CancerVax, Repsol grab headlines as foreign investors watch Cuba closely

BY LARRY LUXNER

On Jul. 15, California-based CancerVax announced it had won Treasury Department approval to develop three experimental cancer drugs in a venture with a Havana lab — marking the first time the Bush administration has given its blessing to a deal involving Cuba’s blossoming biotech industry.

Exactly two weeks later, Spanish oil conglomerate Repsol-YPF S.A. said it had found high-grade petroleum in an offshore exploratory well north of Pinar del Río province, but not in sufficient quantities to be commercially viable.

That certainly made for a busy month for Cuba-watchers — not to mention the growing backlash in Miami sparked by the Bush administration’s increasingly anti-Castro rhetoric as U.S. elections loom only three months away.

On Jul. 7, the House of Representatives voted to reverse new U.S. restrictions on sending gift parcels to Cuba which had taken effect only a week before. By a vote of 221-194, the House adopted an amendment sponsored by Rep. Jeff Flake (R-AZ) prohibiting the Commerce Department from enforcing the new restrictions.

Indeed, the White House realizes that it may have gone too far.

In his eagerness to please the most hardline elements of the Cuban exile community in Miami, President Bush has enraged thousands of more moderate Cuban-Americans with his new rules — especially the one allowing family visits to Cuba only once every three years, instead of once a year as before (see page 3).

Come Nov. 2, many of those Cubans may punish Bush by voting Democratic, throwing the election to John Kerry in a reversal of 2000.

Yet Florida politics had little to do with approval of the CancerVax deal by the State Department and ultimately by Treasury’s Office of Foreign Assets Control (OFAC), say observers.

“The OFAC license for CancerVax should not be seen by anyone as a change in U.S. policy,”— See CancerVax, page 9

Perfeccionamiento empresarial makes little headway in Cuba despite success

BY DOMINGO AMUCHASTEQUI

The process known as perfeccionamiento empresarial — an economic system based on capitalist management techniques — was the trailblazer, and actually the backbone, of economic reforms in Cuba by the mid-1980s.

Yet its influence has been limited, despite its proven track record in boosting the bottom lines of 679 state-run entities in activities ranging from agribusiness to tourism.

In the beginning, perfeccionamiento empresarial (PE) was a pilot project led by the military, which sent engineers, economics and industrial managers to Western Europe and Japan to be trained. Eventually, U.S. experts were brought to Cuba to lecture the Cubans and distribute literature on economic topics.

The experiment was deemed a success, but it took 12 years for this experience to be adopted as the economic policy of the Cuban Communist Party, at the 5th Party Congress in 1997.

Why did it take so long? Basically, because of Fidel Castro’s reluctance to see PE expand throughout the whole country. Even so, by the mid-’90s, roughly 100 companies and corporations — military as well as civilian — had begun implementing the new policies, regulations and systems of perfeccionamiento empresarial.

Phil Peters, vice-president of the Washington-based Lexington Institute, says that in theory, PE is great — but that it’s hard for the Cubans to put into practice.

“The first step is getting companies to produce a good set of books through normal financial accounting,” Peters told CubaNews.

“When a company makes it all the way through the process, then they figure out where the company’s strengths and weaknesses are, and thus come up with a business plan based on becoming economically self-sufficient. Then the managers have autonomy to make not just

See Perfeccionamiento, page 7
Obscure dissident Manuel Gutiérrez strives to be heard

BY LARRY LUXNER

O

the outskirts of western Havana, where the stately palms of Miramar’s Quinta Avenida give way to the rundown tenements of Santa Fe — sits the crumbling house of Manuel Gutiérrez.

From here, the 53-year-old activist runs a little-known group called Consejo Cubano Defensor de los Derechos Civiles (Cuban Council to Defend Civil Rights).

Few Cubans have ever heard of Gutiérrez, who claims that his 11-year-old group has 100 members. This claim can’t be independently verified, though Vladimiro Roca, one of Cuba’s best-known dissidents, concedes that his own Partido Socialdemócrata de Cuba has only 35 members. Roca says there are 300 to 400 dissident movements in Cuba, most of them consisting of 10 to 30 activists apiece.

“Our goal is to rescue civil society,” Gutiérrez told CubaNews. “Even though repression has always been maintained during 45 years of the regime, last year’s wave of repression was the worst ever. The government understands that it is ideologically lost. So it’s trying to accuse the Cuban opposition of receiving help from foreign governments in order to break them.”

GOVERNMENT MUST RESPECT ITS OWN LAWS

Gutiérrez, surrounded by walls of peeling paint and accompanied by his two cats and two dogs, says “there must be more than 50 groups” like his own, though it’s very hard to get accurate numbers.

“What we do is demand that the government comply with its own laws,” he said. “We denounce them when they don’t.”

For example, he said, the police recently tried to evict a neighbor, Hilda Machado Prieto, from a house in Santa Fe, because some family members had spent about $20,000 in remittance money to make improvements.

“They had all their documents in order, but they were kicked out,” he complained. “These people had built a very nice house. In any other country, this would be normal, but here it’s considered illicit enrichment. So the police put them out on the street.”

To try to stop the eviction, Gutiérrez and about 1,000 other people staged a noisy street protest that made headlines on CNN and at least two Miami TV stations.

“We always tell people to defend themselves with lawyers,” he said. “In this case, we told the owner to take her case to court. She won, but they didn’t give her back the same house. They gave her an even better one, so she wouldn’t protest anymore.”

Gutiérrez, a specialist in sports and physical education, is an admirer and confidant of Eloy Gutiérrez Menoyo, the 69-year-old former Cuban exile who spent 22 years in prison for plotting to overthrow Fidel Castro, but who recently moved back to Cuba to start his own opposition party (the two men are not related).

Another man Gutiérrez admires is Oswaldo Paya, founder of the Varela Project.

“I support the project and help them. Oswaldo and I have a close friendship,” he said.

Those warm feelings don’t extend to Elizardo Sánchez, one of Cuba’s most prominent human rights activists.

“Since 1992, we have tried not to have any contact with Sánchez. I don’t like his conduct,” said Gutiérrez. Last month, Sánchez angrily denied government accusations that he was actually a state security agent who had infiltrated the dissident movement.

Asked why Gutiérrez opposes the Castro regime, he speaks forcefully and without fear.

“The government says this is the revolution of José Marti, but really it isn’t,” he told us. “Marti never supported the idea of an absolute party, and even less the control of everyone’s opinion. I’m not afraid of being in prison. I’m totally transparent. What I tell you is exactly what I tell the government.”

He added: “When someone joins the opposition, he must maintain that position with friends as well as enemies. If they throw me in prison, that’s OK. I was never afraid of being in prison. I feel free whether I’m in my house, in the street or in jail, because I don’t follow the government line.”

REGIME HAS LEFT HIS LIBRARY ALONE

As a result, says Gutiérrez, he hasn’t held a steady job since 1991. He’s been imprisoned several times, for periods of a month or more, the last time in 1997, when he was jailed in Villa Marista. In addition, his two daughters, 26-year-old Eli and 14-year-old Yenit, have been harrassed by authorities and prevented from studying what they want in school.

“They said I was collaborating with a foreign power,” said Gutiérrez, noting that “when I became an opositor, the government took my job away.”

Since then, Gutiérrez has survived by fixing bicycles, growing fruit trees and raising pigs and chickens in his yard.

He also spends time maintaining his own private “Biblioteca Pedro Somellán” — a library which he named after a martyr of Cuba’s War of Independence against Spain. It contains nearly 4,000 books, including many forbidden volumes about democracy, human rights and free-market economic systems.

Even so, this little out-of-the-way library, which is not part of Cuba’s unofficial network of 105 or so independent libraries, has never been raided or shut down by the authorities.

“There’s a certain tolerance which permits this,” explained Gutiérrez. “The libraries that have been shut by the government are those that have books which personally attack Fidel. We, however, see no point in attacking Fidel, though we believe this government has to be removed because it is made up of chusma (rabble) and ladrones (thieves).”

Gutiérrez discounts allegations by the Cuban government that the 75 activists, independent journalists and librarians it jailed last year had collaborated with the United States. Even if they did, he said, that doesn’t justify throwing them in prison.

“It’s possible that some of them received help. But when you talk about collaborating with a foreign agent, you have to remember that the Cuban government had always collaborated with the Soviet Union and received help from them. So if someone should be blamed, it should be the Cuban government.”

He adds that “when the revolutionaries were struggling against Batista, they extorted money from businessmen, landowners and others. They threatened to burn their farms if they didn’t give money to the guerrillas.”

In any case, he said, Castro and his fighters gladly took money from Latin American governments as well as from Washington.

“Even the U.S. government helped Castro get rid of Batista,” he pointed out.
CONGRESS

Havana Club, Section 211 battle heats up on Capitol Hill

BY ANA RADELAT

The face-off over who owns the Havana Club rum brand continues in Congress, with two groups of lawmakers pushing differing proposals in July aimed at settling a dispute with the World Trade Organization.

Sen. Pete Domenici (R-NM) and Rep. Lamar Smith (R-TX) are sponsoring legislation favored by the Bush administration that they say would fix a U.S. law barring Cuba from protecting its Havana Club brand in the United States.

Havana Club is a premium rum marketed around the world by Havana Club Holdings (HCH), a 50-50 venture between the Cuban government and French liquor giant Pernod Ricard. Last year, HCH shipped 1.92 million nine-liter cases of Havana Club rum, up from 1.73 million cases in 2002.

Demand is particularly high in Italy, Spain and elsewhere in Western Europe, though because of the U.S. embargo against Cuba, not a drop of Havana Club may be sold in the United States.

HCH's annual revenues exceed $170 million, with profits of around $40 million. Half of that goes to Pernod Ricard, according to the U.S. Commerce Department from enforcing the new restrictions.

Section 211 — the law that stripped Cuba of its right to protect the brand in the United States — was promoted by rum giant Bacardi, which tried to market its own Havana Club brand of rum in the U.S. but was prevented from doing so by an HCH lawsuit.

The WTO has determined that Section 211 runs afoul of international law by stripping trademark protection from Cuban products that were confiscated by the Castro regime. According to the WTO, singling out Cuba violates TRIPS, the global intellectual property protection treaty. The WTO has given Congress until the end of 2004 to bring the U.S. back into compliance or face trade sanctions.

The Domenici and Smith proposals would provide a “technical correction” to Section 211, which was part of the huge 1988 omnibus spending bill. To address the WTO’s complaint, the lawmakers’ bills would extend the prohibition on recognizing trademarks linked to confiscations to Americans and other foreign nationals.

Meanwhile, Sen. Larry Craig (R-ID) and Rep. Jeff Flake (R-AZ) have introduced a competing bill that would repeal Section 211 altogether. The National Foreign Trade Council is 100% behind that approach, says NFTC President Bill Reinsch.

“NFTC’s 300 member companies support full repeal of Section 211 as embodied in S. 2002, the U.S. Trademark Protection Act,” said Reinsch. “Quite simply, it’s the only way to ensure compliance with all U.S. trade and treaty obligations and protect the interests of the more than 400 U.S. companies currently holding 5,000 trademarks in Cuba.”

Both the Domenici-Smith and Craig-Flake bills received a Jul. 13 airing at a Senate Judiciary subcommittee hearing. At that hearing, Craig argued that Section 211 protects Bermuda-based Bacardi at the expense of U.S. companies which may lose their trademark rights in Cuba if Castro follows through with a threat to retaliate in kind.

“Section 211 does nothing for U.S.-based companies,” Craig said. “That’s why U.S. companies are saying ‘protect us.’”

Craig also argued that the Arechabala family, which once produced Havana Club rum in Cuba, had abandoned its trademark in the United States years before a Cuban state company registered the mark with the U.S. Patent and Trademark Office.

Sen. Patrick Leahy (D-VT) also criticized the measure, saying it was “snuck into an appropriations bill under the radar of most members of the Senate.”

Leahy also said he had objected to an attempt to slip a correction of Section 211 into a defense appropriations bill last fall.

Despite political hostilities spanning four decades, both the United States and Cuba — in a rare act of cooperation — have respected each other’s intellectual property rights by honoring trademarks for nearly 75 years. Yet all indications are that the Bush administration will probably win this fight.

Indeed, Sen. Lindsay Graham (R-SC) and other supporters of Section 211 say the law must be kept on the books in order to punish the Castro government.

House votes to ease new limits on gift packages to Cuba

The House of Representatives has begun its annual assault on the U.S. embargo against Cuba, with a vote to ease President Bush’s new restrictions on sending gift parcels to Cubans.

On Jul. 7, the House adopted on a 221-194 vote an amendment by libertarian Rep. Jeff Flake (R-AZ) that would prohibit the U.S. Commerce Department from enforcing the new restrictions.

As part of its new get-tough campaign against Fidel Castro, the Bush administration has added clothing, personal hygiene items, seeds, fishing gear, soap-making equipment and veterinary medicine and supplies to the list of things Americans can’t send to their families in Cuba.

Flake argued that the banned items would promote self-sufficiency in Cuba. “When a Cuban family receives simple household items in a parcel, it can save its limited income and spend it on food and other necessities,” Flake said.

“It is hard to think of an economic sanction that does more harm to the welfare of families in Cuba or does more to make the United States seem mean-spirited towards families who already have the misfortune to live under Communism,” said the Arizona lawmaker.

Flake, a longtime foe of U.S. restrictions on American travel to Cuba, had won past approval in the House for provisions that would relax those restrictions. But the threat of a Bush veto always kept the lawmaker’s amendments from a final bill.

On the day his latest Cuba measure was approved by the House, the White House asked Flake not to take his challenge to the House floor, according to the congressman’s press secretary Matthew Specht.

He told CubaNews that the White House’s Office of Legislative Affairs has hinted it would roll back the new restrictions on gift packages to Cuba.

The administration’s willingness to alter course on the issue may indicate it has gone too far in its new restrictions.

Many Cuban-Americans in Miami are outraged with new rules that took effect Jun. 30 — particularly the one that allows family visits to Cuba only once every three years, rather than once a year — and may decide to punish Bush by voting for Democratic nominee John Kerry in November.

But State Department spokesman Robert Zimmerman said he had no indication there would be a change in the new regulations.

While the White House will almost certainly delay Flake’s efforts again this year, the lawmaker will try again to eliminate U.S. travel restrictions when Congress returns from its summer break in September.

In related news, controversy continues to develop over a Bush administration plan to allocate $18 million for Radio and TV Martí broadcasts to Cuba. The money will be spent to help transmissions overcome jamming by the Cuban government.

Ramón Linares, Cuba’s deputy minister of information technology and communications, told the Geneva-based International Telecommunication Union that U.S. transmission of anti-Castro broadcasts "violates the founding principles of the ITU charter.”

Linares, quoted by Inter Press Service, said “2,220 hours of subversive programming" is transmitted to Cuba, "sponsored, approved and executed by the U.S. government.”

According to official Cuban sources quoted by IPS, Washington has spent $500 million on TV and Radio Marti since 1985, though few Cubans have ever seen the TV programs because of jamming by the Castro government.

ANA RADELAT
CARIBBEAN

Ignoring U.S. threats, Caricom deepens ties with Havana

BY DOMINGO AMUCHASTEGUI

When the White House decided in June to scale back its investments in Cuba, the move was strongly criticized and ridiculed by many observers. Critics charged that the United States was picking on a small island while leaving Canadian, Mexican and Spanish investments intact.

Two weeks later, the foreign ministers of Cuba and Jamaica met in Kingston and then in Havana, discussing various ways to boost trade, investments and cooperation.

The message was obvious — but this was not enough. In July, officials of the 15-member Caribbean Community (Caricom) met in Havana with Fidel Castro, Foreign Minister Felipe Pérez Roque and other Cuban officials, and they didn’t hesitate to reject the U.S. embargo against Cuba and its most recent restrictive measures.

In fact, the Jamaican government says it will continue to encourage business relations with Castro, despite ongoing pressure by the United States to discourage investment by foreign companies in Cuba.

Foreign Minister Keith Desmond Knight told reporters that Jamaica regards Cuba as a “close and valued neighbor” as well as a “member of the Caribbean family” and that he hopes to further strengthen the two countries’ trade and economic links.

The visit by Knight followed Superclubs’ announcement that it was pulling out of two Cuban resort properties after the Bush administration warned that Superclubs executives would not be allowed into the United States.

U.S. officials notified executives that visas would be denied to top officers, shareholders and their direct relatives within 45 days if it didn’t divest itself from a 500-room resort in Holguín that was deemed to have been built on confiscated property.

The Kingston-based chain “removed any connection” with two of its four properties in Cuba and claimed to be the victim of a political spat, Superclubs owner and chairman John Issa told Associated Press in early July.

The other two properties in Cuba continue operating.

Despite the Superclubs incident, a business representative of the Jamaican government also in Havana said he believed most private companies in Jamaica would resist any future U.S. pressure.

“One or two companies will feel intimidat- ed, but the majority of businesses in Jamaica are disposed to doing business with Cuba,” Victor Salazar, the regional manager of state agency Jampro, told AP.

In addition, Caricom foreign ministers have agreed to host the second Cuba-Caricom summit in Barbados, in December 2005.

The date was set by Roque as well as the foreign and trade minister of Barbados, Billie Miller, and the deputy secretary-general of Caricom, Colin Granderson.

Among other things, Cuba and the Caricom nations agreed to drastically reduce tariffs on over 1,200 products, half of them exported from Caricom to Cuba and vice-versa. This will give small Eastern Caribbean nations free access to the Cuban market and have to pay taxes to export their products.

In addition, Cuba offered Caricom nations help in fighting AIDS. As such, Cuba will provide special doctors and technicians to set up training centers throughout the Eastern Caribbean. The package includes 50 scholarships annually for Caricom doctors to be trained in this field. It should be noted that only Sub-Saharan countries have a higher HIV infection rate than the Caribbean, with the sole exception of Cuba.

The Castro government also signaled its willingness to supply generic anti-retrovirals at six times the price of other similar drugs.

CUBA’S WARM TIES WITH CARICOM

Relations between Cuba and the English-speaking Caribbean date from 1972, when Barbados, Guyana, Jamaica and Trinidad & Tobago all opened embassies in Havana.

In 1993, Cuba established a joint special association agreement with Caricom. It has since formed joint bilateral commissions to improve trade and cooperation with all member states.

Agreements are already in place covering areas such as trade, transportation, agriculture, fisheries, natural disasters, weather, science, technology and drug trafficking.

In addition to Caricom, these agreements are under the auspices of the ACP Group, the Association of Caribbean States, the Caribbean Tourism Organization, Cariforum and the Regional Negotiating Machinery to deal with the WTO, the European Union and the proposed Free Trade Area of the Americas.

At different times, all the heads of states and governments of Caricom member nations have visited Cuba, including the December 2002 summit in Havana.

Currently, 1,180 Cuban experts and technicians are working on various projects in Caricom member nations.

In addition, hundreds of Caricom students have graduated from Cuban schools of higher learning over the past 32 years. In 2002/03, some 180 students graduated from Cuban universities and technical institutes, while 3,056 are presently studying in Cuba, including 1,442 enrolled in medical-related courses.

Remírez to direct PCC’s international relations unit

Fernando Remírez de Estenoz has been chosen as head of the Department of International Relations of the Cuban Communist Party’s Central Committee.

He replaces José Ramón Balaguer, who served in the post before becoming the country’s trade minister. Remírez, now 57, will become secretary of foreign affairs of Cuba’s Federation of University Students.

A long-time member of the Young Communist League (UJC), Remírez was head of the organization’s international relations department and eventually a member of the party’s Central Committee.

In 1986, he got his first overseas posting as Cuba’s ambassador in Angola, where Castro’s forces were busy fighting a proxy war against South African-backed rebels. After a two-year stint there, the diplomat returned to Cuba and in 1992 was appointed first deputy minister of foreign affairs, a post he kept when appointed in 1994 as Cuba’s envoy to the United Nations in New York.

In 1995, Remírez became head of the Cuban Interests Section in Washington.

“My mother is very proud of the fact that I’m a doctor, but she’s not proud I’m a diplo- mat,” he once told CubaNews.

Cultured, talented and fluent in English, Remírez is a good negotiator and is well aware of the contradictions among Cuba’s priorities.

Asked recently if Cuba is gradually becoming capitalist, Remírez had this to say:

“First, we want to preserve the achieve- ments of the Cuban revolution. We are not giving up any of this. Secondly, the world has changed, and we must adapt Cuba to this world. We must have a productive economy and competition with other international markets. We should perfect our economy, our society in many different senses: foreign investment, taxes, fiscal policy. But the prior- ities are to preserve all the achievements we’ve had in health care.”

As for Havana’s relations with Cuban-Americans, Remírez said: “We are Cubans, therefore we’re optimistic. We hope someday to have normal relations with the United States, because we are neighbors.”

DOMINGO AMUCHASTEGUI
ROQUE RELEASED FROM JAIL; 317 STILL BEHIND BARS

The number of prisoners of conscience held in Cuba has remained nearly constant over the past six months, according to a human rights group that tracks inmates held for political reasons.

Elizardo Sánchez, head of the Cuban Commission on Human Rights and Reconciliation, reported that by mid-year there were 317 political prisoners held in Cuba — slightly up from the 315 reported at the end of 2003.

“Until all of us are back on the street, there’s no gesture here,” said Roque, who suffers from diabetes, hypertension and partial paralysis of her face. “I will keep doing exactly as I did when I went to prison. Prison does not erase ideas. I have lost 22 pounds, but my brain is the same.”

U.S. ISSUES 20,000th IMMIGRATION VISA OF 2004

Washington’s top diplomat in Cuba said the United States has fulfilled its commitment this year to grant permanent immigration visas to at least 20,000 Cubans, and it was now Cuba’s turn to honor its obligations under migration accords.

“We’ve done our part,” James Cason told AP. Cason, head of the U.S. Interests Section in Havana, said his office issued its 20,000th visa on Jul. 16. This year, in a fiscal period ending Sept. 30, it hopes to surpass the 21,075 visas granted through the end of September last year.

The migration accords were established in 1994-95 to promote legal, orderly migration between the two countries; since then, some 250,000 Cubans have settled in the United States. The United States suspended formal U.S.-Cuba migration talks in January, saying Cuba had refused to discuss key issues.

URUGUAY RESISTS CALLS TO RESTORE CUBA TIES

Despite persistent calls by several presidents candidates that they favor restoring diplomatic ties with Cuba, the Uruguayan government continues to insist that it has no plans to resume such ties at this time.

Foreign Minister Didier Operti told reporters Jul. 20 that “diplomatic relations aren’t established forever, nor are they broken forever.” However, he added that conditions for re-establishing ties with Havana existed today, “we would re-open them today.”

One of Operti’s conditions for doing so, he said, would be for the Castro regime to open its doors to the United Nations “to verify the situation of human rights in Cuba.”

Montevideo broke ties with Havana in April 2002 following a spate of nasty verbal attacks against President Jorge Batlle by Fidel Castro.
Scholars to present over 40 papers at ASCE Miami meeting

The following papers, generally listed in the order of discussion, will be presented Aug. 5-7 at the 14th annual conference of the Association for the Study of the Cuban Economy in Miami. For more information on ASCE, please write to Treasurer Antonio Gayoso at PO Box 507, McLean, VA 22101-0507, call him at (703) 917-0842 or e-mail him at antoniog@att.net.

**UPCOMING EVENTS**

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**TOURISM**

“The Three Cs of Tourism in the Caribbean: Context, Characteristics and Consequences,” Art Padilla, N. Carolina State University.


“Urban Planning and Tourism Development in Havana during the Special Period,” Andrea Colantonio, University of Reading, United Kingdom.

Discussants: Nicolas Crepso; Joseph Scarpace, Virginia Tech.

**LEGAL ISSUES: MIGRATION AND TRANSITION**

“Incentives for Legal Reform in Post-Communist Societies,” Jennifer Gauck, Criminal Law Reform Program, ABA/CEELI.

“International Law and Other Considerations in the Repatriation of Cuban Balseros by the U.S.” Maria Werlau, Orbis International.


Discussants: Gustavo Arnavat, Hunton & Williams; Stephen Kimmerling; Pamela Falk, Chamber of Commerce 2004 Report, Pedro A. Freyre.

**SPECIAL TOPICS**


“Disaster Relief in Cuba,” Benigno Aguirre, University of Delaware.


“Los Marielitos: Race, Class, Gender, Sexuality and Art in the 1980 Cuban Exodus,” Silvia Pedraza, University of Michigan.

Discussants: Domingo Amuchastegui; Sergio Díaz-Briquets, Casals and Associates; Guillermo Grenier, Florida International University.

**FOREIGN INVESTMENT**

“Foreign Investment in Cuba: An Inventory,” Jorge Pérez-López.


“Cat on a Hot Tin Roof: The Status of Foreign Joint Ventures in Post-Transition Cuba,” Matias Travieso-Diaz, Shaw Pittman LLP and Armando Musa, Holland & Knight LLP.

Discussants: Maria Werlau, Orbis International; Gustavo Arnavat, Hunton & Williams; Larry Luxner, Editor & Publisher, CubaNews.

**POVERTY AND SOCIAL ISSUES**

“Dollars and Racial Inequality: The Demise of Structural Equality in Cuba’s Dual Economy,” Sarah Blue, UCLA.


Discussant: Katrin Hansing, Cuban Research Institute, Florida International University.

**POLITICS AND GOVERNMENT**


Discussants: Brian Latell, Center for Strategic and International Studies; Jaime Suchlicki, Institute for Cuban and Cuban-American Studies, University of Miami.

**SELF-EMPLOYMENT IN CUBA**


“Cuba’s Underground Economy,” Archibald Ritter, Carleton University.


Discussant: Mauricio Font, City University of New York.

**AGRICULTURAL AND FOOD REFORMS**

“The Reorganization of Cuba’s Cooperatives and Markets,” José Alvarez, University of Florida.

“Agricultural Production Cooperatives: The Future of Cuban Agriculture?” Frederick S. Royce, University of Florida.


Discussants: William A. Messina, Luis Echevarría and James Ross, University of Florida.

**STUDENT PAPERS**

“Castro’s Cuba: Ideological Themes in Rhetoric,” David Penny, Oxford University, United Kingdom.

“Stop Singing ‘Copacabana’ and Get Yourself to Havana: The Prospect of Cuban Tourism After the Fall of Castro,” Irene Sánchez, Harvard University.

“Cuba’s Path to Market: Washington Consensus, Doi Moi or Reforma a la cubana?” Chantal Agarwal, George Washington University.


Discussants: Maria Dolores Espino, St. Thomas University; Roger Betancourt, University of Maryland.

**CIVIL SOCIETY AND SOCIAL TRANSITION ISSUES**

“Civil Society in Cuba: Advancing Through Moral Constructions and Public Connectedness,” Maria P. Aristigueta, American University; Roger Betancourt, University of Maryland.


Discussants: Andy Gómez, University of Miami; Benigno Aguirre, University of Delaware.

**AGRICULTURE**


“La industria azucarera cubana, el mundo del azucar, y la transición,” Juan Tomás Sanchez.

Discussants: Antonio Gayoso; Felipe Manteiga.

**FOREIGN TRADE**

“Economic Impacts of Agricultural Exports to Cuba Using an Applied General Equilibrium Model,” Mike O’Connell, University of Florida.


“Canada’s Economic Relations With Cuba During the Special Period,” Eric Baklanoff, University of Alabama.

Discussants: Tim Lynch, Florida State University; Brian Alexander.
 investment decisions but design their payroll as they wish.

The implicit threat, says Peters, is that if companies are given the PE stamp of approval, they’ll be able to lay off workers — a taboo concept in communist Cuba.

“If you’re highly profitable you don’t need to lay off workers. But companies on the margin risk layoffs,” said Peters, who did a study on perfeccionamiento empresarial in 2001.

CASTRO’S DISTRUST KEEPS SYSTEM DOWN

Cuba today has around 3,500 factories, service companies, farm cooperatives and other entities, of which 679 follow the principles of PE.

According to first-quarter 2004 results, companies and corporations operating under PE recorded sales growth of 15%, profit growth of 47% and hard-currency income growth of 69%. Meanwhile, value-added productivity came to 3,746 pesos a month per employee, with an average monthly salary of 346 pesos.

Companies not operating under PE saw sales growth of 10%, profit growth of 6.7% and hard-currency income growth of 9.2%. Value-added productivity for these companies totaled 2,149 pesos a month per employee, with an average monthly salary of 269 pesos.

By 2000, the process had come to a virtual standstill, in spite of its many successes.

RESULTS THAT REALLY MATTER

The vast majority of entities adopting PE are performing better in terms of output, productivity, accountability, salaries, incentives, exports and revenues than ever before.

Of 288 audits conducted this year on 52% of these 679 entities, only 16% got a D or F. That’s 20% less than the results of the 2003 audits. Entities that were temporarily excluded from PE were DIVEP (Havana); INPUD (Villa Clara); Plan Porcino (Sancti Spiritus); Productos Universales (Holguín); Hotel Lido Caribbean Hotel; Calisur (Granma) and Plan Agropecuarios (Holguín).

Interestingly, out of those 16% that received poor or failing grades, 25 solved their problems and returned to the system.

The 679 entities under perfeccionamiento empresarial represent 26% of Cuba’s companies, 25% of Cuba’s sales, 37% of its hard-currency revenues, 42% of profits and 39% of hard-currency profits.

Given those numbers, what’s preventing the expansion of PE to other areas of the economy? The answer is clear: official criticism of corruption is now connected to capitalistic-oriented companies and ventures, which is a clear indication of how Castro perceives the current pace of reforms.

Even when some companies and corporations already using PE confront problems such as a deficient accountability system, faulty financial reports, or failure to meet audit requirements, and they are placed outside the system for a period of time, this is used as an additional argument to back the growing hostility to its expansion.

It is a tug-of-war that, far beyond its administrative or economic connotations, shows the many political clashes taking place within the Cuban leadership.

Redford’s ‘Motorcycle Diaries’ offers new look at Che’s life

BY VITO ECHEVARRIA

Veteran actor Robert Redford is set on promoting a Spanish-language film that he produced late last year covering the early days of Ernesto “Che” Guevara.

“The Motorcycle Diaries” is based on the well-acclaimed autobiography of the same title. It details a eight-month road trip in 1952 that 25-year-old Guevara and his friend Alberto Granado took — apparently with a beat-up Norton motorcycle — from Buenos Aires through half a dozen South American countries including Chile, Peru and Venezuela.

The trip would prove an eye-opening experience for the two Argentine medical students, a trip that within five years helped transform the young Che into a Marxist revolutionary.

The 126-minute film, a South Fork Pictures Production, was directed by Brazilian filmmaker Walter Salles, who had earlier made a name for himself by directing the Oscar-nominated Brazilian film “Central Station.”

Salles picked a young up-and-coming Latin actor, Gael García Bernal, to play Che. Gael previously starred in two well-known Mexican films: “Amores Perros” and “Y Tu Mama Tambien.” Rodrigo de la Serna plays Granado.

On the movie’s website at www.motorcy-


Eusebio Leal: Fixing up Old Havana, one street at a time

BY LARRY LUXNER

When he was 16 years old, Eusebio Leal Spengler landed his first job as a lowly municipal clerk at the Palacio de los Camilos Geranuales, an ornate Cuban Baroque palace located at the Plaza de Armas in the heart of Old Havana.

Forty-six years and a revolution later, Leal says the palacio is still his favorite building — though he now has dozens of restored architectural gems to choose from.

Since 1967, Leal has been Havana's official city historian and a position that has earned him respect in Cuba and abroad. He's also president and CEO of Habaguanex S.A., a state enterprise whose goal is to make the restoration of the colonial zone profitable and economically sustainable.

For almost two years, CubaNews had been trying to arrange an interview with the overworked Leal. He finally spoke to us one recent morning from his office on Calle Lamparilla, as construction crews with jackhammers worked to restore decaying buildings nearby.

"This is the most interesting city in the Caribbean because it unites tourism with social and community development projects," he said. "We're not only trying to attract tourism, but also to keep our promise with the 74,000 people who inhabit Old Havana."

GAINING RESPECT THROUGH EDUCATION

Leal, 62, was born and raised in Havana, and lives just a few blocks from his office. He normally starts his day at 7 a.m., and doesn't finish until 6:30 p.m.

For most of his adult life, Leal has campaigned zealously to save the historical treasures of his beloved Habana Vieja, but in the beginning, few people took him seriously.

Some in the government hierarchy even viewed him with considerable suspicion, led by Marta Arjona Pérez, who today directs the Consejo Nacional de Cultura.

Raised by devoutly Catholic parents, Leal had strong ties to the church, but for financial reasons was forced to drop out of high school and find work.

His revolutionary fervor wasn't enough, so Leal struggled to improve his education. He eventually graduated from the University of Havana with impeccable academic credentials, joined the Cuban Communist Party in 1972 and devoted his career to the rescue of Old Havana.

Leal gradually gained followers — among them two important mayors of Havana, Oscar Fernández Mell and Conrado Martínez Corona. But ordinary people also respected his integrity and willingness to work hard.

Leal became a familiar sight every morning on the cobblestoned streets of the crowded old city, full of dust, supervising every aspect of whatever restoration project was underway at the moment.

Havana as a UNESCO World Heritage Site further boosted his standing, and in October 1993, Leal was given the official go-ahead by Fidel Castro to establish Habaguanex with $1 million in capital.

Last year, the company's total revenues exceeded $80 million.

"We currently have 16 hotels with a total of more than 500 rooms, as well as 75 restaurants and other businesses under our jurisdiction," he told us. An affiliated company, Fenix S.A., has apartment and office buildings for rent, as well as a taxi service.

Havana also has the three biggest honky-tonks in the country. The largest hotel in the Habaguanex portfolio is the Telegrafa, with 70 rooms. The smallest is the Villanueva, with only nine rooms.

In between are 14 other small, boutique hotel properties such as the 55-room Park View, the 39-room Armadores de Santander, the 58-room Palacio de O’Farrill and the 11-room Beltran de Santa Cruz.

Some of these hotels have achieved fame, like the 27-room Santa Isabel, which has hosted Jimmy Carter, Jack Nicholson, Danny Glover and the Duchess of Luxembourg.

Other colonial palaces and hotels from the old days are currently being restored, such as the Packard and Saratoga, and will expand Old Havana's lodging infrastructure considerably.

"We have chosen to focus on restoring old hotels and create new boutique hotels which are very popular for specialized tourists," he said. "In 4.9 square kilometers live 74,000 people. That's the highest population density in
CancerVax—FROM PAGE 1

said John Kavulich, president of the US-Cuba Trade and Economic Council Inc. “It was simply the result of an existing precedent and the Bush administration weighing the equation of preventing a potential health-care benefit due to politics, and some child dying, and having to explain that rationale to the parents.”

DRUGS TRANSCENDING POLITICS

Under the deal, CancerVax’s U.S. unit, Tar- canta Inc., and its Irish affiliate, Tarcanta Ltd., “obtained exclusive rights to complete the clinical development of three specific active immuno-therapeutic product candidates that target the epidermal growth factor receptor signaling pathway for the treatment of cancer.”

The EGFR signaling pathway is known to be an important factor in cancer cell growth in a number of solid tumors related to lung, breast, prostate and ovarian cancers (see CubaNews, July 2004, page 1).

If clinical studies prove successful, the drugs may become available as early as 2008.

The deal obligates CancerVax to make access to technology transfer payments of around $6 million over the next three years to CIMAB S.A., the commercial arm of Cuba’s state-run Centro de Imunologia Molecular.

Once the three product candidates win approval for sale in the U.S., Europe and Japan, and attends to journalists who call on him from all over the world.

Eight years ago, Leal visited Puerto Rico to see how Old San Juan — which is much smaller than Old Havana but shares many cultural and geographical similarities — was proceeding with its own restoration program.

“I admire very much the work of Ricardo Alegria in Viejo San Juan,” he told CubaNews, noting that there’s a monument honoring Alegria at the Plaza de San Francisco de Asis, right near Havana’s new cruise-ship terminal.

“He did very important work, and gave the restoration of Viejo San Juan a spiritual aspect. We are trying to do the same thing here in Old Havana by restoring not just hotels and restaurants, but also old-age homes and schools for disabled children.”

Unfortunately, Leal can’t seem to get a U.S. visa these days, even though he’s made two prior trips to the United States. Half a dozen institutions including Columbia University, Pace University and the New York Art School have invited him back, to no avail.

“We’re looking for large investors, because the small investments we can do ourselves.”

— EUSEBIO LEAL, CHAIRMAN OF HABAGUA NEX S.A. AND OFFICIAL HISTORIAN OF HAVANA

CancerVax will make additional payments of up to $35 million — which would be partially paid in food, medicines or medical supplies.

“I really think the reason we were able to receive this license is because the treatment of cancer and disease transcend politics,” said CancerVax CEO David Hale, speaking to the South Florida Sun-Sentinel. “We had support from a number of congressmen and women who felt the potential benefits to mankind outweighed the political issues and were supportive. We really didn’t have opposition from anyone we talked to, even those people who were strongly anti-Castro.”

Five years ago, OFAC under the Clinton administra- tion allowed SmithKline Beecham — now known as GlaxoSmithKline — to develop a meningitis-B vaccine in conjunction with Havana’s Finlay Institute. That vaccine is now undergoing human testing.

Both Treasury and State say the U.S. govern- ment is open to considering similar drug deals, but that it will continue to restrict the flow of U.S. currency to Cuba.

REPSOL’S INITIAL RESULTS DISAPPOINTING

More significant than any biotech deal would be a major oil discovery off Cuba’s Gulf of Mexico coast. But that appears unlikely, given the results of Repsol-YPF’s seven weeks of drilling using a $185,000-a-day Norwegian oil rig sunk in water more than a mile deep.

“I am a goodwill ambassador to the United Nations, but I cannot attend UN sessions,” he complained. “For five years, I have not been able to travel to the U.S. They don’t respond to my applications.”

Even so, Leal is hopeful that the mood in Washington will change, leading to a lifting of the travel ban soon. Even with the ban in place, thousands of Americans manage to find a way to the forbidden island every year.

“We have always promoted cruise ships, because for an island like Cuba, the image of a cruise ship arriving is always a happy one,” he said. “We are a blockaded island, but someday we will have lots of cruise ships in Old Havana, because it continues to be the most attractive city in the Caribbean, especially for Americans.”

Leal predicts that in the first year of unrestricted travel, at least 500,000 Americans will visit Old Havana.

“We can’t say we’re ready for mass tourism, but we are preparing for it,” he said, insisting that Cuba is by far the safest country for U.S. tourists in the Western Hemisphere.

“The part of Old Havana that’s been restored is very clean, and pedestrians come before automobiles. All of Old Havana is controlled by TV cameras that give absolute security to tourists.”

He added: “Here we don’t burn the American flag, we don’t kidnap Americans, we don’t commit hostile acts. The government maintains a policy against imperialism, but we have no problem with the American people.”

Domingo Amuchastegui supplied additional reporting for this story.

“The first well drilled in Cuba has met partially our expectations,” said Repsol’s chief operating officer Ramón Blanco in a conference call with investors. “The existence of a petroleum system has been confirmed. Nevertheless, the well has been considered non-commercial and, at this stage, the group is defining future exploration activities in the area.”

A Repsol spokesman elaborated on that, saying “it’s a mixed result. We confirmed that there was oil, which is a good thing, but what we found wasn’t of the quality we want.”

Repsol-YPF has six undersea exploration blocks, with a total of 10,702 sq kms northwest of Cuba. Company officials say they’ll evaluate their studies over the next 10 months, with future drilling expected after a year.

But even if oil is found, experts say it would require $1 billion in investment before large-scale production could begin.

“If commercially viable oil deposits are located, there would be pressure by U.S. oil companies to be able to access the product and provide equipment and services,” Kavulich told CubaNews.

But he adds that a major oil find won’t necessarily be good news for the Cuban people.

“The more Cuba becomes economically less dependent on the importation of oil, the less likely there will be any political or economic change in Cuba,” he said. “Castro will use any derived financial benefit to further entrench the existing political system.”
ECONOMY

Cuba’s path to a market economy: Lessons from Vietnam?

The following is excerpted from a paper presented Aug. 6 by Chantal Agrawal at the ASCE annual conference in Miami. Ms. Agrawal, a graduate of George Washington University, is a research assistant at the Lexington Institute. For the complete text of her report, send an e-mail to chantier@hotmail.com.

BY CHANTAL AGRAWAL

The end of the Cold War underscored two important events: the dissolution of the socialist camp and the beginning of a new era of transition and development for socialist countries. Nations that had previously benefited from the gains of the Soviet centralized economy were faced with the pressing question of how to survive on their own.

Meanwhile, international demand for increased global economic integration was on the rise. The consolidation of the European Union (EU), ongoing discussions concerning the Free Trade Area of the Americas (FTAA) and planned negotiations for the Doha round of the World Trade Organization (WTO), prove that the push for some call “globalization” is intensifying.

In an attempt to participate and benefit from further integrated markets, the post-socialist countries have undertaken various reform processes which have drastically affected each economy in different ways.

One example is that of the former Soviet Union and Eastern bloc nations, which eagerly and quickly embraced the tenets of the “Washington Consensus” — a set of reforms called for monetary prudence, fiscal discipline, trade liberalization, financial liberalization, and privatization.

This case, along with those of Argentina, Indonesia and others, show how the Washington Consensus has failed, for the economies witnessed short-term periods of growth, followed by economic decline.

Despite their apparent similarities, these two developing countries are quite different. Cuba grows slowly under the leadership of old, yet unwavering Fidel Castro, while Vietnam flourishes under younger and more reform-minded direction. Other differences include their reaction to the collapse of the U.S. economic ascendency.

The legacy of dependence they share on external markets has deeply affected both countries. The perceived freedom they share on external markets has drastically affected each economy in different ways.

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CUBA SHOULD FOLLOW VIETNAM’S EXAMPLE

Learning from Eastern Europe’s example, Asian countries have adopted a slower approach, which according to many economists has paid off. Vietnam, in particular, has not accepted the Washington Consensus as the last word on development and transition. In fact, it has been noted by some that Vietnam has followed more in the footsteps of China.

Despite the growing trend among the last vestiges of communism of opening to a market economy, Cuba remains the slowest at implementing a long-term plan for transition and development.

Once Fidel is no longer in power, will the new leadership embrace change as Vietnam has done, or will Cuba become “just another Caribbean country,” as Jorge Dominguez suggests, and adopt the Washington Consensus? Many of these questions have no definitive answers, and in the context of Fidel Castro’s recent crackdown on dissidents, the future remains unpredictable.

This paper argues that Cuba ought to follow in Vietnam’s footsteps, choosing the slow approach to market reforms as Vietnam has done. While that approach has its weaknesses, Vietnam has had the least painful transition to a market economy.

Cuba and Vietnam share many similarities — their geostategic importance, long histories of dependence on foreign countries, and dependence on central planning for the viability of their economies. The legacy of dependence they share on external markets has deeply affected each economy in different ways.

The Spanish-American War of 1898 marked not only the end of about 400 years of Spanish colonial rule in Cuba, but also the advancement of U.S. expansionism in the hemisphere. The Platt Amendment authorized U.S. intervention in the name of maintaining U.S. interests, but it proved to be a liability. The provision was abrogated in 1934, this provision reflected U.S. economic ascendency.

Fidel’s 1959 revolution changed that historical relationship. Castro declared Cuba a socialist state in 1962, thereby alienating the United States. He subsequently aligned himself with a perceived freedom from Yankee imperialism really signified a new dependence on its Soviet benefactor.

COMMON HISTORIES, COMMON PROBLEMS

Vietnam’s long history of dependence resonates with that of Cuba. By the 19th century, Vietnam had weathered 1,000 years of Chinese occupation and foreign rivalries, only to be colonized by the French. Once the French were ousted, Vietnam’s socialist leadership naturally aligned itself with the USSR, creating a new dependence on the Soviet central planning system, as well as developing a heavily subsidized export sector and free market policies.

In terms of strategic importance, both countries lie within proximity of two of the world’s largest economies: Cuba sits 90 miles south of the United States, while Vietnam shares its northern border with China, whose “economic miracle” has fostered a seven-fold increase in GDP to more than $1.2 trillion.

Their geographic locations highlight two significant issues: trade and narcotics traffic. The EU and NAFTA illustrate how geographical proximity facilitates and augments international trade.

Cuba, positioned between South America (the supplier) and North America (the customer), could take on its old role as a transshipment point, as in the colonial era.

Yet if Cuba’s transition is not carefully managed, cocaine and dirty money could possibly infiltrate markets, as is the case with other Caribbean countries. Vietnam could share the same fate concerning its proximity to Burma, one of the world’s top producers of heroin.

ECONOMIC MIRACLE OWES MUCH TO VCP

In the early 1990s, Cuba’s economy contracted 35% as a result of the implosion of the Soviet bloc — but Vietnam was suffering even before that. By 1986, conditions in Vietnam had reached drastically poor levels. In that year, says the UN Development Program, Vietnam had to import 1.5 million tons of rice, and starvation conditions were prevalent.

While Vietnam has made many market-oriented changes in its economic policy, it still maintains its socialist structure. In fact, its transition can be best described as “socialism.” The country’s single party — the Vietnamese Communist Party (VCP), with Nong Duc Manh serving as general secretary — wields much of the decision-making.

Since 1979, the VCP has been engaged in a heated internal debate over the degree and extent of economic reform. Doi moi, the Vietnamese economic renovation model, was adopted in 1986, causing a surge in growth between 1991 and 1997. According to William Turley and Mark Selden, “in contrast to Eastern European reforms, doi moi favors gradualism and political stability over radical change, with economic restructuring to come before privatization.”

It is essential to note Vietnam’s persistence in maintaining these reforms. Julie Marie Bunch attributes much of the nation’s achievements to the overall consistency in its execution. Formally structured, the Vietnamese leadership has governed with remarkable consistency from 1975 to the transition of the 1990s.” Since the mid-1980s, the regime has steadfastly maintained its long-term plan of economic reform.

Vietnam has taken far more steps toward the adoption of a market economy than has Cuba. Frederick Brown, associate director of Southeast Asia Studies at Johns Hopkins’ School of Advanced International Studies, cites six fundamental alterations made to the Vietnamese socio-political system.

These are: the slow expansion of the National Assembly; the VCP’s intention to separate its bureaucracy from the operation of the government; utilizing the law rather than relying on party fiat as appropriate to a country no longer at war; the continued decentralization of national administration; the party’s commitment to “equitization” in many areas of economics, and pluralism within the VCP, allowing for genuine debate regarding the
country’s economic future in the context of global economic integration.

**REMITTANCES IMPORTANT TO VIETNAM TOO**

Vietnam, with 82 million inhabitants, boasts one of Asia’s fastest growing economies, with an average annual growth rate of 7%. Last year, it recorded a GDP of $209.9 billion, which translates into annual per-capita income of around $2,500.

The Vietnamese economy maintained positive growth rates throughout the transition period and since 1990, has witnessed a rising trend in investment/GDP ratio and in savings.

As is the case with Cuba, one of Vietnam’s greatest economic assets is the Viet Kieu, the name referring to 2.5 million emigrants and refugees who have settled abroad during and after the Vietnam War.

After long debate, the Vietnamese National Assembly adopted a new citizenship law declaring the Viet Kieu part of the nation, establishing the right to dual citizenship. This move eases the transfer of the estimated $1.2 billion in remittances per year to the Vietnamese economy.

In 2000, the National Assembly approved the New Revised Law on Foreign Direct Investment, which contains many improvements relating to foreign currency; taxes and import duties; land-use rights and mortgage of land-use rights; management of joint venture companies; and approvals and licensing.

This has facilitated foreign investment from many countries, with Singapore as Vietnam’s top foreign investor, with over $6 billion of investment capital in 311 projects, according to the Ministry of Planning and Investment. Other major investors are Taiwan, Japan, Hong Kong, and South Korea.

Vietnam also attracts investment from 80 of the 500 top multinational companies including Unilever, Lucky Goldstar, Samsung, Coca-Cola and Nike. Foreign investment projects generated 500,000 jobs in 2002 alone.

Unlike Cuba, Vietnam has responded favorably to the growing trend of globalization; it has relations with more than 100 countries and territories, and trade agreements with nearly 60 countries and territories.

Vietnam’s recent normalization of diplomatic relations with the United States as well as its Framework Agreement on cooperation with the EU bode well for further trade relations between Vietnam and the rest of the Western countries.

Furthermore, Vietnam has benefited directly from the removal of obstacles to action on Trade Promotion Authority. The bilateral U.S.-Vietnam trade agreement passed the Congress virtually without opposition.

More importantly, Vietnam participates in other trade and economic agreements aside from that with the United States. In July 1995, it became a full member of the Association of South East Asian Nations (ASEAN). Vietnam is also seeking membership in the WTO.

While Vietnam’s transition has seen much success, it is far from complete. The larger portion of the fundamental and far-reaching reforms are still at an initial stage, or have yet to be considered, which, according to the report co-authored by Young Nhat Huong, implies that the official commitment and resolve towards reforms in Vietnam has yet to be seriously tested.

This report cites the problems in Vietnam’s financial sector reforms, pointing out that the Vietnamese government draws the line when that it should adopt reforms without summarily discarding everything the country has known for many years.

Doing so would induce a painful transition, with potentially difficult consequences, such as the Argentine crisis of 2001 and early 2002. Whatever assumes the role of policymaker in Cuba’s future leadership ought not to follow whole-heartedly the Washington Consensus.

Alejandro Aguilar and Nancy Quiñones, international trade specialists at Havana’s Instituto Nacional de Investigaciones Económicas, say they’re in the process of developing “gravitational models” of their own, using country data from nearby Caribbean islands.

However, due to the lack of political freedom and isolation from the rest of the international financial and commercial community in the world, Cuba’s scope of economic reforms is limited.

Therefore, plans for reform are not likely to come from Cuba itself in the immediate future.

**SLOW APPROACH FOR CUBA IS BEST**

Jorge Domínguez observes that “if the Cuban government wishes a better future for its people, then it must take some calculated risks. Bold behavior has never been alien to Cuba’s leaders, so the following is not an unthinkable strategy.”

Having cited this statement, “bold” does not necessarily mean “hasty.” While Cuba’s future remains to be seen, there are lessons from the past that should be used as a guide as what to embrace, and what to avoid.

These lessons become apparent after analyzing the economies of Cuba and Vietnam. Taking into consideration the success of Asia, reflected by its improving economic indicators, it is evident that Cuba ought to follow the example of Vietnam.

Among specific reforms, Vietnam has accomplished increased and sustained growth in its GDP in attracting foreign investment, in liberalizing trade, and improving its relations with its neighbors, all within their conception of market socialism, which has seen them through the harder initial years of reforms.

All of these endeavors have been carried out in a calculated method allowing growth, but not at the expense of the majority of the population, as was the case in other countries that hastily embraced reforms.

As Fidel reaffirms his belief in “Con la revolución todo, fuera de la revolución nada,” the rest of the world watches in shock at the state of human rights. Meanwhile, entrepreneurial and reform-minded Cubans despair as Fidel’s political declarations cast a cloud over Cuba’s economic future.

On the basis that political freedom and economic liberalization are linked, if Cuba wants to advance beyond survival, it must abandon its current regime — allowing for a more tolerant and open leadership that will lay the groundwork for steps toward a sustained market economy.
Cuba's largest iron and steel plant, Empresa Siderúrgica José Martí, reported a $10.7 million worth of exports during the first six months of 2004, up from $8.2 million during the first half of 2003.

The plant, located in the Havana industrial district of Cotorro, expects to export 66% of its expected production of 200,000 tons this year. Corrugated rods and steel levers — a by-product used to make finished articles — are among its leading exports in the Caribbean, with the Dominican Republic its leading customer, according to Tribuna de la Habana.

Other importers of Cuban steel are Jamaica, Costa Rica, Colombia, Honduras, Haiti and most recently Mexico. “Better exploitation of installed capacity and human resources has permitted us to save $3.00 to $3.50 per ton, and we self-supply 93% of the parts we need,” said engineer José M. Rodríguez Norjas. In addition, the factory supplies steel to clinics, schools, clinics, hotels and other infrastructure projects.

Details: Empresa Siderúrgica José Martí, Calle 20, #10522, Cotorro, La Habana. Tel: +53 76 820-3135 or 820-4175.

Splash Tropical Drinks signs contract for retail sales

Florida-based Splash Tropical Drinks, which entered the Cuban market by selling frozen daiquiri and piña colada mixes, has decided to sign a contract with state entity CIMEX for the supply of food items to dollar stores throughout Cuba. Craig Jacobs, vice-president and co-owner of Splash with president Richard Waltzer, declined to discuss the contract’s dollar value but said he anticipates the value of this and other pending deals at $400,000.

That’s independent of the $500,000 in frozen drinks and beverages which Splash has already sold to Aiplomar.

The new CIMEX contract calls for Splash to supply canned sardines, popcorn kernels, peanut butter, soy milk, tomato products and Sunny Delight orange drink, among other things. These products will be sold by CIMEX in line of ordinary Cubans with dollars, at a markup of as high as 240%.

The company also plans to start a new division with AT Comercial, a distribution network used by Gaviota, which is a hotel chain run by the Cuban military.

“The business mix of Splash is still tropical drinks and beverages, but now we’re concentrating on the retail end,” Jacobs told CubaNews. “We’re selling at very low margins, just to do business with Cuba and help feed the Cuban people.”

He said all the merchandise Splash buys from U.S. companies and then consolidates for shipment to Cuba is carried to Havana on Crowley ships leaving out of Jacksonville or Port Everglades, Fla.

“We don’t want to rock the boat so much that we cause the policymakers [in Washington] to get angry,” he said. “All we want to do is make friends and help the Cuban people get the food they need. We’re not politicians, we’re businessmen, and we try to keep the two very separate.”

— LARRY LUXNER

MIAMI WOMAN SUES CLUB MED OVER PROPERTY

A 35-year-old woman who said her family owned part of Cuba’s Varadero beachfront before the 1959 revolution is suing the Paris-based Club Med resort chain for building and operating a luxury hotel on confiscated land.

Elvira de la Vega Glen said she fled Cuba in the 1960s and became a U.S. citizen after coming to Miami. She and her son, Robert Glen, are represented by the Washington law firm of Crowell & Moring. They allege that Club Med made millions of dollars running the 337-room Club Med Varadero resort from 1997 until last year, when Spain’s Grupo Pinoer purchased it.

The Glen’s complaint alleges that Club Med took advantage of valuable, confiscated property to build the luxury hotel and was thus “unjustly enriched” in violation of Florida law. The complaint also accuses Club Med of violated the federal Trading with the Enemy Act and U.S. Treasury Department regulations that forbid companies from doing business with the Castro regime.

Details: Stuart Nueberger, Crowell & Moring LLP, 1001 Pennsylvania Ave. NW, Washington, DC 20004. Tel: (202) 624-2649. Fax: (202) 628-5116. E-mail: sneueberger@crowell.com.

ECLAC URGES CUBA TO EXPAND PRIVATE SECTOR

While acknowledging Cuba’s social service achievements, a regional United Nations economics commission is recommending in a new report that the Castro government allow more private enterprise.

The suggestions by the UN Economic Commission on Latin America and the Caribbean (ECLAC) come as Cuba moves in the opposite direction, reasserting control over an already centralized economy and slowly closing more access to the limited private enterprise now allowed.

The report, entitled “Social Policy and Structural Reforms: Cuba at the Beginning of the 21st Century,” was presented in mid-July with UN commission members and Cuban officials in attendance, including Economics Minister José Luis Rodríguez. “It would be pertinent in the coming years to redesign the parameters of competition in the public private and cooperative sectors, to redefine the role of the state in the economy,” the report states. “It also would be good to be more flexible in the regulations concerning private activities and self-employment.”

ECLAC went on to suggest that Cuba could continue to maintain control over economic strength through “deregulation in relations of property, the decentralization of business activity and the role of the market.”

At the same time, the report noted Cuba’s efforts to ensure social services such as health care and education for its citizens.

Cuba only reluctantly legalized a limited amount of private employment in 1993, calling it a necessary evil to provide jobs and services during an economic crisis caused by the collapse of the Soviet Union.

In recent months, the government has reasserted control over the economy and in October plans to stop issuing new licenses for 40 categories of private employment legalized more than a decade ago.

PETROBRAS TO BUILD LUBRICANTS FACTORY

Brazil’s state oil company Petroleos Brasileiro S.A. (Petrobras) will sink $20 million in a lubricants plant in Cuba.

The hotel, to be built by Gran Caribe, will have 256 rooms, several restaurants, a commercial shopping area, business center, offices, beauty shop and health center, covering an area of 25,800 square meters.

In typical Cuban government fashion, the press release didn’t say how much the project will cost, though it promised that “the initial investment will be recovered rapidly.”

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EXECS SEEK MEXICAN TRADE OFFICE IN HAVANA

Several months after Mexico closed the Havana office of Bancomext (National Bank of Foreign Commerce) amid a diplomatic spat, Mexican businessmen are flocking to Cuba to negotiate a future presence here.

The entrepreneurs want “to install an office representing businesses interested in working with Cuba,” said Cuahtemoc Martinez, president of Mexican industry group Canacintra, in comments carried Jul. 13 by Associated Press.

Martinez and other Canacintra representatives met with officials of Cuba’s Chamber of Commerce to discuss opening a Canacintra branch here “as soon as possible.” Such an office would also represent Cuban firms wanting to establish a presence in Mexico.

Martinez told reporters that Canacintra, which has a seat on the board of Bancomext, had recommended the bank remain in Cuba. Nevertheless, Bancomext pulled out of Cuba in early April. A month later, bank officials confirmed that they had won an Italian court order to freeze $40 million in assets that Cuba owes Mexico. The action was part of Mexico’s effort to recover nearly $400 million it says is owed by Cuba, and came amid a major diplomatic crisis between the countries.

About 200 Mexican firms do business with Cuba, and 50 of them have offices in Havana.

SOYBEAN OIL, RICE LEAD U.S. EXPORTS TO CUBA

U.S. food exports to Cuba during May came to $33.95 million, according to Commerce Department figures cited by the weekly newsletter Economic Eye on Cuba. That brings to $206.8 million the value of U.S. exports to Cuba under the Trade Sanctions Reform and Export Enhancement Act (TSRA) of 2000, which re-authorized the direct shipment of food products to Cuba on a cash-only basis.

Leading U.S. exports to Cuba in May were soybean oilcake ($10.3 million), rice ($7.5m.), wheat ($4.9m.), powdered milk ($4.1m.); corn ($3.9m.), chicken ($2.27m.), vegetable oilcake ($590,000); dicalcium phosphate ($220,000); cotton ($230,000) and turkey ($150,000).

FRANCISCO A. PRIETO

GULFSTREAM BEGINS MIAMI-HAVANA FLIGHTS

Gulfstream Air Charter Inc. has begun daily charter service between Miami and Havana, using 19-seat Beechcraft jetprop aircraft.

The flights, which began Jul. 12 and continue through Aug. 31, leave Miami International Airport at 12:30 p.m. and arrive at Havana’s José Martí International Airport at 1:45 p.m. The return flight leaves Havana at 2:30 p.m., arriving in Miami at 3:45 p.m.

GAC, with 2008 revenues of $10 million, is a unit of Dania, Fla.-based Gulfstream International Airlines, which had $100 million in 2003 sales. Until last December, Continental Airlines had a 28% interest in Gulfstream.

Details: Mildred Diaz, Vice-President, Gulfstream International, 545 NW 42 Ave., Miami, FL 33126, Tel: (305) 428-2828. Fax: (305) 428-2621. E-mail: mdiaz@gulfstreamair.com.

PEBERCAN COMPLETES DRILLING ON OIL WELL

Pebecan, listed on the Toronto Stock Exchange under the “PBC” symbol, on May 19 completed its Seboruco 7 oil well. The target was reached at a depth of 1,500 meters and at 2,000 meters northeast of the shore. The structure was then drilled over a length of 1,090 meters, with an average angle of 85°.

This well, which is presently in the testing phase, is flowing with production rates ranging from 1,400 to 2,400 barrels per day. Production from Seboruco 7 will be linked to the Seboruco-Yumuri collector station and facility.

On the strength of this new success, Pebecan began startup of a new well, Seboruco 5, on May 29. This well will be drilled targeting the same structure 700 meters west of the Seboruco 7 site.

Pebecan is involved in the exploration, development and operation of oil reserves throughout Cuba. Its mining domain includes five concessions covering 6,155 sq kms, including Block 7, the only concession operated to date. Pebecan sells all of its production to the Cuban government.

Details: Cédric Sirven, VP/Exploration, Pebecan, 307 Place d’Armes, 16e étage, Montréal, QC H2Y 2W9. Tel: (514) 286-0100. Fax: (514) 286-5177. E-mail: info@pebercan.com.
Experts debate ‘power struggle’ between Castro brothers

BY TRACEY EATON

H e’s one of the most recognizable and controversial political figures of modern times. His younger brother is the world’s longest-serving defense minister. Fidel and Raúl Castro form a political and economic dynasty that has dominated Cuba — and defied the U.S. — for more than half a century.

But now a recent book, “On the Brink,” says that the brothers have been locked in a power struggle since Fidel fainted during a speech on a sweltering June 2001 day, touching off questions about the socialist regime’s future.

Ricardo Pascoe, the former Mexican ambassador to Cuba, writes that Fidel decided against turning power over to his brother after the fainting episode because an internal government poll found that most Cubans were against that.

So the Cuban president began to delegate much of the day-to-day operation of the government to Vice President Carlos Lage, Pascoe writes, infuriating Raúl and leading him to hide information from his brother.

Cuban officials speaking on condition of anonymity disputed the book’s findings.

“Fidel and Raúl operate as one. They are a team,” one official said. “And Raúl’s loyalty to Fidel is unconditional.”

Experts agree that the brothers have had significant disputes that have shaped Cuba over the years. For a time in the 1990s, for instance, they briefly stopped speaking to each other, said Frank Mora, a professor at Rhodes College in Memphis, Tenn., who has studied and written about the Cuban armed forces.

Raúl Castro favored economic reforms similar to the ones sweeping China, Mora said. But his older brother was against that, fearing a loss of political control.

“Still, to say that there is some kind of power struggle between the two brothers, I simply do not buy that,” Mora said. “Raúl has always been very, very loyal to his brother Fidel.”

Despite the power Raúl Castro wields, he doesn’t question his brother’s authority, a former Cuban intelligence official said on condition of anonymity.

“He is incapable of that and would not move even a finger to try to challenge Fidel’s power,” the former official said.

Raúl Castro does get into heated discussions with his brother, Mora said.

“Fidel allows for debate within his inner circle,” he said. “But when he decides the debate is over, there is no questioning, no challenging and no criticizing of his position.”

Fidel Castro, who has ruled Cuba since 1959, will turn 78 on Aug. 13. Raúl turned 73 on Jun. 3.

The former Cuban intelligence official said there is a power struggle going on between those loyal to Fidel Castro — the fidelistas — and those working under Raúl Castro — the raulistas.

“One of the fights is over the money that the tourism industry creates,” the former official said. “People are preparing for the future. They’re trying to place themselves in positions where they’ll benefit when Fidel is gone and the economy opens up.”

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Swiss gallery Nevartos highlights popularity of Cuban art

BY VITO ECHEVARRÍA

More and more foreigners to Cuba — stumbling upon Havana’s emerging art scene — are flying back home with work from contemporary artists. Sooner or later, it was inevitable that an art gallery would come along to sell such works online.

Nevartos AG, located in Zurich, began showcasing and marketing Cuban artists a few years ago, and recently set up an elaborate website: www.cubanfineart.com. The trilingual site (in English, Spanish and German) pitches a range of contemporary Cuba-based painters and other artists, such as Eduardo González Exposito — who had 22 of his paintings sold through the Nevartos site for undisclosed prices, and another 21 paintings currently being offered at prices ranging from $880 to $8,855 each.

Another contemporary artist, Ricardo Ponce Rodríguez, had 120 of his paintings sold through the site for undisclosed prices, and another 74 of his paintings now being offered at prices ranging from $750 to $14,720 each. José López Alvarez, yet another Cuban painted featured on the site, had five of his paintings sold through the site at undisclosed prices, and another 15 paintings now being offered at prices ranging from $640 to $8,000.

THE ‘EBAY FOR CUBAN ARTWORK’

Ernst Helbling, the owner of CubanFineArt.com, said his site represents dozens of up-and-coming Cuban artists, provides biographical information on some of them, and news on previous and future Cuban art exhibitions worldwide.

“It’s one of the most visited places for buyers of contemporary art, and it also gives every artist the chance to get in touch with all interested persons worldwide,” Helbling told CubaNews. “As a matter of fact, one of our most interesting artists are two Cuban painters, Francisco Nuñez and Ponce. We don’t do auctions because we are a platform for artists and buyers, but I can assure you that there is an ongoing demand for Cuban art. All in all, there are over 60 Cuban artists present on our different platforms.”

The thorough cataloging and pricing of available Cuban paintings has observers browsing through the site; some call it the "Ebay for Cuban artwork.”

Contemporary Cuban art has already gained a reputation worldwide, thanks to the internationally renowned artist Wilfredo Lam, who died in 1982, as well as Cuban artists living in the United States and elsewhere. These include José Bedia, Manuel Mendive, Tomas Sánchez and Ernesto Pujol.

International interest for such works has been fed by exhibitions in other countries such as France, Switzerland and even Japan (see CubaNews, July 2003, page 4).

For those wanting to cash in on Cuban artwork, a plane ticket to Havana was usually the way to go for most art collectors — even Americans — until the Bush administration restricted travel to most U.S. nationals. Nevertheless, since 1991 artwork has been among the cultural and educational materials specifically exempted from the embargo, even under the most recent draconian measures in violation of the embargo. Cernuda’s previous gallery, the Cuban Museum of Art & Culture, was twice bombed by presumed anti-Castro exiles opposed to the exhibition of works by artists still living in Cuba.

Fortunately for Cernuda, such hostilities have eased significantly. “The climate is definitely changing for the better,” he said, adding that “art and politics should not mix.”


Ricardo Ponce Rodríguez

José López “Lopito” Alvarez

Eduardo González Exposito

Cernuda says artists normally get about 50% of the sale price, meaning lots of cash for well-known artists like Ponce Rodríguez, who has sold 120 paintings through Nevartos.

Given Miami’s increasing prominence in the international art scene, Cernuda feels upbeat about the future of Cuban art in America, though he’s certainly paid his dues for promoting Cuban artists in the United States. In 1989, some 240 Cuban paintings that he owned were confiscated by federal authorities, who accused him of purchasing such artworks specifically exempted from the embargo.

In fact, Cernuda says, the gallery has since sold over $8 million in artwork, mostly to buyers from European countries such as France, Switzerland and even Japan. Nevertheless, since 1991 artwork has been among the cultural and educational materials specifically exempted from the embargo, even under the most recent draconian measures.

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Ramón Cernuda, Cernuda Arte, 3155 Ponce de León Blvd., Coral Gables, FL 33134. Tel: (305) 461-1050. Fax: (305) 461-1063. E-mail: cernudaarte@msn.com.

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Si su organización patrocina un evento, no dude en informar a nuestros lectores.
Por favor, proporcione detalles a CubaNews al (301) 365-1829 o envíe un correo electrónico a larry@luxner.com.

Aug. 5-7: Asamblea para el Estudio de la Economía Cubana, 14º Cumbre Mundial, Beyond the Bay, Coconut Grove, Miami. El tema del evento es “Cuba: 10 Años Después del Anuncio de Reformas Económicas.” Como mínimo 40 trabajos de investigación para ser presentados.


Sep. 2-3: II Cumbre de Ministros de Turismo y Medio Ambiente de Iberoamérica y el Caribe, Iquitos, Perú. Detalles: Ministerio de Comercio Exterior y Turismo, Calle Uno 01, Iquitos, Perú. Tel: (51) 1 224-3117. Correo electrónico: vmt@mincetur.gob.pe.


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