

The Washington Times

Washington, D.C.

31 December 2006

After Fidel, business as usual?

By Steve Hirsch

THE WASHINGTON TIMES

President Bush's hard-line attitude toward Cuba has prompted businesses to pull back from exploring opportunities in the communist nation.

That is not expected to change even as ailing, longtime dictator Fidel Castro lies in a hospital bed and his brother Raul runs the country.

Other factors hindering the potential of doing business there include the island's small population and poor investment climate, but Mr. Bush's strong stance is the overarching issue, according to government officials, businesses and longtime observers and analysts.

The Cuban economic embargo, imposed in the early 1960s, allows cash sales only for food, medicine and medical equipment and restricts travel to the island.

During the Clinton administration, U.S. companies visited Cuba on trade missions and considered trade, investment and other business opportunities.

The Bush administration, however, has adopted a tougher approach, including a tightening last year of payment requirements on food exports to Cuba. That, business officials say, has played a major part in discouraging U.S. companies from exploring the Cuban market.

"If you look at the way the administration has tried to restrict food sales to Cuba, even though Congress passed a law permitting them, and at the roadblocks they've placed in the path of people and companies trying to visit Cuba, companies don't have to stare too hard at the tea leaves to get the message," National Foreign Trade Council President William A. Reinsch said.

"They just give up on trying to plan for business there. There has clearly been a chilling effect on opening doors to Cuba, and the result is that we will be unprepared when restrictions are finally lifted, which everybody knows will happen eventually," he said.

Bush backs embargo

The Bush administration has left little doubt where it stands on the embargo.

Mr. Bush said in 2002 that without political and economic reform, trade with Cuba "will merely enrich Fidel Castro and his cronies" and that the bar on U.S. financing for Cuban farm purchases would continue, saying that it "would just be a foreign-aid program in disguise, which would benefit the current regime."

Whenever the United States has shown interest in easing relations with Mr. Castro, "somehow it's always failed," Commerce Secretary Carlos Gutierrez said in a recent interview.

"You look back at history over the last 47 years and anytime that it looks like we're getting too friendly, they go to Angola, they shoot a plane down, they open up their jails ... and they let out a lot of very nasty people, not political prisoners," he said.

The administration believes that outside investment will not lead to political liberalization or democratization, stressed Caleb Charles McCarry, the administration's Cuba transition coordinator.

"Investing in the current economic and political structure in Cuba simply supports the regime, and does not support the aspirations of the Cuban people for genuine change that leads to political and economic freedom," he said.

Under current law, Cuba would have to establish a transition government that takes a number of steps toward democracy and "does not include" Mr. Castro or his brother Raul for the embargo to be lifted.

Raul Castro is now running the country while the Cuban leader is in the hospital, leading some observers to speculate that the post-Fidel Castro era has begun. Mr. Castro has not been seen in public since July.

However, even if Fidel Castro leaves office in the next five years, the Economist Intelligence Unit in London said in an October report that it "does not anticipate any sudden, radical alterations in the political system."

In addition, unless relations with Washington improve, the report said, Havana "will continue to limit dissent on the grounds of national security."

The report predicted continued hostile U.S.-Cuban relations and sanctions, regardless of Fidel Castro's presence, saying the sort of fundamental change in the relationship that could lead to liberalization "would require strong political will on both sides to overcome resistance based on ideology and vested interests, and there are no signs yet of any shift in the entrenched positions."

Hill could ease embargo

The election of Democratic House and Senate majorities for the next Congress could lead to efforts to ease the embargo. But without radical change in Cuba or a softened administration stance, those moves would be limited.

Earlier this month, a delegation of 10 members of Congress from both sides of the aisle visited Havana, the largest U.S. legislative mission to Cuba under Mr. Castro to date.

Raul Castro invited the U.S. to talk about the two countries' relations, including topics such as the embargo, immigration, drug trafficking, capture of fugitives, the environment and oil exploration.

Rep. Jeff Flake, an Arizona Republican who has sponsored legislation to allow U.S. companies to work with Cuba to exploit oil reserves off its northern coast, said his bill would be more likely to get out of committee in the next Congress and predicted more proposals around the edges of the embargo, in such areas as banking regulation.

He is the Republican chairman of the Cuba Working Group, a bipartisan group of members of Congress who are pushing for changes in U.S. policy toward Cuba.

Rep. Bill Delahunt, Massachusetts Democrat and the probable chairman of the International Relations oversight and investigations subcommittee, plans hearings on U.S. democracy assistance for Cuba. Mr. Delahunt, who is the Democratic head of the Cuba Working Group, said Congress initially will focus on travel restrictions, although he criticized current overall Cuba policy.

"You'd have to be oblivious to the past 50 years not to conclude that this just hasn't worked. And now, we don't understand, I don't think, what's happening in Cuba, what the reality is in Cuba, and I think it hurts us if we want to have influence in Cuba as Fidel Castro passes from the scene," he said.

Rep. Charles B. Rangel, the New York Democrat who is expected to head the Ways and Means

Committee, will continue to oppose the embargo through a Treasury appropriations amendment to bar funding of the enforcement of the embargo, according to his staff.

But any push to lift the embargo in the new Congress would not get to the floor for a vote, said Sen. Larry E. Craig, an Idaho Republican who sponsored the oil legislation in the Senate.

He cited both a reluctance in the Senate to take dramatic action until there is a change in Havana and strong backing for the embargo by the Bush administration.

Congress can have some influence on foreign-policy issues, he said, "but if the executive is hard over on an issue, and they are, clearly, on this issue, then it will be very difficult to do anything over the next two years."

Doing business tough

One U.S. official said the administration is not using its embargo enforcement to try to discourage American companies from considering the Cuban market, but to ensure a transition to "real democracy," including "real economic reform."

Mr. Reinsch, however, described the situation more ambiguously. "We don't think -- or can't prove at any rate -- that the administration has overtly told companies to stay out of Cuba notwithstanding the laws permitting them to engage in certain activities there," he said.

"We do think that their actions have been deliberate and have sent clear signals to the business community that doing business with Cuba won't be worth the effort."

Others clearly say the administration's stance has tamped down business enthusiasm for Cuba.

In 1994, members of the U.S.-Cuba Trade and Economic Council came from a variety of industries, including pharmaceuticals, financial services, tourism, food, agriculture and retail, although legal trade was limited to health care products, said John S. Kavulich II, the group's senior policy adviser. By 2002 and 2003, he said, membership was largely in the food and agriculture industries.

Many businesses that have shown interest in Cuba would not comment for this article.

Cuba has bought more than \$1.3 billion in U.S. farm products since late 2001, according to the Congressional Research Service, but even companies allowed to export to Cuba see the embargo as a hindrance.

The U.S. rice industry exports 150,000 to 200,000 metric tons to Cuba a year, but that should be more like 500,000, said Stuart E. Proctor Jr., president of the USA Rice Federation. Cuban officials have said the U.S. would be Cuba's top rice supplier if it weren't for the embargo, he said.

Mr. Proctor said U.S. regulations have made shipping rice to Cuba more difficult, raising questions for Cuban officials about America as a rice supplier.

"You've got to be a reliable supplier, and we're not, in the eyes of the Cubans," he said.

Investment possibilities

Observers instead stress the potential for investment, where opportunities for U.S. companies remain, although companies coming from countries ranging from Israel to China to Britain are already working there.

Investors from other countries have moved into such industries as nickel mining, telecommunications, infrastructure and citrus production, Lexington Institute Cuba analyst Philip Peters said, although he added that Cuba is looking for partners in other areas.

Potential opportunities for American companies include energy, agriculture, tourism, biotechnology and information technology, Mr. Peters said.

The best initial opportunities will be those that generate hard currency, such as nickel mining, where there is still room for new foreign companies, as well as oil and hotels catering to foreigners, he said.

Some foreign oil companies have signed agreements with Cuba for oil and gas exploration along Cuba's northern coast, including Repsol of Spain, Sherritt International of Canada and Sinopac of China.

Executives from energy-related U.S. companies such as Exxon Mobil Corp., Caterpillar Inc. and Valero Energy Corp. met with Cuban officials in Mexico City earlier this year to discuss Cuban oil reserves, but are barred from exploring those reserves.

The U.S. Geological Survey has estimated there are between 1 trillion and 9.3 trillion barrels of undiscovered oil and between 1.9 trillion and 22 trillion cubic feet of undiscovered natural gas off Cuba's northern coast.

If the United States maintains its embargo, India, Spain and Canada could end up drilling for oil 51 miles off the U.S. coast, according to Kirby Jones, president of the U.S.-Cuba Trade Association.

"If you're a Floridian looking with binoculars away from Key West, if you're going to see an oil platform, I think you'd feel more comfortable if it was a U.S. platform than a Chinese platform," Mr. Flake said.

Mr. Jones says the post-Castro era already has arrived, describing the country as a sophisticated, growing business environment with 350 joint ventures operating and 500 to 600 foreign companies maintaining offices. He said that even in areas that are still open to Americans, opportunities become fewer each day.

Cuba, he said, is much different than it was in 1994, when the first joint venture was set up. Foreign partners already are operating in all the sectors of the Cuban economy where they are allowed -- those aside from defense, health care and education -- and he said many of them have invested hundreds of millions of dollars in the past 12 years.

Other hindrances

The U.S. embargo is not the only obstacle to business, though. Observers note that Cuba only has about 11 million people and they have limited access to hard currency. Vietnam, by contrast, has a population of more than 84 million and is not an island.

One agriculture industry official said his company's attention to the Cuban market "would not be enormous" if the embargo were lifted but the political situation didn't change. The official said U.S. companies in the agricultural sector would be interested in Cuban possibilities without the embargo, but that there would be no rush into Cuba as long as the economy is state-driven.

Another agriculture executive said there are appealing aspects to Cuba, including its proximity and the fact that it pays cash, but added it will always be a small part of the market, even without the U.S. embargo.

Outside of agriculture, opportunities for U.S. exports may be limited as well.

"There's reason to believe that over time the Cuban economy is going to do well and produce a consumer class for American goods, but not in the short term," according to lawyer Robert Muse, who has substantial experience in U.S. laws relating to Cuba.

"When the embargo's lifted, some U.S. companies will seek to export to Cuba, but it's going to be targeted exports. It's going to be luxury goods for the hotel trade, for example," he said.

Joint ventures aren't as numerous as they used to be for investors. Cuban authorities have cut back on the number of small foreign companies active in Cuba since 2003, but are interested in larger companies for major projects in such areas as mining and energy, according to the Economist Intelligence Unit.

In opening to outside investment, Mr. Muse said Mr. Castro "made a tactical accommodation with capitalism" during the 1990s, when the Soviet bloc trading arrangements expired and "Cuba needed serious foreign investment, it needed to, in the expression they used in Cuba at the time, reinsert itself into the world economy."

It also needed some limited reform to alleviate serious shortages of food, consumer goods and services, according to the CIA's World Factbook.

"But that situation has bettered itself over time," Mr. Muse said, adding that Cuba is now more economically stable "and there's been a direct correlation between the lack of new investment going into Cuba and its financial health," he said.

Cuba has increased ties with China and Venezuela, which has helped Cuba's economy. "These relationships seem set to become more important" and will overshadow Cuban relations with Organization for Economic Cooperation and Development countries, according to the Economist Intelligence Unit.

Cuban authorities would not comment for this article, but others pointed to Cuban government policies as a barrier to investment.

The Economist Intelligence Unit described Cuba as "one of the world's least attractive foreign investment destinations" from 2001 through 2005. The situation is likely to improve only slightly through 2011 because of state domination of Cuba's economy and limited opportunities for private business, the report said.

Outside investment also has been hindered by outstanding claims on expropriated property and by U.S. sanctions, which increase costs of such activities as shipping and restrict the export market for Cuban products, the report said.

Cuba's inhospitable investment environment may mean that there are still opportunities for U.S. firms, should relations ease between the two countries.

Mr. Muse said Mr. Castro's "genuine distaste for international capitalism and the profit motive" probably has left much of the investment market relatively open, adding that "very little is foreclosed from American companies at the moment."

However, he added that in areas where there is room for only one foreign investor, primarily in raw materials, American companies could lose out.

The Courier-Journal

Louisville, Kentucky

26 December 2006

Defiant activists embrace Cuba

Departing today, 23 Louisvillians scorn U.S. travel ban, embargo of island nation

By Katya Cengel

Sonja de Vries was 10 years old when she discovered she wasn't Cuban.

For as long as she could remember, her father, Henry Wallace, had been telling her stories about the island and extolling its Marxist principles. So it seemed natural to her that she would be at least part Cuban. There was even a Cuban flag in her Prospect home.

When Wallace, a journalist, preservationist and activist, died this spring, de Vries, now 43, and a group of family members and friends decided to organize a trip in his memory and as a protest of the U.S. travel restrictions and economic embargo on the island nation. The 23 Louisvillians, ranging in age from 8 to 72, are scheduled to leave today for Cuba.



Devlin de Vries, 8, is the youngest in a group of 23 Louisville-area residents who plan to leave for Cuba today on a trip that is meant in part to protest U.S. trade and travel restrictions against that country. He held a Cuban flag. (By Kylene Lloyd, The Courier-Journal)

The United States rarely allows its citizens to travel legally to Cuba, but some make the trip without permission.

That's how the Henry Wallace Brigade, as the group calls itself, will be going to the communist nation, said member Beth Harrison Prado.

Four years ago their chance of being punished by the federal government was about 50 percent, said John Kavulich, a senior policy adviser with the nonprofit U.S.-Cuba Trade and Economic Council. Today, because of stricter enforcement, it is almost assured. Just last month three individuals and two companies settled penalties or were penalized for violating the embargo.

In addition to civil penalties of as much as \$65,000, unauthorized travelers may also be subject to future questioning, said Kavulich.

"For those that venture to Cuba today without authorization, the potentiality of long-term inconvenience is substantial," said Kavulich.

Stance toughened

The U.S. economic embargo on Cuba was first imposed in the midst of the Cold War in 1962, and travel restrictions began the next year.



The Cuban government estimates that the embargo, which includes commercial, financial and economic elements, has cost it \$86 billion in trade over the years.

Over the years the embargo has been expanded, and the Bush administration "has gone beyond anything anyone had ever seen before," said Robert Muse, a Washington, D.C., lawyer and expert on U.S. law relating to Cuba.

In 2004, for example, U.S. officials cut back on allowing people to travel to see family in Cuba from once a year to once every three years, Muse said.

This year the government created a task force to pursue violators of the embargo. Even celebrities, who experts say once seemed to be immune, are being punished. Last month, film director Oliver Stone's production company and four individuals were fined \$6,322.20 for breaking the embargo while making a documentary.

The typical fine is \$7,500, Muse said.

He estimated 50,000 Americans make the trip each year, many of them not being caught because Cuban immigration does not stamp American passports.

Not every person who travels to Cuba without permission will be caught, said Molly Millerwise, a spokeswoman for the Treasury Department, which regulates travel to Cuba.

But, she said, the Treasury Department has a number of ways of finding violators, including people who brag about their trips openly and are reported by others, or from news stories about them.

The Henry Wallace Brigade has made no secret of its trip, but on the advice of a lawyer it will not reveal the logistics of the journey.

Embargo objections

De Vries first went to Cuba in 1990 and has been back dozens of times since, including with groups that engage in "travel challenges," publicizing their unauthorized trips to the island. She believes that "asking for permission would be giving legitimacy to the travel ban."

She has never been penalized, she said.

But a "travel challenge" is only one of the brigade's goals. It also takes issue with other elements of the embargo.

"We are going because we think the embargo is very harmful, particularly to the Cuban people," said Bob Cunningham.

The longtime civil-rights activist, who first traveled to Cuba in 1978, said he was impressed with the positive state of race relations on the island.

"As a black man I had never been welcomed the way I was in Cuba," he said.

Ever since, Cunningham said, he has wanted others to go to Cuba. At 72 he is the oldest making the trip. De Vries' 8-year-old son, Devlin, is the youngest. He has made the trip around six times already. But others, like Shameka Parrish, a 29-year-old college student and community activist, are going for the first time.



Among those planning to visit Cuba are, from left, Devlin de Vries, Shameka Parrish, Bob Cunningham, Sonja de Vries, Allie Spears and Beth Harrison Prado. They hope to meet Cubans of various backgrounds. (By Kylene Lloyd, The Courier-Journal)

The Cuban "culture is often depicted negatively in our culture," Parrish said. "We are going as a collective people to observe, to become friends."

Making connections

Like her father, de Vries said, she does not think the Cuban government is perfect, but she believes "it is up to the Cubans to decide what kind of government they have."

During the week they spend on the island, members of the Louisville group plan to meet with everyone from social workers and hip-hop artists to Mariela Castro, Fidel Castro's niece and director of the Cuban National Center for Sex Education.

While the majority of the 5,000 Cubans living in Louisville, most of them relatively recent arrivals, might not agree with the U.S. travel restrictions, said Rodolfo Bernal, a Cuban/ Haitian case manager at Kentucky Refugee Ministries, they probably would not support the brigade because of its political message.

The brigade is raising the money for the trip, which costs less than \$3,000 per person, so those who might not otherwise be able to afford the trip can go.

Parrish, who is taking her 14-year-old daughter, Shameka Matchem, is one of them. As the parent of a teenager, "this is something wonderful for me because a lot of people in my situation do not have the opportunity to go," she said.

The group has managed to raise most of its money through fundraisers and personal appeals. Whatever it raises beyond travel costs will go toward material aid to the Cuban people.

"We have a lot we owe Cuba," Cunningham said. "I'm old and tired, but I'm still going back again."

St. Louis Post-Dispatch

St. Louis, Missouri

19 December 2006

Some hopeful of thaw in U.S.-Cuban relations

By Deirdre Shesgreen

POST-DISPATCH WASHINGTON BUREAU

WASHINGTON — With power shifts under way in both the United States and Cuba, the potential for a thaw in the two countries' icy relations might seem better than ever.

The Democrats who will take control of Congress next month have long been warmer to easing the U.S. trade embargo on the Communist island than the GOP. And with Cuban President Fidel Castro sidelined by poor health, there's widespread speculation by members of both parties that democratic reforms could usher in a new era there.

"It is time for the United States to enter a dialogue with Cuba," said Rep. Jo Ann Emerson, R-Mo., and other lawmakers in a joint statement issued on the heels of a visit to the country last weekend.

The bipartisan delegation was 10 lawmakers strong, the largest such group to visit the island in 50 years. They went in hopes of learning more about the political situation in Cuba and to press for increased trade. Emerson said, "2007 is our best year to do something."

But even longtime proponents of lifting the embargo, such as Emerson, said they are well aware of the remaining obstacles. For starters, U.S. politics on Cuba are still dicey, particularly in Florida, as the 2008 presidential race gets under way. President George W. Bush, a staunch embargo supporter, still wields the veto pen. And Castro, though out of sight, has orchestrated a transition designed to preserve the current government long after he's gone.

After undergoing surgery last summer for an undisclosed ailment, Castro temporarily turned over power to his brother Raul Castro. Last week, the U.S. director of national intelligence, John Negroponte, told The Washington Post that Castro was seriously ill and near death.

Emerson said she and others were told by a top Cuban official that "Castro is neither dying nor does he have cancer and that we will see Castro when the time is right." She said she firmly believes Castro is still running the country from behind the scenes. Emerson said Congress has a window of opportunity right now to make at least incremental changes in U.S. trade and travel restrictions, although she conceded that the chances are "not as good as people might think." She and others plan to press for an easing of the trade ban, using the 2007 farm bill as a vehicle. "I don't think the president will veto the farm bill over something like that," she said. But, she noted, the Senate now has two Cuban-American lawmakers — Sens. Bob Menendez, D-N.J., and Mel Martinez, R-Fla. — who are likely to block any sweeping changes. Others said even small changes are likely to be squashed.

Skeptics doubt big change

Raul Castro's entreaties for negotiations with the United States have been sharply rebuffed by U.S. diplomats, who say any new dialogue can come only if the Cuban government moves toward democratic reforms. Some experts believe there's little likelihood of that.

John Kavulich, a senior policy adviser at the U.S.-Cuba Trade and Economic Council Inc., said "the transition is over in Cuba and the U.S. can't do anything about it." And whether it's Fidel or Raul in charge makes little difference, he said. He said the Chinese and Venezuelan governments' strong financial support for Cuba makes it "unnecessary for the Cuban government to make any change."

Rep. Lincoln Diaz-Balart, R-Fla., is a Cuban-American and strong supporter of the embargo who doubts Congress will make major changes in policy toward Cuba. "We have an airtight commitment from President George W. Bush publicly and privately ... that there will be no lifting of sanctions" until there's a democratic transition in Cuba, he said. And Democrats might not want to risk the ire of Florida's Cuban-American population as the 2008 presidential election heats up, he added.

The News-Press

Fort Myers, Florida

5 December 2006

Naples cattle broker wants to sell to Cuba

By DENES HUSTY III
dhusty@news-press.com

Wearing a tan guayabera shirt with hand-rolled cigars sticking out of the left front pocket, Naples cattle broker John Parke Wright IV talks softly, but fervently, about one of his major passions — Cuba.

Wright, 56, is an outspoken critic of the United States' decades-long trade embargo on the communist island nation 93 miles south of Key West.

He believes ending the embargo would ease the economic plight of the Cuban people and help stem the tide of Cubans coming ashore in South Florida to escape harsh conditions at home.

The sixth generation Floridian advocates establishing free trade between the United States and Cuba, where he hopes to sell cattle in the future — he shipped 22 head there in 2004 — as did his great-great-grandfather.

Wright has traveled frequently to Cuba to help American cattlemen sell bull semen and Vermont dairy cows to Cuban ranchers.

He has met longtime ruler Fidel Castro and has struck up a friendship with Castro's older brother, Ramon, a rancher like himself. "He's a good man," Wright said.

Wright, a devout Roman Catholic, attends Mass in Havana with Castro's youngest sister, Agustina.

The Florida cattleman is going back to Havana this week for a program sponsored by Humane Society International, and he will attend an event commemorating 100 years of Cuban Jewish culture.

The Humane Society trip, organized by Wright, will provide information about animal control and rabies vaccination, said executive director Neil Trent. Wright said the trip will further strengthen his ties with the Cuban people. "No blockade can stop friends," he said.

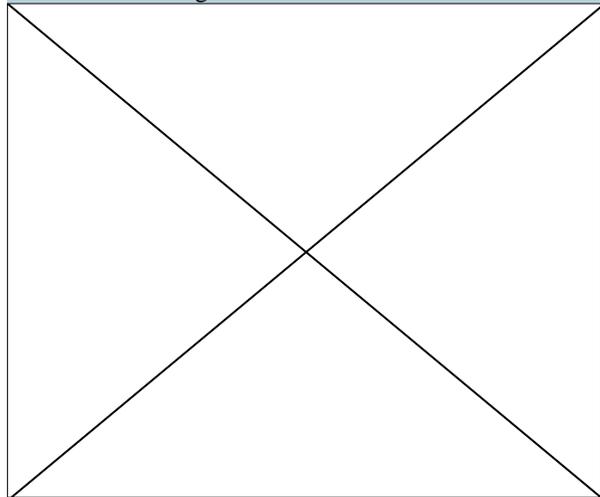
The United States' embargo, in place since 1961, prohibits most trade between the two countries. In 2000, Congress passed a law allowing U.S. businesses to sell livestock and agricultural products to Cuba. Cuba, however, can't sell anything here.

U.S. businesses exported \$257.6 million in goods to Cuba from January through September, according to the U.S.-Cuba Trade and Economic Council Inc.



John David Emmett/news-press.com

John Parke Wright IV, a Naples cattle broker, is traveling to Havana this week. He would like the U.S.-Cuba trade embargo lifted.



U.S. citizens are allowed to go to Cuba for diplomatic, journalistic, professional or humanitarian reasons. American tourists can go to Cuba but aren't allowed to spend money there.

Restrictions tightened under President George W. Bush. Cuban Americans may visit relatives in Cuba once every three years for two weeks instead of once a year. They are also allowed to visit for humanitarian reasons such as the death of a relative.

Wright said the embargo hurts average Cubans instead of its intended target — Fidel Castro and his government. “I don't care how bad somebody in Washington thinks Mr. Castro is, why punish all the kids in the class to get rid of the teacher?” Wright said.

Ending the embargo would help Cubans earn money by selling produce to the United States, Wright said. “All Cubans need is more pesos in their pockets,” he said. Wright hopes the new Democrat majority in Congress will end the embargo. “This Congress is going to rebuild relations with Cuba,” he said.

U.S. Rep Mario Diaz-Balart, whose district includes part of Collier County, doesn't think that will happen. President Bush has said he will veto any attempt to end the embargo without certain conditions, and there aren't enough votes to override a veto, Diaz-Balart said. He said legal requirements for lifting the embargo require Cuba to free all political prisoners; allow freedom of the press, labor unions and political parties; and hold supervised, free elections. The embargo should remain until this happens, as leverage to protect American interests, to show solidarity with the Cuban people and to help usher in Democracy when Castro dies, Diaz-Balart said. The argument that trading with Cuba would result in a freer Cuba is bogus because almost 200 countries trade with Cuba and the dictatorship remains, he said.

Other Cuban-American opinions are mixed. Castro is Cuba's main problem, said Felix Roque, 58, of Golden Gate, who immigrated to Southwest Florida in 1990. “The only thing in abundance in Cuba is misery. That has certainly increased since Fidel arrived,” he said. Roque said the embargo shouldn't be lifted as a matter of principle.

In contrast, Yasel Ramirez, 32, who has lived in Naples for eight years, said the embargo should end because it affects poor people in Cuba. She said the embargo makes it harder for her to visit and send money to relatives in Cuba.

Marlen Lopez, 36, of Naples, said the embargo should end because Castro wouldn't be able to blame the United States for poor conditions in Cuba.

Floridians also have a practical reason besides trade for ending the embargo, said Wright. “If we don't normalize relations with Cuba during the next four years, I predict there will be a million new Cubans living in Southwest Florida,” he said.

Collier sheriff's Marine Patrol Lt. Dave Johnson said authorities are preparing for a potential mass migration from Cuba. “We're not saying there will be one, but conditions are more favorable for such an event,” he said.

There have been four landings of Cuban immigrants in Southwest Florida since August, including 17 who came ashore on Sanibel and 28 who landed in Port Royal in Naples.

Wright descended from two old-line families that traded extensively with Cuba. His ties grew closer when he met and married his former wife, Carolina Garcia-Aguilera, while he was at the University of Florida. Her family had businesses in Cuba before Castro took over. She later became a private detective and novelist.

The couple have two daughters — Sarah Almeria and Carolina Antonia — but broke up because of his drinking, Wright said. “I found out that one sip was too many and 1,000 was never enough,” he said.

Wright said he turned his life around to be of service to others. “I'm very grateful for God's grace and my AA friends and 10 years of sobriety,” he said.

His family, he said, is his main motivation in trying to improve relations with Cuba. “If there's any one compelling reason for me to build bridges to Cuba, it's so that my beautiful daughters can enjoy happiness of their own in their mother's country without fear,” he said

National Public Radio

Washington, D.C.

10 November 2006



Businesses Look at Castro's Cuba, and Wonder

From All Things Considered

MELISSA BLOCK, host: From NPR News, this is ALL THINGS CONSIDERED. I'm Melissa Block.

It has been three months since Cuban president Fidel Castro turned power over to his brother, Raul, and since then there's been a lot of speculation. Will Fidel be back? And if not, will Raul be able to hold the regime together? All the uncertainty has a variety of business people wondering if Cuba will soon become a major economic opportunity.

In part two of his series on Cuba, NPR's Adam Davidson has the story of a man who has seen it all before and says U.S.-Cuba trade will not come easy.

ADAM DAVIDSON: John Kavulich has a dream. Well, he used to. He had this fantasy about how great things would be in Cuba one day.

Mr. JOHN KAVULICH (U.S.-Cuba Trade and Economic Council): During those magical moments, I absolutely viewed arriving on an American Airlines jetliner and staying at a Marriot going to eat at a TGI Friday's and picking up some products at Home Depot.

DAVIDSON: Now sure, this is not everyone's dream, to turn Havana into a strip mall just like the ones you find off the New Jersey turnpike.

Mr. KAVULICH: Or I-95. An extension of I-95 right from Key West and just keep going.

DAVIDSON: Kavulich was not the only person who wanted to bring American business to Cuba. He was just their leader, the head of the U.S.-Cuba Trade and Economic Council. He had a lot of members.

Mr. KAVULICH: From Wal-Mart to General Motors to Eli Lilly to Archer Daniel's Midland Company, Tyson's Food to Riceland Foods.

DAVIDSON: The corporate optimism was strong in the mid-90s, up until roughly 9/11, 2001. It was easy to believe back then that Cuba was about to open. Fidel Castro lost the lifeline of Soviet aid and decided to allow at least some foreign companies to set up shop. President Clinton hinted he might drop the embargo. And Kavulich was at the center of all this excitement. He thought just maybe he'd be the guy who would bring Cuba and the U.S. together. There would be regular diplomatic relations, a new U.S. ambassador in Havana. Did you ever fantasize that maybe you'd be the first ambassador?

Mr. KAVULICH: I absolutely did. Absolutely.

DAVIDSON: You did, really?

Mr. KAVULICH: Especially when I'd go down and visit with the head of the U.S. Interest Section in his office on the top floor of what was our U.S. embassy and be looking out along the Malecon, and sure I can envision my nameplate on that door and people calling me Mr. Ambassador.

DAVIDSON: Kavulich says the business case is obvious. Cuba has more than 11 million potential customers. Sure, they're poor. But he says once communism gives way to capitalism, the Cuban economy will take off like China's or Poland's. There really were days, a lot of them, when it seemed like everything was lined up. The Americans were ready. The Cubans were ready.

Mr. KAVULICH: And then the Cuban government would do something or say something, whether it be arrest dissidents or shoot down some planes, and with the U.S. governments it was just tiresome. And that was the frustrating - I'd go from these Mount Everest and K2 like peaks to these Death Valley valleys.

DAVIDSON: It's been nothing but Death Valley for five years now, Kavulich says. There is no optimism about U.S.-Cuba relations. Cuba has been getting help from Venezuela, so Fidel has cut back on private sector reforms. And Cuba's new friendship with Venezuela has just pushed the U.S. further away.

President Bush has taken a firm anti-Castro stance. He's not going to open the doors. That's why Kavulich says he's all but finished. Five years ago he was working 12 hour days, 7 days a week. Now he might spend an hour a day looking at Cuba stories on the Internet, maybe taking a call or two.

Mr. KAVULICH: I got a telephone call from a senior executive of a substantial U.S. healthcare product company the morning that it was announced President Castro was ill. And he said, you know, John, what should we be doing? And my answer was, Nothing. Go back to your office and keep the news on if you'd like, but do not fuel up a jet. Do not constitute a Cuban team. Nothing. And so he went back to his office.

DAVIDSON: There are American business people who do have Cuba plans. Cuban- Americans, especially those who belong to the Cuban American National Foundation, whose headquarters is in a small office building in Miami.

Mr. ALFREDO MESA (Cuban American National Foundation): You'll have here tomorrow well over 60 people.

Ms. CARMELLA RUIZ (Cuban American National Foundation): Yeah.

DAVIDSON: So they won't fit in this room.

Ms. RUIZ: Well, no. They put chairs back here.

Mr. MESA: Chairs all the way around. That table there.

Ms. RUIZ: Small tables that we put over here.

DAVIDSON: The foundation is probably the capitol of the anti-Castro community in Florida. Alfredo Mesa runs it. Carmella Ruiz is in charge of government relations. They say the Cuban economy is so broken, it needs everything. But no worry. Miami's Cuban Americans are ready. They've got everything covered.

Ms. RUIA: Insurance companies -

Mr. MESA: Real estate, restaurateurs, textiles -

Ms. RUIZ: Construction companies -

Mr. MESA: Infrastructure, contractors -

Mr. DAVIDSON: The list is endless. It goes on.

Ms. RUIZ: Law -

Mr. MESA: Investment bankers, developers -

Mr. DAVIDSON: And on -

Mr. MESA: Commercial. How much time do you have?

Mr. DAVIDSON: But, they say, none of these Cuban American business people are willing to work with Cuba until the Castro regime collapses. And with Fidel's brother Raul now firmly in power, it doesn't look like the regime is going away anytime soon. And of course, aside from a few farmers, the rest of American business isn't interested in pursuing Cuba trade now. So even if Cuba is going through its biggest transition in nearly 50 years, U.S.-Cuban business ties seem as far away as ever.

Adam Davidson, NPR News.

The Miami Herald

Miami, Florida

8 November 2006

EMBARGO

Foreign banks in Cuba feel heat of U.S. regulations

The Bush administration's vow to enforce U.S. regulations is stifling Cuba's ability to operate in international markets.

BY PABLO BACHELET

WASHINGTON - Weary of navigating the Treasury Department's stringent rules on money transfers to Cuba, MoneyGram International called it quits. Starting mid-September, the cash transfer company stopped serving the island.

"It was too complicated," said Cathy Rebuffoni, a spokeswoman for the Minneapolis-based firm, "and we weren't getting any volumes."

MoneyGram was the latest big-name financial services company to cut back or end its dealings with Havana under a U.S. crackdown that appears to be hitting Cuba hard, severely disrupting the government's ability to make and receive international payments.

A story Monday in the Cuban state-run Trabajadores newspaper put the total amount "frozen" by the U.S. measures at \$268 million for 2005 alone but gave no further details. It called the restrictions "one of the most refined and sweeping" sections of the U.S. trade embargo on the island.

Trying to deny resources to Cuba's communist system, the Bush administration has long pushed the Treasury Department's Office of Foreign Assets Control, which enforces U.S. sanctions on foreign countries, to keep a more vigilant eye on Havana. So far, much of the focus has centered on restrictions on cultural and academic exchanges and visits by Cuban Americans.

But OFAC also has quietly stepped up its oversight of foreign banks that deal with Cuba, like the giant UBS of Switzerland and HSBC Group of Britain. Since most either have U.S. branches or use the services of U.S.-based companies, they are subject to U.S. embargo laws. Given the U.S. clout in the global marketplace, this has sent shock waves to financial firms that do business with Havana.

"It's very effective," said Ignacio Sanchez, a Washington trade attorney with the law firm DLA Piper, noting that most of the world's money flows go through U.S. financial centers.

2004 BEGINNINGS

The opening salvo came in 2004 when UBS was fined \$100 million for swapping old U.S. dollar bills with new ones for countries under U.S. sanctions, including Cuba and Iran. This put other banks on notice and helped force Havana to shift its monetary system toward the European Union's euro.

But OFAC appears to have continued to tighten its enforcement. A recent report presented by Cuba to the United Nations complains of a "marked increase in the pressure on foreign banks" to cut ties with their Cuban counterparts.

A year ago, the report says, HSBC Group discontinued the dollar and Swiss frank current accounts held by the Cuban banking system. The London-based bank also closed the dollar accounts of Banco Metropolitano de Cuba, which serves foreign diplomats in Havana.

The Canadian subsidiary of HSBC also returned two payments made by Cuba's Banco Internacional de Comercio -- one for C\$1 million and the other for 819,000 euros, according to the report. The November issue of the newsletter Cuba Trade and Investment News -- a Sarasota publication that tracks business trends in Cuba -- said this marked the first major case of a foreign bank refusing to perform nondollar transactions.

France's Natexis Banques Populaires and Trinidad and Tobago's Republic Bank also have declined to deal with Cuban financial entities because of OFAC restrictions, the Cuban report added. In March, the Jamaican branch of Canada's Bank of Nova Scotia refused to serve the Cuban embassy in Kingston.

The report also says Cuba could not pay its fees to the International Union of Telecommunications and World Meteorological Organization, both U.N.-linked multilateral organizations based in Geneva, because UBS -- the bank for both institutions -- refused to receive transfers from Cuba.

ORGANIZATIONS CLOSE

The Havana report added that several Cuban officials working for organizations such as the World Health Organization and the World Food Program also have been told to close their dollar accounts.

Pedro Alvarez, the head of the Cuban food import agency Alimport, has said that the financial restrictions have raised the cost of doing business with the United States by 20 percent and that Cuba would cut its imports of U.S. foodstuff this year.

The U.S. regulatory squeeze on Cuba has never been harsher than under President Bush, and companies are feeling the heat, said Kirby Jones, a consultant who has advised companies wanting to do business with Cuba since the late 1970s. "They may not like [the regulations] and most don't," he said, "but you have to deal with reality."

U.S. companies are allowed to export agricultural products to Cuba, provided they receive cash payments before the goods are delivered. But even cash payments must move through banks, so the restrictions are giving U.S. corporations headaches. U.S. laws also permit humanitarian shipments and some medical sales to Cuba

Crowley Martime Corp., a shipping company based in Jacksonville, experienced the difficulties firsthand. For several years, the company used the Netherlands Caribbean Bank -- jointly owned by Cuba and the Dutch giant ING Group -- to receive payment from Havana for its services. "This was a completely above-board operation," said Jay Brickman, Crowley's vice president of government services, "OFAC was fully aware of it." But earlier this year, he noted, the bank started asking to see Crowley's U.S. license for doing business with Cuba. Crowley mostly ships agricultural products to the island, such as poultry and apples.

Then, in early July, Brickman learned why: The bank had come under OFAC scrutiny. OFAC sent Crowley a letter instructing it to stop using the bank. A few weeks later, OFAC declared the bank as a "specially designated national." Often used against drug traffickers and suspected terrorist networks, the designation prohibits institutions and individuals subject to U.S. laws from dealing with the bank.

"ING is currently reviewing the possible implications of the OFAC designation," Nanne Bos, an ING spokesman, told The Miami Herald in an e-mail.

With fewer reputable international financial institutions daring to do business with Cuba, Crowley consulted with OFAC and the Cubans on its payment options. Eventually, the company decided to use its Cuban revenues to cancel some of the debts and bills in Europe.

"It's the hassle factor," said John Kavulich, senior policy advisor with the U.S.-Cuba Trade and Economic Council, which tracks bilateral economic relations. "They've coupled rhetoric with enforcement, and it's worked."

Rutland Herald

Rutland, Vermont

5 November 2006

Connecting with Cuba Government calls for embargo to be lifted

By [Bruce Edwards](#) Staff Writer

HAVANA — No trade show in this capital city would be complete without a clarion call by the Cuban government for the United States to lift its 45-year-old trade embargo.

In his opening remarks at the 24th annual Havana International Trade Fair last week, Foreign Trade Minister Raul de la Nuez said Cuba's trade with the rest of the world is flourishing "despite the pressures and tightening of the U.S. blockade that affects us."

And in a meeting with Florida cattle broker John Parke Wright and several U.S. businessmen, a key member of Fidel Castro's inner circle also repeated the call to end the embargo and travel ban on U.S. citizens.

Guillermo Garcia Frias, who fought alongside Fidel and Raul Castro to overthrow the Batista regime in 1959, said the embargo continues because of the efforts of a few Cuban-American "enemies in Miami."

Garcia Frias said that despite the embargo Cuba "has absolutely nothing against the American people."

He said a further crackdown on contact with Cuba by the Bush administration has made it more difficult for trade and travel.

"We prefer the American people in tourism and every other aspect," Garcia Frias said through an interpreter, noting the history and close proximity of the two countries.

Continuing to address the five-decades-old economic blockade, Garcia Frias, who oversees protection of Cuba's agricultural lands, quoted a Cuban saying "that no evil can last 100 years."

The U.S. embargo was imposed shortly after Castro took power and installed a communist government just 90 miles from Florida. It was designed to punish Castro and hasten his ouster. The Bush administration defends the continuation of the policy as a way to punish Castro for his government's human rights record. However, critics of the policy point out that the U.S. does business and has normal relations with a number of repressive regimes including Saudi Arabia and China.

Wright, who brokered the first sale of Vermont cows two years ago, has made no secret of his disdain for the embargo. (Vermont also took the lead in the sale of more than \$6 million in dry milk to Cuba).

"The attitudes in Washington today and just by a few resentful people in Miami are very wrong

and criminal," said Wright, whose family's business ties to Cuba date to the 1800's. "The people here need open trade and what better way to start than agriculture."

Making the point that the U.S. embargo has failed, de la Nuez, the foreign trade minister, said that trade so far this year had increased 27 percent from the same period a year ago. By the end of the year, he said trade is expected to total \$10 billion, which will be the highest figure reached in the last 15 years."

"For Cuba, this fair is a demonstration that the economic, commercial and financial blockade, which has been imposed on us by the United States for more than 45 years, is not reaching its objective of isolating our country from the rest of the world," de la Nuez said.

Trade with the U.S., however, is down through August to \$229.3 million compared to \$240.5 million the previous year, according to the U.S.-Cuba Trade and Economic Council.

Since 2001, only food and agricultural products are exempt from the embargo and then only on an advance cash payment basis.

Last year, U.S. food and agricultural companies sold \$350 million in goods to Cuba, down from the \$392 million in 2004. The figures by the U.S.-Cuba Trade and Economic Council do not include banking and shipping fees, which the Cubans include in their calculations.

Cuba blames a tightening of economic sanctions by the Bush administration for the decline. But the U.S.-based trade group cites several other reasons including financial credits extended by China and Venezuela, making Cuba less dependent on U.S. exports.

The trade fair attracted 800 foreign companies from 49 countries. A number of U.S. companies made an appearance, though not as many as it appears as in previous years. Among those present were Cargill, Wrigley's and Perdue.

Sun-Sentinel

Fort Lauderdale, Florida

4 November 2006

U.S. food exports to Cuba slow Havana turning to friendlier nations

By Doreen Hemlock
Havana Bureau

HAVANA · Six years after Congress allowed U.S. companies to sell food to Cuba, annual U.S. sales to the communist-led island are slowing. Havana prefers trading with friendlier nations, including Venezuela.

The decline is clear at Cuba's premier international trade fair now under way in Havana, where the number of U.S. exhibitors is down sharply from previous years. And Americans are far from a top attraction. Visitors are crowding pavilions featuring vendors from 47 other countries, including China, Argentina, and Canada.

Florida-based entrepreneur Michael Mauricio can attest to the shift. He has attended trade fairs in Cuba for at least five years and seen many U.S. companies give up on the market. One reason: Recent U.S. rules require Cuba to pay cash in advance, while other countries extend credit to the island, he said.

"If you've got to pay cash, it becomes strenuous for any buyer," said Mauricio of Florida Produce Co. of Tampa, which supplies apples, onions, dried fruit and other wholesale items to the island with sales of hundreds of thousands of dollars a year.

Mauricio said his own sales to Cuba have remained steady in recent years, because he aggressively markets his products to the nation of his ancestors. For example, Florida Produce recently scored an order for peanuts, almonds and filberts for a new chocolate factory in Cuba, he said.

But competition is stiff and increasing, as Cuba's economy rebounds and more countries seek a slice of the island's growing trade, especially China.

"China is a force to be reckoned with in the Americas and all over the world," said Mauricio, noting the Asian giant has increased its credit to Cuba and beyond.

Last year, the value of U.S. agricultural sales to Cuba fell to \$350.2 million, down about 11 percent from the previous year. And U.S. food sales to Cuba through August this year slid 5 percent from the same period last year, to \$229.3 million, according to data compiled by the U.S.-Cuba Trade and Economic Council Inc., a New York-based group that monitors business with Cuba.

The cash-only requirement is not the only problem, however, according to a recent report by John S. Kavulich, a senior policy advisor to the council.

Kavulich said Havana has long prodded U.S. suppliers to seek changes in the four-decade-old policies that ban most business with Cuba, a strategy aimed to squeeze the island's communist government and hasten regime change. But Havana's purchases from U.S. food suppliers in more than 30 states have yet to change Washington's hard-line approach, so Cuba sees little leverage in buying from the United States. Cuba also has less reason to pay cash for food from the United States, now that it enjoys financial largesse from Venezuela, which provides subsidized oil, and from China, which offers hefty credit. Other countries including Brazil, Vietnam, Mexico, Canada, and France barter with or offer other trade assistance to Cuba, according to Kavulich.

Even so, many U.S. companies savor opportunity in Cuba's economic rebound, fueled by tourism, strong prices for its nickel exports and money sent back from Cubans abroad.

Through September, the island's total trade jumped 27 percent, compared to the same period last year. In all, imports and exports should top \$10 billion this year, the largest value since the collapse of the Soviet bloc 15 years ago, Foreign Trade Minister Raul de la Nuez has said.

To tap expanding opportunities, many U.S. food companies new to Cuba are tailoring their sales pitch to the island's unique realities, including its serious cash shortage.

West Central Soy of Ralston, Iowa, is offering soy feed to boost milk production by Cuba's dairy cows. More local production will help Havana reduce its milk imports, saving cash, said Leopoldo Orozco, who works with West Central from Mexico.

Food distributor Cheney Brothers Inc., based in Riviera Beach, touts itself as a one-stop shop for a wide range of goods, with more than 16,000 items. Cuba can buy small volumes of many diverse products and receive them consolidated into one shipment, said Eduardo Mangel, a business development consultant for Cheney who works from Costa Rica.

Some U.S. food companies hope a foot in Cuba's door now will bode well for the long term, when Washington's embargo is lifted on all trade with the island. Executives note the United States was Cuba's top trade partner before the embargo and represents the logical business partner for a Caribbean neighbor just 90 miles off Florida's shore.

But for now, with the Castro brothers still in power, Venezuela holds the No. 1 spot among Cuba's foreign suppliers, followed by China and Spain. And China commands the largest presence among the more than 700 vendors at this week's trade fair in Havana, overshadowing the United States.

Reuters Americas

London, United Kingdom

1 November 2006

Cuba trade fair brings fewer U.S. vendors

By Jeff Franks

HAVANA, Nov 1 (Reuters) - Glum U.S. vendors find themselves fewer in number and fading in importance at Havana's annual international trade fair, a plight they blame on a 44-year-old Cold War trade embargo that they say is handing the Cuban market to other countries.

Of the 50 or so vendors who bothered to show up this week, many sit on plastic chairs in drab booths, looking like they need a pack of cards to pass the time in the absence of serious deal-making. "Unfortunately, there aren't that many buyers. Lots of tire kickers but that's about it," said Roberto Fernandez of Bunge Shortening and Oils.

Five years ago, after the U.S. Congress allowed agricultural exports to Cuba, there was a separate trade fair just for U.S. companies that drew about 800 vendors. But at last year's international trade fair, that dropped to 150 U.S. firms.

This year's further slide reflects what the vendors said were the President George W. Bush's efforts to steadily toughen enforcement of the trade embargo that dates back to October 1962, as it tries to pressure one of the world's last communist states to change. Sellers complained that the United States under Bush has made trade with Cuba more expensive and imposed financial terms that limit their ability to compete.

While the United States once was the top food supplier to Cuba, figures from the New York-based U.S.-Cuba Trade and Economic Council issued last week showed that agricultural exports have fallen the past two years, down to \$350 million in 2005, and likely less than that this year.

Experts say declining trade is due not just to the embargo, but also Cuban policy changes attempting to create pressure in U.S. farm states to ease U.S. export restrictions and the communist island's growing economic ties with Venezuela and China.

GATHERED IN LENIN PARK

As the U.S. presence slips, countries from around the globe fill up the rest of the large exhibition center in Lenin Park. Fair officials said more than 750 companies from 43 countries had been expected to send representatives to the Oct. 30-Nov. 4 fair. The country taking the most exhibition space was China, they said. On Tuesday, the fair celebrated "Canada Day" to honor a strong Canadian presence.

"Hell, the Canadians, everybody else in the world is here but us. We're just passing up a market," said John Measday, a sales manager for Iowa-based West Central Cooperative, which provides corn and soy products.

"I'm a moderate conservative, but I've been in sales and marketing all my life and I think the quickest way to bring a country around to our principles and things we believe in is to do more business with them," he said, puffing on a Cuban cigar.

Florida rancher John Parke Wright said whatever usefulness the trade embargo may have had has passed and now it hurts only U.S. business and the Cuban people. "This is the longest running mistake in the history of American diplomacy," Wright said.

Most vendors blamed the survival of the embargo on the large and politically influential anti-Castro Cuban-American population in Miami. But Measday also said Cuban President Fidel Castro bore much responsibility for the long U.S.-Cuba standoff. "After he started nationalizing everything, the U.S. had to do something," Measday said.

The 80-year-old Castro is recovering from intestinal surgery in July and has temporarily relinquished power to his brother Raul Castro.

Associated Press

New York, New York

19 October 2006

U.S.-Cuba trade grows despite tightened U.S. sanctions on travel

By LAURA WIDES-MUNOZ

AP Hispanic Affairs Writer

MIAMI (AP) _ The U.S. government recently promised to crack down on those who violate trade travel sanctions against Cuba, but legal American trade with Cuba is thriving despite pressure from both governments, industry leaders said.

Since the ban on agricultural trade was lifted in 2001, U.S. companies have gone from selling about \$4 million a year in corn and poultry to about \$350 million worth of more than a dozen products in 2005.

Last week, the Bush administration created a new law enforcement task force that will aggressively pursue those who violate restrictions on commercial business with Cuba, currency reporting requirements, money laundering and travel to the island.

Industry leaders disagree on how the task force would affect future business with the communist nation, which ranked 30th out of 224 U.S. export markets last year, according to the U.S.-Cuba Trade and Economic Council Inc.

"This is about politics, for the U.S. to show they are enforcing the law," said John S. Kavulich, senior policy adviser for the council, which promotes trade between the two countries.

Kavulich said he didn't think the announcement would impact companies currently trading with the island.

The U.S. began its embargo against Cuba under President Kennedy, and the embargo has endured in one form or another ever since. But Congress eased restrictions on agricultural trade in late 2000, allowing U.S. companies to sell to Cuba through cash-only deals. Biomedical trade, which represents only a fraction of U.S. exports to the country, was allowed in 1996.

Dave Kuntarich, vice president of operations for the Chapel Hill, N.C.-based P.S. International Ltd., also said he was unconcerned by the changes.

P.S. International trades frozen meats, dried peas and beans, and corn husk-based animal feed supplements with Cuba. It is one of a handful of companies, including FC Stone of Des Moines, Iowa, and Cargill Inc. of Minnetonka, Minn., that sell more than 70 percent of U.S. agricultural products sent to Cuba.

"We are not noticing any difficulty with the agricultural products we ship to Cuba," Kuntarich said, adding that the U.S. Treasury Department has been helpful and efficient in processing the licenses his company needs for trade.

But Kirby Jones, a consultant and head of the U.S. Cuba Trade Association, which also promotes trade between the two countries, said he was concerned that the task force was aimed at attorneys and consultants to convince them that "it's too much of a hassle" to trade with Cuba.

USA Rice Federation spokesman David Coia also said the task force will affect his industry.

"Those restrictions now expanded with the establishment of the Cuban Sanctions Enforcement Task Force will push even more valuable commerce away from the United States," he said.

He blamed regulations implemented in 2004 by the Treasury Department that require payments to Cuba be made before shipments leave the U.S. for Cuba's drop from 4th largest export destination for U.S. rice in 2004 to 9th in 2005.

Kavulich said the drop was more likely due to Cuba's increased trade with China, Venezuela and other traditional Cuban trading partners, as well as a political campaign by Cuban President Fidel Castro to put pressure on U.S. companies to lobby for changes in U.S. policy toward the island.

Both Kavulich and Kuntarich said they had never been pressured to promote increased trade between the U.S. and Cuba.

But Kuntarich added, "When appropriate, we may send a letter to representatives of our state or encouraging letters to congressmen in states that are supportive of the trade."

Such a stance could come at a price, especially given political uncertainty in Cuba due Castro's recent illness, said U.S. Rep. Lincoln Diaz-Balart, R-Miami, a Cuban-American who has championed the U.S. embargo of Cuba.

"Having done business with the dictatorship is not a list you want to be on when the former political prisoners get elected," he said.

St. Petersburg Times

St. Petersburg, Florida

14 October 2006

Economics sanctions come with risks

Embargoes such as those against North Korea have limited success, experts say, and they can backfire.

By DAVID ADAMS, Times Latin America Correspondent

It's a blunt tool that has been around for centuries: the economic embargo. The latest target is North Korea in the wake of its suspected underground testing of a nuclear device.

A day after the U.N. Security Council approved stringent sanctions against North Korea on everything from luxury goods to military technology, it's worth asking: Just how effective is this diplomatic cudgel?

Abundant literature and comparative studies on past embargoes — from the “Continental Blockade” against Britain by French emperor Napoleon Bonaparte to more contemporary sanctions against South Africa, Libya, and Cuba — have taught certain clear lessons, say experts. “You can get countries to modify certain aspects of their behavior, but you can't get them to change their fundamental policy goals,” said Dan Erikson, senior associate for U.S. policy at the Inter-American Dialogue in Washington, D.C., a forum on foreign policy analysis in this hemisphere.

Lesson No. 1, experts say, is the need for international consensus. Even then, chances of success are slim — and don't expect overnight victory. With the possible exceptions of South Africa and Libya, which did give in to fundamental policy changes — albeit after almost two decades of sanctions — the success rate of embargoes is not impressive. Indeed, they can often have disastrous unintended consequences.

Napoleon's effort to starve Britain into submission by prohibiting its allies from trading with the island eventually led to the collapse of his own empire. When Britain tried to retaliate by banning trade between France and America, it plunged London into another war with the young United States.

North Korea has already faced U.S. economic sanctions, including an arms embargo, for more than 50 years — since it invaded South Korea. Sanctions against commercial goods and financial transactions were softened by the Clinton administration in 1999. The current debate over North Korea began Oct. 9 when Pyongyang claimed it had conducted its first nuclear test. Tests for airborne radioactivity raised questions Friday about whether North Korea's test was successful, but condemnation remains intense and widespread.

Japan has gone ahead already with unilateral sanctions banning all North Korean imports and prohibiting North Korean ships from entering Japanese ports. But China, North Korea's principal ally, and Russia balked at any sanctions that would include boarding North Korean ships, an act the countries feared might provoke a military response from the North.

U.S. officials say they are most concerned about North Korea's nuclear capability being passed on to other states hostile to the United States. Bringing down the Kim Jong Il regime with financial punishment could result in nuclear weapons falling into the wrong hands, officials say.

North Korea's government warned it will carry out more tests if the United States steps up pressure and said increased sanctions would be considered “a declaration of war.” On the other hand, the communist nation continues to seek bilateral talks with the United States, an option Washington rejects.

Some critics say the Bush administration's use of sanctions might not be the right option in this case. “It has a tool box of solutions which it applies, without much analysis, to every problem,” said former Florida Sen. Bob Graham, a Democrat. “Each problem has its own peculiarities and needs to have a fashioned response.”

After more than four decades of sanctions against Cuba, the only threat to Fidel Castro's grip on power seems to be his failing health. The U.S. embargo has been systematically shot to pieces by foreign governments, including U.S. allies, which continue to trade with Cuba. A yearly vote at the United Nations has consistently condemned the Cuba embargo. "For sanctions to work there has to be international consensus," said Joe Garcia, a Cuban-American exile activist. "If you don't have that, it becomes a moral, symbolic thing."

While embargoes can have a tremendous effect on the economic life of a country, they tend to be more effective in developed countries with globally integrated economies vulnerable to international pressure. In already impoverished countries such as North Korea, it is generally the poor who bear the brunt of sanctions. Garcia said the lesson to be learned from Cuba was that totalitarian regimes tend to have small elites better able to protect themselves from hardship. North Korea was similar, he said. "No matter what we do economically, Kim Jong Il will still get three square meals a day," he said.

Asked why luxury goods have been banned, U.S. Ambassador to the U.N. John Bolton said, "I think the North Korean population has been losing average height and weight over the years and maybe this will be a little diet for Kim Jong Il."

Ironically, the most successful embargo was perhaps against South Africa's apartheid regime, despite limited support from Britain and the United States. South Africa's large middle class population made it especially vulnerable to sanctions. Its national sporting prowess made a sports boycott even harder to bear.

The United States imposed sanctions on Libya in 1986, accusing it of sponsoring terrorism. International support rose after evidence linked Libya to the downing of a Pan Am 747 over Lockerbie, Scotland, killing all 270 on board. Sanctions were lifted in 2004 after Moammar Gadhafi gave up a program to develop weapons of mass destruction.

A decade long U.S. embargo in the 1980s against Nicaragua's leftist Sandinista Front did not have international support. Regime change came only after Washington ended its controversial backing for the rebel Contras and voters threw out Sandinista president Daniel Ortega.

Embargoes require strong moral and political justification to win international support. The U.S. embargo against Cuba is largely seen overseas as an instrument of U.S. domestic policy to win votes, and campaign contributions from Cuban exile voters in South Florida.

"It doesn't touch a very important nerve in U.S. national security considerations," said Joaquin Roy, a University of Miami professor who has studied the international implications of the Cuba embargo. Therefore, in Europe it is considered "politically affordable" to oppose it.

In the absence of international support, embargoes can prove to be counterproductive, as in Cuba's case. "Instead of causing the collapse of the regime it has encountered worldwide opposition and provided Castro with a political excuse to justify his regime's economic shortcomings," Roy said.

Even when sanctions are imposed internationally, there are always loopholes, or criminals seeking to find ways around the law.

A three-year embargo against Haiti's de facto military regime from 1991-94 did have U.N. backing. Even so it failed to bring down Gen. Raoul Cedras, in part because of smuggling across a leaky border with the Dominican Republic. Cedras capitulated only after the United States threatened to invade.

A U.N. "Oil for Food" program in Iraq designed to limit Iraq's revenue from oil under Saddam Hussein, ended up becoming a vehicle for self-enrichment by officials running it.

"Greed trumps virtues," said John Kavulich, a senior policy adviser with the U.S. Cuba Trade and Economic Council. "There's always going to be those who see opportunity where others see morality."

Orlando Sentinel

Orlando, Florida

14 October 2006

OTHER VIEWS

Should Cuban oil be exempted from embargo?

Paolo Spadoni
Special to the Sentinel

Cuba has recently stepped up efforts to exploit its untapped offshore-oil reserves in deep-water areas of the Gulf of Mexico and boost its economy by granting exploration rights to a number of foreign-based corporations. It has also signed new production-sharing agreements and expanded existing projects with overseas firms to increase onshore heavy-crude-oil production, mostly used to generate electricity and fuel the island's cement and nickel factories.

Prospects for a large petroleum discovery in Cuban territorial waters are indeed very promising. According to the U.S. Geological Survey, Cuba's northern offshore basin might contain 4.6 billion barrels of oil and 9.8 trillion cubic feet of natural gas, representing about half the estimated 10 billion barrels of oil deposits in Alaska's Arctic National Wildlife Refuge. Furthermore, both Mexico and the United States have recently announced huge discoveries of oil in their portions of the Gulf of Mexico. With a similar topography and geological structure in its own waters, Cuba might well become an important oil player in the future.

Havana's aggressive oil strategy aimed to foster exploration and production ventures with foreign partners has caught the eye of several American companies and sparked a new debate in Congress about Washington's long-standing ban on U.S. investments in Cuba.

Last February, executives of some major U.S. energy firms met with Cuban officials in Mexico City to exchange information and discuss potential business opportunities in Cuba's oil sector. And a few months later, Republicans Jeff Flake and Larry Craig introduced identical bills in the House of Representatives and Senate, respectively, that would exempt U.S. oil firms from embargo restrictions and allow them to drill for crude in Cuban waters. As noted by Flake, "Our current policy doesn't serve our energy needs, environmental concerns, or economic principles."

But there is one crucial aspect of the aforementioned debate that is rarely acknowledged by U.S. policymakers. While U.S. direct investments in Cuba are prohibited under the embargo, the United States allows individuals and entities subject to U.S. law to hold publicly traded shares of foreign-based corporations doing business with the Castro government. In 1994, because of efforts by the New York-based U.S.-Cuba Trade and Economic Council, the Department of the Treasury issued an opinion establishing that a U.S. entity can make a secondary, non-controlling investment in a third-country company that has commercial activities in Cuba as long as the majority of the revenues of this company are not produced from operations within the island.

In effect, U.S. indirect oil-business links with Cuba are quite significant. For instance, American investors own approximately 22 percent of Spain-based Repsol YPF, almost 20 percent of Norway-based Norsk Hydro, and even a sizable amount of shares of communist China's Sinopec. Between June and July 2004, Repsol spent about \$50 million drilling for oil in Cuba's Gulf of Mexico waters. The search yielded signs of high-quality crude oil, but the company's first well was not commercially viable. Last May, Repsol announced it would continue its exploration activities in the area in partnership with Norsk Hydro and India's state-owned ONGC Videsh. In early 2005, Sinopec, China's second-largest oil firm, signed an agreement with Cuba's state-run Cubapetroleo (CUPET) to jointly produce oil on the coast of western Pinar del Rio province.

In short, multinational corporations headquartered in foreign countries can count on substantial U.S. capital to help finance their oil ventures in Cuba. As a result, many American investors have already built a Cuba-related oil-stock portfolio and are set to profit from such ventures. However, due to the embargo, U.S.-based corporations cannot bid for exploration rights in Cuban waters and, in case of a major discovery of light oil, Cuban production cannot be exported to the United States. Finally, in order to avoid potential pollution threats, Washington has no choice but to rely on environmental standards of foreign companies whose drilling operations off Cuba's northern coast could extend as close as 50 miles from the Florida Keys.

Exempting Cuban oil from the embargo might therefore be a good idea. It would probably lead to the direct presence of some U.S. investors in Cuba's offshore areas in addition to the current well-worn indirect route. Yet, if large deposits are found, U.S. firms would not only be able to reap considerable economic benefits but also serve their own market and reduce America's thirst for oil. And they would manage the environmental aspects associated with the exploration, drilling, production and transportation of crude.

Paolo Spadoni is a visiting assistant professor in the department of political science at Rollins College in Winter Park. He wrote this commentary for the Orlando Sentinel.

Chicago Tribune

Chicago, Illinois

8 October 2006

Trading shots over famed Havana Club rum

Cuba says only its label is the real thing, but U.S. patent ruling lets Bacardi pour its version into the States

By Gary Marx
Tribune foreign correspondent

SANTA CRUZ DEL NORTE, Cuba -- Long after rum-swigging pirates terrorized the Caribbean, a different tale of alleged piracy is entangling two nations, two powerhouse liquor companies and a pair of families that fled Cuba after the 1959 revolution.

The treasure in the dispute is rights to the label of Havana Club, a rum famed for its smooth sipping pleasure that is produced at a distillery in this coastal town. Its sales have soared during the last decade even though the U.S. trade embargo against Cuba prevented rum connoisseurs from enjoying it on American soil.

Now a new rum with the same name has begun appearing on liquor store shelves and in upscale bars and eateries in the U.S. But it's not from Cuba.

In August, the U.S. Patent and Trademark Office refused to renew the Havana Club trademark held by a Cuban government company that has partnered with the French liquor giant Pernod Ricard to produce and sell Havana Club everywhere but the U.S. That decision has allowed Bacardi Ltd., one of the world's largest liquor companies, to begin marketing its own brand of Havana Club, which so far is being sold only in Florida.

Cuban officials say the patent office ruling is an illegal attempt by U.S. authorities to steal a brand long associated with this Caribbean nation. "Florida consumers are being tricked," Cuban Vice Foreign Minister Bruno Rodriguez said. "It's a real white-collar theft."

In addition to appealing the patent office ruling, Pernod Ricard has filed suit in U.S. federal court in an attempt to force Bacardi to pull its version of Havana Club from the shelves. "Bacardi owns the rights to Havana Club, and Bacardi will vigorously defend its rights to Havana Club," said John Gomez, vice president and group marketing director for Bacardi.

Deceptive practice?

The lawsuit alleges Bacardi is deceiving Americans into believing the product is Cuban when, in fact, it is made in Puerto Rico. Bacardi counters that the silver-and-black label adorning its new brand clearly states it is "Puerto Rican Rum."

The battle illustrates the wide-ranging nature of U.S. economic sanctions against Cuba. The patent office ruling came after the U.S. State Department advised the agency that renewing Cuba's trademark would be "inconsistent with U.S. policy," according to a letter sent by U.S. authorities to Pernod Ricard.

"The Bush administration has been very clear that denying resources to the Castro government will lead to political change in Cuba, although most evidence points to the contrary," said Daniel Erikson, director of Caribbean programs at the Inter-American Dialogue, a Washington policy group. "Havana Club is extremely important symbolically to Cuba," he said. "It's on par with cigars as one of Cuba's most recognized exports."

Rum, which is made from sugar cane, is a staple here--sipped straight up or used to make mojitos, daiquiris or other cocktails. Rum is even offered to the deities in Santeria.

It was Facundo Bacardi who founded Cuba's first modern distillery in 1862 and pioneered techniques for producing

what now is Cuba's famous light-bodied rum. Sixteen years later, a Basque immigrant named Jose Arechabala built a rum distillery with a distinctive, English-looking clock tower in the coastal town of Cardenas.

Havana Club is born

The Arechabala clan introduced Havana Club in 1935 and continued production until Fidel Castro's troops seized the distillery in 1960. Ramon Arechabala, 70, Jose's great-grandson and a sales manager, recalled that when Cuban forces first occupied the facility, a commander told him: "I'm going to put a bullet in your head unless you get out of here." Arechabala said he was briefly jailed and then fled Cuba, eventually settling in South Florida.

Unlike the Bacardis, who rebuilt their rum empire from their new headquarters in Bermuda, Arechabala's extended family never had the money to return to the business, he said.

But Erich Ramos, a guide at the Havana Club museum in Havana, said the Arechabala distillery was bankrupt at the time of nationalization.

The Arechabalas allowed their Havana Club trademark in the U.S. to lapse in 1973, and the Cuban government quickly registered it. Soon after, Cuba began producing Havana Club for the Cuban market and for export to the former Soviet Union and Eastern Bloc. They used the newly expanded Santa Cruz distillery, which dates to 1919 and once supplied bootleg alcohol to Al Capone and other gangsters, residents say.

It was only after Pernod Ricard signed a partnership agreement with Cuba in 1993 that Havana Club sales took off, mainly in Europe, Canada and Mexico.

While Bacardi said initial sales of its rival Havana Club rum are brisk, Pernod Ricard and Cuba stand to lose little in the short term because U.S. trade sanctions prohibit them from selling their brand in America. But the long-term financial stakes are huge if U.S. sanctions are lifted.

The U.S. represents 40 percent of the world rum market. Bacardi dominated U.S. rum sales long before its limited rollout of Havana Club.

"They are very afraid that we can come in one day in the States and compete with them," said Philippe Coutin, a Pernod Ricard executive who until recently headed the company's Cuba operations. Coutin said the trademark ruling was but one skirmish in a dispute that will be "very, very long."

'2 very different rums'

Rum lovers also may have a say in whose product comes out on top. Edward Hamilton, a Chicago-based spirits expert who has written four books on rum, said he did a taste test of the two brands of Havana Club last week.

Hamilton described Pernod Ricard's Havana Club rum that is aged three years as "light and dry and with slight citrus flavor." Bacardi's brand, he said, has a "viscous quality with a vanilla finish."

"They are two very different rums," he said. "I'd prefer to drink the Cuban one."

Still, Ramon Arechabala said he is "as happy as I could be" that Bacardi is producing Havana Club rum for American consumers.

Arechabala said his family sold the original recipe of Havana Club to Bacardi for an undisclosed sum and he now has realized a dream of being able to "sit in my back yard [in Miami] and sip Havana Club."

"It tastes like the one we used to make, even better," he said.

But residents of Santa Cruz del Norte say the essence of rum-making is more sublime than passing on a recipe.

Angel Ribot, a town historian who spent 20 years working at the local distillery, said Santa Cruz's unique climate--the temperature, the sea breeze, the humidity and the quality of the soil--contributes to Havana Club's special flavor.

"There is no place else where these conditions are exactly the same as here," said Ribot. "The rum Bacardi called Havana Club might be good, but it's not our Havana Club. Ours is the best in the world."

Kansas City Star

Kansas City, Missouri

7 October 2006

Tightened sanctions against Cuba leads to trade dispute over rum

By Gary Marx
Chicago Tribune

SANTA CRUZ DEL NORTE, Cuba - Long after rum-swigging pirates terrorized the Caribbean, a different tale of alleged piracy is entangling two nations, two powerhouse liquor companies and a pair of families that fled Cuba after the 1959 revolution.

The treasure in the dispute is rights to the label of Havana Club, a rum famed for its smooth sipping pleasure. Produced at a distillery in this coastal town, sales have soared during the last decade even though the U.S. trade embargo against Cuba prevented rum connoisseurs from enjoying it on American soil.

Now a new rum with the same name has begun appearing on liquor store shelves and in upscale bars and eateries in the United States. But it's not from Cuba.

In August, the U.S. Patent and Trademark Office refused to renew the Havana Club trademark held by a Cuban government company that has partnered with the French liquor giant Pernod Ricard to produce and sell Havana Club everywhere but the United States. That decision has allowed Bacardi Ltd., one of the world's largest liquor companies, to begin marketing its own brand of Havana Club, which so far is being sold only in Florida but could reach other parts of the U.S.

Cuban officials say the patent office ruling is an illegal attempt by U.S. authorities to steal a brand that has long been associated with this Caribbean nation. "Florida consumers are being tricked," Cuba's Vice Foreign Minister Bruno Rodriguez said. "It's a real white-collar theft."

In addition to appealing the patent office ruling, Pernod Ricard has filed a lawsuit in U.S. federal court in an attempt to force Bacardi to pull its version of Havana Club from the shelves. "Bacardi owns the rights to Havana Club, and Bacardi will vigorously defend its rights to Havana Club," said John Gomez, vice president and group marketing director for Bacardi.

The lawsuit alleges Bacardi is deceiving Americans into believing the product is Cuban when, in fact, it is made in Puerto Rico. Bacardi counters that the silver-and-black label adorning its new brand clearly states it is "Puerto Rican Rum." The battle illustrates the wide-ranging nature of U.S. economic sanctions against Cuba. The U.S. patent office ruling came after the U.S. State Department advised the agency that renewing Cuba's trademark would be "inconsistent with U.S. policy," according to a letter sent by U.S. authorities to Pernod Ricard.

Rejecting Cuba's trademark request is consistent with President Bush's policy of tightening sanctions against Cuba in an effort to undermine the island's socialist government, analysts say. "The Bush administration has been very clear that denying resources to the Castro government will lead to political change in Cuba, although most evidence points to the contrary," said Daniel Erikson, director of Caribbean programs at the Inter American Dialogue, a Washington policy group. "Havana Club is extremely important symbolically to Cuba," he said. "It's on par with cigars as one of Cuba's most recognized exports."

Rum, which is made from sugar cane, is a staple here - sipped straight up or used to make mojitos, daiquiris or other cocktails. Rum is even offered to the deities during rituals involving Santeria, the island's Afro-Cuban religion.

It was Facundo Bacardi who founded Cuba's first modern distillery in 1862 and pioneered techniques for producing what is now Cuba's famous light-bodied rum. Sixteen years later, a Basque immigrant named Jose Arechabala built a rum distillery with a distinctive, English-looking clock tower in the coastal town of Cardenas. The Arechabala clan introduced Havana Club in 1935 and continued production until Fidel Castro's troops seized the distillery in 1960. Ramon Arechabala, 70, Jose's great-grandson and a sales manager, recalled that when Cuban forces first occupied the facility, a commander told him: "I'm going to put a bullet in your head unless you get out of here." Arechabala said he was briefly jailed and then fled Cuba, eventually settling in South Florida. Unlike the Bacardis, who rebuilt their rum empire from their new headquarters in Bermuda, Arechabala's extended family never had the money to get back into the liquor business, he said.

But Erich Ramos, a guide at the Havana Club museum in Havana, said the Arechabala distillery was bankrupt at the time of nationalization, while others suggest family members lost interest in producing rum after fleeing Cuba. The Arechabalas allowed their Havana Club trademark in the U.S. to lapse in 1973, and the Cuban government quickly registered it. Soon after, Cuba began producing Havana Club for the Cuban market and for export to the former Soviet Union and Eastern Bloc nations. They used the newly expanded Santa Cruz distillery, which dates to 1919 and once supplied bootleg alcohol to Al Capone and other gangsters during Prohibition, residents say.

It was only after Pernod Ricard signed a partnership agreement with Cuba in 1993 that Havana Club sales took off, primarily in Europe, Canada and Mexico.

"Pernod Ricard has done remarkably well in taking a brand and expanding its scope and reach," said John Kavulich, senior policy adviser at the U.S.-Cuba Trade and Economic Council, a private group monitoring trade between the two nations.

While Bacardi said initial sales of its rival Havana Club rum are brisk, Pernod Ricard and Cuba stand to lose little in the short term because U.S. trade sanctions prohibit them from selling their brand in America. But the long-term financial stakes are huge if U.S. sanctions are lifted. The U.S. represents 40 percent of the world rum market. Bacardi dominated U.S. rum sales long before its limited rollout of Havana Club.

"They are very afraid that we can come in one day in the States and compete with them," said Philippe Coutin, a Pernod Ricard executive who until recently headed the company's Cuba operations. Coutin said the trademark ruling was but one skirmish in a dispute that "will be very, very long."

Rum lovers may also have a say in whose product comes out on top. Ed Hamilton, a Chicago-based spirits expert who has written four books on rum, said he did a taste test of the two brands of Havana Club last week. Hamilton described Pernod Ricard's Havana Club rum that is aged 3 years as "light and dry and with slight citrus flavor." Bacardi's brand, he said, has a "viscous quality with a vanilla finish."

"They are two very different rums," he said. "I'd prefer to drink the Cuban one. I was a little disappointed in Bacardi. I was expecting more."

Still, Ramon Arechabala said he is "as happy as I could be" that Bacardi is producing Havana Club rum for American consumers. Arechabala said his family sold the original recipe of Havana Club to Bacardi for an undisclosed amount of money and he now has realized a dream of being able to "sit in my backyard (in Miami) and sip Havana Club."

"It tastes like the one we used to make, even better," he said.

But residents of Santa Cruz del Norte say the essence of rum-making is more sublime than passing on a recipe. Angel Ribot, a town historian who spent 20 years working at the local distillery, said Santa Cruz's unique climate - the temperature, the sea breeze, the humidity and the quality of the soil - contribute to Havana Club's special flavor. "There is no place else where these conditions are exactly the same as here," said Ribot, 64. "The rum Bacardi called Havana Club might be good, but it's not our Havana Club. Ours is the best in the world."

KNDO

Kennewick, Washington

19 September 2006

White House suggests Cubans hold a referendum on how they should be governed

CORAL GABLES, Fla. After more than four decades with Fidel Castro at the helm, why not let Cubans decide if they want to keep the dictatorship going? That's the suggestion of the White House.

Commerce Secretary Carlos Gutierrez is putting the idea on the table. Speaking in Florida today, he's challenging the Cuban regime to "ask the people" if they want dictators or democracy. Gutierrez thinks the Organization of American States could help organize such a referendum.

Fidel Castro has long resisted U-S attempts to interfere with his government. His brother, Raul, is taking over during his illness, but it's doubtful he'd go along.

In fact, one official at the U-S-Cuba Trade and Economic Council calls the idea absurd. He says Washington needs to accept the fact that the transfer of power between the Castro brothers means a succession already took place.

CBS News

New York, New York

16 September 2006

Raul Castro: U.S. Policy Irrational But Bush Administration Suggests Referendum For Democracy In Cuba



Acting Cuban President Raul Castro is hosting the meeting of the Nonaligned Movement. (International Press Center/Granma)

(CBS/AP) Acting Cuban President Raul Castro told the heads of state and representatives of the 118 countries in the Non-Aligned Movement Friday that only "unity and solidarity" can protect them from the irrational dangers represented by Bush administration policies, CBS News producer Portia Siegelbaum reports. Castro also noted that nearly all of the countries singled out as targets by Washington are present at the gathering in Havana.

Castro hit at the U.S. for "its 47-year long attempt" to overthrow his government, emphasizing the existence of a secret annex in the latest Cuba transition report approved by President Bush, Siegelbaum says.

Meanwhile, the Bush administration proposed Friday that Cubans hold a referendum to decide if they want to live in a democracy or under a dictatorship, a plan one expert called a "Disneysque fantasy" that the Castro brothers would reject.

U.S. Commerce Secretary Carlos Gutierrez suggested the referendum, but Cuban President Fidel Castro, who is recovering from surgery, has long fiercely resisted any U.S. attempts to interfere with his government.

"I would say to the Cuban regime, 'why not ask the people?'" Gutierrez said at The Miami Herald's Americas Conference. "Why would a real leader be so insecure about giving his people a voice?"

Gutierrez suggested the Cuban people work with the Organization of American States and others to organize a referendum. OAS officials had no immediate comment. Cuba has been excluded from participating in the group since the early 1960s, after Castro took power.

Gutierrez said democracy in Cuba is not a "U.S.-only idea," but one many countries around the world support. He said a referendum would allow Cubans to decide the future of their country.

Gutierrez, who was born in Cuba, cited Chile as an example of a country that once had a military dictatorship and later held a referendum in which people chose democracy. He called today's Chile a "great example" of "what can happen under freedom and democracy."

"They were asked a simple 'yes or no' to dictatorship, very simple, and the people said 'no,'" Gutierrez said.

John Kavulich, a senior policy adviser for the U.S.-Cuba Trade and Economic Council, called the idea of a referendum "Disneysque" and absurd.

"It is not going to happen. The U.S. government must come to terms with the fact that a succession has already taken place in Cuba, and the transition has already begun," Kavulich said at the conference.

Fidel Castro handed over power to his brother temporarily on July 31. The government has treated the exact illness as a state secret, although Castro has been shown this week in pictures talking to visiting leaders in Cuba for the summit.

Seattle Post-Intelligencer

Seattle, Washington

15 September 2006

U.S. proposes Cubans vote on democracy

By JESSICA GRESKO
ASSOCIATED PRESS WRITER

CORAL GABLES, Fla. -- The Bush administration proposed Friday that Cubans hold a referendum to decide if they want to be ruled by dictators or live in democracy.

Cuban President Fidel Castro has long fiercely resisted any attempts by the U.S. to interfere with his government, and Cuba is highly unlikely to accept the idea, announced in Florida by U.S. Commerce Secretary Carlos Gutierrez.

"I would say to the Cuban regime, 'why not ask the people?'" Gutierrez said at The Miami Herald's Americas Conference. "Why would a real leader be so insecure about giving his people a voice?" Gutierrez suggested the Cuban people work with the Organization of American States and others to organize a referendum. OAS officials had no immediate comment. Cuba has been excluded from participating in the group since the early 1960s, after Castro took power.

Gutierrez, who was born in Cuba, said a referendum is not a "U.S.-only idea" but one many countries around the world support. He cited Chile as an example of a country that rejected a military dictatorship and showed "what can happen under freedom and democracy."

"They were asked a simple yes or no to dictatorship, very simple, and the people said 'no,'" Gutierrez said.

John Kavulich, a senior policy adviser for the U.S.-Cuba Trade and Economic Council, called the idea of a referendum "Disneyesque" and absurd.

"It is not going to happen. The U.S. government must come to terms with the fact that a succession has already taken place in Cuba, and the transition has already begun," Kavulich said at the conference.

Castro handed over power temporarily on July 31 because of his intestinal surgery. The government has treated the exact illness as a state secret, although Castro has been shown this week in pictures talking to visiting leaders in Cuba for a Nonaligned Summit.

The Miami Herald

Miami, Florida
15 September 2006

U.S. firms redraw a Cuba without Castro

By JACQUELINE CHARLES

While Cuban leader Fidel Castro's recent illness peaked the interest of major U.S. firms, which once had grandiose dreams of investing in a free Cuba, they are not rushing to return to the drawing board of the 1990s, a leading Cuba expert said earlier today.

Speaking at the Miami Herald's annual America's Conference, John Kavulich, senior policy advisor, U.S. Cuba Trade & Economic Council, said even if Castro were to die, life in Cuba would not change drastically thanks to the Cuban government's relationship with Venezuela.

"Venezuela is absolutely the key," Kavulich said during discussion moderated by Miami Herald Chief of Correspondents Juan Tamayo, who formerly covered Cuba. "Financially as long as (Chávez) backs Cuba, Cuba doesn't have to change."

Kavulich said between 1994 and 2002, major U.S. firms created Cuba teams, which reported directly to the CEOs, to explore business opportunities on the island. But after Cuba signed agreements with Venezuela and China, and the Bush administration hardened its policy toward the Castro government, these companies lost interest and began to look elsewhere.

"That permitted the (Cuban) government to return to its roots and reverse economic reforms of the early '90s," Kavulich said of Cuba's newfound alliances with Venezuela and China.

However, the scenario could change if Venezuela were to cut Cuba off or if the island were to develop its own energy source, making it much more financially independent.

The Miami Herald

Miami, Florida
15 September 2006

CUBA

U.S.: Allow Cubans to vote on Raúl

The United States wants Cuba to agree to an OAS-supervised referendum about whether the island's residents want to be led by Raúl Castro.

By PABLO BACHELET

WASHINGTON - The Bush administration is proposing that the Organization of American States help arrange a referendum for Cubans to decide if they want to be ruled by Raúl Castro, U.S. officials say.

Commerce Secretary Carlos Gutierrez will outline the idea in a speech today at The Miami Herald's Americas Conference being held at the Biltmore Hotel in Coral Gables.

"Let the Cuban people determine their own destiny in a free and fair referendum, in which the OAS could be involved," an aide to Gutierrez said, requesting anonymity in keeping with his department's rules.

Gutierrez, a Cuban American, is expected to cite the example of Chile, which in 1988 held a yes-no referendum on whether Gen. Augusto Pinochet should stay in power. The dictator lost that vote.

Cuba's communist government is considered highly unlikely to accept any such referendum. It has never replied to a request for a referendum on democratic changes pushed by Cuban dissident Oswaldo Payá and backed by thousands of signatures from other Cubans.

The Bush administration has said it would launch a diplomatic offensive to put pressure on the Cuban government after the July 31 announcement that Fidel Castro was temporarily handing his leadership responsibilities to his brother Raúl.

U.S. officials believe the 80-year-old Fidel Castro, who is recovering from intestinal surgery, is either too ill to return to power or will do so only in a diminished form. Havana has never explained exactly what ails the man who ruled Cuba for 47 years.

The aide said Gutierrez will reiterate the U.S. position that the United States "will not do business with another dictator, Raúl."

Washington's referendum proposal comes just after Costa Rican President Oscar Arias, winner of the 1987 Nobel Peace prize for his mediation in the Central American civil wars, made an impassioned plea at the Americas Conference for Latin America to prod Cuba into adopting democratic reforms.

Arias was addressing a dinner gathering Wednesday night to launch the annual gathering. Long stretches of his remarks were dedicated to Cuba.

He said Latin America had to acknowledge that Cuba really is, "plain and simple, a dictatorship." Cubans ``deserve the opportunity to choose a destiny for themselves."

Arias has been critical of Castro before. In an Aug. 29 opinion column in a Costa Rican newspaper, Arias said Castro was "cut from the same cloth" as Saddam Hussein and Yugoslavia's Slobodan Milosevic.

But others in Latin America have been quiet on Cuba since Castro's ailment was announced. The region's nations often adhere to the principle of nonintervention in the affairs of other states. Brazil's ambassador to the OAS, Osmar Chohfi, told The Miami Herald last month that ``nothing has happened so far to warrant an OAS intervention."

"If there is a transition," he added, ``it is an internal process to Cuba."

But other, non-U.S. diplomats have been privately discussing whether the OAS, the hemisphere's premier institution dealing with political matters, should become involved in the Cuba issue. Cuba was suspended from the OAS in 1962.

One option would be to have José Miguel Insulza, secretary general of the OAS, quietly begin contacting Cuban officials.

Another speaker at the Americas Conference, John Kavulich, senior policy advisor for the U.S.-Cuba Trade and Economic Council, said that even after Castro dies, Cuba would not change drastically thanks to the massive economic support it is receiving from leftist Venezuelan President Hugo Chávez.

"Venezuela is absolutely the key," Kavulich said. ``Financially as long as [Chávez] backs Cuba, Cuba doesn't have to change."

The Miami Herald

Miami, Florida
15 September 2006

U.S. firms redraw a Cuba without Castro

By JACQUELINE CHARLES

While Cuban leader Fidel Castro's recent illness peaked the interest of major U.S. firms, which once had grandiose dreams of investing in a free Cuba, they are not rushing to return to the drawing board of the 1990s, a leading Cuba expert said earlier today.

Speaking at the Miami Herald's annual America's Conference, John Kavulich, senior policy advisor, U.S. Cuba Trade & Economic Council, said even if Castro were to die, life in Cuba would not change drastically thanks to the Cuban government's relationship with Venezuela.

"Venezuela is absolutely the key," Kavulich said during discussion moderated by Miami Herald Chief of Correspondents Juan Tamayo, who formerly covered Cuba. ``Financially as long as (Chávez) backs Cuba, Cuba doesn't have to change."

Kavulich said between 1994 and 2002, major U.S. firms created Cuba teams, which reported directly to the CEOs, to explore business opportunities on the island. But after Cuba signed agreements with Venezuela and China, and the Bush administration hardened its policy toward the Castro government, these companies lost interest and began to look elsewhere.

"That permitted the (Cuban) government to return to its roots and reverse economic reforms of the early '90s," Kavulich said of Cuba's newfound alliances with Venezuela and China.

However, the scenario could change if Venezuela were to cut Cuba off or if the island were to develop its own energy source, making it much more financially independent.

The Miami Herald

Miami, Florida

15 September 2006

A birthday and a countess at Americas Conference

HAPPY BIRTHDAY, MR. PRESIDENT

At least one special guest at this year's Americas Conference walked away with something more than a yellow high-lighter or baseball cap. Costa Rican President Oscar Arias, the keynote speaker at the kickoff dinner Wednesday night, was presented with a 24-inch plasma TV by one of the sponsors and a white birthday cake bearing six candles and the words, "Feliz Cumpleaños Presidente." The audience sang Happy Birthday in Spanish as Arias turned 60.

IN OTHER WORDS

Spanish may be the dominant language spoken in Mexico, but it's not the only one. Josefina Vázquez Mota, who is leading the transition team for Mexico's President-elect Felipe Calderón, told guests there are 52 indigenous languages spoken in Mexico. Vázquez Mota provided the fact while delivering the keynote luncheon address Wednesday. She repeatedly referred to Calderón as president. Vicente Fox doesn't turn over the presidential sash until Dec. 1.

THE COUNTESS

The conference attracts everyone from presidents to prime ministers to . . . countesses? Among those chatting it up in the lobby of the Biltmore Hotel was Eva Alexandria Countess Kendeffy, Germany's counsel general in Miami. The countess' husband is Peter Count Kendeffy. His title dates back to ninth century Germany, Kendeffy said. Kendeffy, 58, said after Germany passed a "no titles law," noble titles officially became part of a person's name.

NO PARTY THIS YEAR

At last year's conference, Manuel Camacho Solís, top aide to losing Mexican presidential candidate Andrés Manuel López Obrador, was a key speaker. This year he was a no-show, leaving López Obrador's Party of the Democratic Revolution without a representative at a seminar on Mexico.

DELAYED REACTION

Roberto Lavagna, the former Argentine economy minister and potential presidential hopeful, failed the conference applause-o-meter. A conference organizer introduced Lavagna, considered the architect of Argentina's economic revival, and requested a welcome applause. Her claps were loud and clear over the microphones, but nobody else joined her. Thinking there was a coffee break, most participants had tuned out and were heading out the door. She repeated her words, and got the same effect. Eventually, people trickled back in, and the former minister was warmly applauded at the end of his speech.

EARLY REPORTING

John Kavulich, senior analyst with the U.S. Cuba Trade & Economic Council, slipped and jumped the gun on Fidel Castro when he addressed the session on business and investment opportunities in Cuba. While commenting about U.S. business interest in Cuba, Kavulich said ". . . Fidel Castro's recent death. . . ." Some members of the audience immediately applauded. "That is one way to get an applause," Kavulich said.

BEYOND ECONOMICS

Ravi Kumar, director general of the Indian trade company Jaguar Overseas, tried to draw the lines closer between Latin America and India. Latin American music and salsa were popular, he told the crowd. "Shakira is the latest rage," Kumar said, referring to the Colombian singer. He also noted that women from India and Latin America frequently win the Miss Universe title. "That is for the ladies," he added.

Sun-Sentinel

Fort Lauderdale, Florida

15 September 2006

HEMISPHERE

Cuba to remain a hard sell for U.S. business

By Joseph Mann
South Florida Sun-Sentinel

There is no likelihood of change in Cuba's negative attitude toward investment from American companies following President Fidel Castro's illness, an expert on Cuban-American commercial and economic affairs said Thursday.

"As long as Venezuela provides a safety net, Cuba doesn't need to change its economic or commercial policies," said John S. Kavulich, president of the U.S.-Cuba Trade and Economic Council Inc., a New York-based not-for-profit group that provides information on Cuba to U.S. companies.

As Cuba makes the transition from an ailing Fidel Castro to his brother, Raul, the Caribbean island's socialist government, bolstered by discounted oil and investments from Venezuela, will not feel the need to ease its restrictive economic, trade or investment policies, said Kavulich, who spoke during the Americas Conference 2006 in Coral Gables on Thursday. Aside from Venezuela, China is also planning investments in Cuba.

"Cuba now has a stated policy of dealing with state-owned companies" from countries like Venezuela, China and Iran, he added. The island nation currently can't absorb much foreign investment and its leaders have made it clear that they don't want it.

The environment for European and other foreign companies that have invested in Cuba is not conducive to doing business, and many have left. "Cuba doesn't really care if more companies leave," Kavulich said.

Currently American companies that want to do business with the island nation put exports at the top of their priority list, while direct investment in Cuba is at the bottom. Despite the media reports that came out after Castro's illness was announced, "U.S. companies aren't running around looking at ways to invest in Cuba," he said.

The only reason Cuba would change policies, he said, would be a drop in Venezuelan financial aid.

Kavulich also said that the Chinese economic model, where a communist government permits widespread capitalist activities, is the most likely for Cuba to follow after Fidel Castro dies. "The Chinese model is what you're going to see, despite Cuba's denials," he said. "It makes the most sense and has the least downside."

Sun-Sentinel

Fort Lauderdale, Florida

14 September 2006

General says Latin America's security key to its economic future

By ADRIAN SAINZ
Associated Press

CORAL GABLES -- Improving national security is an essential step for Latin American countries if they are to compete in the global economy against Asia, Europe and North America, the head of U.S. Southern Command said Thursday.

Gen. John Craddock, who oversees U.S. military operations in Latin America, said nations such as Colombia have improved security to the point where tourism and business activity has increased. But he said more work needs to be done against narco-terrorism and other threats to create a more stable economic environment and attract foreign investment.

“Money is power. It only goes where it's safe,” Craddock said. “It will not go where there is danger and instability.

Investment capital will not flow down a hazardous unlit street where the risk is visibly higher than the potential reward.” Part of the suburban Miami-based Southern Command's mission is to provide cooperation with security concerns in Latin America, addressing drug trafficking, terrorism and natural disasters.

Latin American economies have grown but still face challenges. A report by the World Economic Forum said that despite an average of 4.6 percent in economic growth in 2005 _ the highest rate registered since 1980 _ the region still suffers from inequities in income distribution, and social tensions. Those factors have hurt foreign investment and allowed trade to shift to Europe and Asia, the report said.

Chile, the region's most competitive economy, ranks just 27th in a global competitive index, according to the forum. Argentina was second in the region, but 54th worldwide.

Craddock said one factor that may be hurting Latin American commerce is the high cost of security. He cited one report that said total security costs for companies doing business in Latin America were between 6 and 8 percent of annual operating costs, compared to a range of 2 to 4 percent in Asia.

“This increased burden discourages investment and undercuts economic development,” Craddock said. “This in turn seriously affects the ability of governments to provide for their citizens. It prevents growth and economic opportunity.”

Craddock, speaking at the annual Americas Conference sponsored by The Miami Herald, said Colombia is a “dramatic” example of how improved internal security has helped it grow in certain economic sectors such as tourism and energy exploration.

Craddock praised Colombia President Alvaro Uribe for confronting the threat of armed drug

traffickers and insurgents, ``paving the way for additional economic development, investment and infrastructure improvement."

Improved security and increased promotion in Colombia and Guatemala, a key waypoint for drug traffickers traveling through Central America, has resulted in an increase in international tourist arrivals, Craddock said. Guatemala's tourism saw a 34 percent increase in tourism receipts last year, according to statistics cited by Craddock.

The success of a task force created to fight drug traffickers near the Tikal national park in the Petan region of Guatemala has helped preserve natural resources and ancient ruins, while keeping drug runners and violent groups out of in the region, Craddock said.

``The case of tourism highlights the importance of protecting infrastructure to allow the region to capitalize on its vast natural resources," the general said.

Another topic discussed was the economic future of Cuba in light of Cuban leader Fidel Castro's surgery and handing over power to his brother and designated successor, Raul, on July 31.

John Kavulich, senior policy adviser for the U.S.-Cuba Economic Trade Council, said Cuba will ``absolutely" look toward the Chinese model of a market economy, despite recent comments made by Cuba's economic minister that the communist nation would not open up its economy.

Kavulich said U.S. companies seeking to invest in Cuba in the transition following Fidel Castro's death will find it dominated by current and former members of the Cuban military. American companies could find it hard to penetrate Cuba because of the help it's getting from other nations, he said.

``The Cuban government right now, because of Venezuela and China, see absolutely no reason to make any commercial or economic or political changes to have a rapprochement with the U.S," said Kavulich.

The council is a privately run, nonprofit organization that aims to educate the U.S. business community on U.S.-Cuba relations.

The conference this year looks at how Latin America can compete in a global economy. Speakers were to address issues relating to the Caribbean region, Mexico and Brazil.

Associated Press

New York, New York

14 September 2006

General says Latin America's security key to its economic future

By ADRIAN SAINZ
Associated Press

CORAL GABLES, Florida Improving national security is an essential step for Latin American countries if they are to compete in the global economy against Asia, Europe and North America, the head of U.S. Southern Command said Thursday.

Gen. John Craddock, who oversees U.S. military operations in Latin America, said nations such as Colombia have improved security to the point where tourism and business activity has increased. But he said more work needs to be done against narco-terrorism and other threats to create a more stable economic environment and attract foreign investment.

"Money is power. It only goes where it's safe," Craddock said. "It will not go where there is danger and instability. Investment capital will not flow down a hazardous unlit street where the risk is visibly higher than the potential reward."

Part of the suburban Miami-based Southern Command's mission is to provide cooperation with security concerns in Latin America, addressing drug trafficking, terrorism and natural disasters.

Latin American economies have grown but still face challenges. A report by the World Economic Forum said that despite an average of 4.6 percent in economic growth in 2005 — the highest rate registered since 1980 — the region still suffers from inequities in income distribution, and social tensions. Those factors have hurt foreign investment and allowed trade to shift to Europe and Asia, the report said.

Chile, the region's most competitive economy, ranks just 27th in a global competitive index, according to the forum. Argentina was second in the region, but 54th worldwide.

Craddock said one factor that may be hurting Latin American commerce is the high cost of security. He cited one report that said total security costs for companies doing business in Latin America were between 6 and 8 percent of annual operating costs, compared to a range of 2 to 4 percent in Asia.

"This increased burden discourages investment and undercuts economic development," Craddock said. "This in turn seriously affects the ability of governments to provide for their citizens. It prevents growth and economic opportunity."

Craddock, speaking at the annual Americas Conference sponsored by The Miami Herald, said Colombia is a "dramatic" example of how improved internal security has helped it grow in certain economic sectors such as tourism and energy exploration.

Craddock praised Colombia's President Alvaro Uribe for confronting the threat of armed drug

traffickers and insurgents, "paving the way for additional economic development, investment and infrastructure improvement."

Improved security and increased promotion in Colombia and Guatemala, a key waypoint for drug traffickers traveling through Central America, has resulted in an increase in international tourist arrivals, Craddock said. Guatemala's tourism saw a 34 percent increase in tourism receipts last year, according to statistics cited by Craddock.

The success of a task force created to fight drug traffickers near the Tikal national park in the Petan region of Guatemala has helped preserve natural resources and ancient ruins, while keeping drug runners and violent groups out of in the region, Craddock said.

"The case of tourism highlights the importance of protecting infrastructure to allow the region to capitalize on its vast natural resources," the general said.

Another topic discussed was the economic future of Cuba in light of Cuban leader Fidel Castro's surgery and handing over power to his brother and designated successor, Raul, on July 31.

John Kavulich, senior policy adviser for the U.S.-Cuba Economic Trade Council, said Cuba will "absolutely" look toward the Chinese model of a market economy, despite recent comments made by Cuba's economic minister that the communist nation would not open up its economy.

Kavulich said U.S. companies seeking to invest in Cuba in the transition following Fidel Castro's death will find it dominated by current and former members of the Cuban military. American companies could find it hard to penetrate Cuba because of the help it's getting from other nations, he said.

"The Cuban government right now, because of Venezuela and China, see absolutely no reason to make any commercial or economic or political changes to have a rapprochement with the U.S.," said Kavulich.

The council is a privately run, nonprofit organization that aims to educate the U.S. business community on U.S.-Cuba relations.

The conference this year looks at how Latin America can compete in a global economy. Speakers were to address issues relating to the Caribbean region, Mexico and Brazil.

Sun-Sentinel

Fort Lauderdale, Florida

14 September 2006

Venezuelan aid props up Cuban economic policies

By Joseph Mann
South Florida Sun-Sentinel

FORT LAUDERDALE, Fla. - There is no likelihood of change in Cuba's negative attitude toward investment from American companies following President Fidel Castro's illness, an expert on Cuban-American commercial and economic affairs said Thursday.

"As long as Venezuela provides a safety net, Cuba doesn't need to change its economic or commercial policies," said John S. Kavulich, president of the U.S.-Cuba Trade and Economic Council Inc., a New York-based not-for-profit group that provides information on Cuba to U.S. companies.

As Cuba makes the transition from an ailing Fidel Castro to his brother Raul, the Caribbean island's socialist government, bolstered by discounted oil and investments from Venezuela, will not feel the need to ease its restrictive economic, trade or investment policies, said Kavulich, who spoke during the Americas Conference 2006 in Coral Gables, Fla., Thursday. Aside from Venezuela, China is also planning investments in Cuba.

"Cuba now has a stated policy of dealing with state-owned companies" from countries like Venezuela, China and Iran, he added. The island nation currently can't absorb much foreign investment and its leaders have made it clear that they don't want it.

The environment for European and other foreign companies that have invested in Cuba is not conducive to doing business, and many have left. "Cuba doesn't really care if more companies leave," Kavulich added.

Currently American companies that want to do business with the island nation put exports at the top of their priority list, while direct investment in Cuba is at the bottom. Despite the media reports that came out after Castro's illness was announced, "U.S. companies aren't running around looking at ways to invest in Cuba," he said.

The only reason Cuba would change policies, he said, would be a drop in Venezuelan financial aid.

Kavulich also said that the Chinese economic model, where a communist government permits widespread capitalist activities, is the most likely for Cuba to follow after Fidel dies. "The Chinese model is what you're going to see, despite Cuba's denials," he said. "It makes the most sense and has the least downside."

San Jose Mercury News

San Jose, California

14 September 2006

Bush supports OAS referendum on Raul Castro

By Pablo Bachelet
McClatchy Newspapers

WASHINGTON - The Bush administration is proposing that the Organization of American States help arrange a referendum for Cubans to decide if they want to be ruled by Raul Castro, U.S. officials say.

Commerce Secretary Carlos Gutierrez will outline the idea in a speech Friday at The Miami Herald's Americas Conference being held at the Biltmore Hotel in Coral Gables, Fla. "Let the Cuban people determine their own destiny in a free and fair referendum, in which the OAS could be involved," an aide to Gutierrez said, requesting anonymity in keeping with his department's rules.

Gutierrez, a Cuban American, is expected to cite the example of Chile, which in 1988 held a yes-no referendum on whether Gen. Augusto Pinochet should stay in power. The dictator lost that vote.

Cuba's communist government is considered highly unlikely to accept any such referendum. It has never replied to a request for a referendum on democratic changes pushed by Cuban dissident Oswaldo Paya and backed by thousands of signatures from other Cubans.

The Bush administration has said it would launch a diplomatic offensive to put pressure on the Cuban government after the July 31 announcement that Fidel Castro was temporarily handing his leadership responsibilities to his brother Raul. U.S. officials believe the 80-year-old Fidel Castro, who is recovering from intestinal surgery, is either too ill to return to power or will do so only in a diminished form. Havana has never explained exactly what ails the man who ruled Cuba for 47 years. The aide said Gutierrez will reiterate the U.S. position that the United States "will not do business with another dictator, Raul."

Washington's referendum proposal comes just after Costa Rican President Oscar Arias, winner of the 1987 Nobel Peace prize for his mediation in the Central American civil wars, made an impassioned plea at the Americas Conference for Latin America to prod Cuba into adopting democratic reforms.

Arias was addressing a dinner gathering Wednesday night to launch the annual gathering. Long stretches of his remarks were dedicated to Cuba. He said Latin America had to acknowledge that Cuba really is, "plain and simple, a dictatorship." Cubans "deserve the opportunity to choose a destiny for themselves." Arias has been critical of Castro before. In an Aug. 29 opinion column in a Costa Rican newspaper, Arias said Castro was "cut from the same cloth" as Saddam Hussein and Yugoslavia's Slobodan Milosevic.

But others in Latin America have been quiet on Cuba since Castro's ailment was announced. The region's nations often adhere to the principle of nonintervention in the affairs of other states. Brazil's ambassador to the OAS, Osmar Chohfi, told The Miami Herald last month that "nothing has happened so far to warrant an OAS intervention." "If there is a transition," he added, "it is an internal process to Cuba."

But other, non-U.S. diplomats have been privately discussing whether the OAS, the hemisphere's premier institution dealing with political matters, should become involved in the Cuba issue. Cuba was suspended from the OAS in 1962. One option would be to have Jose Miguel Insulza, secretary general of the OAS, quietly begin contacting Cuban officials.

Another speaker at the Americas Conference, John Kavulich, senior policy advisor for the U.S.-Cuba Trade and Economic Council, said that even after Castro dies, Cuba would not change drastically thanks to the massive economic support it is receiving from leftist Venezuelan President Hugo Chavez.

"Venezuela is absolutely the key," Kavulich said. "Financially as long as Chavez backs Cuba, Cuba doesn't have to change."

The Sunday Times

London, United Kingdom

10 September 2006

Capitalism makes plans for an invasion of Cuba

With the regime of Fidel Castro fading, firms are already eyeing up the opportunities.

Simon Goodley reports

THE boxing promoter Frank Warren knows all about striking when an opponent is on the ropes. Having long admired Cuba's production line of boxers, he has been considering signing up some of the island's best fighting prospects while President Fidel Castro is confined to his sick bed.

There is a rich Cuban boxing heritage to tap into. Although professional sport is outlawed in the communist republic, Cuba has produced near legendary boxers such as Teófilo Stevenson and Mario Kindelan, both Olympic gold medallists who were denied the opportunity to fight for world crowns and lucrative purses.

So who can blame Warren, promoter of the biggest names in British boxing — from Frank Bruno to his present protege Amir Khan — for considering a reconnaissance mission to Havana. And he is not alone in eyeing up the island's potential that may be up for grabs once the 80-year-old Cuban leader finally throws in the towel.

"I may well go there. It would be a nice holiday anyway," said Warren when the question was put to him. "We've certainly looked at it and we're interested. I've been over to Cuba before and invested a bit of time and money in it."

There has been a great deal of interest in Cuba since Castro underwent emergency surgery at the end of July and ceded power to his brother Raul.

"We're getting more interest than we were six months ago, and not just from American companies," said Teo Babun, a Cuban émigré who is president of a Miami business consultancy that specialises in Cuba. "We work with big companies that are putting together preliminary strategies so they could operate in Cuba when and if the opportunity emerges." Babun's company has a list of clients that include the cruise group Royal Caribbean, hotel operator Radisson and computer giant Hewlett-Packard.

For decades, Cuba's main foreign currency earner was sugar; now it is tourism. It generated \$2.6 billion (£1.4 billion) last year and the island is expected to attract a record 2.5m visitors this year, a rise of 7.7%.

Paul Charles, of Virgin Atlantic, which opened its flights service to Havana last year, said: "Cuba has gone through a revolution. It's been amazing. In the year we have been operating, the tourism industry has been transformed. It is almost as if Castro's legacy will be one of building up a very dynamic economy."

Ian Benjafield, a spokesman for the holiday company First Choice, said: "We are continuing to expand our Cuba offering. We will increase our flight regularity from every fortnight to every week from Gatwick as of November 2007."

However, Matthew Pickles, an analyst at Ernst & Young, said some foreign hotel operators with Cuban partners were finding it a challenge to implement five-star levels of service.

Inevitably, as a result of the island's history under the former president Fulgencio Batista (ousted in 1959), gambling groups are hinting that they are preparing to take a bet on post-Castro Cuba.

These include MGM Mirage of Las Vegas and Ladbrokes, its British rival. "We will definitely keep a close eye on it," said Ciaran O'Brien, a spokesman for Ladbrokes. "I imagine that, if there was a regime change, that would present an opportunity for non-American companies."

Up to a point. There are those who believe that gambling would be the last sector to benefit from any liberalisation. Sol Kerzner, the South African gambling and hotel tycoon, was forced to withdraw from the island last year. His company, One & Only, stopped managing Havana's new Saratoga hotel amid speculation that the Cuban government had refused to pay its fees.

There are many cautionary tales concerning the island's communist bureaucracy. "If you invest in Cuba you pay the wages for your staff to the government," reported one foreign investor, who did not want to be named. "You then get given your employees. They are chosen by officials who put their family members into the jobs. The nepotism there is ridiculous and the only way to get loyalty from your staff is to bung them money under the table.

"There are a lot of people on the take. There is a saying in Cuba that 'everybody is too busy making a living to do their job'." There are other major hurdles to clear too, not least for American businesses.

For a start, there is the Helms-Burton Act, a 1996 law that toughened the American embargo of Cuba, and specifically precludes the United States from recognising a transitional government headed by Raul Castro.

Many American companies and individuals also have claims on assets that were expropriated by the Cuban government after the 1959 revolution. There are 5,911 outstanding that could be worth an estimated \$7 billion (£3.7 billion) today.

"The opportunities will be slow in coming as, first, there need to be bilateral agreements," said John Kavulich, the founder of the US-Cuba Trade and Economic Council. "The settling of corporate claims, double-taxation agreements, import-duty agreements, all need to be established before trade between America and Cuba can begin."

Most people think change will come through evolution, not revolution. "If the embargo were lifted, the economy would pick up, but I don't think there will be a sudden change," cautioned Randal Macdonald, the London restaurateur who has licensed the names of El Floridita and La Bodeguita del Medio — Ernest Hemingway's legendary drinking haunts in Havana.

"One of Fidel's legacies is that he has kept Cuban assets for the Cubans.

"There will be some opportunities, but this won't be buying up Cuba on the cheap." Warren, too, has a cautionary experience. His last foray on to the island resulted only in John Duncan's book, *In the Red Corner: A Journey Into Cuban Boxing*.

It recounts the author's attempt in the 1990s to set up a fight between Mike Tyson and the Cuban Olympic heavyweight champion, Felix Savon. Duncan got nowhere, but he did spend an enjoyable year on the Caribbean island . . . at Warren's expense.

Sun-Sentinel

Fort Lauderdale, Florida

9 September 2006

HOSPITALITY

Cuba on their minds

U.S.-based group to promote travel to Cuba at industry convention in Orlando.

By Doreen Hemlock
South Florida Sun-Sentinel

HAVANA · U.S. law blocks most travel to communist-led Cuba, but the Caribbean nation will be represented next week at an international travel show in Orlando.

A U.S.-based group known as the Travel Industry Committee on Cuba will promote travel and business links with the neighboring island at a convention Sunday through Tuesday, spearheaded by the American Society of Travel Agents, the world's biggest travel agent group.

More than 2,000 travel sellers and more than 1,000 consumers are expected at the show that will feature booths representing companies and countries from around the world.

John McAuliff, coordinator of the Travel Industry Committee on Cuba, said by telephone Friday that his group wants Washington to lift its 40-year-old restrictions on U.S. travel to the island, just as it liberalized U.S. food sales to Cuba. The move would open new business opportunities for U.S. travel companies.

For example, Miami-based Royal Caribbean Cruises Ltd. is now buying Spain's cruise operator Pullmantur S.A. for more than \$500 million to expand in Latin America and Europe, but it must end Pullmantur cruises to Cuba to comply with U.S. restrictions on business with the island.

The Alexandria, Va.-based American Society of Travel Agents long has backed freedom of travel to Cuba and elsewhere as a basic human right.

"ASTA has always supported open access to all destinations," the group said in response to an e-mail query. "Travel leads to understanding and communication, and peace."

The Bush administration, in contrast, has been tightening restrictions on U.S. travel to Cuba, allowing Cuban-Americans to visit only once every three years and clamping down on trips by U.S. academics. Officials say the restrictions aim to limit the flow of dollars to the communist government and hasten democracy in the Caribbean's most populous nation.

McAuliff said he hopes his group's booth and reception in Orlando next week will help mobilize more travel agents to join the still nascent Travel Industry Committee and advocate for travel to Cuba.

"We've isolated ourselves with our policy toward Cuba," said McAuliff, a former Peace Corps volunteer, active for 21 years with a New York-based nonprofit group Fund for Reconciliation and Development that initially pushed for exchanges with Vietnam and Cambodia and took groups there.

The trade show comes as Cuba forecasts record tourism this year, a total of 2.5 million visitors, up about 8 percent from last year and more than triple the tally a decade ago. Still, that's only about the same number as visit Jamaica, a nation with one-fifth Cuba's population.

Most visitors to Cuba come from Canada, the United Kingdom, Spain and Mexico because of Washington's travel restrictions. The United States is the top source of travelers to the Caribbean overall, accounting for about 70 percent of arrivals in Jamaica, for instance, regional statistics shows.

Cuba began opening to limited tourism in the 1980s and embraced the industry in the 1990s, after the collapse of the Soviet Union meant an end to an estimated \$6 billion a year in Soviet subsidies to the island. Havana viewed tourism as a quick way to gain needed dollars and euros without too much investment and invited foreign companies to help manage new resorts.

The initial focus was low-cost vacation packages offering sun, sand, sea, rum and fun, all-inclusive vacations that often cost \$1,000 to \$1,500 per person per week from Canada or Europe, industry experts said.

But in the last few years, as Havana's cash crunch has eased with help from Venezuelan oil subsidies and Chinese trade credits, the communist government has cooled its tourism push. The government has increased prices at most tourist hotels and restaurants, cracked down on Cubans renting rooms to visitors, and last year, issued new rules to limit tourism workers from socializing with foreigners.

Cuba's government is sure to enjoy the publicity generated by the Orlando trade show, said John Kavulich, a senior adviser to the U.S. Cuba Trade and Economic Council, a New York-based group that studies business and other trends on the island.

"Anytime Cuba can potentially insert themselves into the U.S. political discourse, they will," Kavulich said. "They don't like to be ignored."

The Sacramento Bee

Sacramento, California

4 September 2006

Copyright war feared with Cuba

Many companies expect retaliation after U.S. refuses to renew trademark for rum enterprise.

By Mathew Haggman -- McClatchy Newspapers

MIAMI -- In 1918 the Aunt Jemima trademark was registered in Cuba, and even after Fidel Castro seized power in 1959, a steady stream of U.S. companies from Ace Hardware to United Airlines continued to register their trademarks in the island nation.

Despite the decades-long U.S. economic embargo that precludes most trade with Cuba, more than 400 U.S. companies have registered in excess of 5,000 trademarks -- everything from McDonald's Golden Arches to Nike's famed Swoosh and Pepsi. And until recently, Cuba had no problem registering and renewing trademarks in the United States.

Now some fear the recent U.S. refusal to renew the Havana Club rum trademark claimed by a Cuban joint venture and Bacardi's launch of Havana Club -- a brand it also claims -- has placed the delicate balance of respecting other nations' trademarks in jeopardy. The recent developments also raise the possibility of Cuban retaliation, experts say.

Bacardi's fight with Cubaexport, a Cuban company that partnered with French liquor giant Pernod Ricard in 1993 to sell the rum around the world, has been simmering in U.S. courts, Congress and in the World Trade Organization for a decade. But the United States' recent decision to invalidate Cubaexport's Havana Club trademark registration really fanned the flames. For the time being, there are two Havana Clubs -- one distilled in Puerto Rico by Bacardi and sold in the United States and another made in Cuba and distributed around the world.

"Our government has done a real injustice that will come back to bite a lot of other companies," said William Reinsch, president of the National Foreign Trade Council. The council, which is based in Washington, represents corporate members such as Microsoft, Wal-Mart, Caterpillar and General Motors.

But Patricia Neal, a Bacardi spokeswoman, rejected the notion that the rum company's efforts endanger other companies' trademarks in Cuba.

"All companies would fight to protect their brand," she said.

On Aug. 3 the U.S. Patent and Trademark Office said the Havana Club trademark would be "canceled/expired," although Cubaexport had filed its renewal application correctly with a \$500 fee and on time.

The Patent Office refused to accept the renewal after J. Robert McBrien, the acting director of the Office of Foreign Assets Control, wrote the office had received guidance from the U.S. State Department "informing us that it would be inconsistent with U.S. policy." That decision stems from a provision called Section 211 that was inserted in a 1998 budget bill. Sometimes called the "Bacardi Bill," Section 211 has been criticized as a measure solely aimed at benefiting the rum giant.

Now the recent Havana Club denial has raised concerns that Cuba could return the favor by canceling U.S. trademark registrations based on the communist nation's own "policy" considerations.

Cuba could, for instance, cancel the trademarks for Levi's jeans or Heinz ketchup and sell its version in island stores. Those products could filter into other markets, too, harming U.S. companies that have long sought to keep fakes off store shelves abroad, said the National Foreign Trade Council.

Such a scenario could force U.S. companies to spend millions defending trademarks in many different countries and make the Cuba market ever more difficult to enter if it ultimately transitions into a market economy.

"Some day Cuba could say, 'The heck with it, we will not honor any of these (U.S.) registrations, because you guys are not honoring ours,'" said Jesus Sanchelima, a Miami lawyer who has represented U.S. firms in trademark cases in Cuba.

The 1990s had a flurry of U.S. trademark registrations in Cuba. Among them: Playboy, Bud, Huggies, The Home Depot, Pizza Hut, Kmart, McDonald's, Tommy Hilfiger, Old Spice, Hawaiian Tropic, Starbucks Coffee and Healthy Choice, according to the U.S.-Cuba Trade and Economic Council.

U.S. companies often sent their own representatives to register trademarks during the 1980s. But in recent years, they have hired Cuban law firms to go to the Oficina Cubana de la Propiedad Industrial in Havana to register and defend against misuse of corporate emblems.

Some now fear the decision could set a precedent that other countries can use to cancel trademarks or play politics with intellectual property law.

"Basically, (the United States) let politics trump trademark policy," Reinsch said. "They took care of one company at the expense of a lot of others."

Associated Press

New York, New York

10 August 2006

U.S.-Cuba Trade Iffy, Even Without Fidel

NEW YORK (AP) - If Fidel Castro died tomorrow, the U.S. embargo against Cuba could not be lifted like any other -- as President Bush undid by decree the 18-year trade sanctions against Libya in April or President Clinton lifted the 19-year ban against Vietnam in 1994.

The door to trade with Cuba is bolted by numerous laws which, over the 46 years since the initial ban took effect, stripped much of the power of trade policy from the president and gave it to Congress.

U.S. companies are looking at Cuba's potential but few will discuss it openly, citing the current status of the embargo. But for U.S. businesses eyeing the Cuban market -- should the political situation on the island change -- moving beyond the embargo will take nothing short of an act of Congress, according to John Kavulich, a senior policy adviser with the U.S.-Cuba Trade and Economic Council.

"No matter what happens in Cuba, a provision of the Libertad Act of 1996 precludes the U.S. president from establishing normal economic and political relations with Cuba, as long as the government includes one of the Castro brothers," said Kavulich, whose New York-based group provides nonpartisan commercial and economic information about Cuba.

Castro, who turns 80 on Sunday, is said to be recovering from surgery that led him to temporarily cede power last month to his younger brother, Defense Minister Raul Castro. Neither of the brothers has made a public appearance since.

"Bush can't do the two biggies: He can't quote-unquote 'normalize' commercial, economic and political relations with Cuba -- the Libertad Act says that decision belongs to the U.S. Congress," Kavulich said. "And secondly, he cannot unilaterally allow expanded travel to Cuba -- that also is in the hands of the U.S. Congress."

The U.S. Treasury Department maintains that "legally, the president has significant flexibility to amend the embargo; however parts of that embargo are in place pursuant to legislation and would require congressional action," according to a spokeswoman.

Despite the political hurdles, U.S. companies have Cuba in their sights. Castro's hospitalization reminded U.S. companies that Cuba's status quo may be closer to change than it has seemed in decades.

"If you have a strategic plan for potential investment into Cuba, you should pull your plan off the bookshelf, dust it off and bring it up to date. We don't know how quickly opportunities in Cuba will develop," said Teo A. Babun, Jr. a Miami-based consultant to companies looking to expand into a post-embargo Cuba.

The roster of clients posted on his Babun Consulting Group Web site includes an international unit of packaged foods giant ConAgra Foods Inc., Radisson Seven Seas Cruise Line, computer maker Hewlett-Packard Co. and the Port of Delaware.

Babun said two types of companies would want to move quickly: Those looking for opportunities as government-owned companies privatize, such as infrastructure companies, and those that need access to materials or products for export, such as mining companies looking for access to Cuba's large deposits of nickel, which is used in stainless steel production.

The first companies to move in would likely be those that could rebuild that country's infrastructure, said Frank Nero, who heads the Miami-based Beacon Council, an economic development organization. That includes companies that manage or build airports, water and sewer lines; electric utilities; telecommunications providers and automakers, he said. The tourism industry would be quick to follow, he added.

But Babun cautions any transition to a more open market economy will likely be arduous.

"Do your plan, but don't buy an airline ticket and don't pack your bags," he said.

Legislation and presidential decree have made the economic relationship between the U.S. and Cuba more complex over the years. Additionally, many companies and individuals have claims on assets that were expropriated by the Cuban government after the 1959 revolution. Some 5,911 claims outstanding could be worth \$7 billion today.

Medical products were approved for export under the Cuban Democracy Act in 1992. The 2000 Trade Sanction Reform and Export Enhancement Act reauthorized U.S. export of food and agricultural products but also codified narrow categories of U.S. travelers permitted to go to Cuba. In 2004, President Bush limited family travel to every three years versus the previously permitted annual visits. Bush also eliminated "fully-hosted" travel, under which travelers could go to Cuba if they assured the U.S. their visit would be paid for by someone not subject to U.S. law.

In another tightening of restrictions, foreign subsidiaries of U.S. companies were banned after 1992 from exporting products to Cuba. Before then, foreign divisions of Otis Elevators, Cargill, Ford and other large companies were all doing business on the island. In the last year of the program, U.S. companies exported some \$700 million in products and services through foreign-based units, according to the U.S.-Cuba Trade and Economic Council's Kavulich.

Today, the agricultural trade permitted under the 2000 act "is vibrant and is continuing to expand," said Kirby Jones, whose Washington-based Alamar Associates advises companies interested in doing business in Cuba. The country has become a top market for American rice, poultry and wheat, he said.

About 300 products are being sold to Cuba by 160 U.S. companies such as Tyson Foods Inc., Del Monte Foods Co. and Wm. Wrigley Jr. Co. Jones said.

"We believe Cuba could be an interesting market for us," said Antonio Ellek, co-founder and chief executive of Pasha's, a Miami restaurant chain that serves Mediterranean-style food. If the U.S. were to lift its embargo against Cuba, that country would be on Pasha's list of target markets.

Ellek, who spent four years with PepsiCo Restaurants -- now Yum Brands Inc., the parent of KFC, Pizza Hut and Taco Bell -- witnessed the expansion of those brands in Puerto Rico, the Dominican Republic and other Latin American countries. He said he expects similar hunger for American brands in Cuba.

"We'll have to follow things very closely," he said. "There will be an uncertainty at the beginning; we'll have to evaluate that. But as entrepreneurs, we cannot wait for a perfect market opportunity, otherwise we'll be too late."

The Miami Herald

Miami, Florida

10 August 2006

THE OPPENHEIMER REPORT

Latin nations prefer status quo in Cuba

BY ANDRES OPPENHEIMER

BUENOS AIRES -- Watching the latest events in Cuba from this part of the world, one gets the sense that the international community -- perhaps including the United States -- will be in no great hurry to seek a rapid transition to democracy on the island.

While many countries say they would like to see an economic and political opening in Cuba following Fidel Castro's July 31 decision to cede power to his brother Raúl, most governments may be more dominated by fear of chaotic change than motivated by the desire for democracy in Cuba.

Consider:

- Mercosur, the left-leaning regional bloc made up of Argentina, Brazil, Uruguay, Paraguay and Venezuela, is increasingly dependent on Venezuelan President Hugo Chávez, the staunchest supporter of the Cuban dictatorship in the region. Because of oil-rich Venezuela's growing influence, and because most presidents in the region don't want to antagonize their leftist supporters at home, Mercosur is not likely to press for swift democratic changes.

In the Argentine press, Castro is affectionately referred to by his first name, "Fidel," a deference made to very few world leaders. In second reference, he is always referred to as "the Cuban leader" (a generous title that, by the way, is also used by most U.S. media, despite the fact that no dictionary has a definition of "dictator" that wouldn't fit Castro).

According to a recent poll by Barómetro Ibero-Americano, Castro is seen "with sympathy" by 67 percent of Ecuadoreans, 46 percent of Argentines and 45 percent of Brazilians.

While support for the aging ruler drops to only 33 percent of Venezuelans, 30 percent of Chileans and 26 percent of Mexicans, Castro backers tend to belong to militant groups that governments don't want to have as enemies.

"Nobody is in any hurry to see big changes in Cuba," said Emilio Cárdenas, a former Argentine ambassador to the United Nations. ``For the time being, this may translate into support for Raúl."

- Mexico, Central America and the Caribbean countries that depend heavily on U.S. tourism know that an opening in Cuba will sooner or later lead to an avalanche of American tourists to the island. Most would like that moment to come as late as possible.

About two million foreign tourists visit Cuba annually, compared with 3.5 million to the Dominican Republic, 1.5 million to the Bahamas, 1.4 million to Jamaica and 2.3 million to Cancún, Mexico.

According to John Kavulich, a senior analyst with the U.S.-Cuba Trade and Economic Council, Cuba could get an additional one million tourists a year within four years after a lifting of U.S. travel sanctions to the island and many more if Cuba expands its hotel capacity from then on.

In addition to that, Mexico may tone down its support for democracy in Cuba as a result of its domestic political crisis following the contested July 2 elections. If Felipe Calderón, the center-right candidate who won the official vote count, is confirmed as president-elect and takes office Dec. 1, he will form a coalition government with the once-ruling Institutional Revolutionary Party, which has traditionally supported the Cuban regime.

- The Bush administration, while officially supporting a "rapid, peaceful transition to democracy" on the island, may not want to open a new front at a time when it is facing a major crisis in the Middle East, mounting problems in Iraq and a looming threat from North Korea. If pressed to choose between democracy and stability in Cuba, it will opt for the latter.

And former U.S. officials tell me that one of the greatest U.S. priorities will be to prevent a massive stampede of Cubans to the United States like the 1980 Mariel boatlift. This is particularly true when we are only months away from the November congressional elections, and the Republican Party could lose badly needed votes in the event of a Cuban migration crisis, they say.

My conclusion: If Fidel Castro disappears from Cuba's political scene, or if he returns as a ceremonial ruler, there will be no major outside pressures for democratic changes on the island. Which may not be bad, as long as the world doesn't turn its back on peaceful internal oppositionists once they decide to take to the streets and demand their fundamental freedoms.

Fund rallies on news of Castro's ailment

By Riva Froymovich

7 August 2006

NEW YORK - Shares of the Herzfeld Caribbean Basin Fund (CUBA), a closed-end fund that invests in companies related to Cuba, soared last week on news that Fidel Castro had surrendered his leadership for the first time as he underwent gastrointestinal surgery.

Shares of the fund rose to a record \$9.50 on Wednesday, before settling back below \$9 a share that afternoon, a big jump from a level of around \$7 before the news broke Monday.

The closed-end fund, which began trading on Cuban Independence Day (May 20) in 1994, invests in companies that portfolio manager Thomas Herzfeld thinks will perform well and benefit Cuba and other Caribbean countries if and before the embargo is lifted.

The U.S. embargo against Cuba forbids American companies from directly investing in the country.

"We try not to be directly involved with politics except to say that we've been very careful with the fund never to do anything that would help Castro," Mr. Herzfeld said.

The fund's largest holding is Florida East Coast Industries Inc. (FLA) of St. Augustine, Fla., he said. The company has railway, materials and real estate interests.

But it's unlikely that companies will see a boost from the situation in Cuba anytime soon, said John Kavulich, senior policy adviser at the U.S.-Cuba Trade and Economic Council Inc. in New York.

"Any succession transition in Cuba is going to take quite a while, and there are U.S. laws that need to be reconciled," he said.

In a statement reportedly read on Cuban state television Tuesday, Mr. Castro said he expects to recover in time for the 50th anniversary celebration of Cuba's Revolutionary Armed Forces in December. That's when he also plans to celebrate his 80th birthday.

The Miami Herald

Miami, Florida

7 August 2006

Cuban modernization confined to pockets

BY JANE BUSSEY

In movies and memories, sepia-tinted snapshots depict the Cuban economy of the past -- sugar cane fields, bejeweled tourists in casinos, the unmistakable presence of wealth.

Then came portraits of the Soviet years -- of lines, ration cards and an economy crippled by bureaucracy. Today, Cuba is both and neither. Nearly half a century after Fidel Castro took power, the Cuban economy is such a study in jarring contrasts that few images can capture its reality.

There are showrooms where you can buy a Mercedes or Peugeot, sparkling hotels built and managed by foreigners, and a budding cellphone culture. There is oil, nickel and mineral ore, such as limestone and iron. China is investing, and Venezuela plowed in \$900 million in 2004.

Yet the prosperous, modern pockets are mostly outposts of foreign corporations. Cubans still live in crumbling buildings with broken-down appliances. And the eight-million-ton sugar harvest of 1989 is just a memory -- only 1.3 million tons were cut last year.

"To get a good picture of what Cuba really is, rather than what people think it is, would be a good idea," said Miami consultant Teo Babun, who has spent the past few years studying the island's electricity, road and railroad infrastructure.

The numbers illustrate how difficult it is to get a realistic picture of Cuba.

Last year, Cuba revised the way it calculates gross domestic product, giving more weight to social and health services -- pricing doctors' services sent abroad -- in overall output.

The result is an economy that grew at 11.8 percent annually in 2005 and 12.5 percent in the first quarter of this year, enabled by generous energy subsidies from Venezuela.

Economists question those numbers. But even if the Cuban economy is not growing at that clip, it is expanding.

The construction and transportation sectors are expected to climb 15 percent this year, according to a report from the Economic Commission for Latin America and the Caribbean. The commission said the country is expected to construct 150,000 homes by the end of the year.

Tourism income will rise 8 percent. The sector brought in \$2.1 million last year. And high nickel prices have helped Cuba participate in the commodities boom that has lifted the rest of Latin America, with nickel exports worth about \$800 million.

The infrastructure is extensive, if in need of repair. Consultant Babun said he was surprised by how much money was invested in building power-line distribution in remote areas -- although access to energy is still tricky because of the country's energy shortage. Leaky water lines, paint-starved buildings and aging electricity poles sit side by side with road, bridge and cable construction.

Cuba boasts a working telecommunication system, thanks to Italian investment, and even shopping malls like Galerías Paseo in the Vedado neighborhood. Businesses can go to the Miramar Trade Center for

offices newly built with Israeli investment. And visitors can take their cellphones to Cubacel offices, purchase a chip and call all over the world.

Cuba's still nothing like a modern metropolis along the lines of Sao Paulo, Brazil, but it clearly has modernized, said Antonio Zamora, a Miami lawyer who travels to Cuba. "It looks more like Latin America," he said.

MONEY FROM ABROAD

Besides energy subsidies, the key to Cuba's development is foreign investment.

Fifteen years ago, after the Soviet Union ended its largess, Castro launched the country into an austerity period, called the Special Period in Time of Peace. It brought not only belt tightening but also experimentation with limited free markets and foreign investment.

Canada's Sherritt energy company started drilling for oil and investing in the Moa nickel mine. Spanish hotel chains stepped up management of existing hotels and refurbished or built new ones. And hundreds of joint ventures were formed.

Recently several Spanish firms have complained they are being forced out. Zamora said he was not surprised the government was getting more picky with its partners. "A lot of those [early] companies were really marginal," said Zamora.

But more money is on the way. The Chinese have plans for investments in two nickel mines, in Las Camariocas and San Felipe.

Venezuela in particular has helped Cuba survive the loss of its former deep-pocketed patrons. Venezuela plans to invest some \$300 million in the Cienfuegos oil refinery, built by the Russians and never used.

The investment means Cuba is integrating in fits and starts with the global economy. And although economists agree the Cuban government is tightening its control over the economy, there is no turning back the clock on foreign investment.

SUGAR SUFFERS

However, Cuba's economy is still strangled in other areas, such as agriculture. The sugar industry for which the country was once known is a dwarf of its former self. There are shortages of fertilizer, pesticides and other products. And, hampered by antiquated Soviet farm machinery, many small producers even resort to animal labor.

"Agricultural production suffered significantly when it lost the Soviet subsidies," Cuban economist Oscar Espinosa Chepe said in a tape recording played at the annual meeting in Miami of the Association for the Study of the Cuban Economy on Thursday. "The unfavorable conditions continue."

The picture is not universally negative -- fruit and vegetable production was up by two to three times in 2000-2004 compared to 1985-89. But larger segments of the agriculture industry, notably sugar, are far from robust.

Remittances have also fallen, and some production has never recovered from the decline during the period of austerity. Cuba produced less cement and detergent last year than it did in 1989. That means while Cubans don't have to worry about a \$30,000 hospital bill -- the government pays for the basics in cradle-to-grave welfare -- it can be daunting to find laundry detergent, aspirin or other consumer goods.

Then there's the energy bill. The country lives in what Cuban energy expert Jonathan Benjamin-Alvarado described as the "Magic Kingdom of energy" -- it does not actually pay the annual \$1 billion to \$2 billion tab for the Venezuelan oil, gasoline and jet fuel it imports.

"They are not exposed to the vagaries of the global markets of energy," said Benjamin-Alvarado, a University of Nebraska professor who has studied the country's energy future.

"Cuba continues to be dependent, whether it's dependent on donations, on favorable trade agreements," said John Kavulich, senior advisor to the U.S.-Cuba Trade and Economic Council in New York. "They are not independent."

PLAY MONEY

Cuba has mimicked the Chinese model by forcing Cubans and visitors to turn over all dollars to the government and use convertible currency, nicknamed chavitos, or play money. By doing this, the Cuban government took control of dollars as people turned over money stored under their mattresses.

The measure took the wind out of the highly organized black market on the island.

"There still is a black market," said Babun, who runs Babun Group Consulting. "It's just not very lucrative."

MILITARY'S IMPACT

A big question going forward is what will happen to the numerous sectors placed under military control by the Castro brothers?

The military-run Business Administration Group oversees a vast range of companies, from the tourism companies Gaviota and Cabanacán to GeoCuba, a real estate and mining administrator. Top brass also controls the Ministry of Sugar, the Ministry of Tourism and Civil Aviation, among other entities.

The military took over administration when Soviet funding ended and the Cuban army was downsized.

"The military were generally well-educated and organized, so Raúl [Castro] persuaded his brother to let them move into the economic area," Zamora said.

Some economists believe Raúl Castro could follow the Chinese model of more entrepreneurship under state control. But others question how the Cuban leadership would accept the side effects of capitalism -- concentrated wealth.

"I just can't see a whole class of millionaires in Cuba under Raúl Castro," said economist Jorge Pérez-López at the conference Thursday. "The prospect of a China-ization of the Cuban economy is not realistic."

The Miami Herald

Miami, Florida

6 August 2006

The Oppenheimer Report

THE OPPENHEIMER REPORT

U.S. should lay low on Cuba

Andres Oppenheimer

President Bush must have a clear plan to react to ailing Cuban dictator Fidel Castro's surprise decision last week to cede power to his brother, Raúl. Here are five key recommendations:

- First, lay low. Whatever you say, don't make aggressive statements that would help the Cuban regime perpetuate the myth that Cuba is facing an imminent U.S. invasion and that Cuban exiles are intent on descending on Havana to reclaim their properties and evict Cubans from their homes.

It may sound funny, but the most effective means of speeding up a transition to democracy on the island may be for the United States to say little or nothing. If 75-year-old Raúl remains in power, his reign won't last decades. And Cuba is not going to have the relevancy it now has in Latin America and Europe. Many governments that supported Cuba as a way to show their independence from the United States or to please their domestic leftist constituencies will no longer feel that attached to Cuba.

NO LOYALTY

With Fidel gone, much of their loyalty will be gone, and so will their tolerance with the government's refusal to repay its debts. Even with Venezuela's massive financial help, Cuba will need to open up to the world. Washington should wait for that moment, knowing that aggressive words will only help feed the Cuban regime's propaganda machine and thus delay change.

As leading Cuban dissident Oswaldo Payá told me in a telephone interview from Havana last week, "The U.S. message should be that there is no such thing as a U.S. threat, that there is no intention to intervene."

- Second, don't rule out contacts with the new Cuban authorities. True, the 1992 Torricelli Act and the 1996 Helms-Burton law prohibit the U.S. president from normalizing political, economic or commercial relations with a Cuban government headed by either Fidel or Raúl. "Bush's hands are handcuffed by Congress, and his legs are shackled," says John S. Kavulich II, a senior policy analyst with the New York-based U.S.-Cuba Trade and Economic Council.

Still, Bush has some room to maneuver. After all, the Bush administration has held various meetings with the Castro regime on immigration and hurricane relief issues, among others. If the Bush administration held meetings with Fidel's regime, it makes more sense to hold them with a care-taker government that may end up being a transition regime.

CUBAN FUND

- Third, have some carrots handy. Remember that old saying from the 1910-17 Mexican Revolution: "No general can resist a \$50,000 cannonade." Speed up preparations for a big Cuban Development Fund for when there are clear signs of a political opening.

In the meantime, prepare a step-by-step conditional engagement policy. The Cuba Study Group, a group of 20 Miami business leaders, offers two ideas worth considering: If Raúl, who is known to admire the Chinese development model, allows Cubans on the island to open small businesses and hire workers, allow the nearly \$1 billion in annual Cuban-American remittances to Cuba to be used as capital investments in these new companies or as loans to them. Likewise, if Cuba allows its citizens freedom to travel abroad, ease restrictions on Cuban Americans to travel to the island.

- Fourth, start working Congress. Even Florida's Sen. Mel Martinez, a key legislator on Cuban issues who does not support negotiating with Raúl, says that "when and if there is a moment of opportunity, our government can have the right flexibility, and we could act legislatively or executively."

TEAM UP

- Fifth, don't go it alone. This is a time when the United States should team up with European and Latin American governments to support an opening on the island.

Bush has a golden opportunity with Spain, one of the most influential countries in Cuba. Spanish socialist President José Luis Rodríguez Zapatero is eager to build bridges with Bush, who has never granted him a meeting, and Spanish officials have repeatedly said they want to cooperate with the Bush administration on Latin America. Cooperation on Cuba offers a key chance to rebuild U.S.-Spanish ties.

But above all, whatever you do, frame it positively. And, even better, let other countries do the talking.

Los Angeles Times

Los Angeles, California

6 August 2006

Businesses Eye Return to a Post-Castro Island

"Cuba libre" can't come soon enough for those in the coffee, cigar and gaming industries. Nor for exiles eager to set up shop again back home.

By Miguel Bustillo
Times Staff Writer

MIAMI — The Souto family fled Fidel Castro's Cuba four decades ago with nothing but their good name and a love of café Cubano that no dictator could take from them.

Through years of hard work, the Soutos went from hand-delivering bags of roasted beans on the streets of Little Havana to owning a multimillion-dollar coffee conglomerate that makes most of the specialty espresso sold in the United States.

But something is still missing from their rich and potent Café Pilon brand: actual Cuban coffee. If Cuba's communists fall from power — a moment many exiles consider imminent now that Castro is ill — the family plans to fix that by phasing out arabica beans from Ecuador and Guatemala in favor of beans from Cuba's Sierra Maestra region.

"The day Cuba is free, we will be back in that market," said Jose Enrique Souto, 63, who left the island as a teenager and joined his father in the family business. "It will not be easy, because there is no infrastructure," he said. "But someday soon, we will be selling Café Pilon in Cuba, and eventually, we will be making coffee there again. "I know that in my heart."

Filled with a passion to recreate the elegant Cuba of their forefathers — and to trade on the public's enduring fascination with the island's fabled cigars, anejo rums and sultry nightclubs — exiles and their children are dusting off old ideas to make money from Cuba's potential reconstruction.

Restoring the grand old homes of Havana and taking back family tobacco plantations and sugar mills are among the ambitious dreams of Cuban immigrants — those who became millionaires in Miami, as well as those who never regained their wealth.

"I don't think a day goes by that my father does not dream about going back to Cuba," said Christian Eiroa, president of Camacho Cigars, a company that grows fine tobacco in Honduras but longs for a return to the Bordeaux of cigars, Cuba's Pinar del Rio region.

"The people who made the Cuban cigar industry are the people who left," added Eiroa, 34, who was born in Honduras and runs the business with his father Julio, a 67-year-old Cuban exile. "We built that industry, and we will build it back."

Corporations banned from doing business with Cuba under the U.S. embargo of the island also are assessing potential investments, though they are doing so more cautiously.

The most obvious interest comes from the gambling and tourism industries, which have long marveled at the untapped potential of a Cuban coastline, less than 100 miles from the United States, that once was considered the jewel of the Caribbean.

During Cuba's tourism heyday in the 1950s under dictator Fulgencio Batista, Havana casinos, such as the Riviera run by mobster Meyer Lansky, rivaled those of Las Vegas.

"Cuba's gaming history certainly demonstrates that a casino resort would work there," said Gordon Absher, a spokesman for MGM Mirage, the world's second-largest gambling company. "It's a special island. Like many other locations, we would be interested in looking at Cuba if gaming there became a real possibility."

Amid the excitement, however, some Cuba experts are voicing caution.

John S. Kavulich, the founder of the U.S.-Cuba Trade and Economic Council, said he gave the following advice to an executive from a multibillion-dollar American corporation: "Do not fuel up your corporate jet. Do not reassemble your Cuba team. Do nothing.

"The lawyers and consultants that have been trumpeting the illness of Fidel Castro as a business opportunity are usually trying to line their own pockets," added Kavulich, now a senior advisor to the nonprofit group.

The Helms-Burton Act, a 1996 law that toughened the U.S. embargo of Cuba, specifically forbids the United States from recognizing any transition government headed by Raul Castro, Fidel's brother, who is now in power in Cuba. So even if Raul Castro attempted to usher in economic reforms, as some believe he might, American companies could not take advantage.

What's more, Cuban exiles who lost everything when Castro seized assets and nationalized the island's industries have filed more than 6,000 claims for compensation with the U.S. government. Resolving the thicket of property rights disputes if a new government is established in Cuba is expected to take years. In the meantime, uncertainty over who really owns land in Cuba could have a chilling effect on reinvestment.

Then there is the crumbling state of Cuba's roads, waterworks and telephone networks, which are in even worse shape than those of the former communist states of Eastern Europe.

"This is a country where almost nothing has happened for 50 years," said Julio Alvarez, a leading Miami architect. His company, Wolfberg Alvarez & Partners, conducted a study of Cuba's electrical grid, which found it prone to blackouts because it was pieced together with incompatible old Soviet and U.S. equipment.

But the biggest challenge to massive outside investment may be working with the more than 11 million residents of Cuba, who will surely want more than a token role in their country's reconstruction.

One of the more grandiose proposals for rebuilding Cuba — a Florida International University master plan funded by Miami developer Sergio Pino — contemplates moving out all Cubans currently living in Havana while the old town is redeveloped, presumably for the Cubans in Miami.

"This is not about money for a lot of people. But some people have an arrogant attitude in Miami," architect Alvarez said. "They need to understand that the people down there [in Cuba] are not going to let them come in and make all the decisions."

Over the years, Cuba experts have noted, Fidel Castro has masterfully conjured up the specter of a Miami "mafia" eager to hoard the spoils of Cuba as a way to foster fear of a return to capitalism. His favorite boogeyman was Jorge Mas Canosa, a fire-breathing anti-Castro exile leader who lobbied U.S. presidents to take a harder stand against Cuba. (Mas Canosa died in November 1997.)

His multimillionaire son, Jorge Mas Santos, has tried to assure those in Cuba that they have nothing to fear from the exiles.

"For years, the Cuban government has spread propaganda that the Cubans in Miami want to take everything back," said Mas Santos, who heads the Cuban American National Foundation, the powerful lobbying group his father founded. "But there is nothing more that Cuba can give me. There is a lot I can give Cuba."

The Souto family, which has been in the coffee business since the 19th century, believes it has something to offer Cuban consumers that they have lacked since capitalists left the island: a really good shot of espresso.

Their company, Rowland Roasters, roasts the most popular espresso brands in the United States, including Café Bustelo and Medaglia D'Oro, as well as Café Pilon and Café Souto. Although Starbucks and other companies sell more coffee that is used to brew espresso drinks such as lattes and cappuccinos, Rowland is the market leader in coffees specifically roasted for the purpose.

The family's plan in Cuba is to begin by selling, not making, Café Pilon. It was once the island's most popular brand, after all, with the assistance of an advertising jingle by salsa songstress Celia Cruz.

Once the Soutos broaden the market for their products, they plan to slowly ramp up Cuban coffee production. It is a riskier venture that may not yield a profit for years, because long-neglected coffee bushes will have to be replanted.

"You are talking about almost 12 million people who we know love our style of coffee because they did before," said Jose Enrique Souto.

"But this is more than business for us," he said. "It's about reviving the mystique of Cuban coffee and taking back what was taken from us."

Perhaps the most famous example of Cuban exiles longing to reclaim treasures of the past is the Bacardi rum family, which has never forgiven Castro for seizing its original factory in Santiago de Cuba.

Bacardi officials declined to discuss the company's post-Castro plans. But a famous piece of Bacardi lore, immortalized in company literature, speaks volumes. It tells the story of El Coco, a stately palm planted by the founder's son Facundo M. Bacardi in the front of that first factory. As the business expanded, the family built around the tree to respect its seniority.

Months before Castro seized the factory and began using it to make rum in the name of his revolution, El Coco withered and died. But it was never forgotten. Bacardi, now a global powerhouse, puts a palm in front of every factory it builds. And the Bacardis have always vowed that they will plant another, in a spot dear to them.

"One day, hopefully not too far away, a new coconut palm will be planted in Santiago de Cuba," the Bacardi website declares. "This palm will be planted in the same patch of green earth where Facundo Bacardi planted the coconut palm in 1862."

Cuba: Open for Business?

Post-Castro Cuba Could See a Huge Boost in Trade With the U.S.

By CHARLES HERMAN

Aug. 3, 2006 — - Cuban-Americans celebrated in the streets of Miami Monday night after learning that Fidel Castro had undergone abdominal surgery and turned over the presidency of Cuba to his brother Raul. And eager businesses eyeing the Cuban market cheered right alongside them.

While Cuban exiles greeted the news from Havana as a sign that Castro's nearly five-decade rule could finally be coming to an end, others turned an eye toward the possibility of billions of dollars in new business and trade in a post-Castro Cuba. But are they jumping the gun?

"Basically, we are trying to alert our clients, and those who have expressed interest in doing business in the future, to take their three-ring binders with their strategic plans for doing something in Cuba in the future and take it out of their bookshelves and put it on the table and remove some of the dust," said Teo Babun. His consulting practice in South Florida provides strategic services for businesses that want to work in Cuba at some point in the future.

Minimal Trade Between U.S -- Cuba

The island nation, only 90 miles from Key West, Fla., has been off-limits to most U.S. businesses for 45 years. Despite the U.S. embargo, though, some trade does exist between the two nations.

Health care products from the United States can be exported to Cuba, along with food and agricultural products such as chicken, corn and rice. Last year agricultural exports totaled more than \$350 million, according to the U.S.-Cuba Trade and Economic Council.

Despite a travel ban that prohibits Americans from visiting Cuba as tourists, thousands make the trek through third countries each year, pouring U.S. money into the Cuban economy. That exchange would likely increase should the trade and travel sanctions be eased or eliminated. And Cubans would likely return the favor, sending fruits, vegetables and even the most American of commodities -- baseball players -- to the United States.

Baseball scouts took notice after Cuba's second-place finish in the World Baseball Classic this past spring. There have been some reports that as many as 200 current Cuban players could join professional baseball teams in the United States and train alongside fellow countrymen like the New York Mets' Eli Marrero and Orlando Hernandez.

Venezuela, China to the Rescue

Since trade with its neighbor to the north has been limited by Congress, Cuba has developed commercial ties with businesses in other countries. Cuba exports large quantities of nickel for manufacturing in addition to sugar, tobacco, seafood and fresh fruit. It imports oil, machinery,

chemicals and food. According to the CIA World Fact Book, Cuba imports \$6.9 billion in goods and services annually.

Those imports come primarily from Venezuela, China and Spain. In recent years, the government of Hugo Chavez, president of Venezuela, has developed close economic and political ties with the Castro's Cuba. According to the U.S.-Cuba Trade and Economic Council, that relationship has led to a decline in agricultural imports from U.S. farms.

Venezuela is the third-largest supplier of oil to the United States. Chavez has used the wealth generated from his country's oil fields to provide services to the poor and needy in Venezuela. Working with Castro, he has done the same for Cubans. In return for subsidized oil and other needed products, Cuba sends teachers and doctors to Venezuela.

Here Come the Americans!

Before the revolution that ended on Jan. 1, 1959, when Castro assumed power, Cuba and the United States were close trading partners.

"It was a very important market," said Terry McCoy, director of the Latin American Business Environment program at the University of Florida. "It was probably one of our top five trading partners in the world."

If Cuba and the United States were to normalize relations in 2006, "Cuba will need everything," said McCoy. "It would be a good market if they can find the means to pay for stuff."

Cuba's agriculture industry could see investments in the form of equipment and fertilizer. Cuba's infrastructure -- its highways, buildings and homes -- would all need to be rebuilt.

Researchers at Florida State University in 2004 forecast that 10 years after lifting the embargo, Cuba could export up to \$4 billion annually to its neighbor due north, while the United States could send just over \$9 billion worth of goods and services each year.

I See Americans

Perhaps the biggest U.S. export would be people. Curious American tourists would take the short flight to explore the island's historic cities and pristine beaches. That translates into more airline flights, more hotel rooms, more restaurants, more trinket shops selling more postcards and tubes of suntan lotion.

A 2002 study conducted by the Brattle Group, an economic consulting firm, found that lifting the sanctions against Cuba could lead to 3.2 million Americans visiting the island country annually.

All that tourism would create thousands of jobs here as well as in Cuba. The airline and cruise ship industry could see upward of 20,000 jobs created, according to the study, and U.S. economic output to Cuba could expand between \$1.2 billion and \$1.6 billion annually.

Two-Way Street

Trade with Cuba, however, would go both ways.

"When the Cuban economy gets on its feet, it will become a competitor with certain states like Florida," said McCoy.

Cuban exports would include fruits and vegetables, many that are currently grown in Florida. It could also become a major provider of seafood. And the surge of tourists to Cuba would most likely mean a decline in Americans spending money in other Caribbean islands, and in places like Miami.

And, of course, Cuba would be allowed to export freely those items so closely identified with that country in the minds of Americans: cigars, rum and yes, even baseball players.

Waiting Game

The question that looms over all thoughts about trade between the two countries is when it might happen. According to most experts, it won't be anytime soon.

John Kavulich, a senior policy analyst with the U.S.-Cuba Trade and Economic Council, put it bluntly to those hoping to catch the next flight to Cuba.

"Stop popping Viagra and start popping Valium," he said.

The laws in the United States against trade with Cuba cannot be overridden unless several conditions are met by that government, explained the University of Florida's McCoy. Prisoners must be released, multiparty elections must occur, and there must be no Castro -- Fidel or Raul -- in any part of the country's government.

"To get there, it seems to me that the regime needs to collapse in some way," McCoy said, adding that the Cuban government has "gone to great lengths to preserve socialism and communist rule."

Kavulich pointed out that a successor government to Fidel Castro has no incentive to work with the U.S. government because that would only weaken its authority.

The Cuban government, he said, will not be embracing political or economic changes that the United States desires because it has the financial support of countries like Venezuela and China.

"Cuba has turned itself into not-for-profit corporation that survives on donations of others," said Kavulich. "Even without Fidel Castro, there is still a relationship that will exist because a successor government will want to show it is still in charge."

So even if some in South Florida have allowed themselves to dream of a Cuba without Fidel, it could be sometime before anyone in the United States sees that firsthand.

"People are way ahead of themselves," said Kavulich.

Reuters Americas

London, United Kingdom

3 August 2006

Change in Cuba unlikely to boost U.S. food sales

By Charles Abbott and Chris Baltimore

WASHINGTON, Aug 3 (Reuters) - Fidel Castro's decision to turn over the Cuban presidency temporarily to his brother will not end a U.S. stalemate over food sales to the communist island, lawmakers and analysts said.

Sales were authorized six years ago -- an exception to the four-decade-old U.S. economic embargo -- as long as Cuba paid cash. Farm groups and food makers had rosy dreams of more steps to expand a market only 90 miles (145 km) from Florida.

Instead, they are squabbling with the Bush administration over its insistence that Cuba pay before cargo ships leave U.S. ports, rather than before unloading in Havana. Still, sales are on track for \$350 million this year.

John Kavulich, head of a group that tracks U.S.-Cuba trade, said on Wednesday he did not expect "a short-term or even medium-term change in U.S. policy toward Cuba or Cuba policy toward the United States." Washington's policy calls for fundamental change in Cuba, a perennial U.S. antagonist.

An American farm lobbyist said it seemed unlikely Cuba would alter its socialist course at this point. Castro provisionally transferred power to his brother, Raul, because of illness.

"As far as any kind of trade is concerned, we would like to see a true transition (to democracy) taking place in Cuba" before rules are relaxed, said Camila Gallardo, of the Cuban American National Foundation in Miami, a Castro critic.

U.S. farm groups regard Cuba and its 11 million citizens as a natural market. "It's one the United States ought to be supplying," said Bob Stallman, president of the 6.1-million-member American Farm Bureau Federation.

ENCOURAGE REFORMS

With the end of the Cold War, farm and business groups persuaded Congress in 2000, over opposition by politically powerful Cuban-American organizations, that food sales would benefit the United States and encourage democratic reforms in Cuba.

Some \$1.4 billion worth of food -- mostly chicken, corn, wheat, rice and soybeans -- has been sold since trade began in late 2001. Transactions must be handled by foreign banks.

The Bush administration has required Cuba to make payment before ships leave U.S. harbors since February 2005.

U.S. sales were not hurt by the requirement although they dipped 11 percent in 2005 from \$392 million of 2004, Kavulich said.

The White House used a veto threat last year to quash a proposal to let Cuba pay for food before goods change hands, a widely used definition of cash sales. The House of Representatives and Senate raised the issue again in separate votes in June and July.

"The problem is President George W. Bush," said Sen. Byron Dorgan, a North Dakota Democrat. "Whether President Castro rebounds from his current health crisis or not, the United States needs a modern and effective relationship with Cuba that advances our own economic interests as well as the cause of freedom in Cuba through direct engagement."

Lawmakers disagree on how to address oil deposits off Cuba's coast. The U.S. Geological Survey says the North Cuba basin could contain 4.6 billion barrels of oil and possibly as much as 9.3 billion barrels.

Spanish oil company Repsol YPF, Norway's Norsk Hydro and India's ONGC Videsh have teamed up to look for oil in Cuban waters of the Gulf of Mexico. The U.S. embargo bars American companies from such investments.

A bill sponsored by Idaho Republican Sen. Larry Craig would allow U.S. oil companies to circumvent the sanctions.

The Wall Street Journal

New York, New York

2 August 2006

PAGE ONE

Fraternal Ties

Castro's Illness Opens Window On Cuba Transition

**Rise of Fidel's Brother Raúl
Unlikely to Spur Change;
White House Stays Frosty
A Reputation for Ruthlessness**



Raúl Castro



Fidel Castro

By **JOSÉ DE CÓRDOBA, DAVID LUHNOW and BOB DAVIS**

August 2, 2006; Page A1

Raúl Castro, Cuba's new temporary leader, is beginning what may be a long and uncertain transition from his legendary older brother's long rule over this communist island bastion.

The announcement Monday that Fidel Castro, after undergoing surgery for intestinal bleeding, had temporarily handed power to his uncharismatic and widely feared younger brother set off all-night celebrations in Miami. Cuban exiles there are convinced the beginning of the end has arrived for Mr. Castro's 47-year-old regime.

If Fidel Castro is unable to return as president and Communist Party head, it is possible though improbable that Cuba will turn fairly quickly toward democracy, as Eastern Europe did after the fall of the Berlin Wall. Many Cuba analysts believe Raúl Castro would continue the Western Hemisphere's sole communist regime, and would rely heavily on money from Venezuelan leader Hugo Chávez to prop up the economy and tamp down dissent.

In a statement, Fidel Castro, who will turn 80 years old Aug. 13, said he expected to be back after a convalescence of "several weeks." Even if that happens, his younger brother's temporary assumption of power is a clear sign of what the future holds for Cuba. "What we are seeing is the first stage of a communist succession, a dynastic succession of one brother by another," says Brian Latell, a former Central Intelligence Agency analyst who has written a biography of Raúl Castro.

In the short run, 75-year-old Raúl, nicknamed "the Prussian" for his cold efficiency, should be able to maintain control of the island. He has a strong grip on the country's military, intelligence services and police. But over the longer term, any successor to Fidel must be able to cope with the country's deep-seated economic problems, fatigue with a revolutionary regime nearly 50 years old, and hunger for change -- tempered perhaps by fear about a future without the charismatic Mr. Castro.

Some Cuba watchers say that over the past year, as Fidel Castro's health has deteriorated noticeably, Raúl started playing a larger role. In June, the Cuban newspaper Granma published a long and flattering profile of the media-shy Raúl on his birthday. "Raúl is in charge, de facto if not de jure," says Jaime Suchliki, the

head of the Cuban Transition Project at the University of Miami, which is funded by the U.S. Agency for International Development.

It is impossible to ascertain from his statement what is afflicting Fidel Castro. Common causes of sustained intestinal bleeding include ulcers, cancer, and broken blood vessels, says Harvard Medical School professor J. Thomas Lamont, chief of gastroenterology at Beth Israel Deaconess Medical Center in Boston. Often bleeding can be stopped with medicines, endoscopy, or surgical procedures that require a couple weeks of bed rest. The fact that Mr. Castro underwent surgery probably indicates that bleeding couldn't be stopped with medicines or endoscopy, says Dr. Lamont. Fidel Castro pronounced himself in "good spirits" and in "stable condition" after stomach surgery, according to a statement read on Cuba state television, Reuters reported.

For now, the U.S. government's hostility to Cuba is not expected to change much, although Fidel Castro's temporary relinquishment of power is likely to renew calls to review the nearly five-decade-long U.S. trade embargo of Cuba. Many U.S. businesses are eager to trade with the country. But lifting or softening the embargo is anathema for most Cuban-Americans in Miami, who are overwhelmingly Republican and would view such a move as helping Raúl Castro to prolong the regime.

Even if President Bush were inclined to end the trade embargo under a Raúl Castro government, he would be barred from doing so by 1996 law that prevents the U.S. from normalizing commercial or political relations with any Cuban government that includes either Raúl or Fidel. (The president is permitted to offer aid, however, as an inducement for change.)

"The fact that you have an autocrat handing power off to his brother does not mark an end to autocracy," said White House spokesman Tony Snow.

John Kavulich, a senior policy advisor for the U.S.-Cuba Trade and Economic Council, adds that it would be premature for his group to press for rapid change: "This isn't the moment to fuel up the corporate jet with its Cuba team."

Raúl Castro's assumption of power has put the international spotlight on him for the first time. His older brother Fidel was a brilliant orator, student and sportsman at the Jesuit Belén preparatory school in Havana, the country's best high school. Raúl was a mediocre student who was thrown out of Belén after a few months. He returned to the family farm to do manual work.

From the beginning, he has been Fidel Castro's most loyal and trusted supporter. Raúl was a member of a youth group affiliated with the Communist Party, and traveled to the Soviet Union. He joined his brother in opposing Cuban dictator Fulgencio Batista, and fought in his brother's disastrous attack on the Moncada army barracks, which gave birth to Fidel Castro's revolutionary 26 of July Movement. He joined his brother in exile in Mexico, then returned with Fidel and others when they invaded Cuba in an overcrowded yacht called the Granma.

During the early years of the revolution, Raúl Castro personally ordered hundreds of summary executions, earning a reputation for ruthlessness that has dogged him ever since. He is identified with some of the regime's worst excesses, such as its persecutions of dissidents and homosexuals. For many years, Raúl drank heavily, says Mr. Latell, who kept tabs on the Castro brothers for the CIA. In 1989, he gave a bizarre performance in a nationally televised speech in which he condemned a close friend, Gen. Arnaldo Ochoa, who was later executed for drug trafficking and treason after a summary trial.

But Castro family members say that for all his faults, Raúl is more approachable than his larger-than-life brother. He is a family man who married the daughter of a top Bacardi executive and who orchestrates clan gatherings where he plays with grandkids. He is now liberal enough to allow a daughter to run a support group for transsexuals, says a friend of the daughter. For years, Raúl's managerial skills, honed running the armed forces, have helped rescue his older brother from his own most chaotic instincts.

Alina Fernandez, Fidel's estranged daughter, who lives in Miami, says Castro family members turn to Raúl to help sort out personal problems. She says that Cuba faces so many problems that her uncle may not want the job for long. "You can argue with Raúl," says Alcibiades Hidalgo, his former chief of staff. "You can't argue with Fidel." The Cuban constitution indicates that Raúl is in line to be his brother's successor. His status was already evident five years ago when Fidel Castro fainted during a speech. Stunned onlookers watched as officials tried to prop up the fallen dictator. A cabinet minister shouted: "Viva Fidel! Viva la revolución! Viva Raúl!" Others in the crowd took up the chant.

As Fidel's health has faltered, interest in Raúl's role in Cuba's future has grown. Earlier this year, a panel of Cuba experts including Mr. Latell, the former CIA analyst, ran a simulation at the University of Miami to look at what would happen after Fidel died. Mr. Latell, playing Raúl, chaired a meeting of Cuba's Council of State, which was split for the exercise between liberal civilians favoring economic reforms and military hardliners urging Raúl to put down unrest forcefully. In the simulation, Raúl was torn about using force. He fired one of his top civilian ministers for continuing to argue a point he had already decided, but used Fidel's funeral to make an overture to the U.S.

Little is known about Raúl's health. If it were to falter, rivals for power could surface. Among them are Cuba's economics czar, Carlos Lage, a 54-year-old pediatrician who is seen as favoring economic reforms; Ricardo Alarcón, 69, the experienced president of Cuba's National Assembly; and Felipe Pérez Roque, 41, Cuba's foreign minister, who is considered a hard-liner.

Fidel's Men A look at Cuba's major political players:

			
<p>Raúl Castro, 75</p> <ul style="list-style-type: none"> ■ Fidel Castro's brother, named to succeed him as Cuban leader ■ Had been vice president and defense minister ■ Helped Fidel lead the 1959 revolution 	<p>Ricardo Alarcón, 69</p> <ul style="list-style-type: none"> ■ President of the National Assembly, chief adviser on the U.S. ■ Former head of foreign ministry's U.S. office and ambassador to the UN ■ Was active in Elián González case 	<p>Carlos Lage, 54</p> <ul style="list-style-type: none"> ■ Politburo member in charge of Cuba's economics ■ Carried out reforms during economic crisis following Soviet Union's collapse, called the "Special Period" 	<p>Felipe Pérez Roque, 41</p> <ul style="list-style-type: none"> ■ Foreign minister since 1999 ■ Fidel's personal secretary in the 1980s ■ One of the youngest members of the cabinet, known as a hard-liner

As Fidel's successor, Raúl would have to wrestle with three big questions: whether to ease relations with the U.S.; how to handle his country's Venezuelan patron, Mr. Chávez; and how to jump-start the crisis-ridden economy.

Dealing with the U.S. may be the most straightforward. With Raúl in charge, the U.S. is unlikely to take major steps toward rapprochement. If the situation in Cuba deteriorated and masses of Cubans took to the seas to escape, the U.S. stance could create problems. Some analysts suggest that Raúl might try to govern from a nonofficial position to overcome any U.S. unwillingness to deal with him.

"I wonder if Washington is prepared to deal with such an unpredictable, uncertain and potentially messy situation just 90 miles from Miami," says Michael Shifter, an analyst at the Inter-American Dialogue, a Washington think tank. "For the Bush administration, so distracted and consumed by other hot spots, the timing of this unsettled situation is problematic."

Mr. Chávez's involvement could complicate matters. The Venezuelan leader has looked to Fidel as a father figure, and recently sent his best wishes to the Cuban leader's office. "We hope President Fidel Castro will recover rapidly. Viva Fidel Castro!" Mr. Chávez said. If the elder Mr. Castro does not recover, the Venezuelan leader would miss a key source of strategic advice and guidance for his self-

styled Bolivarian revolution. Fidel has acted as a brake on Mr. Chávez's more compulsive instinct. Without him, the Venezuelan former military officer could become more radical in his attempts to become a global anti-American leader, says Eric Eckvall, a political consultant in Caracas.

During the past week, Mr. Chávez visited Moscow and signed a \$1 billion deal for fighter jets and helicopters, a deal that raised alarm bells in Washington. Then he flew to Tehran, where he signed a raft of oil cooperation deals and happily joined the Iranians in painting the U.S. as the "Great Satan." Mr. Chávez has even said he wants to visit North Korea, and Venezuela is pushing for a temporary seat on the U.N. Security Council.

With Raúl Castro in charge, there may be less appetite in Havana for Mr. Chávez's overseas adventures. But the younger Castro is unlikely to push Mr. Chávez too far away because he needs his economic aid, especially since the U.S. is unlikely to lift its economic embargo. "The money Venezuela is spending in Cuba is so huge, there's no way they would change the relationship," says Mr. Eckvall.

Surprisingly, Cuba's economy may give Raúl some breathing room. Economic growth has rebounded sharply during the past two years, although many still want to flee the nation. According to Cuban economic statistics, which are widely considered inflated, its economy grew by nearly 12% in 2005, due to a boost in tourism, sales of nickel and export of medical, sports and other services to Venezuela. The CIA puts the growth rate at 8%, although it notes that "the average standard of living remains at a lower level" than before the loss of subsidies from the former Soviet Union, which once supplied the island with oil and vastly overpaid for Cuban sugar.

After the Cuban economy plunged in the 1990s following the fall of the Berlin Wall, the country made an effort to loosen controls. It allowed foreign investment in tourism and mining, permitted small-scale private agriculture and allowed ordinary citizens to use the U.S. dollar. Raúl played a significant role in that effort, and military officers under his control wound up controlling profitable tourist companies. Then a series of hurricanes and a devastating drought battered the economy. Mr. Chávez stepped in to replace the Soviet Union as a beneficiary, and the Castro government changed course again. It recentralized the economy and banned circulation of the U.S. dollar.

Raúl is seen as more pragmatic than Fidel. He has visited China a number of times, and has sent some key army officers for management training at European business schools. People who know him say he has been behind the few attempts at economic reform attempted by the Cuban government in recent years, such as farmers markets.

Cuba now depends on the largesse of Venezuela, which is unlikely to diminish. According the Cuba Transition Project, Venezuela last year provided about \$1.1 billion in subsidized oil -- a big help to an economy whose gross domestic product is roughly \$40 billion, according to the CIA. In 2004, Venezuela imported about \$500 million worth of goods and services, the transition project estimates, including purchases of sugar mills and medical equipment, and payment to Cuba for work done in Venezuela by Cuban teachers, doctors and trainers.

Cubans have some hope for recovering a degree of economic independence. Discoveries of oil off the coast have attracted interest from Western oil companies, and rising commodity prices have boosted foreign investment in Cuban nickel deposits.

For the moment, however, the shock of the announcement about Fidel Castro's health has left even his critics unsettled. Lázaro Ricardo Pérez García, a human rights activist and independent journalist in Isla de Pinos, an island off Cuba's western Caribbean coast, says Cubans are trading stories and speculating, but don't know what to expect. "We all knew this was going to happen someday, but you can't help being surprised," he says.

Yesterday, he says, there were more security forces than usual near government buildings along the main drag. "Residents don't know what to think," he says. "People are kind of numb."

Sun-Sentinel

Fort Lauderdale, Florida

2 August 2006

His style is different, but radical change unlikely under Raúl Castro

By Vanessa Bauzá
South Florida Sun-Sentinel

In his first full day as president of Cuba, Raúl Castro stayed out of the public eye. While his brother, Fidel, recuperated from surgery and issued a statement from his sickbed assuring supporters that Cuba will defend itself against agitators, Raúl made no public appearances and issued no declarations.

In a lifetime as Cuba's No. 2 man, Raúl's personality and leadership style have been defined in sharp contrast to Cuba's "maximum leader." Yet he is expected to stay the course over the next few months without enacting major economic or political changes.

"The domestic, political and foreign policy implications of any change are so dramatic that they are just going to maintain the status quo. Rocking the boat is too dangerous," said Julia Sweig, director of the Latin America program at the Council on Foreign Relations and author of *Inside the Revolution*. "They are going to run this much more collectively. I see it more as a civilian military junta where the people who have had operational authority will now have the lead."

Fidel Castro's move to delegate his responsibilities to four high-level officials in addition to Raúl "reflects a realization that no one person can replace Fidel Castro," Sweig said. Raúl "doesn't have the kind of inherent authority Fidel does."

Raúl is the world's longest-serving defense minister. Although the size of his armed forces and operational budget have decreased since the 1980s, he transformed the military into a moneymaking institution, with control over some sectors that earn foreign currency, including tourism, real estate, shipping, transportation, construction and a network of stores.

The military is "virtually everywhere in the Cuban economy," said John Kavulich, senior adviser of the U.S.-Cuba Trade and Economic Council based in New York. "In my dealings with Raúl and his staff and the military over the years, they were always forward-thinking."

If the president does not recover, his brother could undertake "targeted economic reforms to build political support," said Dan Erikson, head of the Cuba program at the Inter-American Dialogue, a Washington think tank. "There are competing tensions within the Cuban government: There is the United States, China, Venezuela, and other international actors. Raúl Castro isn't in a position to make sweeping changes but depending on how things go he may need to make some."

Whether he does so eventually will depend on Fidel's condition, potential pressure from Washington and how much support he receives from the Cuban leaders who have been given provisional control over health, education and energy programs, all key portfolios.

After the collapse of the Soviet Union plunged Cuba's economy into crisis, Raúl Castro traveled to China to learn about market reforms. In 1993, at the height of Cuba's depression, he is credited with allowing farmers to sell their crops at markets, a move that allowed many Cubans to buy food at a time of rampant inflation.

"I think it's symbolic. It shows he was not afraid of using methods developed in the capitalist world," said

Phil Peters, vice president of the Lexington Institute, a Virginia-based think tank. "He's the minister of defense, and their concept of defense ... is ideological preparation and absolute political unity."

Raúl Castro's public persona often has been contradictory, even enigmatic to many Cubans. Some describe him as an inflexible, demanding ideologue and harsh taskmaster. Others view him as a family man with an easy sense of humor, who plays the role of patriarch to the Castro clan. Unlike his elder brother, Raúl delegates, solicits opinions and treats men as intellectual equals. He's empathetic, where Fidel is not, and is known to nurture younger talent, said Brian Latell, former national intelligence officer for Latin America at the CIA and author of *After Fidel: The Inside Story of Castro's Regime and Cuba's Next Leader*, a biography of the Castro brothers.

Unlike Fidel Castro's appetite for marathon speeches and lavish late-night dinners with foreign dignitaries, Raúl Castro seems content to lead a more private life. He often drops out of the limelight for months, apparently preferring time with his four children and eight grandchildren. "He has always been in the shadow of his brother," said a former Cuban diplomat who spoke on condition of anonymity. "He never tried to outshine him."

Raúl Castro is the fifth child of Angel Castro Argiz, a Spanish landowner, and Lina Ruz, who had worked as a maid in his home. Born on June 3, 1931, he was raised on his father's sprawling farm in the eastern town of Birán and is said to have been his mother's favorite son despite a rambunctious youth, Latell said.

He went to a prestigious Jesuit school, but lasted only a short time before dropping out. He returned to the family farm where his father put him to work in the fields. He had a penchant for drinking, gambling on cockfights and dating. Later he attended classes at the University of Havana but did not earn a degree, Latell said. "His education is really quite limited. I think he has said on the record that it amounted to only six or seven years," Latell said. "It was Fidel who gave him his first books on Marxism."

Raúl joined the Socialist Youth Party, and in 1953 he attended a communist youth conference in Vienna sponsored by the Kremlin. Months after returning to Cuba, Raúl joined Fidel's plan to ignite an uprising against former dictator Fulgencio Batista.

After a failed attack on the Moncada military barracks in 1953, the two brothers spent nearly two years in prison. Both fled to Mexico, where they hatched new plans. On Dec. 2, 1956, they returned to Cuba. Relying on strong support from the peasants, their insurrection grew. It was organized into three fronts led by Fidel Castro, Raúl Castro and Ernesto "Che" Guevara. Raúl's diary as a guerilla shows his initial force of 53 men grew to 1,000 fighters within nine months. He organized his own intelligence service as well as factories, schools, hospitals, and administrative bodies in zones he controlled, according to Latell.

Shortly after the revolution, Raúl married Vilma Espín, an upper-middle-class guerrilla sympathizer who dropped out of the Massachusetts Institute of Technology to support the rebels. Though there have been persistent rumors that the couple split years ago, a source close to Raúl Castro said the speculation was unfounded.

While Fidel's wife, Dalia Soto del Valle, rarely appears in public, Espín has played the role of Cuba's first lady. She founded the Cuban Federation of Women and belongs to the Communist Party's Central Committee and the National Assembly.

The next few weeks may see Raúl emerge from Fidel's shadow, but he has always pinned his legacy to the survival of the socialist system they built together. In a 1994 interview with longtime Cuban journalist Luis Baez, Raúl Castro described himself as his own worst critic.

"I have always said there is no court more severe than the one we each have in our own conscience," he said. Every day, I analyze what I did during the day. ... Coffee doesn't keep me awake. Problems keep me awake. But I am firmly convinced that we are going to solve our problems united under the direction of the [Communist] Party and of Fidel."

Sun-Sentinel

Fort Lauderdale, Florida

2 August 2006

Cuba's interim leader seen keeping status quo while Fidel recuperates

By Doreen Hemlock
South Florida Sun-Sentinel

A Cuban government permanently led by Raul Castro may open the island more to business than the regime long led by Fidel. But today's interim team is expected to keep the economic status quo, analysts said Tuesday.

Raul is widely seen as more of a pragmatist than his older brother in economic terms. The military he's led for 47 years was among the first to open to business amid the decline of the Soviet Union, forming the tourism agency Gaviota to earn foreign currency. Many say Raul is more disposed to China-style reforms that open the market more, while keeping Communist Party rule.

But big changes are not in the offing as long as Raul remains a temporary leader, with Fidel still alive, analysts said.

"No one should expect a wholesale political and economic change quickly," said John Kavulich, senior adviser to the U.S.-Cuba Trade and Economic Council, a New York-based group, who foresees "status quo" short-term.

Recently, Cuba's weak economy has received a boost from Venezuela, which provides subsidized oil, and from China, which offers trade credits. If commercially viable oil is found in Cuban waters, the economy could get another lift. That economic support could delay market-style reforms, even under a permanent Raul regime, some analysts say.

Washington is not expected to change its policy toward Cuba, as long as Fidel or Raul stay in power. Indeed, the Helms-Burton law enacted in 1996 codifies the U.S. embargo on Cuba as long as the Castros rule. The law also requires action by Congress to end the embargo, removing discretion from the White House for a more flexible approach, said Kirby Jones, president of the U.S.-Cuba Trade Association, a year-old group made up of companies favoring open trade.

"As long as there is a fear that the U.S. wants to 'remake Cuba,' I don't see the possibility of any fundamental change in government direction in Havana," Jones said. "If U.S. policy toward Cuba changes, then I think you'll see Cuba relax."

Still, prospects of long-term change in Cuba already have some financial analysts busy.

New York-based Louis Capital Marks LP issued a report Tuesday, detailing some stocks that could gain or lose if the U.S. embargo is lifted.

Winners would include Spain's Altadis, which owns half of Cuba's cigar maker Habanos. Post-embargo, Altadis could sell its Cuba-made cigars in the U.S. market, said Robbert van Batenburg, who wrote the 3-page financial report.

Losers would include Sweden's Swedish Match, which owns New York-based General Cigar. It now dominates U.S. sale of cigars with traditional Cuban names such as Cohiba -- producing the cigars with non-Cuban tobacco. Post-embargo, it will lose sales to Cuban-made cigars produced by Altadis, the report said.

The Miami Herald

Miami, Florida

31 July 2006

CUBA

U.S. visitors less welcome in Cuba

As part of a shifting of diplomatic priorities, Cuba is refusing visas to some U.S. delegations, but is maintaining its interest in U.S. visitors looking to do business on the island.

BY PABLO BACHELET

WASHINGTON - The Cuban government has become more selective of the U.S. groups that it allows in, disillusioned with efforts to lobby for easing U.S. sanctions and trying to shift its foreign policy priorities elsewhere, Cuba watchers say.

Organizers of two missions -- one of congressional staff members and another of former chiefs of the U.S. diplomatic mission in Cuba -- say they have been denied visas in recent months. But more trade-related missions have been given the green light.

"My guess is that they are having some discussions over foreigners coming, and until they come to some agreement, they're going to sort of hold off," said Wayne Smith of the Center for International Policy, a liberal Washington think tank that promotes more contacts with Cuba.

Smith was organizing the delegation of former heads of the U.S. Interests Section, which serves as a quasi-embassy, as the two countries have no formal diplomatic relations. Smith is a former Interests Section chief and has been critical of U.S. policy toward Cuba.

Many experts believe the rejections underscore the increasingly low priority that the United States represents for Cuban leader Fidel Castro's government.

"For well over a year, they have judged, correctly, that there is little chance that Congress is going to force a change in U.S. policy," said Phil Peters, a Cuba analyst with the conservative Lexington Institute think tank, based in Arlington, Va. "So they turn their diplomatic energies to greener pastures, where the political and economic benefits are greater: Venezuela, China, Mercosur."

U.S. officials have estimated that Cuba receives up to \$2 billion in subsidies from Venezuela, and experts say China is Havana's second-biggest trading partner when donations and other subsidies are included. Cuba has also signed cooperation agreements with the Mercosur trade bloc, made up of Brazil, Argentina, Venezuela, Paraguay and Uruguay.

This month, Castro traveled to Argentina to attend the latest Mercosur trade summit.

In contrast, the Bush administration has systematically tightened the enforcement of sanctions against Cuba, making it harder for Cuban Americans to travel to the island and send remittances

or gift parcels. It has cracked down on everything from religious and student exchanges to banking and agricultural transactions with the island.

Efforts by some lawmakers and Cuban lobbyists to ease or overturn those sanctions have been systematically defeated, first by a White House veto threat and, since mid-2005, by a majority in the House of Representatives opposed to any changes in U.S. policy.

The Cuban Interests Section in Washington did not return calls seeking comment, but Cuba appears to retain an interest in receiving U.S. visitors focused on business.

Kirby Jones, who for almost 30 years has been advising U.S. businesses that want to do business with Cuba, says he has not been affected by Cuba's new selectivity. Earlier this month, he took a business delegation from Corpus Christi, Texas, headed by Rep. Salomon Ortiz, the Democratic congressman from the area. "It all worked out very well, standard operating procedures," he said.

But he added that "the U.S. is less relevant to Cuba than it ever has been" and that Cubans have concluded that under President Bush, "any change of policy is going to be difficult, if not impossible, and what can be done will be done at the margins."

The Corpus Christi delegation met with Cuban economic officials and had dinner with Ricardo Alarcón, president of the Cuban National Assembly.

In March, the World Security Institute, a Washington group that promotes research and understanding of international issues, took a delegation of academics and energy specialists to Havana and met with Castro for eight hours.

Some specialists believe Cuba may be deliberately refusing some U.S. delegations so that organizers complain more to Congress and the media.

Cuba goes through "peaks and valleys" in assessing the need for visible relationships with the United States, said John S. Kavulich, a senior policy advisor with the U.S.-Cuba Trade and Economic Council, a group in New York City that keeps tabs on U.S.-Cuba economic ties.

Like a Cuban cigar, he said, the more it is restricted, the more people want one.

Cuba "feels muscular as a result of its relationship with Venezuela and China," Kavulich said, and by "implying that the United States is no longer important" those wanting to participate in the delegations will complain that Washington is missing an opportunity to be relevant in Cuba.

The Miami Herald

Miami, Florida

22 July 2006

TRADE SUMMIT

Oil-rich Venezuela welcomed to the club

South American leaders officially inducted Venezuela into the Mercosur trade alliance.

BY BILL CORMIER

Associated Press

CORDOBA, Argentina - Venezuela formally entered Mercosur Friday, increasing the South American trade bloc's economic might and vowing to transform the once-sleepy policy organization into a force for profound social change.

President Néstor Kirchner welcomed the "historic" addition of oil-rich Venezuela, the continent's No. 3 economy after Brazil and Argentina, launching a round of speeches by Latin America's leading leftists, who asserted the region's independence from a Washington model many of their citizens see as a failure.

Anti-U.S. crusader and Venezuelan President Hugo Chávez immediately urged Mercosur to put aside internal squabbles and stand against the U.S.-backed free-market policies he says "enslaved" the region in debt to the International Monetary Fund.

"Latin America has all it needs to become a great world power. Let's not put any limits on our dreams. Let's make them reality," the Venezuelan leader declared.

The addition of Venezuela gives Mercosur a combined market of 250 million people and a combined output of \$1 trillion in goods and services annually, said Brazil's president, Luis Inácio Lula da Silva.

NAFTA, combining the markets of the United States, Canada and Mexico, has 450 million consumers and a combined gross product of about \$14 trillion.

Still, Silva said "no one's talking anymore" about the U.S.-backed Free Trade of the Americas proposal blocked by Venezuela and the Mercosur nations last year. Silva called on his fellow leaders to work together to bring Bolivia and other nations into Mercosur, making it even more powerful.

"Who knows?" Silva said. "We could come to have a Merco-America and not just a Mercosur!" Cuban President Fidel Castro and Bolivian President Evo Morales, taking part as observers, applauded their ally Chávez, who praised Castro's willingness to send doctors and teachers to their countries.

Chávez said the Cuban leader "can help us all a great deal" as Mercosur makes greater efforts to end poverty, hunger and joblessness. "We are entering a new stage of Mercosur," Chávez said.

Kirchner agreed, saying a growing Mercosur should fight inequality as a way of bolstering their nations' economies and helping them compete in the global economy. "Democracy, human

rights, liberty and the fight against poverty" are the basis for a "new world order" in the region, one with its own identity, Kirchner declared.

Castro, who traded his green army fatigues for a crisp blue suit, noted the friendly atmosphere, getting loud laughs when he told Chávez, "Hugo, I am listening to you, almost like a student!"

But the gathered leftist presidents became more serious as Castro railed against U.S.-style capitalism and defended Cuba's economic model.

The Mercosur leaders also concluded a deal Friday to foster greater trade with Cuba, despite a 45-year-old U.S. embargo of the island.

The accord, announced here, is intended to foster a greater exchange of goods between Mercosur nations and Cuba through tariff reductions and a promise that neither side will arbitrarily hike import fees or increase taxes.

Such developments have worried those who lament the decline of U.S. influence in the region.

Michael Shifter, an analyst at the Inter-American Dialogue in Washington, said Venezuela's entry should be a "wake-up call" for U.S. officials who have been distracted from Latin America by conflict in the Middle East.

John Kavulich, senior policy advisor for the U.S.-Cuba Trade and Economic Council, an independent group that monitors trade between the two nations, said that Castro's invitation to attend the trade meeting was more of an attempt to please certain political constituencies in South American countries than anything.

"Cuba's participation in the Mercosur is not a net economic gain for Mercosur countries," he said. "Cuba's participation has far more to do with politics than economics."

Uruguayan leftist Tabaré Vázquez and Nicanor Duarte of Paraguay also took part, and Chile's moderate leftist President Michelle Bachelet attended as an observer.

Special Miami Herald correspondent Mei-Ling Hopgood contributed to this report from Buenos Aires.

The Triton

Fort Lauderdale, Florida

26 June 2006

Embargo against Cuba bans U.S. money, not Americans

U.S. crew on foreign-flagged megayachts run the risk of prosecution. Not a big risk, but a risk just the same.

By Mona Birch

There's the scenario: You are American. You crew on a foreign-owned, foreign-flagged yacht headed to the Caribbean. The itinerary includes Cuba. Can you go?

Last year, Capt. James Smith (not his real name) had just this dilemma. Capt. Smith skippers a yacht that is registered in the Cayman Islands. He is British, but two members of his crew are American. The yacht spent much of 2005 in the United States, and during part of that time traveled the Caribbean islands, including Cuba, American crew and all.

As a foreign-registered, privately owned pleasure vessel, there were only minor restrictions on the yacht itself. (For example, the visit to Cuba needed to be sandwiched between foreign ports to avoid a direct line of contact between the two countries.) Generally, regulations stemming from the United States' embargo against Cuba apply only to U.S. vessels, or vessels assimilated without nationality. So Capt. Smith's boat was free to make the itinerary, as were he and his foreign crew.

A question arose over his American crew members.

Since the yacht's owner is based in Asia, he applied for Cuban visas for all crew members from there; the American crew members received visas just like the rest of the crew. The visa was in the form of a piece of paper, not a passport stamp.

Americans, adhering to the embargo, are not forbidden from visiting Cuba, but they are forbidden from engaging in any transactions with Cuba or Cuban nationals. Under U.S. law, they cannot exchange any money, receive any services, or aid in any commerce with Cuba. That means, technically, that they cannot pay even the stamp tax needed to purchase a visa.

So the owner of the yacht obtained the visas for the crew. In addition, he gave each of the two Americans \$500 to make "purchases on behalf of the vessel." The boat, which traveled to Cuba via the Bahamas and returned back to Florida via the Cayman Islands, faced no "rigorous customs" on its return to Florida, Capt. Smith said. "It actually was pretty straightforward," he said. "I didn't hide anything. They knew where we had been. The way I understand it, there is no prohibition in American law against going to Cuba; you just can 'give succor to the enemy.'"

U.S. embargo controls money, not people

Capt. Smith's understanding of the law is technically correct. The embargo is about controlling dollars. That is why the regulations and their enforcement are handled by the U.S. Treasury Department, not the State Department. Specifically, it is the Office of Foreign Assets Control (OFAC) that administers the sanctions, and issues licenses and permits to travel and/or spend money in Cuba.

Over the past two years, since President Bush signed Presidential Proclamation 7757 in February 2004 that specifically targets vessels traveling to Cuba from U.S. ports, those licenses and permits have been harder to come by.

Once, groups traveled legally to Cuba for reasons of academic research or humanitarian aid under a category called "fully hosted travel," meaning the individual participants had no financial dealings with the country. Their expenses were hosted by a third party, presumably doing business with Cuba legally. In 2004, the language "fully hosted travel" was removed as a travel category, slimming an applicant's chances of obtaining a license.

Accompanying these challenges is a stricter interpretation of laws. According to Molly Millerwise, spokeswoman for the Public Affairs office of the U.S. Treasury Department, the 2004 rule changes can be simplistically defined this way: “As an American, you can swim to Cuba, touch the shore and come back, and as long as you don’t spend any money, you won’t be breaking any laws. That’s about the extent of it.”

Therefore, the word from OFAC is: A U.S. citizen or U.S. Permanent Resident Alien may not provide crewing services – neither as captain nor crew – on any vessel, including a foreign-owned vessel, en route to or from Cuba unless that individual or the vessel’s trip is licensed by OFAC.

According to a lawyer at the Treasury Department, the very fact that they were working on a vessel that is trading with Cuba makes them culpable. They are seen as trading with the enemy by providing support to a vessel, or assisting a vessel that is bringing travelers to and from Cuba, and therefore may be prosecuted.

Enforcement differs from letter of law

OK, so that’s the law. What about enforcement? What about people like Capt. Smith who made the trip with American crew and had no problems? What is this murky water that sits between law and luck? “Unfortunately, there’s no cookie-cutter answer to that,” said one yacht manager in Ft. Lauderdale. “But the boats we manage [foreign-flagged, some with American owners] do go back and forth to Cuba without any problem.”

Another yacht manager in Ft. Lauderdale who has worked with several boats traveling to Cuba, advises her foreign-flagged boats with American crew to anchor out (thereby avoiding paying for dockage that might be construed as helping Cuba) and leave the American crew onboard. One American captain says he just won’t go to Cuba, and recommends the same to any American crew. It’s just not worth it, he said. “Before Bush, it was kind of like a don’t-ask, don’t-tell policy regarding Cuba,” he said. “You know, don’t go waving a cigar under customs’ nose, that sort of thing.”

Now there are fines and threats of jail.

Exchanges between Cuba and the United States increasingly have come under challenge since President Bush came to office in 2000, helped in no small way by the Cuban-American vote. That year, according to an article in the Washington Times newspaper, OFAC sent out 188 pre-penalty notices, which is essentially a letter entitled “Requirement to Furnish Information,” asking for the purpose of the trip, activities and expenditures in Cuba.

Pre-penalty notices do not necessarily lead to penalties – at that time, most did not, the newspaper reported – but they can. In 2001, 697 notices were sent out. In 2002, 447 notices were sent, and in 2003, 350 notices were sent. Carter concluded that the increase in numbers was attributed to enforcement, and the decline in numbers of notices was attributed to the fact that word was getting out. Violations of the travel ban were subsiding.

At the same time, it appears prosecutions are on the rise. In 2004, the Treasury Department announced the appointment of three Administrative Law Judges to start reviewing cases dating back to 1999 and sometimes later. In the first quarter of 2005, OFAC fined 307 Americans for violating the embargo, almost the same amount that had been prosecuted in all of 2004, which saw 316 Americans get fined.

Since 2004, visits from Americans down

The Bush Administration is using all the available resources of the Homeland Security Department for aggressive enforcement of the regulations – and it appears to be having the desired effect, at least according to the government of Cuba, which complained about the embargo in a recent report to the United Nations.

The report claimed that only 57,145 Cuban Americans visited Cuba in 2004, fewer than half the 115,050 who visited in 2003. Also, according to the report, 85,809 “other Americans” (that is, non-Cuban Americans) visited Cuba in 2003, and 51,027 visited in 2004. The figures do not distinguish between legal and illegal American visitors, since, other than for public relations purposes, that is not a Cuban concern.

The U.S.-Cuba Trade and Economic Council, a nonpartisan group based in New York that monitors trade with Cuba, estimates that about 30,000 Americans traveled to the island nation illegally in 2003, but that number may have dropped by about 20 percent since then.

So it appears that the aggressive enforcement of regulations that began in 2004 seems to be having an effect. Or perhaps it is the “fear factor” that is doing all the work. There is no doubt that the Bush administration has Cuba in its crosshairs, and has made embargo enforcement a national priority. At the same time, even some within the

Republican Party complain that attempting such enforcement diverts already stretched resources. Others insinuate that letter-of-the-law enforcement is impossible; there is neither the man-power nor the inclination to do it effectively. But that's not a solution: that's the murky water.

Calculating the risk

So, what are the options? What are the circumstances under which an American crew member or even an American vessel can travel to Cuba? The answer is the bottom line: What are the risks? Here is the American government's position on the matter:

U.S. vessels wanting or needing to have transactions with Cuba must apply for three sets of licenses or permits: A cruising permit from the U.S. Coast Guard (www.uscg.mil); a license from OFAC, the Office of Foreign Assets Control (www.ustreas.gov/ofac); and a Bureau of Industry & Security Export License from the Department of Commerce (www.bis.doc.gov). In conjunction with these licenses, concerned captain and crew of pleasure yachts need to be aware of two sets of regulations – one put forth by the Coast Guard, and one put forth by OFAC.

The Coast Guard regulations are relatively simple: They state that all U.S. vessels (as well as vessels without nationality) that are less than 328 feet in length must obtain a Coast Guard permit when they leave the 12-mile U.S. territorial waters and thereafter enter Cuban territorial waters, regardless of intervening entry into or passage through any other territorial waters. In order to obtain the Coast Guard permit, however, applicants must have a license from OFAC – and that's where things get complicated.

OFAC rules, while they affect lives, generally focus on the exchange of money: First, no vessel – regardless of flag – that enters a port or place in Cuba to engage in the trade of goods or the purchase or provision of services may enter a U.S. port for the purpose of loading or unloading freight for a period of 180 days from the date the vessel departed from a port or place in Cuba.

However, if the vessel is coming into a U.S. port for a purpose other than loading or unloading freight, the 180-day rule does not apply. Second, no vessel carrying goods or passengers to or from Cuba or carrying goods in which Cuba or a Cuban national has an interest may enter a U.S. port with such goods or passengers on board. This rule is usually limited to vessels carrying goods in commercial quantities and to vessels carrying passengers to or from Cuba as a ferrying service as opposed to a pleasure boat.

So what about pleasure vessels? Well, U.S.-flagged vessels cannot go without the proper permits and licenses from OFAC. Do such documents exist? Yes, but they are becoming increasingly harder – some cruisers say impossible – to get. What about an emergency? A boat with U.S. crew forced to head to Cuba because of an emergency at sea is supposed to (and should) contact OFAC Licensing Division (+1-202-622-2480) or have someone contact OFAC on their behalf as soon as possible to obtain a proper license.

Foreign vessels don't have issues

Foreign pleasure vessels that cruise U.S. waters as well Cuban waters fare far better. They are subject to some minor regulations – such as the aforementioned intervening port stops – but are free to include both U.S. ports and Cuban ports on their itinerary.

According to a U.S. Coast Guard officials who declined to be identified, they need not fear any retaliatory measures regarding future cruising permits and the like, assuming the vessels are privately owned pleasure vessels. It is unlikely that they would get caught up in a legal tangle merely for exercising their right, as non-Americans, to travel between the two countries.

The U.S. Coast Guard and OFAC work independently of each other. One is a governmental office and the other is part of the military. The Coast Guard issues cruising permits for foreign vessels, and the laws regarding their issuance (and renewal) are not matters within OFAC's jurisdiction. So what about the original question: As an American crew on a foreign-flagged yacht, can you go to Cuba or not? What's the bottom line, and what happens if you get caught? The scenarios are many and, however they play out, the risk is potentially high.

Chances are, like with Capt. Smith's crew, there will be no repercussions. On the other hand, just because no one saw fit to report the fact that the Americans onboard had broken the law, it doesn't exclude a different outcome. As Capt. James Maes, head sector commander for the U.S. Coast Guard's Sector Miami explained, when you make the decision to break the law, "you have to consider the unexpected." It well may be that as crew you will clear back into the United States without problems. On the other hand, if something comes up, if there is an unexpected

problem that draws an officer's attention, then consequences – particularly future consequences in terms of black lists, never mind the fines – can be serious.

Rule No. 1: don't lie

What if you get caught? The International Bicycle Fund (IBF), which defines itself as “a non-governmental nonprofit advocacy organization promoting ... international understanding,” devotes several pages of its Web site to this predicament (www.ibike.org). The primary rule to remember is to be honest – to a point. Lying to the U.S. government is a felony for Americans, and will get you what it got Martha Stewart: jail time. Remember that technically it is not illegal to go to Cuba.

If it wants to prosecute you, the U.S. government must prove that you spent money in Cuba, were an unlicensed traveler to Cuba, and that you knew it was illegal, according to IBF. After confirming that you have been to Cuba (which is not illegal), you have a right to refuse to say anything more. The onus is on the government to prove you have broken the law.

Keep in mind, however, that OFAC does have written regulations that presume that anyone traveling to Cuba has spent money there. Therefore, they may seek – and reportedly have obtained – civil fines in an administrative proceeding, forcing the offender to agree to settlement. Here's how it could happen: Somebody – an official from U.S. Customs and Border Protection perhaps – reports you to OFAC. OFAC will then send you a letter asking you about it. Although it might go away with no follow-up on your part, there is a five-year statute of limitations on violations, so the threat hangs around awhile.

It is best to respond with your own letter stating that you did not violate any federal law or regulation. IBF offers a sample response letter on its Web site. If you get another letter notifying you that a civil penalty will be imposed, respond within the time stated. And again, says IBF, don't lie but don't admit you violated the law, and don't waive defense rights.

What often happens next is an OFAC official may contact you to negotiate a settlement, which you may decide to pay. The maximum fine paid by a violator, up to this time, is about \$7,500, but the full fury of the law can subject the violator to almost 10 times that amount, and include prison time. Alternatively, you may request a hearing. At that point, though, it is time to find a lawyer. Mostly, the waters around the United States are woven with friendly international partners, and the rules of exchange are pretty straightforward. But Cuba, since the first arms embargo of 1958, remains problematic. Just how problematic, ebbs and flows – like politics, like the tide.

Sun-Sentinel

Fort Lauderdale, Florida

18 June 2006

EXPORTS

Cuba trade on the table United States has become island's top food supplier

By Ian Katz
Havana Bureau

HAVANA· American businessman Gregory Calhoun strides into the lobby of the Hotel Melia Cohiba in Havana. He's just back from a meeting with Cuban government trade officials, and feeling pretty good about the prospects for stepping up his food exports to the island.

Calhoun, CEO of Calhoun and Associates, a reseller based in Montgomery, Ala., has sent 9 million pounds of ham to Cuba in the past eight months. Now he wants to add canned goods and snack foods to his shipments. The Cubans are eager buyers but skilled negotiators, said Calhoun, who had arrived that early June morning on a charter flight from Miami and was leaving the next day.

Because of U.S. economic sanctions, nearly all trade and investment with Cuba is banned. Corporate icons such as McDonald's and Citibank that dot the rest of the globe are absent from the communist nation. But a law approved in 2000 allows U.S. firms to export food and agricultural goods.

Quietly, without billboards or TV commercials, U.S. food products -- mainly chicken, corn, wheat, rice and soybeans -- are finding their way onto Cuba's dinner tables. Last year U.S. companies exported \$338 million of food and agricultural products to Cuba, up from almost nothing in 2001. [NOTE: The U.S.-Cuba Trade and Economic Council has informed the author of the article that the \$338 million value is not correct; and that the correct value is US\$350,218,040.00]. That makes the United States the leading food provider and No. 4 exporter overall to Cuba, behind China, Spain and Canada.

That's not to say exporting to Cuba is always easy. It can be complicated because of uncertainty over export rules, restrictions on travel to Cuba and the antagonistic relationship between the two countries.

Richard Waltzer, president of Fort Lauderdale-based Splash Tropical Drinks, became interested in exporting to Cuba when he heard about a 2002 trade show in Havana. Since then, Splash has signed \$2 million of contracts to send juice concentrate and daiquiri mix to Cuba. He has added five people to his 28-employee company because of the extra business.

Though politics is present everywhere in the U.S.-Cuba relationship, Waltzer said he has never had a problem with South Florida opponents of trade with Cuba. "I don't get into the politics of it," he said. "We follow the law to a T." In fact, Waltzer and other executives said it is Washington, not Havana, that poses the most obstacles to sending goods to Cuba.

First, exporters must receive special Commerce Department approval. And to travel to Cuba they must get permission from both the U.S. and Cuban governments, which can take a week or more. Potential exporters also don't get assistance from the U.S. Interests Section in Havana, which does not promote trade between the countries.

Until late 2004, Cuba paid U.S. exporters while shipments were in transit or after they arrived. But the Treasury Department's Office of Foreign Assets Control, which enforces trade and travel restrictions with Cuba, started to interpret the law to mean that exports to Cuba must be paid for up front.

Sales dropped sharply for several months until July 2005, when OFAC decided that the cash advance requirement could be met if Cuba paid through banks in third countries. Exports have rebounded since then, but remain slightly below 2004 levels. On Wednesday, the House of Representatives voted to override the Bush administration's cash-in-advance requirement.

John Kavulich, senior policy adviser for the New York-based U.S.-Cuba Trade and Economic Council, does not think confusion over the rules contributed to the decline in U.S. exports to Cuba. Instead, he cited Cuba's strengthening economic ties to Venezuela and China. He also said Fidel Castro's government prefers to do business with U.S. firms that may agree to lobby in Washington for fewer restrictions on trade with Cuba.

Still, the bureaucracy and uncertainty keep some U.S. traders out of Cuba.

John Bauer, president of Fort Lauderdale-based supplier Basic Foods International, said he has thought about exporting and has received e-mail pitches from the Cuban government, but isn't convinced. He said he was concerned about the frequent changes in the payment rules and the hassles involved in traveling to Cuba. "If there is a discrepancy [in a shipment], you can't just go down there and straighten it out," he said.

Calhoun, the Alabama executive, said the key for U.S. businesses is getting enough volume. "Margins will be thin. They [the Cuban government] want the best price since this is a poor country." Calhoun said that as a result of his exports to Cuba, he might add 15 to 20 people to his 475-employee company.

U.S. exporters can also send medicines and medical equipment to Cuba, but food and agriculture account for 94 percent of the exports. Statistics for the first quarter of 2006 show that in dollar terms, the United States sent about three times as much food as Brazil, the No. 2 food exporter to Brazil.

Business executives and trade analysts, however, said there is plenty of room for growth. U.S. companies could export far more beef, bread, crackers, cookies, wine, beer and processed vegetables, said Loyd Coonrod, an economist with the Food and Drug Administration. "In some of those areas we're selling next to nothing," he said.

Whether that changes depends on the future of U.S.-Cuba relations. Bauer, of Basic Foods, said he is waiting for "the easing of restrictions." But for those already exporting to Cuba, selling food to the communist government has turned into good capitalism.

The Advocate

Stamford, Connecticut

16 April 2006

Once more unto the breach

By Richard Lee
Assistant Business Editor

Throughout history, altruistic people have sought ways to create world peace, but Westport resident Peter Nathan is more pragmatic about the challenge that has befuddled humankind.

"I strongly believe that trade and commerce and conversation will develop relationships around the world," said Nathan, president of PWN Exhibicon International, a business that organizes trade shows around the globe.

Nathan has not been afraid of accepting challenges.

Soon after establishing his firm in 1996, he embarked on plans to host a medical trade show in Cuba. After four years of bureaucratic red tape, the U.S. Healthcare Exhibition was held in 2000.

Buoyed by its success and taking advantage of the connections he created, Nathan organized the U.S. Food & Agribusiness Exhibition, which was held in Cuba in 2002.

Now, after more than two years of planning, Nathan is making final arrangements for the Libya Oil, Gas & Energy Exhibition scheduled for Dec. 4 to 7 at the Tripoli International Fairgrounds.

Nathan cleared a major hurdle last month when the U.S. Department of Commerce granted trade fair certification to the exhibition, as well as the accompanying Infrastructure Libya event, which was planned by London-based Montgomery Exhibitions.

The department has said the exhibitions will be an excellent opportunity for U.S. companies to showcase their products and services, Nathan said.

Access for Americans to the oil-rich north African nation became possible when the United States lifted its 23-year ban on travel to Libya after Moammar Gadhafi's government admitted it was responsible for the 1998 bombing of Pan Am Flight 103.

As soon as Nathan received word three years ago that the ban had been lifted, he decided to organize the show.

Since then, he's been inviting American businesses to demonstrate their products and services there and working with a half-dozen subcontractors who will help him produce the exhibition and seek out participants.

He met with the Libyan ambassador last month in Washington, D.C., and flew to Tripoli this month to discuss his plans with Libyan officials.

Nathan has a history of connecting American companies with governments that have tenuous relations with the United States. While working for an exhibition company before the fall of the

Berlin Wall, Nathan was instrumental in organizing trade shows in the 1970s in what was then the Soviet Union and in 1980 in the Peoples Republic of China.

The former Marine officer managed New York's Jacob Javits Center in the 1980s, helping it become a leading trade show facility.

Nathan said his experiences in China and the Soviet Union taught him patience and persistence, and drew on all that he learned to overcome the roadblocks in his efforts to plan the two Cuban exhibitions.

"I had to get a special license from the Office of Foreign Asset Control at the U.S. Treasury Department. I was turned down at least four times by OFAC," said Nathan, crediting U.S. Rep. Maxine Waters, D-Calif., for urging then-President Clinton to allow Nathan to organize the medical exhibition.

While in Cuba on a fact-finding mission in 2000, Waters met a Cuban minister who told her about Nathan's project and the problems he was encountering with the Treasury Department. She contacted Clinton, who suggested to treasury officials that they rethink their objections. "It was mind-boggling. It proved it's not what you know but who you know," Nathan said.

He said he encountered a similar problem when organizing the 2002 food and agriculture exhibition in Cuba, but Nathan remembered the lessons he had learned and lined up support at the Capitol. "Senators and congressmen from the farm states lobbied on my behalf," Nathan said.

Buoyed by the Bush administration's recognition of Libya after Gadhafi renounced terrorism in 2003, Nathan decided it was again time to develop a trailblazing exhibition.

"It seemed like an opening for me. Libya has tremendous resources and their needs are extensive, and they like our products," said Nathan, who is working with Houston-based TradeFair Group, a trade show management and publishing company.

An estimated 2,000 information packets will be sent to companies in the energy business, said Sean Guerre, president and chief executive officer of TradeFair.

Brochures are being distributed to companies involved in oil and gas equipment and services, energy and power equipment, pipeline products, oil and gas exploration and production, refining and liquefied natural gas technology and petrochemical plant equipment and services.

"Exxon, Marathon, Haliburton and Schlumberger -- these are the big boys," Guerre said. "This is the first U.S. Department of Commerce-sanctioned event in Libya. We've had some initial feedback. There's quite a bit of interest."

Although foreign energy producers have been in the country for years, plentiful oil reserves -- the kind of environment that large U.S. oil companies are seeking -- remain, he said.

Prospects for deal-making look good, according to Guerre. "The Libyan government is very interested in making investments to upgrade their infrastructure," he said.

Nathan broached the idea with Guerre two years ago, and TradeFair has been concentrating on the Libyan show for the past six months.

Although a number of non-U.S. companies in the oil and gas industries have operating been in Libya for many years, the country has been off-limits to U.S. businesses for two decades.

Now, as they are being welcomed back, the event promises to provide an opportunity for participants to connect with Libya's power brokers in the energy industry. Libya's influential director of planning and information technology for the National Oil Corp. of Libya has endorsed the exhibition, Nathan said.

"We are impressed by the high level of official support that has been attracted from the Libyan authorities, which will certainly contribute to the success of the exhibitions and conference," he said.

Nathan has relied on the U.S.-Libya Trade and Economic Council, a nonprofit organization, to assist with making connections with Libyan officials and surmounting the challenges of the country's economic system.

"Libya has no business infrastructure, and banking as we know it is non-existent," said council President Robert Armao, whose organization was founded two years ago to advise U.S. companies on doing business in Libya. "Oil and gas facilities there have been operating on a shoestring with spare parts."

Based on Nathan's history, he will be able to surmount any roadblocks, said John Kavulich, senior policy adviser to the council, as well as the U.S.-Cuba Trade and Economic Council.

"You'll always find Peter Nathan where no others had the intestinal fortitude to be there before," said Kavulich, who worked with Nathan on his Cuba exhibitions. "He'll never give up. He's got a lot of respect, and people like dealing with him. Libyans hold American companies in a very high regard."

U.S. oil companies could be enticed by the prospect of opening new fields in the desert nation.

The Libyan News has reported that 100 billion barrels of crude oil have been found in Libya in the past 50 years, and another 100 billion barrels remain to be discovered.

Oil industry experts have said Libya produces 1.5 million barrels of oil per day, but the amount could double in less than 10 years with the infusion of American investment and new drilling and production technologies.

Participants in the Infrastructure Libya Exhibition should expect to be popular because Libya plans to spend more than \$5 billion this year as part of a modernization of its infrastructure.

Opportunities exist in heavy construction, telecommunications, housing, water treatment and irrigation and medical equipment, Nathan said. Hotel and tourism opportunities also will be included.

Exhibition space is priced at slightly less than \$5,000.

Assisting PWN Exhibicon International in the recruitment of American companies for the infrastructure event is Agile Events, an event organizer in Silver Spring, Md.

Several thousand businesses involved in the telecommunications, construction, water treatment and irrigation, agriculture and medical and health industries.

"We're selling space to U.S. companies and assisting with shipping. We'll work with national trade associations who will send out information to their members," said James Forlenza, chief executive officer of Agile Events.

The United Kingdom-based Montgomery Group, which has an office in Libya, will focus on interested European businesses.

"Some of our staff is in Libya doing a site inspection and visiting with groups there," Forlenza said.

The exhibition is another sign that the Libyan government is working to become more attractive to capitalism after Gadhafi in 2003 conceded that the nation's state-owned business system was failing.

Last year, as part of an initial public offering, the Libyan government sold a majority of the Arabian Cement Co. for \$273.3 million and General National Co. for Flour Mills and Fodder for \$167 million.

Tentative plans are being considered to sell Libyan Arab Airlines. Early last year, the government said it would encourage foreign banks to operate in the country.

Libya's National Oil Corp., however, remains a state-owned operation.

Nathan said he believes the desire to garner new clients will overcome any concerns companies may feel about doing business in what had been considered a terrorist country.

"Business people deal with questionable places in world more often than tourists," he said. "I've been to Libya several times, and I found it totally safe. They welcome Americans."

The Wa'atassemo Foundation, a charitable organization in Libya serving handicapped children, will benefit financially from the exhibition, Nathan said.

Rutland Herald

Rutland, Vermont

16 April 2006

State's trade with Cuba at standstill

By Bruce Edwards Staff Writer

After an initial flurry of activity, Vermont's fledgling export trade with Cuba appears to be in a holding pattern.

From the perspective of Vermont's secretary of agriculture, Steve Kerr, U.S. exports to Cuba are being squeezed by the Bush administration's imposition of tighter economic sanctions against the communist island.

At the same time, Kerr and others says the Cubans remain committed to doing business with Vermont, especially the purchase of high quality cows from the state's farmers.

Since Vermont Lt. Gov. Brian Dubie's inaugural trade mission to Cuba two years ago, Cuba has purchased 76 cows from Vermont farmers and 4,000 metric tons of powdered milk. The latter was supplied in part by the St. Albans Cooperative Creamery and Agri-Mark through DairyAmerica, an association of eight dairy cooperatives around the country.

The government of Fidel Castro also agreed to buy 4,000 bushels of Macintosh apples and a deal was in the works last fall to buy additional cows. But the Cubans haven't followed through on the apple deal or the purchase of additional cows, Kerr said. He said one likely reason is the Bush administration's attempts to make trade with Cuba more difficult.

"The whispering I'm getting is that it's just so bloody difficult to do business with anyone in the United States now," Kerr said. "So, I think probably our opportunity has dried up a little bit, or a lot, for some period of time." He added that if it chooses, Cuba has the option of buying cattle from Canada "at the same price with no hassle."

Kerr said Cuba hasn't shut the trade door on Vermont. In fact, he said the Cubans were very pleased with the genetics of the Vermont Jerseys and Holsteins that were delivered last August and would like to buy additional cows for breeding. "They are ready to come back for more but it's hard to see how they're going to come back for more given the trade barriers," Kerr said.

Two of the Vermont cows have given birth to bulls. Little Debbie, a Jersey donated by students at the Putney School, gave birth to a bull that the Cubans named Don Ramon, in honor of Fidel Castro's father, Kerr said. The Holstein bull was named Bull Durham, a reference to the baseball movie of the same name.

Florida businessman John Parke Wright IV, who brokered the sale of the Vermont cows, was more upbeat on future deals with Cuba saying he expects "more orders this year."

"The Cubans wish to buy dairy cattle from the United States and discussions are under way between the Holstein Association and the Cuban buyers who are discussing three things: one the

supply of cattle to build up the dairy herd; two, technical cooperation in animal husbandry; and three veterinary cooperation especially in light of animal diseases." He said future shipments would include cows from Vermont, Maine, New York and Pennsylvania.

While Wright remains optimistic about future deals with the island nation of 11.3 million people, he, like Kerr, voiced concerns about current U.S. policy toward Cuba. "If the U.S., is not a reliable supplier of food, they can look to neighboring countries to the south," said Wright, whose family's business ties to Cuba go back several generations. He argued that it's inhumane for the Bush administration to use food as a weapon in its effort to pry Castro from power.

Dr. Gerardo Quaassdorff of the Brattleboro-based Holstein Association USA also remains optimistic that the Cubans are in the market for additional Vermont heifers. "There will probably be some exports in the near future," said Quaassdorff, a veterinarian and the Holstein Association's executive director of international marketing and development. "Last year at this time we were still waiting for the Cubans to make some decisions in regard to the how many they needed," he said.

Meanwhile, he said the initial shipment of U.S. registered Holsteins and Jerseys are faring well in Cuba's tropical climate. "The good news is that the heifers that went there are doing fine ... and that means they're going to be some repeat customers," he said. Quaassdorff also said that the price of milk dropping in the U.S. should make more heifers available for sale to the Cubans.

While acknowledging that difficulties remain when it comes to trade with Cuba, Quaassdorff said that the process to purchase more cows is moving at roughly the same pace as last year. "It's just a matter of when."

According to the U.S.-Cuba Trade and Economic Council, exports of food and agricultural products from the U.S. to Cuba declined 11 percent between 2004 and 2005 from \$392 million to \$350.2 million. The trade figures do not include shipping costs, bank fees or other charges that Cuba typically includes in its trade totals. Those added costs, the New York-based trade group says, cannot be verified raising questions about the reliability of the Cuban government's data. During the first two months of this year, U.S. exports to Cuba actually increased \$11.1 million.

The 44-year old U.S. trade embargo of Cuba prevents most U.S. exports to Cuba. The only exception is food and agricultural products which have been permitted since Congress passed the Trade Sanctions Reform and Export Enhancement Act of 2000. The largest U.S. exports to Cuba in 2005 were chicken, corn, wheat, rice, soybeans and powdered milk.

While Kerr blames the Bush administration for thwarting trade and Cuban officials have complained about tighter cash payment requirements by the U.S., the U.S. Cuba Trade and Economic Council disputes that assertion and cites other reasons for the decline in exports, including closer and more financially beneficial trade relations with Venezuela and China as well as increased trade with Canada and South American.

John Kavulich II, senior policy adviser with the U.S. Cuba Trade and Economic Council, added that Cuba has failed in its strategy to successfully lobby U.S. companies, state governments and Congress to relax trade restrictions.

"The strategy of the government of the Republic of Cuba has not been successful given that purchases remained relatively unchanged — regardless of what companies or the United States government did or did not do relating to the regulatory and legal environment," Kavulich said in an e-mail.

The Grand Island Independent

Grand Island, Nebraska

28 February 2006

State plans another trade trip to Cuba

By Robert Pore

Nebraska officials will be making their third trade visit to Cuba in less than a year in April, Gov. Dave Heineman said Monday.

This visit will be minus Heineman, who will be sending Lt. Gov. Rick Sheehy and Nebraska Agriculture Director Greg Ibach to lead the delegation to Cuba from April 17 to April 20.

Heineman said he won't be going on this trade mission because he wants to be in Nebraska if he is needed to work with the Legislature on any last-minute issues. "I'm also not going on this trip at such a sensitive time because it could be misconstrued and I would prefer to keep the spotlight on Nebraska's dedicated producers," Heineman said.

Heineman is running for the Republican nomination for governor against Rep. Tom Osborne and Omaha businessman Dave Nabity. The primary is May 9. "I don't want to attach anything to that election," he said. "This is all about a long-term relationship with Cuba for our farmers and ranchers. I don't want it to be viewed from the political context."

But, according to John Kavulich, senior policy adviser for the U.S.-Cuba Trade and Economic Council Inc., any relationship between Cuba and the United States is political.

While Heineman said he wants to keep these trade missions to Cuba nonpolitical, Kavulich said that's impossible because of the 45-year ongoing political conflict between the two countries.

"The U.S. politicizes everything dealing with Cuba and Cuba politicizes everything dealing with the U.S.," he said. "Despite the statements by the governor to the contrary, everything he's doing has a political context. It's not necessarily bad, but it has a political context."

Political or not, Heineman's two prior trips to Cuba have landed contracts with Cuba for Nebraska agricultural products of nearly \$30 million. "I said that if the situation appears right for more sales in the spring, I would send another delegation," the governor said during a telephone conference with reporters to announce the trip.

Based on recent conversations with Cuban officials, Heineman said he believes "we have a wonderful opportunity to build on the exports we've already secured, which are benefiting farmers and ranchers across our great state. "The fact we are being welcomed back to Cuba is a tribute to our previous trade delegation and to the farmers and ranchers who grow the products sold there," Heineman said.

He said Alimport, Cuba's purchasing agent for foreign goods, has expressed interest in Nebraska agricultural products, including pinto and dry edible beans, chick peas, wheat, corn, beef and pork, as well as animal feed and soy-based products.

On the previous trade missions to Cuba, Nebraska signed contracts for Cuba to purchase dry edible beans and wheat from Nebraska, along with a memo of understanding to purchase \$5 million in Nebraska beef products. There was also a letter of intent signed to sell \$30 million of soybeans by the United Soybean Board.

Congress created Cuban embargo exceptions for the sales of food and medical supplies in 2000. In 2005, the United States exported to Cuba \$361 million in products, the bulk of which was agricultural products such as cereals, meats, grains and dairy products.

Kavulich said the role of his organization is to gather commercial and economic information and do analysis for businesses wanting to sell their products in Cuba. When Heineman first visited Cuba last August, Kavulich said, his trip set a "new standard in terms of what value the Cuban government placed upon visits by governors to Cuba."

"Prior to his (Heineman's) visit, basically the bounty that the Cuban government put on attaining a visit by a governor was about \$10 million to \$15 million in agreements," he said. "The governor of Nebraska increased that bar." Kavulich said the reason it was doubled was that Cuba continues to have "immense" commercial, economic and political issues with the United States and was not getting much attention from U.S. business and political officials.

"The Cuban government discovered it had to increase the bounty in order to get higher-level officials to visit," Kavulich said. He said the Cuban government also knew that by increasing the bounty, it would likely get some other visits.

"The Cuban government has used the governor and the governor has used the Cuban government," Kavulich said. "The debate will be who will gain more. The Bush administration would say that the Cuban government gains more and the governor would say that Nebraska agricultural and food interests would gain more."

In the past, Kavulich said, what the Cubans promised was not necessarily what it delivered. "That's because the Cuban government is generally focused on getting the biggest public relations bang for the dollar," he said. "Then what happens over time is that they hope there is this amnesia on the part of those who participated and they don't follow up." With Heineman, Kavulich said the governor signed agreements during his first trip and then several months later returned to Cuba for a contract signing.

"That was probably overkill," he said. "He probably should have waited and had the contracts signed and then came back at a later time." Kavulich said this third visit by Nebraskans to Cuba should focus on executing the previously signed agreements and hopefully signing some new ones.

He said there's not a lot of "downside" with the Nebraska trade trips because about 90 percent of what Cuba buys every year is commodity-based, such as corn, wheat, rice, soy and poultry. "It's not canned soup or frozen dinners," he said. "It's commodities and Nebraska is a commodity state."

Kavulich said when the governor tells his constituency, which is agricultural based, that he may not like the way the Cuban government behaves toward its people or how it behaves toward others, still, "there's this law that says they can purchase products and other states are selling them this stuff and we want to sell them more of it."

"That is a perfectly acceptable role for him to play," he said. "But where he needs to be cautious is where he moves from being an advocate of export opportunities for the state of Nebraska to being a component of the Cuban government's public relations efforts." Kavulich said Heineman believes what he is doing is politically important to his tenure in office.

"But from the Bush administration's standpoint, they believe that even if the law permits U.S. exports, by providing Cuba with better quality products and better delivery terms at decent prices, it helps perpetuate the Cuban government's behavior," he said.

Heineman is inviting Nebraska agricultural producers who are prepared to sell products this spring to be part of the trade delegation. Anyone interested in participating should contact the Nebraska Department of Agriculture at (800) 831-0550.

Miami Herald

Miami, Florida

25 February 2005

CUBA

Export Reversal

FOOD EXPORTS TO CUBA DIPPED BY 11 PERCENT IN 2005 -- THE FIFTH YEAR OF RENEWED U.S. AGRICULTURAL TRADE

By JANE BUSSEY

American food sales to Cuba fell by 11 percent in 2005, the first drop since renewed agricultural commerce was approved by Congress in 2000, relaxing trade sanctions against the island that had been in place for more than 40 years.

The private U.S.-Cuba Trade and Economic Council released Cuba-U.S. trade figures for 2005 this week showing U.S. agribusiness exported \$350 million, down from \$392 million the year before.

The cause of the decline was in dispute. The Cuban government blamed the Bush administration for increased red tape in obtaining export licenses. Others said the government of President Fidel Castro had turned to other friendlier sources, including China and Venezuela, for food shipments.

But U.S. exports to Cuba still showed relative strength at a time when the Bush administration has stepped up its enforcement of the economic embargo against Cuba in other areas.

John S. Kavulich, senior policy advisor at the Council, predicted 2006 food sales could also fall as Cuba increases its reliance on allies for food and aid.

"The government of Cuba is focusing all commercial, political and economic activity toward Venezuela and China due to the largess of those countries," Kavulich said.

"If it can be purchased from those countries, they will purchase it from [them] because they are likely to not have to pay for it," Kavulich said.

Venezuela, with growing economic clout due to rising world oil prices, is currently exporting oil to Cuba on easy terms, although no one is sure of the exact amount.

In a Jan. 24 speech in Havana, Castro himself lashed out at the U.S. for trying to thwart trade with Cuba. "The government of the United States is looking for any pretext to prevent, at any cost, the sale of agricultural products to Cuba, which have been taking place in growing volumes without our country failing to pay on time a single cent during five years . . .," Castro said before Cubans who marched on the U.S. Interests Section in Havana Jan. 24.

John Parke Wright, a Naples business executive involved in the shipment of cattle to Cuba, said the Cubans are moving forward with projects to improve cattle herds and dairy cows and use the United States as a supplier of breeding stock.

"I don't see any big continental shifts in policy or trading diversion," Wright said. "I see much more intense political jousting. It's politics."

A contract to export 300 head of cattle from Florida was put on hold over problems with the animals testing false positive to disease. But Wright said he was heartened because U.S. and Cuban health officials were talking and trying to find a way around the problem.

Last year, chicken was the No. 1 U.S. food export to Cuba, followed by corn, wheat, rice and soybeans in shipments that were authorized by the Trade Sanctions Reform and Export Enhancement Act of 2000.

The sale of healthcare products, authorized under the 1992 Cuban Democracy Act, are not included in the food totals, but amount to less than \$1 million yearly.

Despite the slowdown in 2005, U.S. grain sellers were optimistic that corn sales would increase this year.

The board of directors of the U.S. Grains Council, led by chairman Davis Anderson, visited Havana in mid-January and met with Pedro Alvarez, the head of the Cuban food import agency Alimport.

Alimport signed a letter of intent to purchase 700,000 tons of corn in 2006 from farmers represented by the grains council, a trade group that represents corn, barley and sorghum farmers.

"It would be fabulous if they purchased 700,000 [tons] this year," said Sarah Novak, director of membership at the Grains Council in Washington. That amount "would be significantly higher than in the past."

Cuban figures showed the government bought 481,000 tons of U.S. corn in 2004 and 237,000 tons in 2005, most of it for use in livestock feed. "According to the Cubans, the drop was because of the change in rules," Novak said.

While the Cuban market is important regionally, it is small compared to countries such as Japan that buy 15 million tons of corn from the United States each year.

The council pegs total U.S. agricultural trade with Cuba since the 2001 law at \$1.14 billion. That differs from the Cuban figure of \$1.7 billion, but Kavulich said the Cuban numbers include other costs, which cannot be verified.

Meanwhile, Kavulich said the White House was throwing up regulatory roadblocks to trade and other commercial contacts with the island -- taking "every available action that will make unpleasant any commercial dealing with Cuba" -- ranging from delays in obtaining licenses and visas to strict enforcement of customs and trade regulations.

However, said Kavulich, he did not see these difficulties as the source of the fall in exports.

Arkansas Democrat-Gazette

Little Rock, Arkansas

22 February 2006

Chicken now top export to Cuba

BY CRISTAL CODY ARKANSAS DEMOCRAT-GAZETTE

Chicken moved up as the top U.S. product exported to Cuba in 2005, while rice exports to the island fell by nearly 40 percent, a trade group reported Tuesday.

Total exports to Cuba, just 90 miles off the coast of Florida, fell 11 percent to \$350.2 million in 2005 from a year earlier, according to the U.S.-Cuba Trade and Economic Council Inc. in New York.

John Kavulich, the council's senior policy adviser, said the fall and rise in exports of chicken, rice and other commodities reflect changing commodity prices and Cuba's ability to receive loans from other countries.

Chicken moved into the top position last year from No. 3 in 2004, with 17 percent of the total U.S. exports to Cuba. Chicken sales to Cuba rose 5 percent in 2005 to \$60 million from \$57 million in 2004. Falling prices on chicken across the globe, as a result of fears bird flu and larger amounts of frozen chicken in cold storage, also may have helped push up chicken exports, Kavulich said.

"More of the poultry is going into the tourism market, so the Cubans are increasing the usage there," he said. "But primarily, the poultry from the U.S. is going into the Cuban national distribution system for the 11.2 million citizens."

The Trade Sanctions Reform and Export Enhancement Act of 2000 reauthorized the export of food and agricultural products on a cash-only basis from U.S. companies to Cuba. The U.S. Treasury Department's Office of Foreign Assets Control regulates U.S. activity in Cuba.

Springdale-based Tyson Foods Inc. does not ship products directly to Cuba, but the island is the company's fifth largest export destination for leg quarters, spokesman Gary Mickelson said. "We do sell chicken — such as leg quarters — to trading companies who do business with customers there," he said. About 4 percent of the company's chicken leg-quarter export volume was from indirect sales to Cuba, he said.

Toby Moore, spokesman for the USA Poultry and Egg Export Council, in Stone Mountain, Ga., said Cuba remains a good poultry market for all U.S. producers. "It is actually our eighth-largest market by volume for 2005," he said. "So it's very significant."

Cuba was Arkansas' 20th-largest export market in 2004 with \$33.9 million in sales, up considerably from the \$8.3 million in sales a year earlier, according to the U.S. Census Bureau.

Cubans also prefer American rice, though they may not be able to afford it, said David Coia, spokesman for the USA Rice Federation. Cuba's purchasing agency, Alimport, as well as President Fidel Castro, reported the taste preference during the federation's August visit to the island, he said. "Unfortunately, the situation is that OFAC has made it difficult to make that trade," Coia said. "We'll continue to promote rice in Cuba." Rice exports to Cuba dropped 39 percent to \$39.2 million in 2005 from the year before and moved down to rank fourth in export products, according to the U.S.-Cuba Trade and Economic Council.

"China and Vietnam give Cuba low-market multi-year financing packages, and in some cases, write off what Cuba owes," Kavulich said. "Cuba purchases large quantities of broken rice and U.S. companies generally don't produce anything with that high of a broken percentage because consumers here don't buy it."

Stuttgart-based Riceland Foods Inc. said sales to Cuba are down. The company's last sale to Cuba was in November, Riceland Foods spokesman Bill Reed said. Riceland is the world's largest miller and marketer of rice, with about 25 percent of the total U.S. crop.

El Nuevo Herald

Miami, Florida

22 February 2006

Bajan las ventas de EEUU a la isla

WILFREDO CANCIO ISLA

El Nuevo Herald

Después de cuatro años de tendencia ascendente, las ventas de alimentos de Estados Unidos a Cuba tuvieron un ligero descenso del 11 por ciento en el 2005, revelaron las estadísticas del mercado norteamericano.

Según las cifras divulgadas ayer por el Consejo Económico y Comercial EEUU-Cuba (USCTEC), el monto total de las importaciones cubanas el pasado año alcanzó los \$350,228,066, cantidad inferior en unos \$41 millones a los \$391,990,382 reportados en las transacciones bilaterales del 2004.

Los datos ofrecidos por USCTEC contradicen la información de la empresa estatal Alimport, que a comienzos de enero anunció en La Habana que las compras de alimentos de Cuba a firmas estadounidenses durante el 2005 fueron de \$540 millones, un alza del 12 por ciento con relación al período precedente.

Sin embargo, el cuadro estadístico de USCTEC se sustenta en los reportes oficiales de los departamentos de Agricultura y Comercio, así como los registros de las compañías exportadoras, y no incluye costos añadidos de transportación, recargos bancarios y otros gastos asociados con los envíos de cargamentos a la isla.

El gobierno cubano dice que sus estadísticas incluyen los cargos asociados al traslado de las mercancías, pero no proporciona documentos verificables de estas transacciones.

De cualquier manera, se trata de una leve recaída en el flujo comercial y no un descenso en picada, como algunos analistas pronosticaron tras las restricciones impuestas por la Oficina de Control de Bienes Extranjeros (OFAC) del Departamento del Tesoro en febrero del 2005. De acuerdo con las "aclaraciones" hechas por OFAC, Cuba debía pagar los embarques en efectivo y con antelación a la salida de las mercancías del puerto donde fueron cargadas.

Cuba ha insistido que las operaciones con empresas estadounidenses se han vistonotablemente limitadas como resultado de las restricciones dictadas por Washington.

"Esta disminución no tiene que ver en lo absoluto con las disposiciones implementadas con OFAC el pasado año", declaró anoche John S. Kavulich, consejero principal del USCTEC, con sede en Nueva York.

Kavulich señaló como causas de este retroceso los esfuerzos del gobierno cubano por vincular las ventas a compañías estatales y regionales cuyos representantes "hagan visible" su compromiso por cambiar la política de embargo hacia la isla.

Además, lo atribuyó a "las opciones preferenciales de Cuba para comprar alimentos a Venezuela y China", así como a los créditos ofrecidos por Canadá y otros países latinoamericanos y europeos.

"Probablemente la tendencia decreciente se haga mayor en el 2006, pues el gobierno cubano parece interesado en fortalecer las operaciones con Venezuela y China", opinó Kavulich.

El intercambio comercial de Cuba y Venezuela se calcula en unos \$1,750 millones anuales; con China podría alcanzar los \$1,000 millones durante el 2006.

Las compras de Alimport a firmas estadounidenses el pasado año fueron fundamentalmente de pollo (\$60 millones), maíz (\$49 millones), trigo (\$47 millones) y arroz (\$39 millones).

Desde que el Congreso estadounidense autorizó las ventas de productos agrícolas a Cuba en el 2000, Alimport ha comprado mercancías por valor de \$1,142 millones.

Actualmente Cuba figura en el puesto 30 en la lista de los países con mayor volumen de adquisición de bienes agrícolas en el mercado estadounidense.

San Luis Obispo Tribune

San Luis Obispo, California

8 January 2006

Mexico may close U.S.-owned hotel that threw out Cuban guests

BY PABLO BACHELET
Knight Ridder Newspapers

WASHINGTON - The Bush administration's feisty campaign to curtail U.S. contacts with Cuba sparked an angry row with Mexico, which announced Tuesday that it could fine or even close a U.S.-owned hotel in Mexico that threw out a Cuban delegation after a call from the Treasury Department.

Three Mexican agencies - the Mexico City government, the federal consumer protection office and the national commission against discrimination - will look into the incident, said Ruben Aguilar, spokesman for President Vicente Fox. Mexico "will certainly not tolerate any discrimination against any person visiting Mexico," he said. Other officials said the Sheraton Maria Isabel hotel in the heart of the Mexican capital could be fined or even shuttered.

The weekend incident at the Sheraton seemed to raise to new heights the Bush administration's efforts to curtail even indirect U.S. dealings with Cuba.

"This is the commercial equivalent of a neutron bomb," said John Kavulich, a Cuba analyst with the U.S.-Cuba Trade and Economic Council, a New York-based group that tracks trade and economic opportunities between the two nations. "It is designed to raise red flags for lawyers at large U.S. corporations" and make any business dealings with Cuba "as unpleasant a matter as possible."

The Treasury Department has confirmed it contacted Starwood Hotels & Resorts Worldwide on Friday and cautioned it that a meeting at the Maria Isabel between Cuban government officials and U.S. energy sector executives could be in violation of U.S. sanctions on the communist-ruled island.

That evening, the management of the Maria Isabel asked the 16-member Cuban delegation to leave. Their security deposits were not returned, said Kirby Jones, a U.S. consultant who arranged the U.S.-Cuba energy seminar.

U.S. laws forbid American companies from knowingly providing services or goods to Cuban nationals without prior consent from the Treasury Department. The laws have been applied to foreign subsidiaries of U.S. companies that have significant deals with Cuba, but never before to minor arrangements such as hotel bookings.

"What's the difference between buying a hotel room and buying a cheeseburger?" asked Jones. His Washington-based consultancy, Alamar Associates, has organized nine other such seminars in the past, some of which took place in hotels owned by U.S. companies. In 1998 the Clinton administration denied him a permit to take U.S. executives gathered in the Mexican resort of Cancun on an overnight trip to Cuba. Jones said that a group of 12 Cuban musicians were staying at the Maria Isabel but were not asked to leave. The Cuban delegation moved to a Mexican-owned hotel and the seminar agenda was completed the following day, Jones said.

Executives from U.S. giants like Exxon Mobil Corp., Caterpillar Inc. and Valero Energy Corp., one of the largest refiners of the United States, each paid close to \$2,000 to learn more about Cuba's potentially lucrative reserves.

An Associated Press report on the seminar quoted Cuban Vice Minister of Basic Industry Raul Perez de Prado as urging the U.S. executives to lobby against the embargo. Starwood Hotels did not return The Miami Herald calls seeking comment.

The Bush administration has been tightening U.S. sanctions on Cuba for the past two years, trying to deny resources to Cuba in hopes of hastening the island's transition away from communist rule after the 79-year-old Fidel Castro dies.

But Mexico and most Latin American nations have long been critical of the U.S. economic sanctions on Cuba, with many governments arguing that they affect only the island's people.

The Miami Herald

Miami, Florida

8 February 2006

MEXICO

U.S.-owned hotel could face fines

The United States may have to deal with repercussions from its campaign against Cuba that led to Cubans being asked to leave a U.S.-owned hotel.

BY PABLO BACHELET

WASHINGTON - The Bush administration's feisty campaign to curtail U.S. contacts with Cuba sparked an angry row with Mexico, which announced Tuesday that it could fine or even close a U.S.-owned hotel in Mexico that threw out a Cuban delegation after a call from the Treasury Department.

Three Mexican agencies -- the Mexico City government, the federal consumer protection office and the national commission against discrimination -- will look into the incident, said Rubén Aguilar, spokesman for President Vicente Fox.

Mexico "will certainly not tolerate any discrimination against any person visiting Mexico," he said. Other officials said the Sheraton María Isabel hotel in the heart of the Mexican capital could be fined or even shuttered. The weekend incident at the Sheraton seemed to raise to new heights the Bush administration's efforts to curtail even indirect U.S. dealings with Cuba.

"This is the commercial equivalent of a neutron bomb," said John Kavulich, a Cuba analyst with the U.S.-Cuba Trade and Economic Council, a New York-based group that tracks trade and economic opportunities between the two nations. "It is designed to raise red flags for lawyers at large U.S. corporations" and make any business dealings with Cuba "as unpleasant a matter as possible."

The Treasury Department has confirmed it contacted Starwood Hotels & Resorts Worldwide on Friday and cautioned it that a meeting at the María Isabel between Cuban government officials and U.S. energy executives could violate U.S. sanctions against the communist-ruled island.

16 ASKED TO LEAVE

That evening, the management of the María Isabel asked the 16-member Cuban delegation to leave. Their security deposits were not returned, said Kirby Jones, a U.S. consultant who arranged the U.S.-Cuba energy seminar.

U.S. laws forbid American companies from knowingly providing services or goods to Cuban nationals without prior consent from the Treasury Department. The laws have been applied to foreign subsidiaries of U.S. companies that have significant deals with Cuba but never before to minor arrangements like hotel bookings.

"What's the difference between buying a hotel room and buying a cheeseburger?" Jones asked. His Washington-based consultancy, Alamar Associates, has organized nine other such seminars in the past, some of which took place in hotels owned by U.S. companies. In 1998, the Clinton administration denied Jones a permit to take U.S. executives gathered in Cancún on an overnight trip to Cuba. Jones said a group of 12 Cuban musicians were staying at the María Isabel but were not asked to leave. The Cuban delegation moved to a Mexican-owned hotel, and the seminar agenda was completed the following day, Jones said. Executives from U.S. giants like ExxonMobil Corp., Caterpillar and Valero Energy Corp., one of the largest refiners in the United States, each paid close to \$2,000 to learn more about Cuba's potentially lucrative reserves.

EMBARGO MENTIONED

An Associated Press report on the seminar quoted Cuban Vice Minister of Basic Industry Raúl Pérez de Prado as urging the U.S. executives to lobby against the embargo. Starwood Hotels did not return calls from The Miami Herald seeking comment.

Orlando Sentinel

Orlando, Florida

6 January 2006

Family ties could defy Cuba travel rules

By Paolo Spadoni Special to the Sentinel

The Bush administration's latest restrictions on U.S. travel to Cuba, implemented in June 2004 and mainly aimed to deny hard-currency resources to the Castro government, have deterred American visits to the island.

In 2004, according to Havana's authorities, visits by Cuban-Americans and U.S. citizens not of Cuban descent were down by 50 percent and 40 percent, respectively. Moreover, Washington reported that the number of U.S. legal visitors to Cuba dropped by more than 60 percent between June 2004 and June 2005.

However, it seems that Cuban-Americans remain committed to visit relatives in Cuba despite new regulations that may interfere. While the number of legal trips taken to the island from the United States has clearly declined in the past year and a half, evidence from official Cuban sources suggests that U.S. illegal travel might have increased in 2005 and helped to partially offset the reduction of authorized journeys. Ironically, it is likely that Cuban-American visits accounted for the vast majority of travel violations, even though Washington's tighter rules were specifically designed to curtail family contacts.

If this is the case, Washington officials underestimated the determination of Cuban-Americans to find creative ways to spend time with relatives on the island, a development that the Castro government should obviously be pleased about.

American citizens not of Cuban descent are traveling to Cuba in dramatically fewer numbers. According to the Cuban National Statistical Office (ONE), fewer than 50,000 U.S. citizens (excluding Cuban-Americans) visited the island with or without their government's permission in 2004, as compared to about 85,000 in 2003. And only about 29,000 of them traveled to Cuba between January and October 2005, down by an additional 30 percent over the same period in 2004.

As the aforementioned individuals include not only journalists, academics, businessmen and members of religious and humanitarian organizations, but also regular tourists, it appears reasonable to assume that illegal trips to Cuba by U.S. citizens of non-Cuban origin have decreased substantially in the past two years. The New York-based U.S.-Cuba Trade and Economic Council (USCTEC) estimated that 23,000 Americans with no family connections in Cuba legally traveled to the island in 2003. They accounted for less than one-third of all U.S. visitors not of Cuban descent reported by ONE that year, which means that unauthorized American travelers could have been as many as 60,000 in 2003.

On the other hand, Cuban sources indicate that illegal trips by Cuban-Americans might be on the rise. It should be noted that, before 2004, Washington's authorities leveled fines against Americans who visited Cuba without permission but paid little attention to U.S. citizens of Cuban descent, as the latter were allowed to visit relatives on the island once a year without approval from their government. Yet given that Bush's new restrictions limit such visits to just once every three years and require a specific license for each trip, it is conceivable that Cuban-Americans began to take steps to bypass U.S. rules. After all, they can easily travel to Cuba through third countries or eventually take advantage of existing licensing programs -- like religious ones -- reserved for purposes other than family reunions.

Havana's official statistics report the total number of Cubans living abroad who visit Cuba every year without providing details on their country of residence. But these figures are a good indicator of Cuban-American travel to the island because the United States has by far the largest concentration of Cuban immigrants. For instance, USCTEC estimated that about 130,000 Cuban-Americans traveled to Cuba in 2003, representing almost 80 percent of all Cuban arrivals reported by ONE (about 168,000). And this share was probably higher because several Cuban-Americans visit their country of origin more than once a year, mainly to engage in informal money transfers.

Recent data by ONE reveal that more than 110,000 Cubans residing abroad traveled to the island between January and October 2005, as compared to 99,000 during the same period in 2004. Figures for 2004 are inflated by a substantial number of Cuban-Americans who rushed to meet family members in Cuba before the June 30 deadline, and authorized journeys have declined since then. Thus, last year's figures could be the result either of a spectacular, but rather unlikely, growth in the number of arrivals of Cubans living in countries other than the United States or a more likely increase of Cuban-American illegal trips.

Keeping Cuban families apart could be a bigger challenge than U.S. authorities had envisioned.

Los Angeles Times

Los Angeles, California

1 January 2006

THE WORLD

Despite Government Efforts, Cubans Hold Tight to the U.S. Dollar

By Carol J. Williams, Times Staff Writer

HAVANA — More than a year after the communist government here replaced the U.S. dollar with a convertible peso, the greenback remains in the hearts and hands of the Cuban people.

Prices for most goods are still listed in dollars. Tens of thousands of families still get handouts from U.S. relatives in dollars, much of it funneled in by visitors to skirt the Cuban state bank's 10% cut for conversion. Taxi drivers, private restaurants and those with rooms to rent still accept payment in U.S. currency.

"We have more trust in dollars," said a partner in an Old Havana paladare, one of the private but heavily regulated eateries some Cubans are allowed to operate in their homes. Anyone who can afford to save money does so in U.S. dollars, he added.

The resilience of the dollar here has created a complicated, three-tiered monetary system, as the convertible peso, or CUC, also circulates alongside the official moneda nacional, or MN. Most Cuban salaries are paid in moneda nacional, which consumers must exchange for convertible pesos, at a rate of 25 to 1, if they want to shop in what are still referred to as dollar stores — the only source of meat, milk and most consumer goods. Neither the convertible peso nor the moneda nacional has any value abroad.

The attempt to "de-dollarize" Cuba was instituted in November 2004, purportedly because the economy had recovered from the gut punch dealt by the 1991 collapse of the Soviet Union and the loss of billions in aid and subsidies Moscow had provided. The dollar became legal tender in 1994, at the close of an austerity program dubbed the Special Period in Peacetime, during which the gross domestic product fell by a third and Cubans lost an average of 22 pounds.

Remittances from U.S. relatives now total as much as \$1 billion a year, and ordinary Cubans can still legally hold and save dollars. But the government has reeled in hard-currency earning and spending autonomy granted to state industries and services during the special period.

Cuba reported 5% economic growth in 2004, and President Fidel Castro said just before Christmas that 2005 would see an 11.8% expansion.

Foreign analysts say the growth figure is inflated by inclusion of subsidies and intangible benefits such as social services. The U.N. Economic Commission for Latin America and the Caribbean, which calculated that Cuba's 2004 expansion was 3%, dropped the island nation from its report for 2005, saying the data made available by Havana were insufficient to calculate reliable figures.

The nation does a healthy trade with Venezuela and China, but independent analysts suspect that

Cuba has undisclosed debts and a widening trade deficit as exports grow at a much slower pace than imports.

Even the most critical analyses, though, peg the 2005 growth at upward of 5% and bolster claims by Economy Minister Jose Luis Rodriguez Garcia that Cuba has turned the corner on post-Soviet privations.

"The country has begun to overcome the shortages of the crisis period," Rodriguez told the National Assembly in December. He said tourism, nickel sales and the export of services accounted for "the highest performance in revolutionary history," referring to the 47 years since Castro's anti-capitalist guerrilla force came to power.

With all but about 2,000 legally self-employed service providers earning state salaries averaging \$15 a month, the boom times are hard to see on the streets. The government raised salaries for most state workers by 25% in 2005, but a 4% inflation rate, an artificial devaluation of hard currencies when the convertible peso was introduced, and a severe crackdown on pilferage and private enterprise in recent weeks have served to counterbalance that increase.

Castro deployed thousands of university students and young Communist Party supporters to oversee gas station operations in December after disclosing in a national address that more than half the gasoline in the country was being stolen. He also dispatched police to raid farmers markets and arrest vendors and bicycle taxi drivers who couldn't show a state license.

"You can't survive without doing something on the side," said a 39-year-old teacher who sells homemade salsa CDs and cassettes to tourists.

"We work to eat. That's all our salaries cover," said a cardiovascular nurse who left that job eight years ago to work as a hotel maid. "You need dollars from tips or from family outside for clothing and anything else."

Energy shortages have eased, apparently one public dividend of the economic upturn that can be traced to lucrative trade with Venezuela and China.

The number of doctors deployed abroad rose to 26,000 last year, with more than half working in Venezuela in exchange for 90,000 barrels a day of oil on favorable credit terms. Venezuelan President Hugo Chavez, Castro's most generous ally, also began bankrolling eye operations in Cuba for Latin American poor at risk of losing their vision. Those services brought in an estimated \$3 billion to state coffers, and mining exports and the 2 million tourists who visited the island generated another \$3 billion.

Though Rodriguez disclosed few figures, he said imports grew 36% in 2005, presumably dominated by fuel purchases from Venezuela and food bought from U.S. producers.

Pedro Alvarez, head of the Cuban state food import agency Alimport, said the firm was expected to have spent more than \$500 million on U.S. commodities by the end of 2005.

Like other economic figures, though, the food purchase numbers are seen by outside analysts as distorted. John Kavulich of the U.S.-Cuba Trade and Economic Council says Alimport includes shipping and finance costs in its total. The New York-based analyst reported U.S. food sales to Cuba totaling \$392 million in 2004, compared with Alimport's figure of \$473 million.

Mounting outlays for food and fuel and shrinking sales of traditional products such as sugar

could signal a looming cash crunch, analysts point out, especially if the tiny private sector is further shackled and unable to deliver tax revenue.

Paolo Spadoni, a University of Florida scholar and specialist on the Cuban economy, deems the currency manipulations "largely symbolic." But together with the raises for state workers and import of low-cost Chinese appliances, he said, they've signaled to Cubans that the government is intent on closing the gap between those with access to dollars and those without.

That quest for social leveling plays to revolutionary ideals but has had the effect of pushing down the haves more than lifting up the have-nots. Street crime has become so rampant in Havana that tourists are encouraged to stick to a single street, the bustling main drag of the historic old town. Begging from tourists has become so widespread that the main sightseeing venues are inundated by emaciated old women and the maimed.

"The same government that created great equality in the 1960s is now presiding over a system of rising inequality," said Damian Fernandez, head of the Cuban Research Institute at Florida International University. He estimates that as much as 25% of the country of 11.3 million lives in extreme poverty. With the governing elite of the Communist Party benefiting most from foreign investment in tourism ventures, Fernandez said, "the revolutionary rhetoric now rings hollow."