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Cuba faces severe economic hardships even though GDP to rise by 1.5% in 2003

BY DOMINGO AMUCHASTEGUI

In late November — a month before Cuba's National Assembly convened in Havana — Vice President Carlos Lage warned fellow comrades that 2003 would be one of Cuba's most difficult years since the 1959 revolution.

Cuba, he cautioned, "is facing an exceptional emergency" due to its inability to keep the economy running. The chief culprits: instability in Venezuela — which supplies more than a third of Cuba's petroleum — and the growing threat of war between the United States and Iraq, which is likely to push up global oil prices and further discourage tourism to the island.

Francisco Soberón, chairman of Cuba's Central Bank, told the assembly: "One can no longer speak of high oil prices. Now you can start talking about exorbitant and unreachable prices."

Even so, Cuba's GDP will expand by 1.5% this year, predicted the country's minister of economy and planning, José Luís Rodríguez.

That's up slightly from the 1.1% growth reported for 2002, but far less than the 6% growth achieved in 2000 — before the Sept. 11 terrorist attacks ravaged the Caribbean tourist industry and sparked a sharp drop in commodity prices for just about everything Cuba exports.

Such was the context of the four key presentations made during Cuba's National Assembly held Dec. 21-22 in Havana. President Fidel Castro was absent from the sessions due to a leg infection caused by an insect bite. His younger brother, Raúl Castro, attended the sessions, but made no remarks worthy of publication.

The assembly adopted a 2003 budget with a deficit of 3.4% of GDP, up from 3% in 2002 and 2.5% the year before. In 2002, reported *Reuters*, the government pumped more than two billion pesos into the economy to lessen the impact of Cuba's worsening foreign-exchange shortage.

According to highly placed *CubaNews* sources

See *Economy*, page 2

Planned U.S.-Cuba business conference generates interest, and a few questions

BY LARRY LUXNER

Up to 300 executives of U.S. agribusiness, pharmaceutical and lumber companies — as well as state agriculture officials and various members of Congress — are expected to shell out \$1,500 or more apiece to attend the U.S.-Cuba Business Conference next month.

Kirby Jones is president of both Alamar Associates and the Washington-based U.S.-Cuba Trade Association, which is organizing the Feb. 17-19 event. He said it includes two days of plenary and private meetings in Cancún, Mexico, followed by a third "fully hosted" day in Havana.

"Our focus will be on helping U.S. businessmen understand what's involved in doing business in Cuba," Jones told *CubaNews*. "It's a how-to conference, oriented to what issues need to be addressed and with whom these executives will need to work. Cuban officials themselves will be there to sit down and talk with them."

Event sponsors include Caterpillar Americas, Patton Boggs LLP, Alamar Associates, Ameri-

cans for Humanitarian Trade With Cuba, the Port of Galveston, the GIC Group and the agriculture departments of five states: Arkansas, California, Minnesota, Texas and Virginia.

Pedro Alvarez, president of Cuban food import agency Alimport, will reportedly head a 30-member delegation of senior Cuban commerce officials to the conference.

Sen. Maria Cantwell (D-WA) has confirmed her participation in the meeting, and will likely be leading a delegation of Washington business executives to Cuba. Other lawmakers who were invited but haven't yet confirmed include Sen. Byron Dorgan (D-ND) and Reps. Jo Ann Emerson (R-MO); George Nethercutt (R-WA) and Jeff Flake (R-AZ).

However, not everyone is thrilled with Kirby Jones and his upcoming conference.

John Kavulich, president of the older and more established U.S.-Cuba Trade & Economic Council, has warned his corporate members to

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Economy — FROM PAGE 1

in Havana, the government's hard-currency budget is likely to shrink by 40% this year, while merchant-marine and fisheries operations may be slashed by 50%. Dozens of factories with low productivity and high fuel consumption could be shut, and most new state investments may be cancelled.

The government is said to be desperately preparing a series of emergency measures to guarantee the continued supply of staple foods like milk, sugar, coffee, rice and beans, all which have been rationed for years.

At the November meeting, Lage reportedly urged ministers to boost exports and promote savings in any way possible.

In response, they produced a list of 25 proposals, though only one was approved: a return to the rather desperate 1980s practice of buying gold and silver from Cuban citizens in an effort to raise hard currency.

CONTINUED OIL SUPPLIES ARE 'CRITICAL'

Soberón's report highlighted Cuba's difficulties in purchasing petroleum on a short-term basis — partly a consequence of higher prices, and partly because of political chaos in Venezuela, where one of Castro's staunchest allies, Hugo Chávez, may himself be overthrown any day now.

"If we cannot physically find oil to buy, then we will not have oil; if oil prices continue to rise by the hundreds of millions, then we will not have the money," warned Soberón, suggesting a no-way-out dilemma if circumstances get worse in the near future.

In such circumstances, said Rodríguez, Cuba's first priority must be "fast-recovery energy projects that will allow us to expand the utilization of domestic crude oil to generate electricity, drill new oil wells and pipelines, and develop the gasification program."

This will mean increased investments to modernize and upgrade existing power plants

so that they can burn Cuban petroleum, which is highly sulfuric. So far, more than \$1 billion has been invested in the petroleum sector, resulting in a 16.8% increase in production during 2002. Nevertheless, a hike in gasoline prices now seems imminent.

FOCUS ON TOURISM, SUGAR AND NICKEL

The second priority will be tourism, which shrank last year by at least 5% in terms of arrivals and more than 10% in terms of revenues. Some 2,000 hotel rooms will be added to Cuba's existing inventory of 40,000 rooms.

A third priority will be the sugar restructuring program, and efforts to convert hundreds of thousands of hectares into new uses such as cattle-raising, forestry and other productive activities. Priority will also be given to Cuba's nickel industry, which in 2002 saw production of 75,600 metric tons and is expected to reach 78,900 tons in 2003.

During the National Assembly, Alfredo Morales Cartaya, Cuba's minister of labor and social security, announced that unemployment had fallen from 4.1% in 2001 to 3.3% in 2002. Since Cuba's economic recovery began in 1995, he said, 712,000 permanent jobs have been created, including 150,600 in 2002 alone.

Nevertheless, Cuban analysts have serious doubts about such numbers.

For one thing, they question the 3.3% figure when even the government admits that 100,000 sugar workers have lost their jobs. Unofficial sources say the real number could be as high as 225,000.

It's true that all these workers still receive 100% of their salaries and many are being sent off to study, but the fact remains that they are neither working nor producing wealth.

It's also true that thousands of service jobs have been created in tourism, education, public health and other sectors. But at the same time, tens of thousands of youngsters are joining an extremely limited labor market every year and cannot find employment.

Meanwhile, Cuban decision-makers are considering making key adjustments in the way GDP is measured. The objective, according to Rodríguez, would be "to achieve a more just international comparison, because [GDP standards] do not reflect the socially superior results that we have achieved."

Social benefits range from free education and universal health-care to generous artists' subsidies and access to sporting events.

Rodríguez says that if Cuba were to take these benefits into account, the country's true GDP would come to \$57.7 billion, translating into annual per-capita GDP of around \$5,200.

That compares to the current GDP of 27.6 billion pesos, or annual per-capita GDP of 2,441 pesos (only \$94 when converted at the present exchange rate of 26 pesos per dollar).

THE SILENT AGENDA

Yet the debate on how GDP is measured pales in significance compared to all the highly critical and sensitive economic issues that *weren't* discussed at the National Assembly.

For example, not one word was spoken on Cuba's foreign debt or declining family remittances, and how these affect GDP. Nor did anyone mention foreign investment, which has sunk to its lowest level in over a decade.

In 2001, direct foreign investment came to only \$39 million. The official figure for 2002 hasn't yet been announced, but is expected to be about the same or even less.

Manuel Millares, Cuba's minister of finance and prices, dutifully outlined the key points of the 2003 budget, though nothing official was said about maintaining the balance between GDP and the rising deficit.

In 2002, Cuba had 13.550 billion pesos in circulation — 45.2% of GDP — compared with 11.356 billion pesos, or 42% of GDP, in 2001.

Other taboo subjects like real-estate development and self-employment were kept off the agenda, but that's because Fidel Castro refuses to allow debate on those topics. □

Fidel reportedly furious over less-than-unanimous support in Oct. 20 elections

Cuba's media has conceded that only 90% of voters in the Oct. 20 general elections backed official candidates, meaning that at least 10% of citizens — either by casting blank votes, annulling their votes or abstaining altogether — refused to support the Communist Party line.

Considering that turnout has exceeded 97% for over 20 years, the latest numbers may indicate the start of a disturbing trend for Fidel Castro. The Party was reportedly satisfied with the results, but not Castro, who fumed that such a slump was unacceptable.

The outraged president immediately undertook the painstaking task of analyzing the numbers, province by province, municipality by municipality, to determine where the Party's weaknesses were. Then he called for a private meeting of the Party leadership on Nov. 23.

Castro blamed nearly everyone, but especially Party leaders from areas with the lowest turnouts — beginning with the City of Havana and followed by the provinces of La Habana, Matanzas, Pinar del Río, Villa Clara, Cienfuegos, Camagüey, Holguín and Isla de la Juventud.

The president threatened leaders with sanctions and punishments, well advance of mid-term elections two and a half years from now.

But critics say Fidel's charges of "*mal trabajo político*" are merely rhetoric to cover up the real issue: growing discontent with the lack

of significant improvement after more than a decade of economic crisis and stagnation.

According to official figures, 354,887 of Cuba's 8,352,948 registered voters (4.25%) didn't participate at all. Another 222,576 (2.78%) cast blank votes, while 202,870 (2.54%) annulled their votes — meaning that 780,333 people, or a total of 9.57% of the electorate, decided not to support the electoral process sponsored by the Party and the Cuban government.

Compared to the 11,000 or so people who signed the well-publicized Varela Project, these 780,333 voters have sent an undisputable message: that ballots in Cuban elections aren't just a cosmetic action in support of the government, but represent a valid strategy — maybe the only one under present conditions — for expressing discontent and support for new and more radical changes.

Interestingly, the city of Havana and the province of Matanzas, where Varadero is located, boast more tourism and foreign investment than anywhere else in Cuba; they're also the two jurisdictions reporting the island's lowest voter turnout. In Havana, the non-participation rate was 13.45%, and in Matanzas it reached 13.48%.

— DOMINGO AMUCHASTEGUI

COMMODITIES

Cuba's 2003 sugar harvest lucky to exceed 3 million tons

BY ARMANDO H. PORTELA

In a twist of irony, Cuba's 2002-03 sugar harvest started in mid-December at a Cienfuegos sugar mill named Mal Tiempo, which means "bad times" in Spanish.

And that pretty much sums up the fate of Cuba's troubled sugar industry. After a decade of disappointing results and the failure of a 1997 plan by the Sugar Ministry to restore the sector's lost capacity by 2002, the government finally dismantled 71 out of 156 mills, leaving another 71 of the rest as sugar producers and the remaining 14 to produce molasses (see *CubaNews*, July 2002, page 1).

Sugar Ministry authorities insist their aim is to maximize profits from active mills rather than produce the largest possible volume of sugar — Cuba's policy for decades, but an especially harmful one in recent years.

Twenty mills were scheduled to start in December, with the other 51 to begin grinding in January. The *zafra* will end in April.

Cuban plans for this season are vague. José Luis Rodríguez, the country's minister of economy, told the National Assembly in late December that Cuba's output would depend on world market prices.

Since most of the sugar sold abroad is previously contracted to Cuba's traditional bulk buyers, the minister's statement raises doubts about the volumes contracted with Russia and China.

This season, Cuba plans to harvest over 700,000 hectares of sugarcane, averaging 50 metric tons per hectare (59,000 arrobas per caballería) compared to 1 million hectares averaging 31.4 tons/ha (37,160 arrobas per caballería) harvested in 2000-01. Officials said grinding would last only 90 days, instead of 120 to 150 days as in the past.

Assuming the official yield statistics are accurate — farmers customarily inflate their estimates to satisfy government expectations, blaming bad weather and other factors for the difference — and assuming sucrose yields are sustained, a final output of 3.5 million to 4.0 million metric tons should be expected. In fact, Sugar Minister Ulises Rosales says Cuba should at some point be able to produce 4 million tons a year.

But it's frankly hard to believe that Cuba's sugar-cane yields have grown 72% since 2001, from 31.4 to 50 tons/ha, especially considering that Hurricane Michelle destroyed 45% of the island's sugar production.

It would be more realistic, though still generous, to assume a more modest growth to 38-42 tons/ha or 45-50 arrobas per caballería resulting from purging the poorest plantations rather than from increasing the quality of existing ones. This would put the final size of the harvest at 2.9 million to 3.2 million tons.

By comparison, average Brazilian yield for during this past harvest was 69.3 tons/ha or 82,000 arrobas per caballería.

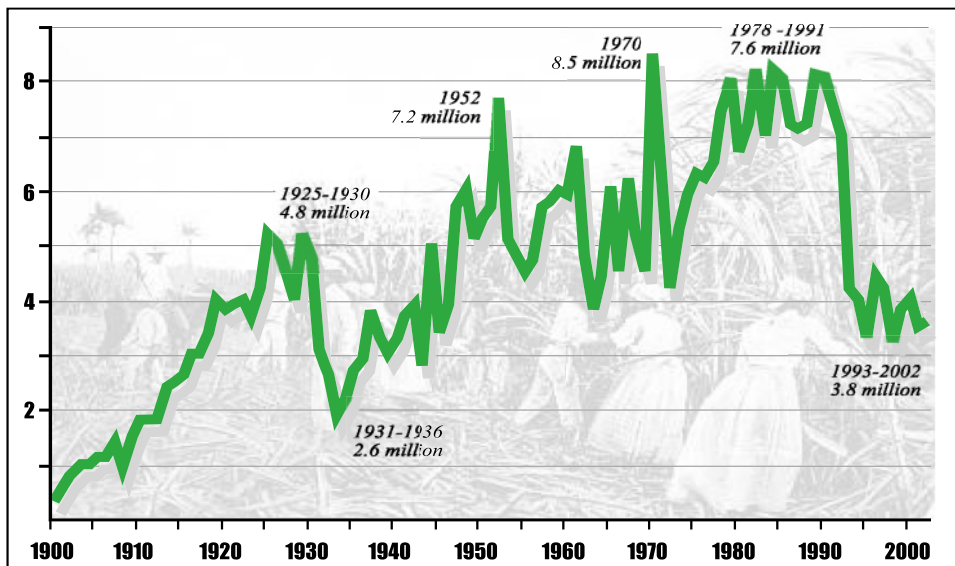
Experience shows, however, that lower is better when it comes to Cuban harvest estimates, as officials rely on inaccurate initial data, and on supply and demand factors which Cubans customarily tend to disregard.

Failing to maintain the grinding pace at 85% as required would cost 40,000 to 47,000 tons

2002-03 season on top of a similar surplus last year — exactly at a time when the demand for sugar imports seems to be affected by the worldwide economic slowdown.

Leading producers such as Brazil, the EU, Australia, South Africa and Thailand are expecting larger harvests, which will force

CUBAN RAW SUGAR PRODUCTION IN MILLIONS OF METRIC TONS



for every 1% fall in capacity. Also, a drop of merely 5% in agricultural yields — this cannot be ruled out — would mean the loss of 145,000 to 160,000 tons of sugar.

Reports from the island speak of delays in sugar-mill and railroad repairs, as a large part of the skilled working force had to be diverted

prices even further downward. Meanwhile, "estimated increased production for 2002-03 in China and Russia is sure to disappoint exporters," says the USDA report. These two countries accounted for 17% of world imports in 2001-02 and customarily absorb most of Cuba's exports.

On the bullish side, depressed prices and the prospect of war with Iraq might encourage imports by African, Asian and Mideast nations, helping to compensate for the drop.

As massive Brazilian exports ceased and Russia renewed its buying spree, prices recovered from below 6¢/lb. for January 2003 prevailing in late summer to 7.6¢/lb in mid-December. March futures have also gained 30% to date, from roughly 5.8¢/lb in August to 7.5¢/lb in mid-December. Compared to the start of the 2001-02 harvest, current prices of just over 7.5¢/lb are a little better than the 7.4¢/lb prices of a year ago, but still not high enough to warrant much optimism.

Since analysts do not expect any further noticeable price improvement, the ongoing harvest in Cuba — if it yields 2.9-3.2 million tons — will likely be worth \$490-540 million, with exports accounting for \$370-420 million after subtracting 700,000 tons of sugar for domestic consumption.

That compares to \$380 million for the 2001-02 sugar harvest, and a far cry from the \$4.3 billion in annual foreign-exchange earnings generated by Cuba's sugar sector in 1990. □



Sugar for growth, urges '60s propaganda poster.

ed to dismantle sugar mills and repair massive damage caused by hurricanes Isidore and Lili in Pinar del Rio province last October (see *CubaNews*, Oct. 2002, page 1).

On the other hand, world prices remain depressed, and market analysts show little confidence the situation will change soon. The U.S. Department of Agriculture's most recent report on the world sugar situation shows a 5.6 million-ton world surplus for the

US/CUBA RELATIONS

Reich's chances for renomination at State look very slim

BY ANA RADELAT

Secretary of State Colin Powell has apparently won a battle with the White House over the re-appointment of Otto Reich, the top U.S. diplomat to Latin America.

Reich had a one-year recess appointment. But as his term neared an end in November, Reich wasn't renominated as assistant secretary for Western Hemisphere affairs. He was instead made "special envoy" to Latin America, a new State job with no specific duties.

Reich, a Cuban-American of Austrian Jewish descent, is a favorite of anti-Castro hardliners and has longtime ties to the exile community. President Bush was forced to give Reich a recess appointment because his nomination was blocked by Sen. Chris Dodd (D-CT), a proponent of easing sanctions on Cuba.

But Reich's chances to be renominated have received a fatal blow from the incoming head of the Senate Foreign Relations Committee. Sen. Richard Lugar (D-IN).

Lugar recently said he had made clear in conversations with Powell and others in the administration that he preferred a "big leaguer" in the post. Lugar also said Reich can't win confirmation in his committee.

"I've indicated that I don't think he has the votes, and I think that the president and Secretary Powell understand that," Lugar said.

As an official with the State Department's Office of Public Diplomacy, Reich was criticized in 1987 by the Comptroller General of the United States for "engaging in prohibited, covert propaganda activities designed to influence the media and the public to support the administration's Latin American policies."

More recently, Reich has been accused of helping those who tried, unsuccessfully, to carry out a coup against Venezuelan President Hugo Chavez last spring.

Powell was said to be unhappy with Reich and prefers that the job be filled by a career

employee of the State Department, not a political appointee.

"It's ironic that a man who's committed to carrying out the president's policy is having trouble with his own party," said Dennis Hays, executive vice-president of the Cuban American National Foundation, one of Reich's staunchest supporters.

Powell's choice to implement the State De-

Alberto Mora, the Navy's general counsel.

Meanwhile, embargo supporters are planning a new strategy aimed at convincing lawmakers and the public that average American tourists shouldn't visit Cuba.

The restrictions still stand because the White House opposes allowing free travel to Cuba. But embargo supporters are girding themselves for a new legislative attack on the

"It's ironic that a man who's committed to carrying out the president's policy is having trouble with his own party."

— DENNIS HAYS, EXECUTIVE VICE-PRESIDENT, CUBAN AMERICAN NATIONAL FOUNDATION

partment's Latin American policy is the current U.S. ambassador to Colombia, Anne Patterson. She served two years as head of the U.S. Interests Section in Havana during the Clinton administration, but is disliked by the exile community for supposedly being too accommodating to the Castro government.

If Reich isn't renominated, those who support a hard line against Cuba favor as a second choice Roger Noriega, U.S. ambassador to the Organization of American States. As a former top aide to Sen. Jesse Helms (R-NC), Noriega helped write and promote the Helms-Burton Act.

Reich's old job is now held by Kurt Struble, a career State Department official with a background in the former Soviet Union. Struble will serve as acting assistant secretary for Western Hemisphere affairs until someone else is confirmed for the job.

Two others are said to be on a short list of candidates to replace Reich: National Security Council official Emilio González and

travel rules by planning several trips to Cuba on their own.

"The people who go now are looking to sell food or are otherwise sympathetic to the regime," said CANF's Hays. "We want to send people over who will tell the story as it is."

Hays conceded that the Cuban government may not give visas to members of CANF delegations. But that's all right, he said, because it would bolster the argument that Cuba doesn't really want an open door to tourism.

A growing number of lawmakers have criticized the ban on spending money on travel to Cuba. In fact, eliminating the restrictions is at the top of the agenda of the House's Cuba Working Group, a caucus of 24 Democrats and 24 Republicans who seek a large-scale review of Cuba policy.

Lifting the travel ban would boost the amount of hard currency earned by the Castro government through tourism, which has become Cuba's leading economic sector. □

CHANGE IN REPUBLICAN LEADERSHIP UNLIKELY TO AFFECT SENATE DEBATE ON CUBA

WASHINGTON — Sen. Trent Lott's resignation as Senate Republican leader and Sen. Bill Frist's election to the post by acclamation isn't likely to change the dynamics of the Senate's Cuba policy debate.

Frist replaced Lott as the next Senate majority leader on Dec. 23, just a few weeks after Lott unleashed a political firestorm with his support of Strom Thurmond's 1948 segregationist presidential bid.

Lott has voted repeatedly against any opening to Cuba and helped block an initiative in 1999 that would have allowed the use of bank credit in U.S. food sales to the Castro government. But farmers and port officials in Lott's home state of Mississippi have lobbied the senator to ease up on Cuba.

Since his election to the Senate in 1994, Frist, a former surgeon from Tennessee, has voted like Lott on Cuba issues. He may even be slightly less willing than Lott to consider any opening to Cuba because his constituents don't care as much about trade with Havana.

But ideology and constituencies will matter less to Frist than what the White House wants. If President Bush maintains his hard line

against Cuba, it will be Frist's job as Senate GOP leader to try to ensure that Congress backs that policy. That may be a hard job for Frist because a majority in the Senate — including a growing number of Republicans — favor lifting trade restrictions on Cuba.

The Democrats may also have a leadership change in the near future. Sen. Tom Daschle (D-SD), the incoming Senate minority leader, may step down to run for the White House. If so, two other Democrats, Chris Dodd of Connecticut and Harry Reid of Nevada, are interested succeeding him. Both senators have already begun to campaign among their Democratic colleagues.

Daschle, who supports an end to the embargo, made history by becoming the highest-ranking member of Congress to visit Cuba when he traveled to Havana in 1999.

But Dodd has been an activist on Cuba issues for nearly 20 years and is likely to be more aggressive than Daschle in pushing for an end to the embargo.

— ANA RADELAT

TRADE

Fidel: Caricom sí, FTAA no!

President Castro is spearheading an aggressive campaign to win Cuba full membership in the 15-nation Caribbean Community (Caricom), while leading an equally vocal attack against the proposed Free Trade Area of the Americas.

At present, Cuba has only observer status in Caricom, which is headquartered in Georgetown, Guyana, and is composed mainly of small English-speaking island nations.

But at a mid-December Caricom summit in Havana — the first of its kind ever — delegates agreed put a trade accord with Cuba into effect by Jan. 1, 2003. So far, only four members have ratified the pact, which seeks to expand Caricom's current \$120 million in trade with Cuba.

Thirteen of Caricom's 15 leaders attended the Havana summit, which also marked the 30th anniversary of diplomatic relations between Cuba and the Caribbean. In 1972, four countries — Barbados, Guyana, Jamaica and Trinidad & Tobago — established official ties with the Castro government over strong U.S. objections.

"This courageous decision adopted by small, newly independent countries in a hostile environment and under great pressures, was a fundamental step in breaking the diplomatic and commercial blockade of Cuba in the region," Castro told the visiting heads of state.

In a statement, the leaders demanded the "immediate lifting" of the U.S. trade embargo and backed Cuban efforts to join the Cotonou Agreement, a cooperation accord between the European Union and former colonies in Africa, the Caribbean and the Pacific.

In return, Castro offered to double to 2,000 the number of Cuban doctors and health workers now stationed in Caribbean island nations, and promised to set up a medical training center to help battle AIDS in the Caribbean. Denzil Douglas, prime minister of St. Kitts-Nevis, said Cuban aid was already making "a significant difference" in the regional fight against AIDS.

Castro's enthusiasm for joining Caricom is matched only by his hostility to the FTAA, or ALCA, as Washington's proposed trade pact is known in Spanish. The main reason: Cuba will be the only country excluded from the FTAA upon its planned implementation in 2005.

During a Nov. 28 speech in Havana, the Cuban leader urged 1,200 left-wing activists from 45 countries to "go back to their countries and sink the ALCA."

According to the official Communist Party newspaper *Granma*, Castro recalled Winston Churchill's historic order to British forces during World War II to sink the Bismarck battleship — the symbol of Nazi naval power.

"When I say sink the ALCA to you," he told his audience, "do not do so as a question of national pride, but out of vital necessity, because it is something that threatens not only the dignity but the life of all Latin Americans."

Cuba's 76-year-old leader added that "perhaps one of the most dramatic aspects [of FTAA] is that it is designed to take over all resources, devour our countries' economies and convert peoples *en masse* into a cheap labor force." □

“ In their own words ... ”

"If Americans can travel to Iraq and Iran, two-thirds of the so-called 'Axis of Evil,' why can't they travel to Cuba?"

— **Rep. William Delahunt (D-MA)**, predicting Dec. 14 that the ban on U.S. travel to Cuba will be lifted within two years.

"It is my duty to protect my beloved left leg. It has never betrayed me."

— **Fidel Castro**, recovering from an infection caused by an insect bite on his leg.

"We remain committed in support of Cuba's desire to accede to the Cotonou Agreement."

— **Bharrat Jagdeo**, president of Guyana, which currently heads the 15-member Caribbean Community. Cuba hosted its first Caricom summit in December.

"His goal is to make sure he has a piece of bread for his students at lunch, so they don't have to go home in the afternoon."

— **Terry McClure**, president of the Ohio Farm Bureau Federation, following a meeting with Fidel Castro aimed at increasing U.S. food exports to Cuba.

"I think it's bad they cancelled the event, but it's good that Rosita Fornés isn't coming. What I am trying to do is protect every community that can be offended in the city of Miami."

— **City Commissioner Tomás Regalado**, following cancellation of an awards ceremony in Miami to benefit AIDS causes, after organizers learned that some exile groups would protest the rumored appearance of Cuban singer Rosita Fornés.

"Havana used to be quiet. Peaceful. Then all these *palestinos* started coming. Now they're everywhere, and they don't want to leave."

— **Carmen Miguel**, a 58-year-old housewife, quoted by the *Dallas Morning News* in a story about migration from the countryside to Cuba's capital city.

"How much damage has rum caused our society? How many deaths from the irresponsibility of accidents and alcohol? It's not that there's going to be a dry law, [just that] those who want to buy will pay a lot."

— **Fidel Castro**, urging fellow Cubans to cut down on rum consumption.

"They didn't even check my bags or put them through the X-ray. I feel I got diplomatic immunity. I feel now that this law has officially lost its bite. I challenged this law and it showed its true colors."

— **Mytchell Mora**, arriving at Los Angeles International Airport after visiting Cuba with the hope of getting arrested for violating the U.S. travel ban.

"What we're seeing today is only the tip of the iceberg ... hip-hop today in Cuba is what the old school was in the '80s in the States. It's not exactly going to be hip-hop anymore. It's going to be some new music from Cuba."

— **Cuban music producer Pablo Herrera**, in an interview with CNN.

"We are convinced that when the right of the American people to travel to Cuba is restored, the embargo will be gone tomorrow."

— **Dagoberto Rodriguez**, chief of the Cuban Interests Section in Washington, speaking to reporters in Manchester, N.H.

"I come from a very musical family and have an audience that listens to my songs, lyric by lyric. I sing about things that I have lived and suffered."

— **Cuban folk singer Polo Montañez**, 47, who died Nov. 27 of severe head injuries sustained in a car crash.

"I want to meet Castro. I thought it would be nice to say hi, shake his hand and see if he'll take a Bible."

— **Kenn Kemper**, a 64-year-old retired minister who plans to swim 90 miles in a shark cage from Florida to Cuba. Kemper has already biked 2,500 miles across the U.S. and run 3,600 miles coast to coast.

Conference — FROM PAGE 1

exercise caution before jumping on a plane to Cancún and Havana.

"Serious questions must be raised when principals of a not-for-profit organization are seeking to capitalize on tax-exempt status for personal gain," Kavulich told *CubaNews*.

A recent two-page advisory published in Kavulich's newsletter, *Economic Eye on Cuba*, claims "the organizers are marketing the conference as seeking to include members of Congress. Thus, the conference has a proactive political component, which seems unnecessary and perhaps detrimental to maintaining a commercial focus."

KAVULICH'S 'POINTS OF CONCERN'

Kavulich lists five "points of concern" with relation to the February event, among them "the belated disclosure in October 2002 by the organizers that in August 2002, the Office of Foreign Assets Control (OFAC) of the U.S. Treasury Department had denied authorization by the organizers to use a license issued by OFAC to a not-for-profit organization identified as a sponsor of the conference."

Kavulich also complains that a Washington law firm — presumed to be Patton Boggs, though he doesn't identify it by name — "permitted a letter dated Jun. 26, 2002, certifying that the conference was in compliance with OFAC regulations, to remain in use for marketing purposes through Oct. 29, when a new letter was published. The belated disclosure of material changes to the conference should be viewed as issues of veracity."

Yet Jones says he's done nothing wrong.

"We were originally going to have it all in Havana. But Treasury ruled that we couldn't do that, so we published a new brochure and explained it very openly," he said. "There was no secret. We tell people the U.S. government reinterpreted the license. There's nothing illegal about what we're doing."

In fact, a colorful, 8-page brochure advertising the meeting does explain the change of plans, and even warns would-be participants that "as this is a fully hosted day in Havana, please note that no items may be purchased when in Cuba." It says that OFAC's Cuban Asset Control Regulations, 31 CFR Section 515.420, specifically prohibit fully hosted participants from spending U.S. dollars in Cuba.

Jones said the Cuban host committee includes Havana consulting firm CONAS, the Center for Investment Promotion (CPI) and CIMEX, the island's biggest holding firm and operators of most of Cuba's food outlets.

"There's nothing illegal about what we're doing," he insists. "OFAC specifically allows for fully hosted travel to Cuba. It is legal to do that, and that's why we're doing it that way."

Daniel Waltz is an attorney with Patton Boggs, which provides legal counsel to the U.S.-Cuba Trade Association. He insists that his client's activities are kosher.

"OFAC's Cuba regulations are clear in stating that persons subject to the jurisdiction of the U.S. will not be considered to violate the regulations if a person not subject to jurisdic-

tion of the United States covers the cost of all travel-related transactions in Cuba," he explained. "That's the way this one-day stop in Cuba is being organized. A Cuban host committee will cover those costs. Travel by participants in the conference will be lawful."

ORGANIZER BUILDS ON MOMENTUM

The February conference is the third such gathering between U.S. business executives and Cuban officials. The first was the U.S.-Cuba Business Conference in Cancún a year ago, also organized by Jones. The second was the U.S. Food & Agribusiness Exhibition, held Sept. 26-30 in Havana; that event was organized by Peter W. Nathan of PWN Exhibition, with considerable help from Kavulich.

At that meeting, Cuba signed over \$85 million in business contracts and secured letters of intent for another \$28 million in sales.

Joseph Green, a Miami-based executive of Caterpillar, says his company's sponsorship of the February event is in line with its longstanding opposition to the U.S. embargo.

"Unilateral trade sanctions are not effective, and we're hoping to bring about a change," Green told *CubaNews*. "We understand what the law is today, and we certainly wouldn't do anything to jeopardize Caterpillar's position. But the fact is that a number of our competitors around the world, including Komatsu and Volvo, are all selling new machines to Cuba."

The \$1,500 registration fee, which rises to \$2,000 after Jan. 15, doesn't include lodging at the official conference venue, the Westin Reg-

ina Resort in Cancún (\$135 a night). Nor does it include \$390 that participants must pay for round-trip airfare between Cancún and Havana. Conference officials say they'll charter a Mexican rather than a Cuban airline in order to avoid violating OFAC rules.

It's unclear how much the one-day jaunt to Havana is costing their Cuban hosts, but Jones says it won't exactly enrich the Castro government. "We're arriving in the morning. We have buses, a lunch, a meeting hall, a dinner and that's it. If we were going for a week, that's one thing. But this is less than 12 hours. We're talking about very little money here."

Even if it's all legal and above-board, Kavulich still says American executives who attend the Cancún meeting are probably wasting their time and money.

"Generally, there is no reason for a U.S. company seeking to market to Cuba products authorized by the Bureau of Industry and Security (of the U.S. Commerce Department) to visit Cuba on a fully hosted basis, as licenses are available from OFAC," he said.

Attorney Waltz he's puzzled why Kavulich is so upset about his client's event.

"It's striking to me that an organization whose focus is advising U.S. businesses with respect to Cuba would be so eager to criticize others who seek to perform the same service," he said. "I know that Kavulich issued a similar advisory last year recommending that his members not attend the conference in Cancún. To my knowledge, all the participants in that conference were delighted with the substance of what they learned." □

Economist plans Cuba 'roundtable' in October

The Economist Conferences has scheduled a "Roundtable with the Government of Cuba" to take place in Havana next October.

The meeting will likely attract 100 to 120 directors, CEOs, CFOs, managing directors, general managers and other senior decision-makers. Organizers say the event "will allow existing and potential direct investors to have access to insights into the prospects of doing business in Cuba."

The Roundtable will feature government ministers responsible for shaping economic policies, giving attendees the opportunity to gain an immediate understanding of direct investment opportunities in Cuba.

Topics covered during the conference — likely to be held at a five-star hotel in Old Havana — will include general prospects for foreign investment; impact of the U.S. embargo on foreign trade and investment; precautions for avoiding U.S. sanctions; Cuba's relations with the European Union, and integration with the rest of the Caribbean.

"With increasing food sales to Cuba and huge lobbying efforts in Washington to lift aspects of the embargo, the time is fast approaching when it becomes possible to speak of a post-embargo Cuba," said Dr. Stephen Wilkinson of Cuba Business Solutions Ltd., which is handling sponsorship of

the event. "This conference, coming in the fall of 2003, may be the first opportunity the international business community will have to plan for such an eventuality."

Case studies are to analyze specific opportunities in tourism, energy, transportation and telecommunications.

All discussions and debates will be held in an "off-the-record" atmosphere which encourages participants to share forward-looking perspectives and make new business contacts.

Wilkinson said the itinerary will also likely include visits to various factories and state-owned companies; a guided tour of Old Havana, the port area and a free zone; parallel meetings with officials, and a closing reception hosted by conference sponsors.

The last "Roundtable with the Cuban Government" took place in February 1999 at Havana's Hotel Meliá Cohiba, and attracted multinationals from over a dozen countries including the U.S., Canada, Spain, Mexico, Venezuela, France and Great Britain.

The cost for attending the Roundtable will likely be set in February, said Wilkinson.

Details: Heidi Lawrence, Economist Conferences, 15 Regent St., London SW1Y 4LR. Tel: +44 207 830-1020. Fax: +44 207 931-0228. E-mail: heidilawrence@economist.com.

AGRIBUSINESS

Cuba to buy Kentucky burley tobacco

BY LARRY LUXNER

Cuba, world-famous for its tobacco products, is now *importing* tobacco from the United States for the first time in more than 40 years.

Cuban food import agency Alimport has agreed to purchase \$1 million worth of burley tobacco, as part of a \$7 million deal between Alimport and the Kentucky Department of Agriculture that also included food products and wooden whisky barrels.

The exact amount of tobacco is unclear, but at roughly \$3 a pound, this works out to nearly 170 tons.

Under the Trade Sanctions Reform and Export Enhancement Act (TSRA), one of the few loopholes in Washington's 40-year-old trade embargo, the Cuban government can buy U.S. farm commodities on a cash-only basis. That includes raw and processed tobacco, cigarettes and related products.

"Tobacco growers have a lot of tobacco on hand that companies pass up. We process and store it, and that's what we're trying to sell," said Benny Garland, director of the Burley Tobacco Growers Cooperative Association, which represents 140,000 growers in Kentucky, Indiana, Missouri and Ohio. "If things open up [with Cuba] a few years down the road, we may be able to sell them more."

Garland attended last September's food expo in Havana, where he and fellow tobacco growers enjoyed a two-hour dinner with Fidel Castro and other dignitaries.

W. Scott Althausser, the organization's vice-president of leaf tobacco, said any burley Cuba buys would be blended with other grades for use by local cigarette producers — definitely not for use in cigars.

He and his colleagues met with officials of BrasCuba, the 50-50 venture between state entity Tabacuba and Brazil's Souza Cruz S.A. BrasCuba has a 95% share of Cuba's domestic market for hard-currency cigarettes (see

CubaNews, Dec. 2002, page 1).

Garland said there's potential for burley tobacco in Cuba. "Their cigarettes are horrible. We gave away a lot of cigarettes down there, and everybody seemed to like 'em."

The price of tobacco is a very small element in the cost of a cigarette, Garland added, noting that one pound of tobacco is more than enough to make 700 or 800 cigarettes.

Alice Baesler, an official with the Kentucky Department of Agriculture, speculates that Cuba will likely become one of many countries which regularly import the state's burley tobacco; last year, Kentucky shipped 120 million pounds of burley tobacco overseas.

"We're always excited to get new markets for our tobacco," said Baesler, who has her own tobacco farm in Lexington. "We're even toying around with the idea of sending some of our burley tobacco to Cuba to be blended with their tobaccos, to see if we can come up with a cigarette that could be sold locally."

John Kavulich, president of the U.S.-Cuba Trade and Economic Council Inc., says that while the potential for tobacco sales to Cuba is huge, not much has materialized so far.

"TSRA allows for the direct export of U.S. tobacco products to Cuba, but the Cubans have yet to buy anything directly," he said. "So if you see a U.S.-branded cigarette in Cuba, it's still coming through a third country like Panama. Sometimes, it's less expensive for a country to buy a U.S.-branded cigarette product through a third country because of tax and tariff issues."

Garland said he'd return to Cuba in a heartbeat if it meant additional tobacco sales.

"We don't want to leave any stone unturned," he told *CubaNews*. "In the tobacco business, we need all the help we can get."

Details: Alice Baesler, Kentucky Department of Agriculture, 500 Mero Street, Frankfort, KY 40601. Tel: (502) 564-6676 x258.

LETTERS TO THE EDITOR

In your latest issue (*CubaNews*, Dec. 2002, page 4), you include a graph showing Cuba's debt to the rest of the world. Unfortunately, you have used information from the [University of Miami's] Cuba Transition Project which is confused or deliberately false.

On what do you base your statement that \$10.893 billion is the debt to the EU? Both the US-Cuba Trade & Economic Council (quoting the Central Bank) and a Reuters report state that this figure is total foreign debt, excluding the Soviet debt. Was your EU figure based on a Reuters wire or some other source?

— Andrew Butchers (Brighton, England)

CUBA TRANSITION PROJECT RESPONDS:

In response to your concerns regarding our figures and motivation, I would like to state that we did not (nor, as an academic institution, would we ever) seek to mislead or misinform with our data. We simply attempted to illustrate the scope of Cuba's foreign debt — information which the Cuban government does not make available, much less publicize, to anyone other than its immediate creditors.

We did cite Cuba's official debt (2001) as reported by the Central Bank of Cuba. The Reuters wires do not in any way contradict our information. However, we also illustrated specific bilateral debts to leading trading partners. I have not seen Cuba's official report to its creditors with detailed sums to all countries and lending entities, nor does the Reuters data provide such an analysis other than a percentage breakdown.

We did not offer a "grand total" estimate either. Our goal is to provide the data and allow the critical reader to reach conclusions and compare numbers against the official debt as reported by Cuba.

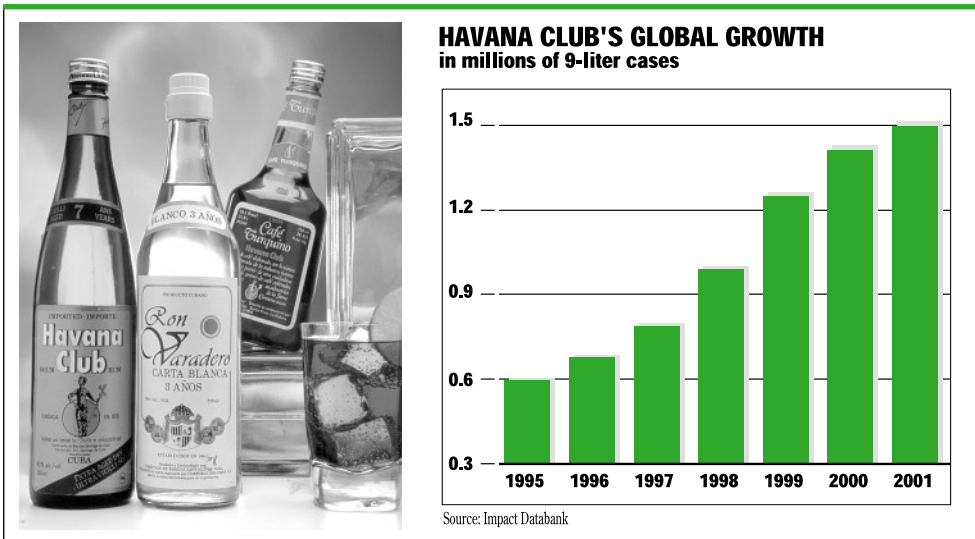
For example, Cuba claims "official bilateral debt" of total foreign debt (\$10.893 billion) to stand at \$5.7 billion in 2001. Does that include Paris Club nations plus bilateral debt to Japan and Argentina, for example? The figures do not seem to add up according to our analysis.

I would also remind you that, for instance, Cuba renegotiated financing of its debt to Japan outside the Paris Club/predominantly EU circle (of which Japan is a member) in 1998 so that, though nominally all Paris Club members, it made sense to us to report their loans to Cuba separately.

We stand by our methodology and calculations until more detailed information becomes available from Cuba and/or its creditors.

I have attempted in good faith to address your concerns. However, in the future, please avoid such language as "confused or deliberately false." Given the fact that critical readers of our report include U.S. State Department officials, journalists, academics, members of the financial and business communities, and others well-versed in Cuban affairs, accuracy, veracity and objectivity are our guiding principles. We do not take your words lightly.

— Hans de Salas-del Valle
Research Associate, Cuba Transition Project
University of Miami (Coral Gables, FL)



NEWSMAKERS

Hotelier Marcelo Montenegro has eye on the big prize

BY LARRY LUXNER

Today, it's an empty field populated only by stray goats and palm trees. But within two years, this picturesque plot of land where Marcelo Montenegro stands will be the center of a thriving hotel complex — and one of the largest beach resorts in Cuba.

Montenegro is president of Havana-based Wilton Properties Ltd., a wholly owned unit of Leisure Canada Inc. As such, Montenegro supervises LCI's ambitious plans to develop four projects that could change the face of Cuba's tourism industry and earn tens of millions of dollars for LCI's Canadian, American and European stockholders.

The most important of these projects will soon take shape at Jibacoa, on a 5.5-sq-km slice of land along Cuba's northern coast, about halfway between Havana and Varadero.

"We had a delay in Jibacoa because of oil exploration," Montenegro told *CubaNews* recently, as he gazed out at the windswept coastline below him. "You cannot build a hotel right next to an oil well, so we came to an understanding that we'd wait until the prospecting was finished. Nothing big was found."

But something much bigger is coming — in the form of six hotels with a combined 2,400 rooms, two 18-hole championship golf courses, retail shops, tennis facilities, equestrian trails and a 120-slip marina.

And that's only part of the whole story.

If all goes according to plan, LCI could end up building 4,300 rooms in 11 luxury hotels throughout Cuba, thanks to its involvement in Vancuba Holding Ltd. — a 50-50 venture between Wilton Properties and Gran Antilla, a unit of the Cuban Ministry of Tourism's Grupo Hotelero Gran Caribe S.A.

"We're looking at a total investment of \$450 million from our side," said Montenegro, noting that Jibacoa alone will account for 60% of that. The remaining 40% would be split among a planned 850-room hotel at the Monte Barreto site in Miramar; a 750-room beach complex on Cayo Largo, along Cuba's southern coast, and a 300-room resort on the island municipality of Isla de la Juventud.

"Our idea is to develop destinations, rather than only build hotels," he explained.

PURSUING A CAPITALIST DREAM

That's been the idea ever since 1996, when Vancouver multimillionaire Walter Berukoff announced he would expand his Cuban holdings from copper and gold mining into the nascent tourist industry.

Since then, Berukoff, LCI's chairman and chief executive officer, has been the subject of numerous newspaper and magazine articles, as well as a CNN television documentary in which he calls himself a "good friend" of Fidel Castro and "an unabashed capitalist."

At the moment, Berukoff personally owns 32.8% of LCI stock. Another 23.6% is in the

hands of U.S. investors, including Robertson Stephens and Co., a unit of Bank of America Corp. Other major investors include LCF Rothchild and Société Générale.

In November, Berukoff pumped \$2.5 million of his own fortune into the company.

"This money will go directly to the Monte Barreto project," said J.J. Jennex, LCI's director of investor relations. "This injection of cash is to keep things moving at a quick pace. We definitely want to be into heavy construction in the first quarter of 2003."

Monte Barreto, now a vacant lot sand-

including the Delta Sierramar, the Delta Galeones, the Delta Las Brisas, the Delta Gran Piedra and the Hotel El Viejo y El Mar at Havana's Marina Hemingway.

"Halfway through the development, I met Wally Berukoff," Montenegro recalled with a grin. "He made me an offer I couldn't refuse."

In the seven years since, Montenegro has crisscrossed his adopted island many times in his sturdy SUV, scouting out prime beachfront properties and showing potential investors how Leisure Canada Inc. will someday make piles of money for them.



Marcelo Montenegro stands in a vacant field near Jibacoa, future site of LCI's flagship luxury resort.

wiched between several larger hotels on the last undeveloped beachfront plot in Miramar, is currently in the advanced stages of design and development. It's only a few blocks from the Hotel Comodoro, where Montenegro lives quietly with his wife Mariana.

"I've been in Cuba for 11 years," he said. "I know how this country operates, and I'm Latin, so I'm able to identify [with the people]. But I'm also able to transmit ideas to the Western world, so I bridge both cultures."

FROM QUITO TO CANADA TO CUBA

Montenegro, 55, is originally from Quito, Ecuador. In 1968, he moved to Toronto, then attended hotel school in France and spent the next two decades working for various hotel chains including Sutton Place Hotels and France's Accor Group. In 1989, Accor named him general manager of the year from among its 25 hotels throughout North America.

Three years later, Montenegro was invited by Toronto-based Delta Hotels and Resorts to come to Cuba and oversee the development of hotel properties throughout the island.

Delta was the first Canadian tourism entity in Cuba, and under Montenegro's leadership, the company opened nine properties in Cuba,

So far, LCI hasn't earned a dime in profits. But that could soon change, once the Monte Barreto project is up and running.

Initially, the five-star hotel will consist of 250 rooms, in a first phase requiring \$26 million in investment.

"Monte Barreto will break ground in September 2003, with construction projected to take 20 months," said Montenegro. "We're starting with 250 rooms, and it'll be built in three stages, with additional growth depending on market performance."

If Monte Barreto really grows to 850 rooms, it would be Havana's largest hotel, far bigger than either the 556-room Habana Libre or the 462-room Hotel Meliá Cohiba, both located in the Vedado district.

"We're the last builders in the Miramar area, and we've taken every ounce of information we can out of the other hotels in the area to see what works and what doesn't," said Jennex. "Today in Cuba, there's nothing for the high-end traveler, and our property will cater to a clientele that hasn't really been served up until now."

The 37,000-sq-meter Monte Barreto site is equivalent to two square blocks, and sits on property directly in front of the Miramar

Trade Center, an enormous office complex now being developed by Israeli investors (see *CubaNews*, June 2002, page 10).

When finished, the Monte Barreto property will include retail and convention space, as well as a considerable timeshare component.

It's unclear how the 850 rooms will be divided between the hotel and timeshare development, though the first phase includes 180 rooms and 50 penthouse timeshare units sitting atop the seven-story complex. These spacious luxury units are expected to go for around \$10,000 a week.

FROM QUITO TO CANADA TO CUBA

Charles Suddaby, a Toronto-based hospitality consultant, says "I think they have all the opportunities for success in the world. It's a terrific project in a great location."

Suddaby, who's advised LCI and other com-

"I've been in Cuba for 11 years. I know how the country operates, and I'm Latin, so I'm able to identify. But I'm also able to transmit ideas to the Western world."

panies on \$2 billion worth of resort development in Cuba, says Monte Barreto's success does not depend on a lifting of Washington's long-standing travel ban.

"Many of the hotels in Havana run 70-80% occupancy annually, and that's without the U.S. market," he said. "Building the best hotel in Havana will create a lot of demand, stealing business from other hotels. People who currently stay at the Nacional or the Comodoro might tend to go to the Monte Barreto."

Montenegro said he's expecting 62% occupancy in Monte Barreto's first year of operation, leveling out at 75%. In the beginning, around 70% of the hotel's guests will be leisure travelers, 20% executives and conventioners, and the remaining 10% walk-ins.

"Our goal is that eventually we'll be a business hotel," he said, adding that hotel rates at Monte Barreto will average \$130-140 a night.

That's roughly comparable to the Meliá Cohiba and the nearby Meliá Habana, where rates run between \$120 and \$130.

While Montenegro plans to manage Monte Barreto himself, through a related company known as Miramar Management, the Jibacoa property will be run by London-based Le Meridien Hotels & Resorts. He says it'll be patterned after the successful Forte Village in Sardinia, Italy — right down to the decor, architecture and furniture.

MELIÁ TO RUN CAYO LARGO PROPERTY

A third beach resort, the 750-room Meliá Paradisus Cayo Largo, will be managed by Spain's Grupo Sol Meliá. Valued at \$90 million, the property is situated on Cayo Largo.

Last November, *CubaNews* reported that

Meliá, along with other Spanish investors, was negotiating to acquire a 30% stake in the Cayo Largo development. If that happens, LCI would be left with a 20% share; the other 50% would remain in the hands of Gran Caribe.

According to a slick investor brochure published by LCI, the resort — to begin construction in late 2003 — will be situated on the underdeveloped west end of Cayo Largo, on "breathtaking beachfront property."

Three hotels are to be constructed here, each targeting a particular market and linked by natural landscaping and lush gardens.

"The most spectacular rooms at Cayo Largo will rise above the surface of a tranquil lagoon — accessible by raised wooden walkways strung with handmade railings of twined rope reminiscent of pirate days," gushes the full-color brochure aimed at attracting investors. "Each unit has its own small jetty and

private sailboat. Inside, modern features will deliver guests into a world of unique luxury."

But what does all that mean for LCI's bottom line?

"The internal rate of return is over 25% by Year Four," Montenegro says confidently. "We have taken into consideration pre-embargo and post-embargo scenarios. All our figures are pre-embargo."

GETTING READY FOR THE U.S. INFUX

"At the beginning, you have to operate with the Canadian market, combined with the European and Latin American market," said Montenegro. "Being Latin myself, I know that Latins, when they travel, like to spend money and stay in nice places. In my opinion, we have not paid much attention to that market. That's why when I was with Delta, we specifically focused on Latin America, and were extremely successful in Cuba."

While LCI doesn't expect much revenue from American tourists — at least not until the embargo is lifted — Montenegro says he wants to be ready when the stampede begins.

"All our hotels will be built for U.S. standards, following the Florida building code," he told us. "We'll insure structures against hurricanes and they'll be equipped with sprinkler systems and smoke detectors. We're catering to an upscale, sophisticated clientele."

Montenegro, who oversees eight employees, says LCI has already invested several million dollars in legal studies, research and other preliminary expenses.

"We have a legal department in-house, and part of our process is to assure that all our properties are free of claims," he said. "All the

documentation has been provided to our lenders."

For the moment, Montenegro said he's had no problems traveling to and from the United States. That's because, unlike fellow Canadian company Sherritt International — which is based in Toronto — LCI has never been accused of investing in properties that were confiscated by the Castro government. As such, the company doesn't face possible sanctions under the 1996 Helms-Burton Act.

CREATIVITY WITH THE WORKFORCE

Even so, both LCI and Sherritt were named — along with 40 other multinationals — in a \$1.35 billion lawsuit filed three years ago by two Miami-based exile groups. The plaintiffs charged that the companies' plans to invest in Cuban hotel projects were part of an illegal scheme by the Castro regime to deprive workers of \$450 a month in wages apiece.

Although the suit was eventually dropped, Montenegro insists that all the companies he's worked for in Cuba have treated their employees fairly.

"We work under these conditions and we have no difficulties whatsoever. In my opinion, if we use our creativity in how to deal with employees, we can be successful," said Montenegro, referring back to his days with Delta.

"For example, we were the first company in Cuba to provide employees with a hygiene kit that includes soap, toothpaste and other items," he said. "We also offered incentives. The employee of the month got to have dinner in our dining room with a spouse, and the employer of the year won a free week in one of our hotels."

Prizes aside, Montenegro conceded that "we cannot operate here the same way we would" in the United States or Canada.

"In the Western world, we're accustomed to a quick response," he said. "If we want to make changes to an agreement, I call my head office, and in half an hour they tell me yes or no. But here, because of the system, I have to wait much longer." □

ECOTOURISM PARK OPENS

El Baga Nature Park, located in Cuba's Jardines del Rey tourist complex, has opened at 60% of capacity, says government tourism official Luis Pacheco.

The 700-hectare park — the only one of its kind in Cuba — features bicycle paths, horseback riding, boat rentals and water tours, as well as two cafeterias, a restaurant and various kiosks. El Baga also has a pier, a mock Taíno village and exhibits of tortoises, birds, crocodiles, sea turtles and fish.

The remaining 40% of the park is to open in early 2003, and will have a buccaneer galleon, pirate history exhibit, lizard forest, bat caves, cactus gardens and other attractions.

Pacheco said El Baga represents an \$8 million investment and will rank among the top attractions of Cayo Coco, luring 25,000 tourists annually.

MONEY

Online venture offers users new way to send cash to Cuba

BY VITO ECHEVARRÍA

In 1998, the Clinton administration authorized money transfer agencies to wire funds directly from the United States to Cuba.

Today, those remittances are believed to reach \$800 million a year — a lucrative market that's attracted not only heavy hitters like Western Union and Moneygram, but upstarts like Toronto web entrepreneur Enzo Ruberto.

Ruberto, who bought Havana-based Canadian firm ICC Corp. from Robert Sajo in 1999, has invested \$2 million in the company while gaining practical online experience running the Cuban government's popular Cubaweb portal (www.cubaweb.cu).

He's also created spinoff e-ventures such as PreciosFijos.com — Cuba's first online supermarket — and Quickcash, Cuba's first online money transfer site. ICC's earnings have risen from \$250,000 in 1999 to just under \$1

million in 2001 and over \$3 million in 2002.

With Quickcash, Cuban exiles and others can punch in their credit-card numbers from the comfort of their Miami homes, and in a day or so, their relatives and friends in Cuba can collect their funds.

Despite the huge Cuban remittance market, Quickcash's growth hasn't made much of dent in Cuba's incoming money traffic.

Realizing that, Ruberto's decided to revamp Quickcash, changing its name to Cash2Cuba (www.cash2cuba.com) and trying to make the most of the five million hits per month that ICC's Cuba-related sites typically generate.

With commissions of 3-4% per transaction from its Cash2Cuba site, ICC now expects to finish 2003 with revenues of \$6 million.

What makes Cash2Cuba different from its rivals is its use of a debit-card system to allocate incoming funds.

When Cubans receive money from their Miami relatives through Cash2Cuba, funds go into the recipients' Transcard debit-card account, which must set up beforehand. Afterwards, local Cubans can use their Transcards to purchase food at any of Cuba's hard-currency stores. Or, they can go to a Cuban bank and withdraw the funds — in dollars — that have been credited to that specific account.

One of Cash2Cuba's regular users is Max Riverón, a 29-year-old Cuban immigrant now living in western Canada.

"I usually send cash to my parents in Cuba, either with friends traveling to Havana or through Transcard Canada," said Riverón. "I recently tried Cash2Cuba and must say that I was really impressed with their service. The money was deposited in an account in Cuba in less than four hours."

Despite denials that he's interested in gaining a bigger slice of the U.S. market, Ruberto is now in a position to take advantage of at least one handicap that U.S.-based money transfer giants must contend with: the fact that no more than \$300 may be wired from any individual in the United States to Cuba during any three-month period.

Whenever a transaction is made, the sender must fill out an affidavit with the U.S. Treasury Department, confirming that the funds won't end up with a senior-level Cuban government or Communist Party official.

Cash2Cuba, on the other hand, imposes no such rules because the funds go through Canada rather than the United States.

With \$320,000 in money transfers in December, its first month of existence, Ruberto is optimistic about the service's future.

"We now have more than 10,000 Cash2Cuba members in over 60 countries, with no advertising or promotion," Ruberto told *CubaNews* in an e-mail from Havana, "just simple word of mouth from our many satisfied customers worldwide and here in Cuba."

But Ruberto isn't sitting still. Last month, he launched Medicines2Cuba, (www.medicines-2cuba.com), Cuba's first online pharmacy. The site carries a variety of over-the-counter medical products — ranging from cold and headache tablets to vitamins, pregnancy testing kits and even creams for herpes patients. Many of these items come from the Mexican subsidiaries of U.S. pharmaceutical giants like Bristol-Myers and Schering-Plough.

"We've been sourcing the best medicines at the lowest possible prices, so that our customers can be confident their families and loved ones are getting high-quality medicines," said Ruberto, predicting that Medicines2Cuba will be a hit with elderly Cubans, thanks to the home-delivery aspect of this new service. □

Collectors dubious of Castro-era coinage

Before Fidel Castro's rise to power, most Cuban coins were minted in the United States. Then Washington and Havana broke diplomatic ties, and Cuba's coinage began to be produced in Spain and various Eastern European countries — right up until 1977, when the Cuban Mint was established.

But because they're so numerous, these newer coins — which commemorate everything from Che Guevara to the fight against AIDS — have little value to investors.

"There's no benefit in buying Castro-era coins," says Florida collector Frank Putrow, who hopes to establish a National Cuban Coin Club once the embargo is lifted. "They're oversaturated. Cuba minted thousands of beautiful commemorative coins, and a lot of people paid premium prices for them. Now they're worth only half the original value."

U.S. law prohibits the importation or exportation of post-1962 Cuban coins and currency.

"Technically, it is not illegal to sell, trade or buy these items if they are physically in the United States, but the law is firm and the penalties are harsh," says Putrow. "Awareness of the Trading With the Enemy Act is essential, since confiscation of coins and monetary penalties may result."

That's why most collectors focus on pre-Castro coinage, Putrow told *CubaNews*.

The definitive work on this subject is "The Coinage of Cuba: 1870 to Date," published by Thomas Lismore in 1966. Other key reference books include "La Moneda de Cuba" (José María Aledón, 1999); "Billetes y Monedas de Cuba" (1975); "Numismática Cubana" (Banco Nacional de Cuba) and "Cuba: A Country and its Currency" (Banco Nacional de Cuba).

Among the most valuable coins are the 1870 provisional and 1897 souvenir issues, which were never intended for general usage. Some

of these sell for as much as \$10,000 in uncirculated condition.

From 1898 to 1914, the U.S. dollar was the official currency of Cuba. In 1914, the Cuban government authorized the minting of centavos (1, 2, 5, 10, 20 and 40) and silver and gold pesos (1, 2, 4, 5, 10 and 20). All were produced at the Philadelphia Mint in 1915 and 1916, though in 1915, a law was passed prohibiting all foreign coins and currency, except those of the United States.

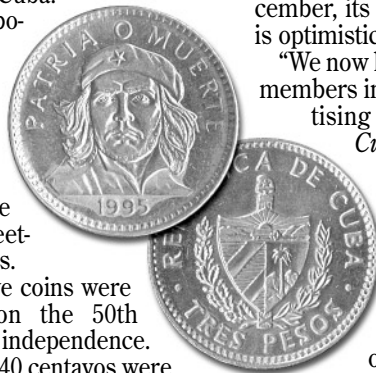
Between 1898 and 1953, only two faces appeared on coins of Cuba:

José Martí and the symbolic "Lady of Liberty."

The reverse of Cuban coins are fairly common: the Cuban coat of arms, within a wreath of oak on the left and olive on the right with the ends of the branches meeting over the coat of arms.

Cuban commemorative coins were introduced in 1952, on the 50th anniversary of Cuban independence. Issues of 1, 5, 10, 20 and 40 centavos were authorized with the obverse displaying the Cuban flag. In 1953, coins of 1, 25 and 50 centavos, as well as 1 peso, were minted by the Batista regime to mark the 100th anniversary of the birth of José Martí.

Interestingly, while U.S. paper money circulates freely throughout Cuba, U.S. pennies, nickels, dimes and quarters are no longer legal tender. In August 2001, Cuba's Central Bank announced that U.S. coins would no longer be accepted after Oct. 15 of that year. Those coins have since been replaced by *peso convertible* coins of equivalent value.



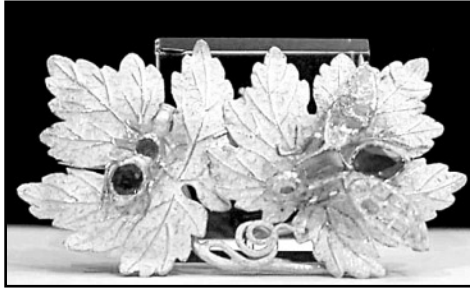
— LARRY LUXNER

TRADE

Visa Gold to auction off treasures found in 1839 shipwreck

Visa Gold Explorations Inc., the Canadian underwater exploration and salvage firm that has recovered over 8,000 artifacts from a shipwreck off Cuba's northern coast, plans to sell many of the items it exhibited in a Toronto art gallery last summer.

Paul Frustaglio, Visa's president, said he'll auction off an assortment of jewelry and other pieces on eBay. The pieces range from an 18k gold brooch embedded with 27 diamonds and emeralds (asking price: \$22,500) to gold necklaces and rings, assorted cut diamonds, emeralds, rubies and a variety of antique items starting at \$1,000. These range from a bronze statue of Neptune and ivory domino pieces to horse saddle ornaments,



Asking price for this 18k gold brooch: \$22,500.

work conducted by our Cuban historian and the National Department of Cuban Patrimony," said Frustaglio. "Don't forget that the items were a mix of English and French artifacts, as the *Palemón* had a stay in Liverpool, England" before continuing on to Le Havre, France, and then crossing the Atlantic.

Frustaglio has left room for private collectors to approach Visa Gold before putting the items on eBay and make an offer for either individual pieces or the entire *Palemón* collection. Private antique jewelry collectors who don't live in Canada will have to trek to Visa Gold's office in Woodbridge, Ont., to inspect these items and purchase them.

That's because the insurance policy which Visa Gold bought from Lloyd's of London stipulates that the *Palemón* pieces may not leave Canada until a sale has been made and ownership transferred.

The bottom line is that Visa wants to raise sufficient funds from the sale of these artifacts so that it can get enough financing to keep combing through Cuban waters in

hopes of finding another Spanish shipwreck with a much larger payload than the modest pickings it has recovered from the *Palemón*.

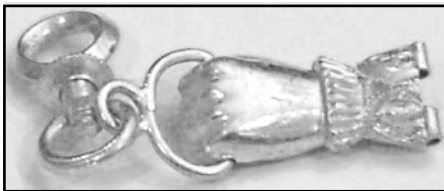
The recovery operation is a 50-50 venture between Visa Gold and Cuban partner Geomar S.A. Under the deal, items not deemed essential to Cuba's history may be sold to private collectors, with the Castro government and Visa Gold splitting the proceeds evenly.

Visa is the first company to find a virgin shipwreck in Cuban waters, export the contents and display them. At least four other foreign firms have received Cuba's permission to conduct similar exploration efforts; one of them, Advanced Digital Communications of British Columbia, made headlines over a year ago when it located the USS *Maine*.

The Castro regime encourages such ventures, having come to the realization that Cuban waters bear perhaps the largest concentration of Spanish shipwrecks in the world.

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— VITO ECHEVARRÍA



Gold charm recovered from the sunken *Palemón*.

flint pistols and a dagger hilt; also for sale are French crystal perfume bottles, some of which contain the original perfume oils.

The treasures were all recovered from the *Palemón*, a Spanish brigantine that was sailing from France to Cuba when it struck a reef and sunk off the Cuban coast in 1839 (see *CubaNews*, Sept. 2002, page 6).

"All of the items are from the early 19th century, say 1800-1839. This is based on the



Gold pin is among 8,000 artifacts on sale by Visa.

CUBAN-NICARAGUAN TRADE BACK ON THE RISE AFTER YEARS OF CHILLY RELATIONS

MANAGUA — Following the fall of the Sandinistas in 1990, Cuba's once-strong relations with Nicaragua gradually withered away.

Most of the hundreds of Cuban doctors, engineers, teachers and other professionals who had been working in Nicaragua in *solidaridad* with the Sandinista revolution went home as soon as the impoverished country turned its back on Marxism and began adopting a free-market economy. But a few stayed, married Nicaraguans and became citizens, often starting their own businesses and private practices.

Nicaragua slowly rebuilt its economy during the '90s, but was devastated by Hurricane Mitch in 1998. This renewed the need for foreign aid and — despite chilly relations in the post-Sandinista era — Cuba offered medical help to Nicaragua, whose per-capita GDP of under \$500 a year makes it the poorest nation in Central America.

Along with medical aid and technical assistance, actual trade has begun to pick up — though the amounts involved are still quite small.

Bilateral trade reached \$4.5 million last year, with Nicaraguan exports to Cuba accounting \$4 million, about 95% of that lumber. Cuban exports to Nicaragua (pharmaceuticals, veterinary products, etc.) making up the remaining \$500,000.

Jesús Subiadur, commercial attaché at Cuba's embassy in Managua, said the Nicaraguan firm Cominsa is the No. 1 supplier of lumber to the island. Cominsa is currently involved in a joint venture with

Cuban state entity Logicuba to build a lumber distribution center in Varadero, due to the many hotel projects under construction there. Cominsa's sales to Cuba could hit \$6-8 million over the next few years.

Another Nicaraguan firm, Cainsa, is negotiating a project worth \$500,000 with a Cuban company to export sausages and hams. In addition, the Nicaraguan subsidiary of Italy's Parmalat has exported milk powder and other dairy products to Cuba; Parmalat is now talking about investing directly in a Cuban production facility.

Some 30 Nicaraguan executives participated in the Havana International Fair in early November. There's no question that interest in the Cuban market is growing, but some people like Juan Ignacio Lacayo, a leading Nicaraguan investor, say they're deterred by the slow-moving Cuban bureaucracy.

Executives from both countries agree that the main obstacle to better commercial relations is the lack of port facilities on Nicaragua's Atlantic coastline. Cargo can go by air, now that a direct weekly flight by Cuban carrier Aerocaribbean covers that route. But volumes are small due to the plane's limited capacity.

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BUSINESS BRIEFS

MINISTRY SAYS TOURISM IS BACK ON TRACK

Cuba's Ministry of Tourism says 107,299 visitors came to the island in October, up 10% from the 97,773 who visited in October 2001. That marks the first monthly increase since the Sept. 11 terrorist attacks, which put a dent in the Caribbean tourism industry.

Tourism Ministry officials quoted by *Reuters* said November and December 2002 arrivals would increase by more than 10% from the year-ago period, though there would still be a decline for overall 2002 numbers and revenues. Tourism revenues dropped 5.2% in 2001 to \$1.85 billion, reducing economic growth to 3%. Cuba's GDP growth for 2002 is expected to come to only 1%.

Ministry officials said that, despite the good news, arrivals for the first 10 months of 2002 came to 1.356 million, a 10% drop from the same period in 2001. Tourism now accounts for nearly 50% of Cuba's foreign-exchange earnings, so an increase in tourism revenues is a crucial factor in fueling the island's imports of food and petroleum.

Yet Eric Peyre, director of the Hotel Meliá Habana, told *Reuters* that Cuba's tourism sector is holding its breath in anticipation of a possible U.S.-led war against Iraq.

"Everyone agrees that if there is war, we will be thrown back into crisis even before fully recovering from Sept. 11," he said. "And we think it'll be worse and last much longer."

BWIA, CAYMAN AIRWAYS NOW SERVE HAVANA

BWIA International will begin flights between Port of Spain and Havana sometime in January. Kenneth Valley, Trinidad and Tobago's trade and industry minister, said that as part of Trinidad's initiative to host the permanent Free Trade Area of the Americas administrative secretariat, BWIA would also commence flights to Santo Domingo and San José, Costa Rica, by March.

Separately, Cayman Airways has launched two weekly flights between Grand Cayman and Havana. The airline already flies to Kingston, Montego Bay, Houston, Miami and Tampa. Airline executives say they may add a third weekly flight to Havana in early 2003.

CUBA STRUGGLES TO MAINTAIN AGING RAILWAY

Cuba is trying to keep its 165-year-old railway running, despite economic problems and complaints about delays and aging engines.

Associated Press reports that the railway, born Nov. 19, 1837, is the oldest in Latin America, predating Spain's rail system by 11 years. Today, Cuba's 2,700 miles of tracks still move 60% of the island's ground cargo, as well as hundreds of thousands of passengers a year.

AP reports that while new efforts are being made to restore the old American-made steam engines to attract tourists, "average citizens complain about low-quality service, especially chronic delays, of this cheap form of travel."

Alvaro Pérez Morales, Cuba's transportation minister, says his staff has been working for over a year to cut down on the delays. The

state-subsidized cost of a ticket from Havana to Santiago de Cuba is only \$2.60 — which is reimbursed if the train arrives late.

Cuba recently purchased some engines and other hardware from Mexico and Germany, but Ricardo Aguiar, director of the nation's railways, concedes that the system "doesn't get all the money it needs."

CUBA EXPECTS 70,000 CRUISE PASSENGERS

Last year, 60 cruise ships docked at Cuban ports, carrying a total of 45,000 passengers. This figure is expected to jump to 70,000 in 2003, according to Cubatur and Havanatur, the two state entities in charge of organizing excursions and transporting cruise-ship passengers in Havana and Santiago de Cuba.

In December, the A'Rose Blu brought 900 vacationers to Havana. The 70,000-ton boat is owned by Germany's Seetour and can accommodate up to 1,500 passengers and 600 crew members. Meanwhile, another cruiser boat, the *Mistral*, which belongs to the Italian company Festival, docked on her second voyage to Santiago de Cuba, carrying 1,200 travelers from Italy, Canada, France and Spain.

TOP 100 HOTEL CHAINS INCLUDE 2 CUBAN FIRMS

State entities Cubanacán S.A. and Gran Caribe S.A. are among the world's top 100 hotel chains, according to *Hotels* magazine. Cubanacán ranks 74th, with 12,130 rooms in 47 hotels (up from 10,859 rooms in 46 hotels a year earlier). Grupo Hotelero Gran Caribe is in 87th place, with 10,436 rooms in 42 properties (up from 10,253 rooms in 45 properties).

A third Cuban chain, Horizontes Hoteles, is in 138th place, with 6,000 rooms in 40 hotels (up from 4,720 rooms in 48 hotels a year ago).

Among foreign conglomerates with interests in Cuba, the highest-ranking is France's Accor Group — the world's fourth-largest hotel chain — followed by Spain's Sol Meliá (12th) and France's Club Méditerranée (21st).

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VARELA PROJECT ENJOYS SUPPORT — IN MIAMI

Some 73% of Cuban-Americans living in South Florida now "support" the Varela Project, a dissident reform movement in Cuba.

The Varela Project Survey, conducted in November by Bendixen & Associates and backed by the Miami-based Cuba Study Group (CSG), polled 451 people in Miami-Dade and Broward counties.

Pollsters posed the following question:

"Dissidents in Cuba have organized the Varela Project. They have collected more than 11,000 signatures from Cuban citizens on the island, and a few months ago presented them to the Cuban National Assembly.

"The petition asks for a national referendum on freedom of the press, on organizing democratic elections, on freeing political prisoners and on economic reforms.

"Now that you have heard this information about the Varela Project, do you think it is a good idea or a bad idea?"

When provided details of the Varela Project, 82% of respondents said it was a "good idea," though 75% said they had already heard of it.

Among younger Cuban-Americans (those 18 to 34 years old), 79% were in favor of the movement — a proportion rising to 82% among Cubans who have arrived in the United States since 1990.

The survey, which has a 4.6% margin of error, also revealed that 63% of respondents had a "positive opinion" of Oswaldo Payá, founder of the Varela Project and head of the dissident Christian Liberation Movement.

A previous poll sponsored by CSG in April found that 79% of Cuban-Americans prefer a "gradual and peaceful" solution to democracy in Cuba to an "abrupt and violent" process.

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N.C. TURKEYS, APPLES ON THEIR WAY TO CUBA

North Carolina firms have shipped \$3.7 million worth of turkeys and apples to Havana, the result of contracts signed following a September food expo in the Cuban capital.

Carolina Turkey of Mount Olive sent off three containerloads with 156,000 pounds of ground turkey and drum sticks; the company will send another shipment this month to fulfill a contract for 900,000 pounds with Cuban food import agency Alimport.

Two other companies, PSI of Chapel Hill and C.L. Henderson Produce of Hendersonville, also won Alimport contracts for assorted agricultural commodities and fresh apples, respectively. "We're all excited about it," said state agriculture commissioner Meg Scott Phipps. "Now, other companies in North Carolina are wanting to go. The benefit of this market is it's so close."

CONSTRUCTION MINISTER REPLACED

Fidel Castro has dismissed his construction minister, Juan Mario Junco, 45, replacing him with Fidel Fernando Figueroa, who had been first vice-minister of construction since 1997. The Communist Party daily *Granma* carried a short statement about the firing, saying Junco was removed because "the results expected from the organ he directs have not been achieved." It added that he would be "assigned to other tasks in the construction sector."

In its statement, the government acknowledged Cuba's serious housing shortage, saying the sector suffers from "material restrictions." But it said Cuba "could achieve results which are quantitatively and qualitatively superior if there were greater rigor, discipline, organization and control."

CUBA ADMITS BIG CONSUMER FRAUD PROBLEM

The Cuban government has completed its 4th National Domestic Economy Control Check — and the results aren't encouraging.

María Isabel Cárdenas, an official of Cuba's National Association of Economists and Accountants (ANEC), told the daily *Granma* that 10,882 price inspections were carried out, uncovering 5,600 violations. Of the latter, 569

were committed in Havana, where 918 offenders were fined. But the fines averaged only 84 pesos (\$3.25) apiece.

More specifically, violations were detected in 160 units operating in hard currency — 35 from the TRD Caribe chain, 22 from the Cimex-Panamerica group, 19 within Cubalse, 12 in Rumbos, seven at Caracol, three at Cubartesania, and two among the Cupet gas-station chain. The same list includes 146 shops and restaurants operating in pesos, as well as 91 farmers' markets. In these cases, fines were imposed mainly because of non-existent prices, poor-quality products and other run-of-the-mill violations.

"Clients run the risk of being swindled at a large number of the agencies they visit daily for goods or services, given that they can be sold an item at an altered price, receive expired goods or others not listed in the store's stock," *Granma* conceded. "In addition to the indignation and personal damage provoked by such violations, the very fact of knowing about them makes us responsible for solving the problem."

Luis Enrique Colarte, ANEC's vice-president for Havana, insists that fines established for price-gouging are meaningless because "discounting the implicit moral sanction, any violation brings in much more than the figure imposed as punishment."

Compounding the problem is the fact violations are "more submerged and concealed in units' storage facilities and inventories" than

they were in 1999, said *Granma*, when such inspections began, as a result of increased scrutiny by government officials.

"The debate has to take place in the community, because the 'inspectors' are there every day," said Eduardo del Río Rodríguez, provincial head of inspection with the Ministry of Finance and Prices. "However, it is important that people are fully aware of their rights, so as to reclaim them from anyone who wants to live off of someone else's sweat. The people have a moral authority that cannot be supplanted by any decree. It's up to us to defend ourselves."

CUBAN ENVOY TO HONDURAS SWORN IN

Alberto González Polanco presented his credentials to Honduran President Ricardo Maduro in mid-December, becoming Cuba's first ambassador to Honduras since the two countries severed diplomatic ties in 1961.

The new ambassador, speaking in Tegucigalpa, said his mission would be to strengthen "fraternity and cooperation" between the two nations in health, education, public safety and tourism. He also said areas for possible trade include steel, wood and wire products.

On Jan. 26, 2002, then-President Carlos Flores announced he would re-establish ties with Cuba. González Polanco has been in Honduras since late 1998 — arriving as part of a medical brigade sent to aid victims of Hurricane Mitch. Since then, he's remained active in health care, overseeing a scholarship program through which over 400 Honduran youths currently study medicine in Havana.

HAVANATUR PUSHES JARDINES DEL REY

Havanatur provided services to 170,000 tourists in 2002, says general manager Benito Pérez Oramas. The state entity, which falls under the umbrella of CIMEX, said that this year, 7,500 tourists visited Jardines del Rey through Havanatur, 85% of them from Canada.

By year's end, the agency will have earned \$500,000 from the sale of tickets, excursions, options, transportation and other activities in Ciego de Avila, the province where Jardines del Rey is located. Havanatur now has 80 branches throughout Europe and Latin America, and will soon open an office in Brazil to encourage tourism from that country.

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JETRO OPENS HAVANA LIAISON OFFICE

Japan's External Trade Organization (JETRO) has opened a branch in Cuba, with the goal of boosting bilateral trade.

Among the most promising Cuban exports to Japan, say JETRO officials, are coffee, honey, fruit juices, vegetables, citrus, cigars and fresh fruits. Leading Japanese exports to Cuba include machinery, diesel engines, chemicals, herbicides, parts and accessories for electronic equipment.

Shinichi Saito, representing JETRO, stated that "in spite of the fact my country's economy is not going well, imports keep growing."

Estrella Madrigal, Cuba's vice-minister of

foreign trade, added that she's hopeful "our products will reach a wider space [in the Japanese market], especially those with a bigger aggregate value" like pharmaceuticals.

JETRO, based in Tokyo, is a non-profit state agency founded in 1958 to foster economic cooperation between Japan and the rest of the world. In November, South Korea's Trade Investment Promotion Agency announced that it, too, would open an office in Havana.

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BASQUE COMPANIES FORM EXPORT GROUP

Around 30 companies headquartered in Spain's autonomous Basque region have jointly established Grupo de Exportación a Cuba (Gececuba), which will insure the companies' risks in connection with investments on the Caribbean island.

Cesce, the state-owned Spanish entity that insures companies against risks of exporting abroad, stopped covering Cuban-related investments in 1999 due to Cuba's large debts to Spain.

Among Gececuba's founding firms are Miesa, Fagor Industrial, Electra, Bikain, Guibe and Maritima Candina. Gececuba, which welcomes other Basque companies operating in Cuba, says it'll be part industrial bank, part mutual guarantee entity, acting as guarantor for projects worth 40 million euros in 2003.

AUTO RACKET, CRIME SCANDALS TAINT HAVANA

Two major scandals have rocked Havana recently.

The first involved visiting Latin American university students who were authorized to buy imported cars. As soon as they got their permission and bought their cars, the students began selling them to Cubans, in dollars, at a profit. Athletes, artists, writers and other Cubans with access to dollars readily snatched up the cars, disregarding official red tape and regulations.

State Security soon found out and confiscated the automobiles from their Cuban buyers, giving them lectures and warnings but not returning their money. The outraged Cubans protested by various means, including sending scores of letters to Cuban authorities.

One Cuban reportedly killed a Venezuelan student over the affair.

The second scandal deals with a growing wave of public insecurity around the recently built condos, apart-hotels and office buildings in Havana's up-and-coming Miramar district.

Small bands of street thugs in groups of three or five have reportedly been tracking such facilities, especially the entrance areas. They've attacked vehicles and their drivers for "short-term" kidnapping operations, netting several thousands of dollars each.

But one episode ended in tragedy for the thugs, who attacked an Italian businessman driving a Mercedes-Benz sport-utility vehicle. To their surprise, the SUV was armored and the Italian not only dodged the assault but managed to run over one of his attackers.

CUBA TRAILS IN PRESS FREEDOM

COUNTRY	RANKING	SCORE
Costa Rica	15	4.25
Ecuador	20	5.50
Uruguay	21	6.00
Chile	24	6.50
Paraguay	32	8.50
El Salvador	33	8.75
Peru	36	9.50
Argentina	42	12.00
Bolivia	48	14.50
Panama	49	15.50
Brazil	54	18.75
Mexico	75	24.75
Venezuela	77	25.00
Guatemala	83	27.25
Haiti	106	36.50
Colombia	114	40.83
Cuba	134	90.25

Source: Reporters Without Borders

Reporters Without Borders has published its first worldwide press freedom index, ranking 139 countries on the basis of journalistic freedom and government guarantees. The report ranks countries on a scale of zero to 100, with a lower score indicating greater freedom. Cuba, with 90.25 points, had Latin America's worst score and ranked 134th, while Costa Rica received the region's best rating and ranked 14th worldwide. The report was based on a questionnaire about direct attacks on journalists and media outlets, as well as norms ensuring freedom of the press.

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CALENDAR OF EVENTS

If your organization is sponsoring an upcoming event, please let our readers know! Fax details to *CubaNews* at (301) 365-1829 or send an e-mail to larry@luxner.com.

Jan. 15: "How to Accelerate Transition in Cuba," Casa Bacardi, Miami. Half-day luncheon seminar featuring William LeoGrande, Brian Latell and other Cuba experts. Cost: \$95. *Details: Institute for Cuban and Cuban-American Studies, PO Box 248174, Miami, FL 33124-3010. Tel: (305) 284-2822. Fax: (305) 284-4875. E-mail: jsuchlicki@miami.edu.*

Jan. 24: "Dry Beans and Cuba: Opening the Trade Doors" Presentation by John Kavulich, president of U.S.-Cuba Trade and Economic Council, Fargo, North Dakota. *Details: Gary Paur, Northarvest Bean Growers Association, 50072 East Lake Seven Road, Frazee, MN 56544. Tel: (218) 334-6351. Fax: (218) 334-6360. E-mail: nhbean@loretel.net.*

Jan. 25: José Martí: Our Man of Letters in America. Bilingual dramatic presentation commemorates 150th anniversary of Martí's birth. *Details: West Dade Regional Library, 9445 Coral Way, Miami, FL 33165-8115. Tel: (305) 553-1134 or (786) 326-6884.*

Jan. 28: Dedication of Roberto C. Goizueta Pavilion at University of Miami Libraries' Cuban Heritage Collection. By invitation only. *Details: University of Miami Otto G. Richter Library, 1300 Memorial Drive, Coral Gables, FL 33134. Tel: (305) 284-4900.*

Feb. 11-13: 2003 World Ag Expo, Tulare, Calif. John Kavulich, president of U.S.-Cuba Trade and Economic Council, to speak on potential for U.S. farm equipment exports to Cuba. *Details: Nancy Lockwood or Doreen Nagle, World Ag Expo, PO Box 1475, Tulare, CA 93275-1475. Tel: (800) 999-9186. Fax: (559) 686-5065. E-mail: gary@farmshow.org.*

Feb. 17-19: U.S.-Cuba Business Conference, Westin Regina Resort, Cancún, Mexico, with fully hosted day in Havana. Sponsored by the U.S.-Cuba Trade Association, event will focus on U.S. agriculture, wood and medical products exports to Cuba. Cost: \$2,390 inc. Cancún/Havana airfare. *Details: Conway Data Inc., 35 Technology Parkway S., #150, Norcross, GA 30092. Tel: (770) 446-6996. Fax: (770) 263-8825. E-mail: wdf@conway.com.*

Feb. 24-28: 5th Habana Festival, Palacio de Convenciones, Havana. "A tradition for people from all over the world who love a good smoke." *Details: Marketing Department, Habanos S.A., Calle 22, No. 115 e/Ira y 3ra, Miramar, Havana. Tel: +53 7 204-0513. Fax: +53 7 204-0549. E-mail: norvera@habanos.cu. Internet: www.habanossa.com/5festival.asp.*

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