., reported that the company is the exclusive distributor within the Republic of Cuba for “*all varieties*” of beverages produced by Purchase, New York-based **PepsiCo, Inc.** (2000 revenues exceeded US\$20 billion). An executive of PepsiCo, Inc., denied that the company has authorized Cubalse or any Republic of Cuba government-operated company to represent PepsiCo, Inc., interests within the Republic of Cuba. *One .355 liter aluminum can (US\$1.00) of Pepsi-Cola sold at a Cubalse U.S. Dollar retail store located in the city of Havana, Republic of Cuba, had the following information imprinted on the can: Serial number: 7 501031 311309. Made in Mexico for Pepsi-Gemex S.A. de C.V., Calzada de la Vigna No. 891, Col. Barrio de Santiago, Deleg. Iztacalco, Mexico. Have questions, call 5-281-2114 in Mexico or outside Mexico 01 (800) 9016200.*

PepsiCo, Inc., is authorized by the “*Trade Sanctions Reform and Export Enhancement Act of 2000*” (Public Law 106-387) signed into law on 28 October 2000 by The Honorable William J. Clinton, then-President of the United States of America, to export products to the Republic of Cuba. Regulations governing Public Law 106-387 are to be published by 15 July 2001 by the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury in Washington, D.C., and by the Bureau of Export Administration (BXA) of the United States Department of Commerce in Washington, D.C.

Public Law 106-387 authorizes: **A)** the continuation of healthcare product direct exports (with certain restrictions) from the United States to the Republic of Cuba **B)** agricultural commodity product direct exports and food product direct exports from the United States to Republic of Cuba-based government-operated entities within the Republic of Cuba and **C)** agricultural commodity product direct exports and food product direct exports from the United States to Republic of Cuba-based non-Republic of Cuba government-operated entities within the Republic of Cuba.

**JP MORGAN CHASE, GOLDMAN SACHS, LEHMAN BROTHERS MANAGERS OF ACCOR BOND ISSUE-** In June 2001, Evry Cedex, France-based Accor S.A. (2000 revenues approximately US\$7 billion) offered a five-year EUR 800 million (approximately US\$680 million) bond issue. One of the three joint lead managers and book runners was **JP Morgan Securities Ltd.**, a subsidiary of New York, New York-based J.P. Morgan Chase & Co. (2000 assets exceeded US\$550 billion). Two of the five co-lead managers were New York, New York-based **Goldman, Sachs & Co.** (assets in 2000 under management exceeded US\$300 billion) and New York, New York-based **Lehman Brothers Inc.** (2000 assets exceeded US\$10 billion).

The Internet site of Accor S.A. reports that the company manages and markets five hotels located in the Republic of Cuba: *(Sofitel) Hotel Sevilla; Novotel Coralia Miramar; (Sofitel) Hotel Casa Granda; Mercure Cuarto Palmas Coralia; and Coralia Club Playa de Oro.* Another hotel to be managed is under construction.

Accor S.A. reports that no United States-based entities subscribed to the EUR 800 million bond offering. Individuals subject to United States law hold approximately 11% of the shares of Accor S.A. Approximately 7% of the global revenues of Accor S.A. in 2000 were from operations in The Americas and approximately 20% of the global revenues of Accor S.A. in 2000 were from operations in the United States. Republic of Cuba-based representatives of Accor S.A. report that the company currently has no equity in hotels located within the Republic

of Cuba, but that this position may change in the future. Accor S.A. has provided financing for the construction and renovation of hotels in the Republic of Cuba.

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Accor S.A. and Minneapolis, Minnesota-based **Carlson Companies** (2000 revenues exceeded US\$31 billion) are 50%-50% shareholders, and share “operational control” in **Carlson-Wagonlit Travel** (2000 gross revenues approximately US\$5 billion) the second-largest travel network in the world with 4,100 locations in 125 countries. Carlson-Wagonlit Travel offices located outside of the United States provide customers with Republic of Cuba-related travel services.

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.

On 2 August 2000, Tokyo, Japan-based **Japan Airlines Company, Ltd.**, commenced weekly (through December 2000 when the profitability of the service was to be reviewed) 350-seat Boeing 747-400 aircraft charter flights (with a refueling stop in Vancouver, Canada) between Osaka, Japan, and Havana, Republic of Cuba. The flights were the result of an agreement between Tokyo, Japan-based **Japan Travel Bureau Inc.** (JTB) and Republic of Cuba government-operated **Corporacion Cubanacan S.A.** *Japan Travel Bureau Inc. has offices in New York City, New York, and in Los Angeles, California.* Approximately 4,000 citizens of Japan visited the Republic of Cuba in 2000. Approximately 20,000 citizens of Japan visited Jamaica in 2000. **Carlson Wagonlit Travel** (CWT) has a 30% shareholding in Tokyo, Japan-based **JTB-CWT Business Travel**, which commenced operation in January 2001. JTB has a 70% shareholding in JTB-CWT Business Travel.

Accor S.A. owns Dallas, Texas-based **Motel 6/Red Roof Inn** which owns brands Motel 6 (815 hotels) and Red Roof Inns (351 hotels) located in the United States.

Accor S.A. owns New York City, New York-based **Accor North America Corp.** which owns brands Sofitel (9 hotels) and Novotel (3 hotels) located in the United States.

Accor S.A. has a partnership with New York City, New York-based **American Express Company** (2000 revenues exceeded US\$22 billion; 2000 assets exceeded US\$100 billion) for a co-branded “*Carte Compliment*” American Express charge card issued by selected banks in France. Accor S.A. reports that the “*Carte Compliment*” American Express charge card is not valid for use within the Republic of Cuba. The “*Carte Compliment*” American Express charge card is valid for use anywhere that the *American Express* charge card is valid for use. American Express Company is also the fifth-largest shareholder (approximately 1%) and has had a representative on the Board of Directors of Paris, France-based **Club Mediterranee S.A.** (2000 revenues approximately US\$1.6 billion), which manages a hotel within the Republic of Cuba.

**PREUSSAG AG OF GERMANY CHAIRMAN VISITS CUBA TO REVIEW COMMERCIAL ACTIVITIES-** Dr. Michael Frenzel, Chairman, and Dr. Ralf Corsten, Division Executive- Tourism Division (and member of the Executive Committee), of Hanover, Germany-based **Preussag AG** (2000 revenues approximately US\$18.5 billion) visited the Republic of Cuba from 1 July 2001 to 4 July 2001. The purpose of the visit was to evaluate an expansion of existing travel-related business.

Preussag AG is a holding company with subsidiaries in energy, commodities, technology, logistics, shipping (Hapag-Lloyd AG) and tourism. Preussag AG manages 3,600 travel agencies in 13 countries, owns and manages hotels, operates 85 charter aircraft (including Hapag-Lloyd Fluggesellschaft mbH and Britannia Airways Ltd), and reported providing services to 22 million individuals in 2000.

In the United States, Preussag AG has subsidiaries including: Greenwich, Connecticut-based Preussag North America, Inc.; Greenwich, Connecticut-based Amalgamet Inc.; Houston, Texas-based Delta Steel, Inc.; Chicago, Illinois-based Feralloy Corporation; Atlanta, Georgia-based

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*Preussag International Steel Corporation; Avenel, New Jersey-based TR-Metro Chemicals; and West Chester, Pennsylvania-based VOTG North America, Inc.*

In 2000, Preussag AG purchased London, United Kingdom-based Thomson Travel Group. New York, New York-based **Goldman, Sachs & Co.** (assets in 2000 under management exceeded US\$300 billion) represented Preussag AG in the purchase of Thomson Travel Group for approximately US\$2.7 billion.

In 2001, Preussag AG purchased a 10% indirect shareholding in Italy-based Alpitour S.p.A. The majority shareholder in Alpitour S.p.A. (2000 revenues approximately US\$900 million) is Turin, Italy-based Agnelli Group, which is also the largest shareholder (20.4%) in Paris, France-based Club Mediterranee SA (2000 revenues approximately US\$1.6 billion), which manages (through a subsidiary, Club Med Bahamas) one hotel in the Republic of Cuba, and plans to manage an additional hotel in the Republic of Cuba by 2002. Preussag AG provides travel-related services (reservations and charter aircraft) for Palma de Mallorca, Spain-based Sol Melia S.A. (2000 revenues approximately US\$800 million), the largest hotel company in Spain (340 hotels in 30 countries), which manages (and/or has “*capital shares*” in twenty-one hotels in the Republic of Cuba. During the visit of Drs. Frenzel and Corsten to the Republic of Cuba, Mr. Gabriel Escarrer, Chairman of Sol Melia S.A., met with both gentlemen.

A subsidiary of Preussag AG, Hanover, Germany-based TUI Group (Touristik Union International), owns Palma de Mallorca, Spain-based RIU Hotels S.A. (90 hotels worldwide), the second-largest hotel company in Spain. RIU Hotels S.A. manages two hotels in the resort area of Varadero (140 kilometers east of the city of Havana): Hotel Riu Las Morias (Carretera Las Americas) and Hotel Riu Turquesa (Carretera Las Americas). In 1993, RIU established an affiliated company with TUI Group. In the United States, *RIUSA II S.A. manages the Hotel Riu Florida Beach in Miami, Florida, and the Hotel Riu Orlando in Orlando, Florida.*

Preussag AG has a “*strategic alliance*” with Paris, France-based Groupe Nouvelles Frontieres (2000 revenues approximately US\$900 million). Preussag AG will have a shareholding of 34.4% in Groupe Nouvelles Frontieres by 2002. Among other tourism-related businesses, the company manages the 650-passenger: “*Van Gogh*” cruise ship, which has visited the Republic of Cuba, and Paris, France-based VPM Dufour Yachting, which has a “*chartering location*” in the Republic of Cuba.

**CANADA VISITORS TO CUBA INCREASED 11.2% IN 2000, LESS THAN VISITORS TO FLORIDA-** Despite an effort by some Canada-based individuals and Canada-based groups to boycott visits by citizens of Canada to the State of Florida, and despite a decline in the value of the Canadian Dollar against the U.S. Dollar, visits by citizens of Canada to Florida increased 4.1% more in 2000 than did visits by citizens of Canada to the Republic of Cuba. The majority of visitors from Canada to Florida are from Ontario Province and Quebec Province. The majority of visitors from Canada to the Republic of Cuba are from Quebec Province and Ontario Province. In 2000 and in 1999, the Republic of Cuba ranked fifth amongst countries visited by citizens of Canada. Ottawa, Canada-based Canada government-operated Statistics Canada (using Department of Immigration data) and the Ministry of Tourism of the Republic of Cuba reported the following information:

Destination Of Canada Nationals	2000	1999	% Change (1999 to 2000)
Canada Visitors To Cuba	307,725	276,346	11.2%
Canada Visitors To Florida	1.97 million	1.69 million	15.3%

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The following information, which is contradictory to the above-referenced information, is compiled by Statistics Canada from the *International Travel Survey*, which is completed on a voluntary basis by citizens of Canada returning to Canada. The average response rate to the *International Travel Survey* is approximately 8%.

Year	One Or More Night Stays By Canada Nationals In Cuba	% Change (1999-2000)	Spending In Cuba (CA\$ and US\$)	Nights Spent In Cuba	Average Number Of Nights
2000	273,100	-22%	CA\$210,397,000.00 (Approximately US\$136,758,050.00)	2,365,600	8.66
1999	349,600		CA\$265,590,000.00 (Approximately US\$172,633,500.00)	3,106,500	8.88

The following information is compiled by Statistics Canada from the Department of Immigration of Canada:

Year	Cuban Nationals Visiting Canada	Cuban Nationals Visiting Canada By Ground Transportation From The United States
2000	4,482	8
1999	5,010	115
1998	3,306	15

**KUONI OF SWITZERLAND TO OPERATE CHARTER FLIGHTS FROM UK TO CUBA-** Zurich, Switzerland-based Kuoni Travel Ltd. (a subsidiary of Zurich, Switzerland-based Kuoni Group Worldwide, 2000 revenues approximately US\$2 billion) has reported that the company will commence weekly charter flights from Gatwick, United Kingdom, to the city of Havana beginning in May 2002. Currently, charter flights from the United Kingdom to the Republic of Cuba arrive at the resort area of Varadero (140 kilometers east of Havana). According to Kuoni Travel Ltd., a “seven-night holiday combining three nights’ B&B in Havana with four nights’ all-inclusive accommodation in Varadero” in November 2001 is £739.00 (approximately US\$1,034.00). A representative of Kuoni Travel Ltd. confirmed that the company required additional economy class capacity on flights to the Republic of Cuba operated by Harmondsworth, West Drayton, United Kingdom-based **British Airways Plc**, which uses 383-seat Boeing 777 aircraft manufactured by Seattle, Washington-based **The Boeing Company** (2000 revenues exceeded US\$57 billion).

St. Louis, Missouri-based **Intrav** is a subsidiary of Kuoni Group Worldwide. Intrav is the “market leader” in private jet charters, including a Boeing 747 with 106 First Class Seats and a 17-day around-the-world itinerary using Concorde aircraft at a cost of approximately US\$50,000.00 per person. Intrav also operates cruises.

In May 2001, British Airways Plc reported that the company would cancel service between Gatwick and Havana beginning in March 2002. The service had commenced operation in April 1999. British Airways Plc is also canceling service to Montego Bay, Jamaica, and Cancun, Mexico, and may cancel service to other Caribbean Sea-area countries. The service to the Republic of Cuba is not achieving an acceptable profit level due to few first class passengers and

business class passengers, compared to discounted fare economy class passengers. Reportedly, British Airways Plc is determining whether Republic of Cuba government-operated Empresa

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Cubana de Aeropuertos y Servicios (ECASA) would reduce airport-servicing fees (including landing fees) as conditions for possibly continuing the service. As of March 2002, the only regularly scheduled (at this time) commercial flights by global air carriers from the European continent to the Republic of Cuba will be operated through France by Paris, France-based Air France and through Spain by Madrid, Spain-based Iberia Airlines.

In 2000, approximately 90,000 United Kingdom nationals visited the Republic of Cuba, compared with approximately 80,000 in 1999, approximately 60,000 in 1998, and 47,515 in 1997.

Republic of Cuba government-operated Cubana de Aviacon has canceled weekly flights (which had already been reduced in frequency) from Gatwick, United Kingdom, to Havana, as well as, closed its office in London, United Kingdom. Cubana de Aviacon had continued to receive poor reviews of its service, flight delays, safety record, and reservation systems. A consumer affairs television program in the United Kingdom featured a Cubana de Aviacon fuselage overflowing with former customers of Cubana de Aviacon complaining about the airline.

The decision by British Airways Plc to cancel service to the Republic of Cuba will affect approximately 20% of United Kingdom nationals visiting the Republic of Cuba. Approximately 80% of United Kingdom nationals visiting the Republic of Cuba travel on charter aircraft. The impact will be significant upon higher demographic United Kingdom nationals seeking to visit the Republic of Cuba not purchasing discounted packaged tours.

**AOM AIR LIBERTE OF FRANCE FILES BANKRUPTCY, FLIGHTS TO CUBA MAY CEASE-** Paris, France-based AOM Air Liberte, which is 49.5% owned by Zurich, Switzerland-based Swissair Group, filed for bankruptcy on 15 June 2001. AOM Air Liberte operates two weekly flights from Paris to the city of Havana. According to a representative of AOM Air Liberte, the flights are expected to continue to operate through December 2001. In 2000, France was the fifth-largest source of visitors to the Republic of Cuba.

Year	Visitors From France To Cuba
2000	132,089
1999	123,607

**MEXICANA AIRLINES INCREASING FLIGHTS TO CUBA; REPORTS INCREASE IN PASSENGERS-** Mexico City, Mexico-based Mexicana de Aviacon SA de CV (the fourth oldest airline in the world) is increasing flights from Mexico to the Republic of Cuba, and has reported a year-over-year increase in the number of passengers traveling from Mexico to the Republic of Cuba.

Republic of Cuba government-operated Cubanacan Corporacion has contracted with Mexicana de Aviacon SA de CV to add two charter flights to its current schedule of **a)** seven regularly-scheduled weekly flights between Mexico and the city of Havana **b)** Saturday charter flight between Mexico City and Havana and **c)** once per week direct flight between Guadalajara and Havana. The new flights are: **1)** In July 2001, Mexico City to Santiago de Cuba (840 kilometers east of the city of Havana) and **2)** In August 2001, Mexico City to Havana, serving as a connecting flight for Tokyo, Japan-based Japan Airlines Company, Ltd. Mexicana de Aviacon SA de CV uses Boeing 727 aircraft manufactured by Seattle, Washington-based **The Boeing Company** (2000 revenues exceeded US\$57 billion) and A-320 aircraft manufactured by Blagnac Cedex, France-based **Airbus Industrie**.

The Ministry of Tourism of the Republic of Cuba reported that 86,820 Mexican nationals visited the Republic of Cuba in 2000, ranking seventh in country sources of visitors to the Republic of Cuba in 2000.

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Mexicana de Aviacion SA de CV has an office located in Havana. Mexicana de Aviacion SA de CV provides “heavy maintenance” for aircraft operated by Republic of Cuba government-operated Cubana de Aviacion. Cancun, Mexico-based Aerocaribe (established in 1975) is a wholly owned subsidiary of Mexicana de Aviacion SA de CV. Aerocaribe provides service between Havana, the resort area of Varadero (140 kilometers east of Havana) and Cancun (with connections to other cities) using Boeing DC-9-14 aircraft. Mexicana de Aviacion SA de CV is a member of the Star Alliance, which includes Elk Grove Township, Illinois-based **United Airlines, Inc.** (2000 revenues exceeded US\$17 billion).

Year	From Mexico City To Cuba	From Cancun To Cuba
2000	92,816	Not Reported
1999	85,031	Not Reported
1998	63,029	Not Reported
1997	54,893	29,586

The government of Mexico is planning to sell up to 25% in each of two the airlines controlled by Mexico City, Mexico-based, government of Mexico-controlled CINTRA S.A. de C.V. The airlines are Mexicana de Aviacion SA de CV and Mexico City, Mexico-based Aeromexico (the largest airline in Mexico). Aeromexico does not service the Republic of Cuba.

United States-based airlines expected to have an interest in purchasing a portion of Aeromexico and/or Mexicana include: United Airlines; Dallas/Fort Worth Airport, Texas-based American Airlines (2000 revenues exceeded US\$19 billion); Atlanta, Georgia-based Delta Air Lines (2000 revenues exceeded US\$14 billion); and Houston, Texas-based Continental Airlines, Inc. (2000 revenues exceeded US\$7 billion). The Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury in Washington, D.C., authorizes companies subject to United States law to have non-controlling investments in third country companies that have commercial activities within the Republic of Cuba provided that the investments do not result in control in fact of the third country company and provided that a majority of the revenues of the third country company are not produced from commercial activities within the Republic of Cuba [OFAC 4 March 1994].

United Airlines, American Airlines, Delta Air Lines, and Continental Airlines each have Carrier Service Provider (CSP) licenses from the OFAC which authorize the transportation of passengers and cargo between the United States and the Republic of Cuba.

Only Dania Beach, Florida-based Gulfstream International Airlines (2000 revenues exceeded US\$80 million) within which Continental Airlines, Inc., has a 28% interest, has chosen to operate regularly scheduled charter flights between the United States and the Republic of Cuba using its own aircraft. Aircraft owned by American Airlines, United Airlines, and Delta Air Lines have been chartered by other CSP’s for regularly scheduled charter services between the United States and the Republic of Cuba. Gulfstream International Airlines has a code-share agreement with St. Paul, Minnesota-based Northwest Airlines Corporation (2000 revenues exceeded US\$10 billion). Gulfstream International Airlines has a connection agreement and operates the TWA Connection from San Juan, Puerto Rico, with St. Louis, Missouri-based Trans World Airlines, Inc. (2000 revenues exceed US\$3 billion). Trans World Airlines is now a subsidiary of American Airlines. Gulfstream International Airlines has a code-share agreement with Panama City, Panama-based COPA airlines. New York, New York-based American Express Travel Related Services Company, Inc., has a Travel Service Provider (TSP) license from the OFAC.

Since 1962, Delta, Continental, and United Air Lines have had route authorities from the following cities: Delta-Havana to Houston, Los Angeles, New Orleans, San Francisco, and San Juan; Continental- Havana to Fort Lauderdale, West Palm Beach, United- Havana to Miami, Key West, Baltimore, Boston, Dallas, Houston, Los Angeles, New Orleans, New York, Newark, Philadelphia, San Francisco, San Juan, St. Croix, St. Thomas, and Washington, D.C.; and Camaguay to Miami, Baltimore, Boston, Dallas, Houston, Los Angeles, New Orleans, New York, Newark, Philadelphia, San Francisco, San Juan, St. Croix, St. Thomas, and Washington, D.C.

**PEMEX OF MEXICO WILL NOT NOW EXPLORE FOR OIL IN CUBA-** Mexico City, Mexico based Petroleos Mexicanos (Pemex) will not conduct oil exploration at this time in the Republic of Cuba or Republic of Cuba government-controlled waters in the Gulf of Mexico.

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Madrid, Spain-based Repsol-YPF S.A., has contracted for six offshore exploration blocks (nearest to the northwest coast of the Republic of Cuba) of the fifty-nine offshore exploration blocks offered by Cupet. Pemex has a 5% shareholding in Repsol-YPF.

In 2000, Cupet made available 59 blocks (2,000 square kilometers each) covering a total of 112,000 square kilometers located in the Gulf of Mexico, with a reported 60% of the blocks located in water depths of less than 2,000 meters. France-based Compagnie Generale de Geophysique (CGG) was contracted by Cupet to conduct a seismic survey of the area.

In January 2000 and again in March 2001, Mr. Manuel Marrero, Senior Advisor for Petroleum, to H.E. Marcos Portal, Minister of Basic Industry of the Republic of Cuba, reported that representatives from “four to six major companies” were negotiating the possible leasing of the Gulf of Mexico blocks and that “several” United States-based oil companies had obtained information about exploration and production opportunities within areas controlled by the government of the Republic of Cuba. United States-based companies are permitted by the Office of Foreign Assets Control (OFAC) of the United States Department of the Treasury in Washington, D.C., to obtain commercial information from Republic of Cuba government-operated entities and to provide commercial information to Republic of Cuba government-operated entities.

Cupet has made presentations to companies including: The Hague, Netherlands-based Royal Dutch/Shell Group; Oslo, Norway-based Norsk Hydro; London, United Kingdom-based Premier Oil Plc; London, United Kingdom-based British Borneo Oil & Gas Plc; Rome, Italy-based ENI SpA; Courbevoie, France-based Elf Aquitaine; Paris, France-based TOTAL FINA S.A.; Madrid, Spain-based Cepsa; Madrid, Spain-based Repsol-YPF S.A.; Mexico City, Mexico based Petroleos Mexicanos (Pemex); Petróleos de Venezuela (PDVSA), and Rio de Janeiro, Brazil-based Braspetro Oil Services Company.

**PEMEX OF MEXICO PLANS TO IMPORT GASOLINE AND NAPHTHA FROM CUBA-** H.E. Ricardo Pascoe, Ambassador of Mexico to the Republic of Cuba, reported that Mexico City, Mexico based Petroleos Mexicanos (Pemex) will import gasoline and naphtha from the Republic of Cuba and export sulfur and ammonia to the Republic of Cuba. The import and export transactions are to be on a cash basis. Republic of Cuba government-operated Cuba Petroleo (Cupet) is reportedly refining more crude oil that is required for domestic consumption. The naphtha will be used by the petrochemical industry in Mexico. The government of Mexico reported that bilateral trade with the Republic of Cuba was US\$340 million in 2000.

Cupet reported that its two-largest oil refineries will process 2.8 million tons of crude oil in 2001, compared with 2.1 million tons of crude oil in 2000 and 1 million tons of crude oil in 1999. Mr. Humberto Betancourt, Director-Strategic Planning for Cupet, reported that increased domestic oil production and new technologies for refining heavy crude oil with high sulfur content is permitted the refineries to operate at capacity. Cupet reports that one ton of crude oil equals 6.3 barrels of oil. Republic of Cuba production is approximately 60,000 barrels per day, while consumption is approximately 165,000 barrels per day. According to Mr. Betancourt, “*The cost of our oil was around US\$58.00 per ton, compared with US\$220.00 to US\$240.00 paid for a ton of imported oil. The refining process used 550,000 tons in 2000, for a savings of US\$90 million. We plan to use 700,000 tons in 2001.*”

The Republic of Cuba’s largest operating oil refineries are located in the city of Havana (Nico Lopez) and Santiago de Cuba (Hermanos Diaz), 860 kilometers east of Havana. The Hermanos Diaz oil refinery ceased operation in the mid 1990’s due to a lack of demand. The Nico Lopez oil refinery reduced operations to approximately 25% of capacity. Both oil refineries are expected to operate near capacity in 2001. There is a third nearly completed (construction ceased in 1991) 3 million ton annual capacity oil

refinery located in Cienfuegos (250 kilometers east of Havana). Approximately US\$200 million will be required to complete the oil refinery. Madrid, Spain-based Repsol-YPF S.A. and Caracas, Venezuela-based Petróleos de Venezuela (PDVSA) are evaluating joint venture proposals from Cupet.

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

**ARGENTINA REPORTS APRIL 2001 CORN, SUNFLOWER OIL, SOYBEAN MEAL EXPORTS TO CUBA-** The Secretariat of Agriculture of Argentina reported the following values for April 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:

<b>Reporting Period</b>	<b>Corn</b>	<b>Sunflower Oil</b>	<b>Soybean Meal</b>
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

**SUGAR HARVEST DECLINES BY 13%-** The Ministry of Sugar of the Republic of Cuba reported that the 2000-2001 sugar harvest was 3.532 metric tons of raw sugar, compared with a 1999-2000 sugar harvest of 4.059 metric tons of raw sugar. The Republic of Cuba annually retains approximately 700,000 tons of raw sugar for domestic use. The Ministry of Sugar of the Republic of Cuba employs (directly and indirectly) approximately 400,000 Republic of Cuba nationals (out of a total workforce of 4.5 million).

<b>Production Year</b>	<b>Raw Sugar Production In Millions Of Metric Tons</b>	<b>Production Year</b>	<b>Raw Sugar Production In Millions Of Metric Tons</b>
2001-2002	4.0 (projected)	1994-1995	3.3
2000-2001	3.532	1993-1994	4.0
1999-2000	4.059	1992-1993	4.3
1998-1999	3.8	1991-1992	7.0
1997-1998	3.2	1990-1991	7.6
1996-1997	4.2	1989-1990	8.0
1995-1996	4.44	1988-1989	8.1

### *Updated Speaking Schedule*

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](mailto: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](mailto:amanda@glopac.com); and Internet: <http://www.glopac.com>*

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