FOR THE PARTY, IT’S A HANDS-OFF ECONOMY

Continuing what the country’s aging leaders expect to be a handoff to younger generations and a shift of the Communist Party away from being an economic micro-manager, 811 PCC delegates met at the first Party Conference ever, Jan. 28-29 at the convention center in Havana, to discuss internal changes.

The closed-door meeting of the sole political party on the island came after a rank-and-file Congress in April, which laid out a road map of economic reform that allows for some private-sector growth, while providing state companies more autonomy.

The PCC delegates pledged in a resolution after the conference to stop meddling with “functions and decisions that correspond to the state, gov-

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Dilma Rousseff visits Havana, with infrastructure loans and sugar investments in her luggage.

R ekindling her predecessor’s efforts of forging a strategic relationship, Brazilian President Dilma Rousseff was in Cuba for a two-day visit, witnessing the signing of hundreds of millions of dollars worth of agreements.

Most importantly, as part of Rousseff’s visit — the first since she took the helm a year ago from Luiz Inácio ‘Lula’ da Silva — Brazilian development bank BNDES will release the second, $230 million, tranche of a nearly $600 million credit for a $800 million expansion of the Port of Mariel. Rousseff visited the construction site Jan. 31.

A Cuban-Brazilian joint venture led by

Brazils Grupo Odebrecht began construction of the crucial infrastructure project last year, thanks to a first $232 million tranche of the BNDES loan. The port project, which includes a new container terminal, an offshore oil logistics center, and new roads and a railroad, is expected to be completed by mid-2013.

Before meeting with Raúl Castro Jan. 31, Rousseff criticized the U.S. embargo and defended

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Communist Party

tion and administrative institutions.”

Castro outlined a party that shifts from a micro-manager of state companies and ministries to a hands-off institution that designs policy and keeps corruption in check.

“Its power is moral, not judicial,” Castro said about the future PCC.

The main task ahead for the 800,000-member party, a Prensa Latina article cited leadership before the conference, is to establish a “closer connection to the people” and involve Cubans in crucial decisions. Before last year’s rank-and-file Congress, the PCC had not mobilized its grassroots since 1997, even though Party statutes require a meeting every five years.

Raúl Castro, who is also the PCC’s first secretary, urged more open debates and asked the state media to abandon “useless secretiveness.”

“It’s necessary we all get accustomed to speak truth, looking each other in the eye, to disagree and discuss, even disagree with what the bosses say, when we believe that reason supports us — of course in the appropriate setting, in the opportune moment, at meetings, not in the corridors,” Castro said in his closing speech. “We must be willing to get into trouble while defending our ideas and resolutely confront what is badly done.”

Pushing the issue of generational shift, Castro said that the aging leadership has left the country without “experienced and mature substitutes that have sufficient skills.” Even so, the historical leaders will get this last task done, he said.

We are not willing, even though we’re not that young anymore, to waste this last opportunity.”

Although they didn’t say so in the final document of the conference, the Party delegates apparently agreed to term limits of two consecutive five-year periods in higher positions. Castro said in his closing speech that the practice’s “gradual” implementation is beginning immediately, even before party statute changes are made and the Cuban constitution is amended. He did not explain whether the term limits will apply to the general elections in 2013.

Raúl Castro, 80, began his five-year term as president in 2008. In a recent speech in Trinidad and Tobago, he alluded to a succession “in a maybe close future.”

In the final resolution, the delegates also pledged to replace 20 percent of the Central Committee membership through 2013, citing the “necessity to achieve better results in the promotion of women, blacks, mestizos and young people.”

Over the past few years, the Party has quietly appointed younger militants, women and minorities to key provincial positions. Also, during last year’s Congress, the 115-member Central Committee — a kind of Party legislature — added 59 new members. Newcomers include Central Bank President Ernesto Medina, and Luis Alberto Rodríguez López-Calleja, president of military business holding GAESA and son-in-law of Raúl Castro. However, the powerful 15-member politburo — the executive body which recruits its members from the Central Committee — still is the exclusive domain of revolutionary veterans.

Letter from Tampa

This month marks our second year of operations, and it is hard to believe that cubastandard.com has come so far in such a short period. With much commitment, hard work and meager resources, our monthly readership went from none to a repeat worldwide audience averaging 5,000 readers.

During the previous month, 7,000 readers from 1,500 cities went to cubastandard.com! Our top cities were Havana, London, New York, Toronto and Washington. The numbers from Cuba are particularly exciting, given the difficulty of Internet access there.

In an effort to provide our readers with access to more comprehensive and insightful analysis, we are delighted to announce the premier publication of Cuba Standard Monthly.

With Cuba Standard Monthly, subscribers will be able to gain deeper perspectives into the stories of the day. Our goal for Cuba Standard Monthly is to empower you with knowledge and information so that you can succeed in your efforts related to Cuba.

We exist because of you, dear reader, and we thank your continued support.

Sincerely,

Jason Busto, publisher — jasonbusto@cubastandard.com
**50 years in detention**

It’s been 50 years now, and going, that the United States has kept 11 million Cubans in collective detention for misbehaving.

At least, this is how most people in Cuba feel about the trade embargo — or blockade, as it’s called in Cuba — John F. Kennedy imposed on the Communist island five decades ago, in February 1962.

After interacting for more than a dozen years with hundreds of Cubans of all walks of life, I have yet to find one who agrees with the U.S. embargo. From all I can discern, that’s a sincere sentiment; no one is forcing them to think or speak this way, no one has been brainwashed. Even most opposition figures, such as celebrity blogger Yoani Sánchez, are against it.

To most Cubans, who happen to be proud nationalists, the notion of a foreign headmaster dictating them to overthrow their government and crank the wheel of history back half a century — that’s in a nutshell what the body of U.S. sanctions laws do — is deeply offensive.

Indeed, if the majority of Cubans — presumably the very people the U.S. embargo is supposed to help — disapprove of the embargo, the only argument left for pro-embargo advocates is that politicians and anti-embargo lobbyists are trying to help them.

Continued on next page

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**Claims against Cuba — the risk foreign investors dread**

By José Manuel Pallí, Esq.

The lethal crumbling of the building at the corner of Infanta and Salud streets, in Centro Habana, puts an exclamation mark to the byzantine debate over whether the changes in Cuba are significant or not.

Some 15 years ago, in the midst of a wave of sympathy (close to mass hysteria) the tragic death of Princess Diana generated, Mother Teresa’s death barely a week thereafter helped many to put lives and death in a proper and more balanced perspective. Here’s hoping that all Cubans look at the Calle Infanta tragedy as a sign that it is time to roll up our sleeves to help our fellow Cubans build a better Cuba, rather than sit tight waiting to pick up the pieces.

In the early 1990s, shortly after the fall of the Berlin wall, I had a series of conversations with large international real estate developers who sought my advice on how to go about doing business in Cuba what they were doing in Mexico, where we became acquainted, and in other touristic destinations the world over. As I have said numerous times since then to prospective investors large and small, as well as to those among my fellow Cuban-Americans who seek my advice on how to improve their chances of recovering the real property expropriated or confiscated by the Castro government, I told them two things:

1. As a U.S. lawyer, subject to the Treasury Department’s rules that constrain all U.S. subjects in dealing with embargoed countries like Cuba, I was very limited in what help I could provide to them; and

2. Even if I could be of more help than that, it was — and still is — impossible to foresee the legal environment that would be in place at the time when competing claims between pre- and post-revolutionary owners over land in Cuba could be effectively resolved. All I could do for them — other than telling them what present Cuban laws say — was speculate on what future law might say (an “opinion” akin to those our cherished rating companies love to sell us on).

After hearing that, most foreigners would ask me to introduce them to one or another Cuban exile organization — back then it was mainly one — so they could get from them a sense of what to expect in a future Cuba. Those who got back to me after that type of consultation said they were told that brim and stone would fall on them when Castro was thrown out of power (presumably to be replaced by those consulted, in those days when we could almost touch Castro’s Final Hour…).

The Centro Habana deaths are a reminder that obduracy is not a trait exclusive to Cuban exiles. My reading of the Cuban Foreign Investment Law — Decreto Ley 77/95 — is that, under its article 16, paragraph 2, sections “a” and “b”, foreign investment cannot be destined to the construction of housing for the Cuban people, leaving this logro de la Revolución, together with its two other hallowed accomplishments, health and education for the Cuban people — both also guaranteed under Article 9 of Cuba’s Constitution, though clearly excluded under article 10 of its foreign investment law — out of bounds for foreign investors. If so, why? The arcane views that make some old true believers in socialism see profitable ventures as anathema are totally out of touch with a reality where new types of investment vehicles, such as a Benefit Corporation, could be used to channel funds for preserving and building housing units in Cuba.

But with regard to the tension between

Continued on next page
Analysis

‘The risk investors dread’ from previous page

the interests of pre-revolutionary owners and those of foreign investors, Cuba’s position has lately been, in my view, more realistic — dare I say reasonable — than expected. In 1999, when the U.S. government threatened Spanish hotel management company Sol Meliá, among other foreign investors in Cuba, with sanctions under the Helms–Burton law, Cuba’s then vice-president, Carlos Lage, publicly said that Cuba would not be an impediment to any foreign investor in the island if they chose to negotiate with the pre-revolutionary owners whose property was expropriated under the laws decreed by the Cuban government between 1959 and 1961.

Cuban legal literature mostly describes the present Cuban Registro de la Propiedad as the result of a gradual reordering or reordenamiento gradual, serving different priorities enunciated in Cuba’s Housing Laws of the one existing until 1959. However, there is no evidence that those records kept in the “old” Spanish-style Registro have been destroyed. My understanding is that they are simply archived, safeguarded for their historical value.

Through contacts and consultations with foreign lawyers during the process of drafting its 1995 foreign investment law, Cuba’s legislators apparently realized that foreign investors tend to give considerable “historical

Continued on next page

Opinion

‘50 years of detention,’ from previous page

Castro crusaders in the United States know better than Cubans what’s good for Cubans on the island. So what do the anti-Castristas in Miami and Washington know better? Maybe that Cubans must follow the teachings of Milton Friedman rather than Karl Marx, or else?

Nobody says. But if there’s any strategic thinking behind the embargo, it’s that Cubans will be starved into rebellion. That kind of simplistic thinking is not just offensive; its continued and increased application for two decades since the fall of the Soviet Union has — literally — prevented food from making it to the dinner plates and medicine to the bathroom cabinets of regular Cubans. And now it makes it more difficult to bring a modicum of market to Cuba’s centrally planned economy.

Beyond its dubious morality, the embargo simply doesn’t achieve its own goals. As long as the Cuban government can convincingly explain that economic stagnation is at least partially caused by the hostile colossus to the North, rebellion against — or even criticism of — the government can be perceived as high treason against the principle of self-determination.

It’s time to stop this madness. Let’s finally recognize that there has been a genuine revolution in Cuba 50 years ago, and then let’s move on.

Johannes Werner is editor of Cuba Standard
Analysis

‘The risk investors dread’ from previous page

value” to those old title documents and their corresponding recording entries that could show up in the title chain to lands they were investing in. In that sense, due diligence became part and parcel of any foreigner’s real property investment in Cuba. Some of those investors may have even cut deals — though I am not aware of any case where such a deal has been publicized — with the pre-revolutionary owners.

Eventually, the way to publicize those and other similar arrangements as part of the restoration or completion of an otherwise lame title chain may be through the use of an acta de notoriedad.

An acta de notoriedad is a notarial document whereby the Civil Law Notary declares the existence of certain well-known facts — that he or she has verified — in order to support or solidify the rights of the party who requests the acta over a given piece of real property. In this situation, where an agreement has been reached between a pre-revolutionary owner, whose rights appear in the old “historical” recording entries, and the foreign investor or any other party who is presently in the use and possession of that property, the well-known facts to be accredited would be the existence of that agreement, and the acquiescence by the pre-revolutionary owner to its terms. Once the acta is recorded at the Registro de la Propiedad, the rights of the foreign investor are shielded by the recording principles (principios del derecho registral) that govern under a Spanish-type recording system.

This is, obviously, a very simple explanation of a tool whose use is bound to run into practical difficulties, one of which is likely to arise from the fact that under present Cuban laws — see articles 26.1 and 29, section “d” of Resolución 114/07 del Ministerio de Justicia, for instance — the root of title to almost every housing unit in Cuba is presumed to be the title issued by the state as a result of the application of the Urban Reform laws of the 1960s, or else the administrative acts resulting in the expropriation or confiscation of real estate assets from the then-owners.

To remove these kind of impediments to stronger property rights, a similar effort to that made by those who cut the individual deals described above — and which will then be reflected in actas de notoriedad — will have to be undertaken by Cuban society as a whole, in order to find, through a freely expressed social consensus, the pillars of coincidence among disparate interests upon which a future Cuba will have to be built, coincidences to be reflected in Cuba’s future laws.

José Manuel Pallí is a Cuban-born member of the Florida Bar, originally trained as a lawyer in Argentina. He is president of Miami-based World Wide Title, and can be reached at jpalli@wwti.net

POLITICS

Details emerge, as corruption crackdown continues

During a Communist Party Conference late January in Havana, First Secretary Raúl Castro urged party militants to reinforce their battle against corruption, admitting that previous efforts had failed.

“It’s true that the Party, for years and years, waged a battle against this scourge,” Castro said in his 40-minute closing speech. “However, it fought the battle on one side, and the government on the other.”

Castro appointed Lina Pedraza as comptroller general in 2010 to lead a crackdown against corrupt Cuban officials. According to unofficial accounts, close to 300 people have been arrested, including many PCC members and a handful of foreign businesspeople. Investigations have centered on trading companies, nickel mining, tour operators, airlines, the cigar company and more.

Official media have been mum about details of investigations and convictions.

Two official videos detailing recent corruption cases are now being shown to Party cadres and state company executives, according to a Reuters report.

One video describes a network of farmers, distributors and government officials that skimmed off millions of pesos with fictitious food production.

Another video, titled “Metastasis,” follows a system of bribes paid by a Canadian trading company, as it “spreads like a cancer.” In the video, Cy Tokmakjian, CEO of Tokmakjian Group Inc., is portrayed as the original cancer cell, according to a Reuters source. The Canadian businessman was arrested last year.

The allegations against Tokmakjian are backed by testimony from a former employee turned competitor. According to the video, Sarkis Yacoubian confessed he passed packets of money to Cuban officials visiting Canada when he worked for Tokmakjian, to secure sales of vehicles, construction equipment, engines and engine parts. Yacoubian, CEO of now-defunct Tri-Star Caribbean, was also arrested last year. He confessed he continued to pass out bribes after he went into business for himself.

Security is reportedly tight during the screenings, to avoid footage making it to the Internet.

Castro said during the conference that information from the videos will be published once the consultation with Party cadres is concluded.
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ECONOMY

‘Brazil’ from page 1

Brazil’s “strategic and enduring partnership to help accelerate Cuba’s development” against media criticism over human rights issues.

“This is a market that’s opening up,” Foreign Ministry spokesman Tovar Nunes told Brazilian reporters. Cuba is “absolutely interested in expanding the partnership with us and is betting on that port as a focus of export-oriented investments.”

During a preparatory visit of Foreign Minister Antonio de Aguiar Patriota to Havana Jan. 16-17, the two nations agreed to work on “important projects for the Cuban economy,” a communiqué by Brazil’s foreign ministry said. According to a foreign ministry spokesman, there is space for Brazilian investments in “generic pharmaceuticals, including anti-cancer drugs, in petroleum refining, and production of lubricants.”

He also cited sugarcane-based biofuels, saying that the resistance of Fidel Castro is “being overcome.”

Meanwhile, Companhia de Obras em Infraestrutura (COI), the Odebrecht subsidiary in charge of the port project, announced it will enter an agreement with state company Azcuba to operate a sugar mill near Cienfuegos (see sidebar).

The first company that will announce it will set up shop in a prototype Special Development Zone at the port just west of Havana is São Paulo-based Fanavid S.A. The glassmaker will open a manufacturing facility at the Port of Mariel to supply Cuba, Brazil and the Caribbean region with architectural glass, a Foreign Ministry spokesman in Brazil said after Patriota returned from Cuba.

Brazilian company entering sugar deal

Brazil’s Grupo Odebrecht announced that a subsidiary will form a joint production agreement with state company Azcuba to operate a sugar mill in the province of Cienfuegos.

Although the production agreement is a notch below a direct investment, this is the first time a foreign company becomes active in Cuba’s sugar industry. As part of a radical restructuring of the sector since 2002, the Cuban government opened up sugar to foreign investors.

Companhia de Obras em Infraestrutura (COI), an Odebrecht subsidiary, said it will sign a 10-year agreement to operate the 5 de Septiembre sugar mill. The Soviet-era sugar mill in Rodas, near the port of Cienfuegos, was closed early during the 2010 harvest due to “inefficiency”, according to local press reports.

The objective, an Odebrecht official told news agency Reuters, is to increase sugar production and milling capacity, and help with the revitalization of the sugar sector.

While Odebrecht has experience in operating sugar mills, the bigger prize in Cuba’s sugar industry is ethanol production and electricity generation. In January, a spokesman for Brazil’s foreign ministry told reporters that Cuba is about to engage in ethanol production, as “Fidel’s resistance in this field is being overcome.”

A sugar industry executive familiar with the project told Reuters that Odebrecht is also developing a $258 million sugar mill joint venture in Angola with state company Sonangol that intends not only to manufacture 260,000 tons of sugar, but also produce 30 million liters of ethanol and 45 megawatts of electric energy. Odebrecht’s bioenergy division is one of Brazil’s largest ethanol producers.

The Brazilian conglomerate has been active in Cuba since 2007, so far culminating in the $700 million Port of Mariel project. According to Brazilian press reports, Odebrecht is interested in building roads and railroads, petrochemical and other industrial plants, hotels and resorts, as well as water supply and water treatment systems in Cuba; the company would also like to become an power producer.

The zones, allowing companies to benefit from less red tape and simplified customs processes, are part of a government effort to convince more foreign investors to produce high value-added goods and service exports in Cuba.

In other news, Rousseff announced Jan. 31 that Brazil is providing Cuba a rotating credit facility of $400 million for food purchases in the South American country.

Rousseff also confirmed that, under the “Mais Alimentos” program, Brazil’s Agriculture Development Ministry will grant $200 million in financing for up to 165,000 private farmers in Cuba through 2015, to buy Brazilian-made tractors and other equipment, as well as training and technology.

In November, Cuba became the first non-African country to participate in the Brazilian program, designed to strengthen family farming and bolster food production.

Increasing investments are paralleled by a rise in trade. Bilateral trade has risen 30 percent from 2006 to 2010, when it reached $488 million, the Brazilian foreign ministry said. In the first 11 months of 2011, trade volume was $570 million.
**ECONOMY**

**Food prices up, but so is food production**

In a development that has a deep impact on everyday Cubans’ lives and may complicate the government’s slow economic reform process, food prices shot up nearly 20 percent in 2011, according to data released by the National Statistics Office (ONE).

According to ONE, food prices rose an average 19.8 percent last year. Meat prices were up 8.7 percent, while produce prices rose 24.1 percent. The biggest price increases were for limes, other citrus, corn and melons. The statistics only cover state-controlled farmers’ markets.

Inflationary food prices also affected China and Vietnam during their agricultural decentralization processes in the 1990s.

In a sign that promises mid-term relief for Cubans’ wallets and government finances, ONE also reported a 8.7 percent rise in non-sugar food output on the island last year.

In order to substitute expensive food imports, the government three years ago began to provide large tracts of fallow state land in long-term leases to private farmers and agricultural cooperatives. It also allowed farmers to sell a rising share of their crops at their own account, for uncontrolled prices. Simultaneously, the government has promoted rice and soybean production.

Cuba imports up to 70 percent of its food needs. However, harvest yields and the amount of food making it to market in Cuban cities have been uneven throughout the first three years of reform. Food production fell 2.5 percent in 2010. At the same time, a cash crunch forced the government to slightly reduce food imports.

Now, according to the latest ONE figures, livestock production rose 6 percent in 2011, and produce production was up 11.5 percent. Corn was up 9.1 percent, rice production rose 43.7 percent, beans were up 66.1 percent.

Even so, food production still is below 2005 levels.

**U.S. food sales continue slide**

Continuing their three-year slide, U.S. agricultural sales to Cuba dropped 5 percent in 2011, according to U.S. export statistics.

U.S. exports to Cuba totaled $352 million last year, down from $370.4 million in 2010, according to data from the U.S. Department of Commerce and the U.S. International Trade Commission.

U.S. agricultural exports to Cuba peaked in 2008 at $717.8 million. As Cuba was affected by a cash crunch, it cut back on food imports and sought longer-term financing from other trade partners. U.S. sales imploded by 31 percent in 2010.

U.S. sanctions force agricultural exporters to charge Cuba cash; a prohibition of direct banking relationships forces Cuba to pay via third-country banks, increasing the cost. Even so, the United States has been a major source of soy, wheat, chicken and pork imports for Cuba.

**U.S. Exports to Cuba**

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Source: U.S. Dept. of Commerce, USITC
Cuba edging closer to large-scale ethanol production

Overcoming the objections of Fidel Castro, the Cuban government is beginning to consider large-scale ethanol production on the sugarcane-rich island, a Brazilian official said.

Investment opportunities for Brazilian companies in ethanol production in Cuba are about to open up, said Foreign Ministry spokesman Tovar Nunes after a visit of Foreign Minister Antonio Patriota to Cuba in January, according Folha de São Paulo.

“Fidel’s resistance in this field is being overcome,” Nunes said.

The historical leader of the Revolution, forced by illness to leave the presidency in 2006, has repeatedly warned in his columns that crop-based ethanol puts pressure on food production and food prices, thus hurting the poor. Supporting Fidel’s criticism, Venezuela and the ALBA bloc have so far abstained from promoting ethanol production.

Cuba could manufacture close to 2 billion gallons of ethanol per year, according to Jorge Hernández Fonseca, a Cuban-born researcher with the Universidade do Estado do Pará in Brazil. This would make Cuba the world’s third-largest ethanol producer after Brazil and the United States.

Cuba’s sugar industry has undergone a massive restructuring since 2004, with closings of more than half the country’s sugar mills and reduction of sugarcane cultivation. As part of the restructuring, the government has touted production of sugarcane byproducts, with the exception of fuel ethanol. Even so, it quietly modernized existing “alcohol” production facilities in 2006 and 2007.

Thanks to more than three decades of massive sugarcane ethanol production, Brazil-based companies are world leaders in that field. Expanding beyond their domestic market, Brazilian businesses have invested in ethanol production in Caribbean and Central American countries over the past five years.

Before a visit to Cuba of President Dilma Rousseff on Jan. 31, Brazilian corporate giant Grupo Odebrecht announced that a subsidiary will be operating a surgamill in Cuba (see page 7). In a similar surgamill deal in Angola, an Odebrecht subsidiary is also producing ethanol.

Nickel prices stagnating

A nickel price rally that had started last fall stalled again at a peak of $22,150 per metric ton in early February, after analysts’ reports said that mines and refineries are producing more nickel than ever in history.

A recent Barclays Capital report announced that production will exceed demand by 45,000 metric tons this year, a 73 percent jump from 2011, while a Morgan Stanley analysis said that refined output is expected to rise 12 percent, the most in at least eight years.

“This oversupply may very well lead to a reversal in what has so far been an impressive rally in prices,” Nickel Investing News said.

A Macquarie analyst expects nickel prices to hover just below $20,000 for the remainder of the year. Nickel is Cuba’s main export commodity, and an uneven recovery since a price crash in 2007-08 has curbed the island’s hard-currency earnings.

Nickel prices on the London Metals Exchange set an all-time record at $52,000 in 2007 but dove below $10,000 in late 2008. The recovery since has been spotty, with a rally through February 2010 that peaked at $29,000. Nickel prices were in reversal most of 2010 and 2011, until the most recent rally started in October.

Oversupply aside, demand by Chinese steelmakers has eased recently. The easing is partly due to the increasing use of a nickel alternative, called nickel pig iron.
At an ALBA summit in Caracas in February, President Hugo Chávez announced the elaboration of an economic framework — called EcoAlba — for the bloc, as well as the creation of a permanent economic secretariat. Also, two small nations applied for full membership in the trade and integration agreement.

EcoAlba coordinates economic policies within the ALBA bloc, which “allows its positioning on an international level,” according to a Venezuelan foreign ministry communiqué.

The communiqué only said that EcoAlba will define issues such as “linking and complementarity of production, coordination of economic policies, technical preparation for joint projects at a proper educational institution, the organizational structure necessary to allow continuity of the ALBA Economic Council, and the expansion of the range of the Banco del ALBA and Sucre.”

To coordinate economic policies, the heads of state agreed to create a permanent economic secretariat, consisting of the economic and finance ministers of member states. Diego Borja, an Ecuadorean economist, will be heading the secretariat. Beyond Banco del ALBA and Sucre, the EcoAlba secretariat will be in charge of creating a trade dispute settlement institution independent of the International Monetary Fund or the World Bank.

“EcoAlba is a political and geopolitical platform that allows to launch a more ambitious economic project,” Chávez said during the opening speech of the 9th ALBA summit at the presidential palace in Caracas.

At the summit, the member nations agreed to place 1 percent of their hard-currency reserves in a reserve fund for the Caracas-based Banco del ALBA. Cuba does not publish the amount of its central bank reserves; in the case of Venezuela, it would be close to $300 million, according to Chávez.

Discussions at the summit also included an expansion of the Sucre currency compensation system to include Ecuador, and an ALBA-Argentina agreement for economic, scientific and technological cooperation. The ALBA bloc is supporting Argentina’s claim for the Falkland Islands, known as Malvinas in Latin America, against Great Britain.

Use of the Sucre trade compensation system expanded from six transactions and a total of 10 million Sucre in 2010 — the year it was launched — to 431 transactions totaling 216 million Sucre in 2011.

Finally, the heads of state confirmed Caracas as the seat of the ALBA permanent secretariat, and agreed that it should be led by a Venezuelan. Meanwhile, the socio-political secretariat of the bloc will be located in Havana.

Suriname and St. Lucia formally applied for ALBA membership Feb. 5, in the presence of Prime Ministers Desiré Delano Bouterse and Kenny Anthony. Their joining would bring the total membership of the bloc to 11 nations.

A conflict brewing over the exclusion of Cuba has thrown a wrench into the preparations for the 6th Summit of the Americas, to be held April 9-15 in Cartagena, Colombia.

In an initiative coming from an unexpected actor, Ecuadorian President Rafael Correa proposed at a summit of the 11-member ALBA bloc in Caracas to boycott the Americas’ Summit if Cuba is not allowed to participate. Venezuela’s Hugo Chávez and other ALBA heads of state immediately supported Correa’s initiative.

“If Cuba goes, we go,” Chávez said about Venezuela’s participation. “If it doesn’t go, we won’t go.”

A spokesman for the U.S. Department of State reiterated Cuba’s presence in Cartagena was unacceptable for the Obama Administration.

“Today’s Cuba has in no way reached the threshold of participation,” said William Ostick, according to efe. “There must be significant improvements in political liberties and democracy in Cuba before it can join the summit.”

In 2009, the general assembly of the Organization of American States (OAS), the institution that carries the Summit of the Americas, voted to lift the 47-year old suspension of Cuba from the U.S.-led organization. However, the Obama Administration and ALBA member countries differ in the interpretation of the measure. While the Ecuadorian foreign minister at the time said the move was unconditional, U.S. officials insist Cuba’s participation depends on its ratification, among others, of the Inter-American Democratic Charter of 2001.

At the time, Cuba did not react to the opening. However, this time, the Cuban government announced it was interested in participating in the Summit.

U.S. senators in talks with Castro over Gross case

Two senior U.S. senators had a long discussion with Raúl Castro over the fate of Alan Gross, the imprisoned USAID subcontractor, and met with Gross in prison.

Sen. Patrick Leahy (D-Vt.) told AP that the United States will “have a long way to go” to obtain Gross’ release.

Leahy and Sen. Richard Shelby (R-Ala.) met for two-and-half hours with Castro, who agreed Gross was “not a spy.”

Gross is serving a 15-year prison term for “crimes against the state.” He was arrested after five trips to Cuba during which he installed satellite and other communications equipment.

“Answering a question from the Colombian government, we have declared that in case of being invited, Cuba will attend from their positions of truthfulness and its traditional foreign policy principles, and would do it with respect,” Cuba’s Foreign Minister Bruno Rodríguez said.

OAS and the Summit, however, have recently taken back-stage to a Latin Americans-only initiative. The island has become a leading actor in the creation of CELAC, a hemispheric bloc that excludes the United States and Canada. Cuba is scheduled to host the 2013 CELAC summit.

As for the Summit of the Americas, Colombia had expected to welcome 34 heads of state, including President Barack Obama, in an event that signals the country’s re-emergence from decades of internal conflict and violence. Colombia also invited the hemisphere’s 300 wealthiest individuals to the summit.

Colombian Foreign Minister María Ángela Holguín said that Cuba’s participation did not depend on Colombia, but she visited Cuba Feb. 8 to explain Colombia’s perspective. Holguín also offered to bring up the ALBA request at a preparatory meeting of Summit member nations in Cartagena next week.

Barely one week later, Jean Michael Arrighi, secretary of legal affairs for the OAS, said that Colombia, along with other invited countries, will decide whether Cuba attends the summit.

Raúl Castro said he was pleased about the ALBA boycott threat.

“We have never asked for such a measure, but this won’t stop us from supporting it, because we consider it very just,” the Cuban president told his ALBA peers at the Caracas meeting. “I want to thank all of you.”

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While the company is expanding its nickel operations in Madagascar and Indonesia, Sherritt International Corp., Cuba’s largest private foreign investor, projects lower nickel, oil and electricity production in Cuba this year.

In its annual report, the Toronto-based energy and mining conglomerate forecasts a 2-percent reduction in nickel and cobalt output for 2012, a 4-percent decrease in oil production, and a 11-percent drop in electricity generation on the island.

According to Sherritt’s fourth-quarter report, the drop in nickel production is due to lower ore grade; the shrinking oil production is caused by “natural reservoir decline rates,” partially offset by new production from exploratory drilling in 2011; and the drop in power production at Sherritt’s two combined-cycle plants is due to “increasing gas supply shortages.”

To be sure, Sherritt is increasing capital investments in nickel and electricity this year. Investments in the Moa nickel joint venture will be 33 percent higher this year than in 2011, mainly to replace machinery and to invest in transportation of ore from longer distances. A 150-mw expansion of the Boca de Jaruco combined-cycle power plant continues in 2012, with an expected $109 investment this year. The total cost of that project rose from an expected $247 million to $271 million, due to higher cost of material. Sherritt plans to spend 7 percent less on its Cuban oil and gas operations.

### CEO change triggers executive shuffle

One month after a change at the helm of Sherritt, the company announced three executive-level appointments.

Effective Feb. 1, Michael Robins, currently deputy chief financial officer, was promoted to chief financial officer; Dean Chambers, who is currently chief operating officer, will be executive vice president, development; and Brian Tiessen, currently senior vice president metals, has been appointed executive vice president operations.

On Jan. 1, David V. Pathe assumed the post of CEO and president of the company. He had been chief financial officer since joining the company in 2007. Pathe took over from long-time President Ian W. Delaney, 68, who retained the post of chairman.

Michael Robins joined Sherritt in 2011. Prior to Sherritt, he held senior executive positions at Atomic Energy of Canada Ltd., Indigo Books & Music and AT&T Canada. Robins is a chartered accountant and will have responsibility for all finance-related functions.

Dean Chambers has been with Sherritt since 2007. He has a background in both engineering and finance and has acted as Sherritt’s partner representative in several of its major joint ventures. In his new role, Chambers will be responsible for corporate development, technologies and projects.
Continuing the industry’s sustained growth, tourism in 2011 grew more than 7 percent, both in visitor numbers and overnight stays. Most importantly for the cash-strapped economy, tourism revenues were up a healthy 11.5 percent. Revenues from accommodations showed the biggest increase of all tourism revenue categories, jumping 27 percent. Business visitors were the traveler category that grew fastest.

Two areas the tourism ministry is eager to promote — recreational activities and health tourism — showed declines. Visitor numbers from the largest source market, Canada, continued to grow fast (+6%), with U.S. visitors — hidden in the “Other” category — providing another 7-percent-plus boost.

Source: Oficina Nacional de Estadísticas (www.one.cu).

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<th>2010</th>
<th>2011</th>
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*includes United States
BUSINESS

Golf event takes stage as projects remain on hold

As would-be golf resort developers in Cuba are entering the third year in a waiting loop, one of them, Britain-based Esencia Group, announced its fourth annual golf tournament in Varadero.

The Montecristo Cup & Esencia Cup Golf Tournaments 2012 will be held April 19-21 at the Varadero Golf Club.

Plans for four golf resorts collectively worth more than $1 billion are ready. Last summer, Cuban officials negotiated details with the four consortia — which have formed joint ventures with Cuban state company Palmares S.A. — and last fall, the government published some regulations regarding the projects and foreign real estate ownership. However, the government has yet to give green light.

“Commitment to the development of golf [in Cuba] is strong,” said Andrew Macdonald, CEO of Esencia Group, according to a company press release. “It’s now a question of when. As it’s an important innovative strategy in the development of tourism in Cuba, it is crucial to get it right, and this takes time.”

One of the four golf resort projects entered limbo last fall, when Cuban law enforcement arrested the principal of Coral Capital Group Ltd., which had planned to build a resort just east of Havana, and closed the company’s Havana office amid an investigation into corruption. Neither the company nor the government has made any announcement regarding the investigation. Coral’s Website has been “under construction” since October.

The Montecristo & Esencia tournament is hosted by the Varadero Golf Club and state tourism company Palmares S.A., in association with Esencia Group. The Montecristo Cup is sponsored by Habanos S.A., the joint venture that markets Cuban premium cigars worldwide.

The competition is open to men with a handicap of 24 and under, and women with a handicap of 30 and under.

“Cuba is an ideal location for golf tournaments and has a bright future with regards to courses,” said British pro golfer Tony Jacklin, guest of honor of the 2012 tournament.

Jacklin is also the designer of an 18-hole golf course planned by Esencia as the centerpiece of its Carbonera Club project just outside Varadero.

Cuban joint venture re-builds hotels in Venezuela

Continuing the foray of Cuban state companies abroad, a Venezuelan joint venture of Havana-based Quality Couriers International S.E.A. agreed to build a resort in coastal Venezuela.

Socivireca C.A. signed a $5.3 million agreement with Venezuelan state company Venetur to build the Venetur Gran Caribe resort in 18 months, Venezuelan government news agency AVN reported.

The unusual project, at Caraballeda near the capital Caracas, includes the renovation of two abandoned hotels — the former Macuto Sheraton and Meliá Caribe, which were damaged during catastrophic mudslides in 1999 — and their merger into an 855-room resort.

Construction was scheduled to begin Feb. 13; completion is expected for summer 2013.

The resort is owned and will be operated by Venezuelan state company Venetur, which operates a dozen hotels in the country.

Financial terms were not disclosed. The $94 million project is financed with a credit from Venezuelan state bank Banco del Tesoro at 8 percent interest.

The Venezuelan government hopes the resort will revive tourism in the coastal state of Vargas, which has been in limbo since the disaster 13 years ago.

Quality Couriers has built projects in Colombia, Dominican Republic, Mexico, Algeria and Vietnam, among others.
**BUSINESS**

**Glassmaker to set up shop at Mariel**

São Paulo-based Fanavid S.A. will set up a manufacturing facility at the Port of Mariel to supply Cuba, Brazil and the Caribbean region with glass, a Foreign Ministry spokesman in Brazil said after Foreign Minister Antonio Patriota returned from a visit to Cuba.

The plant will go up in the Special Development Zone at the port just west of Havana, which is undergoing a Brazilian-financed expansion. The zones, allowing companies to benefit from less red tape and simplified customs processes, are part of a government effort to convince more foreign investors to produce high value-added goods and service exports in Cuba.

“We are working on the diversification of destinations for exportable goods and services, with preference on those with the highest value added and technological content,” Foreign Trade and Investment Minister Rodrigo Malmierca said in October.

Fanavid is a privately-owned glass maker started in 1963 by the Farhat family as a supplier to the automotive industry. Since the acquisition of Santa Marina Vitrage in 2007, the company has also become the market leader for civil-construction glass in Brazil. Fanavid has two plants in the São Paulo area and 800 employees.

**Cuba plans to expand biogas use**

Cuba is looking at using biogas to generate power for street lighting, said Antonio Guardado, an executive with state company Cubasolar, according to Prensa Latina.

Cuba has been working with companies from Vietnam and Germany to expand biogas facilities across the island. Guardado said there are already 1,000 biogas plants in farms and isolated places that use bio materials.

There is an abundance of material to fuel biogas plants, as farmers are stripping millions of hectares of agricultural land that used to be fallow of weeds.

Cuba is also expanding the use of photovoltaic and wind energy. Many public buildings in rural areas are already equipped with solar panels.

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**CONFERENCES & EVENTS**

- Int’l Agriculture Fair (FIAGROP 2012), Boyeros, March 17-25
- 33rd Pan American Convention of Engineering (UPADI 2012), Havana, April 9-14
- 9th Int’l Construction Fair (FECONS 2012), Havana, April 10-14
- Cuba in the 21st Century, University of London, April 17
- Int’l Tourism Fair (FITCUBA 2012), Cayo Santa María, May 8-11
- 6th Int’l Justice and Law Meeting, Havana, May 23-25
- Int’l Congress on Law (Abogacía 2012), Havana, Sept. 19-21

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

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**POLITICS**

**Reform czar visits China**

Vice President Marino Murillo, the chief coordinator of Cuba’s economic reform process, traveled to China for a six-day work visit heavy on agriculture and food issues.

During his work visit Feb. 19-25, Murillo met with Deputy Prime Minister Hui Liangyu, and he was scheduled to hold talks with Agriculture Minister Han Changfu.

He also met with Li Changchun, a powerful member of the politburo. This fall, the Communist Party Party of China will hold a rank-and-file congress that will likely trigger the biggest personnel change in a generation.

A Chinese foreign ministry spokesman said that, on the background of “deepening mutual trust,” the talks were focusing on the “construction of socialism.”

“It’s possible that Murillo is seeking to make sure the Chinese turnover will not affect the level of cooperation between the two countries, particularly in regards to Cuba’s economic reforms,” said a foreign observer in Cuba.

Cuba, according to official Website Cubadebate, is seeking more trade, scientific-technical cooperation, and agricultural investment. A bilateral commission recently agreed to boost agricultural cooperation and to lower trade barriers for mutual food exports.

The two countries are already cooperating in rice cultivation, aquiculture, cattle raising, pest control, plant disease control, and agricultural biotechnology.

Raúl Castro appointed Marino last year as coordinator of the economic policy commission in the Sixth Communist Party Congress, and he continues to oversee the economy ministry as vice president of government.

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**Broadening his power base, Economy Minister Adel Yzquierdo Rodríguez added the title of vice president of the Council of Ministers to his job description.**

The appointment by Raúl Castro and the Council of State elevates Yzquierdo, a 66-year-old engineer, to a position equal to that of his predecessor and former boss, Marino Murillo, who became chief coordinator of economic reform in March 2011.

In addition to heading the reform process, Murillo had continued to oversee the economy ministry.
Canadian chain opens fourth hotel

Toronto-based Blue Diamond Hotels & Resorts announced it opened its fourth all-inclusive hotel in Cuba, the Memories Flamenco Beach on Cayo Coco, on Feb. 28.

Blue Diamond, a division of tour operator Sunwing Travel Group, also manages the Memories Caribe Beach Resort on Cayo Coco, as well as the Memories Paraiso Beach Resort and the Memories Azul Beach Resort, both on Cayo Santa María.

Both Cayo Coco and Cayo Santa María are part of the Jardines del Rey island chain along Cuba’s north-central coast.

In a press release, the company said the all-suite resort is aiming at a family clientele, offering sports and activities, a daily entertainment program, and a Kids Club.

Sunwing flights to Cayo Coco are available from Toronto, Ottawa, Montreal and Quebec.

Resort developer expands to U.S.

Continuing on a path of diversification away from Cuba, Toronto-based 360 VOX Corporation announced that a subsidiary entered a five-year asset management agreement for seven hotels in Canada and the United States.

Under the agreement, the company, formerly known as Leisure Canada, will work closely with owner Ivanhoe Cambridge to provide asset management services and oversee construction and renovation projects at hotels in Vancouver, Victoria, Toronto, Ottawa and Montreal. The contract also includes one hotel each in Washington, D.C. and Seattle.

In Cuba, 360 VOX’s Wilton Properties subsidiary has three hotels and resorts on its drawing boards.

Baltimore flights postponed

Showing that the sky is not the limit for booming U.S.-Cuba travel, Island Tour & Travel announced it would postpone Cuba flights from Baltimore to next fall, due to slow ticket sales.

The travel agent had planned to begin flights to Cuba March 21, coinciding with the visit of Pope Benedict XVI to the island. Island Tour & Travel said it is now planning to launch Baltimore-Cuba flights in October.

Baltimore-Washington International Thurgood Marshall Airport, which serves the Washington, D.C. metropolitan area, is among a handful of U.S. airports trying to establish Cuba flights. Following an executive order by President Barack Obama last year that eased the U.S. travel ban, Tampa, Chicago, Atlanta and Houston have added Cuba flights, challenging the supremacy of Miami International Airport.

Habanos sales rising

Apparently bucking the crisis in Europe, revenues of the Cuban-British joint venture that distributes Cuban premium cigars worldwide rose 9.2 percent in 2011, from £240 million ($382 million) to £262 million ($417 million), according to Imperial Tobacco Ltd.’s 2011 annual report.

“Our luxury Habanos cigar portfolio has again delivered another good performance,” Imperial said.

The Corporación Habanos S.A. joint venture, of which UK-based Imperial Tobacco holds half, nearly doubled its after-tax profits last year, from £24 million ($38 million) to £46 million ($73 million).

Imperial Tobacco’s 2011 financial year ended Sept. 30.

According to the report, which did not provide a breakdown of Cuban cigar sales, they rose at a particularly brisk pace in Russia, Brazil and China, partly thanks to new limited editions of Cohiba- and Montecristo-brand cigars. The report did not talk about cigar revenues in European Union markets.

Through the Habanos joint venture with Cuban state company CubaTabaco, Imperial Tobacco has the worldwide marketing monopoly for Cuban premium cigars.