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## Cuba's foreign trade balance up by 44% as Alimport cuts purchases of U.S. food

BY LARRY LUXNER

Cuba's foreign trade balance will show improvement in 2007 for the first time in years, with exports up 44% through September and imports 3% higher.

"We have a commercial balance of goods which is better than previous years," Foreign Trade Minister Raúl de la Nuez told Reuters in a Nov. 6 interview. Year-end figures are expected to be similar to those through September, meaning exports would increase by more than \$1 billion and imports by less than \$300 million.

This is great news for Cuba, but not for U.S. food exporters, which have seen their sales to state-run purchasing agency Alimport plummet every year since 2004, due to restrictions imposed by the Bush administration.

Kirby Jones, president of the Washington-based U.S.-Cuba Trade Association, said there's no question these restrictions — which deny credit to Cuba and require up-front payment in cash before U.S. goods can even be shipped to Hav-

ana — have helped Vietnam, China and other suppliers at the expense of the United States.

"The U.S. agricultural community has done nothing, absolutely nothing, about trying to persuade members of Congress to change these laws," Jones complained in an interview with *CubaNews*.

"The reason is that they've been diverted by the farm bill. From their point of view, it's perhaps understandable," he told us. "The farm bill deals with billions of dollars, with a B, while Cuba trade is only in millions, with an M.

Jones said: "If they want to resurrect or expand their business in Cuba, they'll have to step up to the plate and make their voices heard."

At the annual Havana International Fair held Nov. 5-10, only 100 U.S. companies showed up, down from 150 in 2006. A total of 1,425 entities — including 997 foreign firms — exhibited at the show, representing 53 countries.

All told, Cuba signed \$301 million in contracts

— See *Trade*, page 2

## 5 ex-chiefs of USINT-Havana offer advice on how to avoid past mistakes in Cuba

BY LARRY LUXNER

One hot, humid afternoon, shortly after arriving in Havana to run the U.S. Interests Section, Vicki Huddleston decided to take a drive along Quinta Avenida in her official air-conditioned black Ford Crown Victoria.

"I saw a group of kids waiting for a ride, so I stopped and six or seven teenagers jumped in," she recalled. "They leaned back, obviously enjoying the air-conditioning. One of the kids asked me, 'Where did you get this car?' I said it was the property of the U.S. government.

"Then, another kid asked what I did. I told her I was the chief of USINT-Havana. The girl leaned forward and said: 'Please be our mother. Take us to Miami.'"

Huddleston, who has since retired from the Foreign Service, said that little exchange made a lasting impression on her.

"We would like to see a future for Cuba's young people — not in Miami, but in Havana,"

she said. "We all think this relationship we have with Cuba, if it were the right one, might be able to positively influence that outcome."

Tropical breezes, friendly people and beautiful beaches aside, running USINT-Havana isn't an assignment for the faint-hearted. A long-running propaganda war takes place every day just in front of the old Swiss Embassy annex fronting the Malecón — while U.S. access to top Cuban officials has become virtually impossible.

And as relations between the United States and the Castro regime continue to deteriorate, the job will only get more and more difficult.

On Nov. 14, Huddleston and four of the men who preceded her as chief of USINT spoke about their experiences at a Washington conference organized by the Brookings Institution.

If there was one theme that ran through the presentations of these former U.S. diplomats, it was the constant frustration they felt with their

— See *Diplomats*, page 6

## Trade — FROM PAGE 1

during the 5-day event, not even close to the \$432 million in deals signed during FIHAV 2006. Contracts with U.S. companies accounted for \$106 million of that \$301 million total.

Among other things, Cuba closed deals for 150,000 tons of Canadian wheat worth \$70 million for delivery next year.

Alimport also agreed to buy 100,000 tons of peas and 3,500 tons of powdered milk from Canadian companies, deals worth a combined \$75 million, not to mention 200,000 tons of rice from Vietnam — the latter contract worth \$90 million, according to Alimport Chairman Pedro Alvarez.

In addition, Cuba bought animal feed from Mexico and the Dominican Republic, as well as supermarket products from Spain.

### CANADIANS SCORE BIG THIS YEAR

In 2007, Cuban food purchases from Canada will have increased 40% over 2006 figures due to difficulties in buying from the United States and despite the higher value of Canada's "loonie" against the U.S. dollar (see *CubaNews*, November 2007, page 1).

In the 2006-07 marketing year ending Jul. 31, Canada shipped 89,000 tons of wheat to Cuba, down from 177,000 tons of wheat the previous year. The 10-year average, according to Reuters, is 77,500 tons.

"We compete with the Americans all around the world, so we are very happy about this signing," said Greg Arason, president and CEO of the Canadian Wheat Board.

Said Alvarez: "American producers are being hurt by the embargo. Trade with the United States is uncertain because Cuban payments get blocked. Canadian businesspeople are very efficient, very strong and very competitive, and they don't blockade us."

That sentiment was echoed by Jones, whose trade association represents 55 companies and organizations.

"Other countries, particularly those that have lost market share to the U.S. such as Canada, want to get that back and are able to offer credits," he told *CubaNews*.

"I know there were discussions [between the Cuban and Canadian governments] about Canada re-energizing its credit program. They have to offer something the U.S. can't offer. I don't know whether this wheat was

chance of business picking up while President Bush remains in the White House.

"There is great hesitation right now as people wait to see a change in the U.S. administration," Jay Brickman, vice-president of Florida-based Crowley Maritime Corp., told Reuters. "The Bush administration is very clear about its policy. People feel they won't get any trade and they have to go to other markets. They have no choice."

Sales of U.S. farm commodities to Cuba have totaled \$1.8 billion since passage of the Trade Sanctions Reform and Export Enhancement Act (TSRA) in 2000. Those sales peaked at \$392 million in 2004 and declined to \$340.4 million last year (see chart at left).

### NEBRASKA WINS WHEAT CONTRACT

Despite plummeting U.S. sales overall, at least one state scored big during FIHAV.

Nebraska signed a deal to sell \$10 million worth of wheat to Alimport through commodities trader Louis Dreyfus. With this latest contract — which was signed by visiting Gov. Dave Heineman — Nebraska has sold more than \$70 million in agricultural products to Cuba since the Cornhusker State's export relationship was established in 2005.

Heineman, leading his fourth visit to Cuba as governor, was accompanied by representatives of Nebraska's wheat, corn, soybean, beef and pork industries.

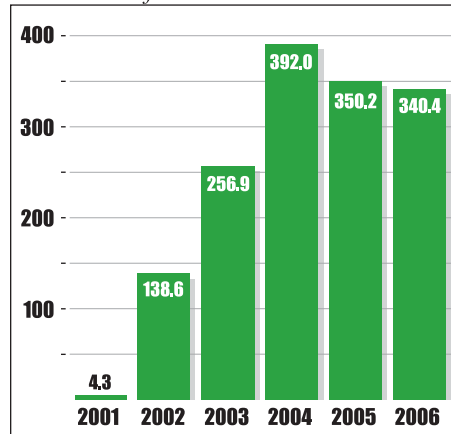
"Nebraska has been rewarded for our diligence in maintaining a strong export relationship with Cuba," he said. "Our success here is due in large part to the hard work and preparation of our Nebraska companies and the Nebraska Department of Agriculture."

Added Greg Ibach, the state's agriculture director: "This latest visit has helped further the strong relationship we've built in recent years, and puts Nebraska in a good position to take advantage of opportunities for expanded trade in the future. Investing in a good rela-

— See *Trade*, page 4

### U.S. FOOD EXPORTS TO CUBA

In millions of dollars



U.S. Department of Commerce

bought on credit, but Alvarez was quoted as saying he's going to sign contracts first with the Canadians, then the Americans.

"That's a message to American companies that the current restrictions are causing problems," Jones concluded. "U.S. firms are at a clear disadvantage because they can't offer credit. That's why rice sales are down."

According to Marvin Lehrer, Latin America director for the USA Rice Federation, U.S. rice exports to Cuba dropped to 80,000 tons last year from 175,000 tons in 2005.

The shipping company that handles most Cuba-bound freight from U.S. ports sees little

## Alimport increasingly hungry for Chilean food exports

At one time, Chile's commercial relationship with Cuba was limited to executives politically connected to Fidel Castro — in particular the Chilean entrepreneur Max Marambio.

His Santiago-based holding company ING S.A., with its lucrative spinoffs Alimentos Río Zaza — makers of Tropical Island fruit juices — and travel company Sol y Son generate \$100 million in Cuba-related revenues annually.

That's inspired other Chilean companies to emulate Marambio's success. Some of these companies are run by people with previous connections with Havana, while others are controlled by more conservative types who want to pursue their own opportunities in Cuba.

An example of the latter is Agrosuper, Chile's largest meat and fresh products retailer. Agrosuper is owned by Gonzalo Vial, one of Chile's richest businessmen and clearly not an admirer of Marxism.

Politics aside, in 2006 Agrosuper exported \$6.6 million in pork, chicken and cured meats to Cuba. The island is now Agrosuper's 8th leading market of the 37 countries it sells to.

Pesquera San José sold \$4.3 million worth of fish to Cuba in 2006, making Cuba the No. 5 export market for the Santiago-based company, which is part of the Colosio holding entity.

"For the past 10 years, we have been exporting to Cuba both

canned and frozen jack mackerel fish," said the company's general manager, Domingo Jiménez, in an email to *CubaNews*. "These purchases are destined for distribution to the local population."

Another Chilean exporter trading with Cuba is Empresas Carozzi. Last year, it shipped \$3.4 million in spaghettis, pastas, rice, tomato paste, fruit purees and other food products to Cuba, making the island its 12th-largest export market. (As an aside, the Canadian remittance firm Antillas Express offers Carozzi-brand spaghetti among the food items its clientele can order online for relatives in Cuba).

Meanwhile, Chilean dairy Vialat SA sold Cuba nearly \$1 million powdered and sweetened condensed milk and cheeses last year. Vialat is partly owned by Grupo Bethia, which is controlled by Liliana Solari Falabella, who also owns the Falabella department-store chain.

Leonardo Banda, an official of the government export promotion agency ProChile, would like to see those numbers go up.

"We had nine Chilean firms and our own country pavilion at FIHAV," Banda told *CubaNews* by email. "Chile-Cuba commerce has increased in recent years, especially in food products, given the market's potential and the excellent quality-price ratio of Chilean products."

— VITO ECHEVARRIA



## POLITICS

# Cuba sends veteran diplomat Bolaños to Washington

BY DOMINGO AMUCHASTEGUI

Dagoberto Rodríguez, longtime head of the Cuban Interests Section in Washington, will be replaced in December by seasoned diplomat Jorge Bolaños.

The Castro regime didn't give any reason for rotating the easygoing, straight-talking Dagoberto out of Washington after seven years on the job (his going-away party was set for Nov. 27).

Nor did it say why it was sending Bolaños, who at 71 is one of Cuba's most experienced diplomats, to preside over the mission, officially an annex of the Swiss Embassy fronting 16th Street, not far from the White House.

But one thing is clear: Bolaños' appointment should be interpreted as sound evidence that Cuba hopes to play a more constructive role in the event a new administration in Washington is willing and ready to engage Havana seriously.

This is especially obvious following Raúl Castro's recent speeches declaring his readiness to work out a settlement with whoever takes over from President Bush in 2009 — which some may have interpreted at the time as rhetoric meant only to appease Washington.

Most recently Cuba's ambassador to Mexico at a time of strained relations between those two countries, Bolaños was born and raised in Santiago de Cuba.

He and his family were active in the under-

ground struggle against the Batista regime in the late 1950s. He was also well-connected with many revolutionary figures from that city, including Vilma Espín, Colomé Ibarra and José Ramón Balaguer.

In 1963, Bolaños began his diplomatic career at the Ministry of Foreign Affairs (MINREX), working as an analyst in Western European affairs. At the same time, he also studied political science at the University of Havana, graduating a few years later.

Bolaños worked his way to the top over a 25-year period through serious dedication and extreme personal and political discretion.

With acceptable fluency in English and French, Bolaños eventually was appointed ambassador to Poland in 1971. He also served as envoy to Czechoslovakia, Great Britain and Brazil before returning in 1994 to Cuba, where he was given the No. 2 position at MINREX.

By 2000, Bolaños was considered one of Cuba's most distinguished diplomats — and one of the very few from the early days of the revolution, second only to Abelardo Moreno, another top vice-minister at MINREX.

His most difficult assignment — and his consecration as a first-class troubleshooter — came when he was named Cuba's envoy to Mexico. Less than a year after his arrival in Mexico City, President Vicente Fox of the right-wing Partido de Acción Nacional decided to support resolutions condemning Cuba

at the UN Commission on Human Rights.

The two allies nearly broke diplomatic relations in 2004, and Bolaños was recalled for three months following accusations of unauthorized Communist Party meetings in Mexico.

But according to a Nov. 7 article in the *Miami Herald*, "by the end of his posting, Bolaños was widely respected by conservative and left-wing politicians alike. More than 100 attended his July 10 send-off at the Cuban Embassy in Mexico City."

The *Herald* quoted Inter-American Dialogue analyst Daniel Erikson as saying Bolaños is a diplomat with "serious clout" in Cuba.

"I think this is a sign that the Cubans see this as a very delicate moment in U.S.-Cuba relations, and they want someone that is not going to make mistakes," said Erikson.

Vicki Huddleston, who headed the U.S. Interests Section in Havana from 1999 to 2002, told the *Herald* that Cuba's appointment of such a senior diplomat is "respectful," but that ultimately Bolaños represents someone Raúl Castro can trust.

"Given his age, we can assume that this is a man who is not going to shake the palm tree," she quipped.

It's unclear where 52-year-old Rodríguez is now headed, but if history is any guide, he may get a nice promotion. Dagoberto's predecessor, Fernando Remírez de Estenóz, is now Cuba's vice-minister of foreign affairs. □

## Trade — FROM PAGE 4

relationship now is important to securing Nebraska a seat at the table in the years to come."

Florida would like a seat at that table too, though not officially.

"The biggest companies in America are here: Cargill, Archer Daniels Midland and Perdue," John Parke Wright IV, a livestock dealer from Naples, told the *South Florida Sun-Sentinel*. "All that Cuba needs is here."

Other Florida exporters, however, aren't quite so optimistic.

"Many firms don't have the patience and the staying power that is needed because of all the restrictions and licenses," said Marcela Jiménez of Gulf South Forest Products, a Ft. Lauderdale firm that's already exported \$3 million in utility poles and lumber to Cuba under TSRA. "A lot of time is wasted."

Cuba's top trading partners are now Venezuela, China, Spain, Canada, Italy and Brazil, which account for a combined 70% of the commerce Cuba conducts with the rest of the world.

In 2006, foreign trade came to \$12.18 billion, with exports of \$2.76 billion and imports of \$9.42 billion. The deficit was offset by over \$6 billion in revenue from services.

Cuba's current account balance of payments was \$240 million in deficit last year, compared with a surplus of \$140 million in 2005, and foreign debt rose by \$2 billion to around \$16 billion, the government said.

"Nickel is the most important reason our exports are up, followed by pharmaceuticals and medical equipment and tobacco," de la Nuez told Reuters.

Regarding the drop in imports, he said "we have been importing a great deal of equipment and products that did not have to be repeated this year and we are pursuing a policy of substituting imports."

According to Reuters, Cuban imports have doubled since 2003 as foreign exchange earnings jumped, due mainly to increased revenues from nickel and tourism, payment for medical services exported to Venezuela and soft credits from China.

In 2006, Cuban nickel and cobalt exports came to \$1.3 billion, based on output of 74,000 tons of unrefined product.

The import boom sparked a sharp jump in economic growth during the same period, exceeding 12% in 2006 using a Cuban formula that includes free health and education services. Using the customary formula to calculate GDP, the economy grew by a more modest 8%. □

## Housing — FROM PAGE 3

dealings that eroded various state institutions.

The economic collapse known as the "special period" not only resulted in the disappearance of construction materials, but forced upon Cuba new priorities that did not include resolving the island's crippling housing crisis.

When the various social programs that are a key component of the so-called "Batalla de Ideas" were put into place in the last decade, none of them included housing needs nor maintenance of existing houses and buildings.

Neglect and decay had become overwhelming, and any home improvement project was either a result of having access to dollars or various underground economy schemes, or a combination of the two.

According to government figures disclosed in September 2005, an appalling 52.5% of all construction in Cuba is considered to be in bad shape — *en mal estado* — so it's not only a question of 600,000 houses.

Perhaps the best remark was made by Raúl Castro himself last May: "*Las construcciones han sido caóticas a lo largo de la historia de la revolución y hay que superarlo, porque no nos queda más remedio.*"

Translation: "Construction has been chaotic throughout the history of the revolution, and we have to overcome this because we have no other choice." □

## POLITICAL BRIEFS

### LAWYERS APPEAL U.S. DISMISSAL OF POSADA CASE

Prosecutors have appealed a federal judge's decision to dismiss an immigration fraud case against suspected terrorist Luis Posada Carriles.

On Nov. 5, prosecutors filed a 73-page appeal with the 5th U.S. Circuit Court of Appeals in New Orleans, the *Miami Herald* reported.

The aging Posada is wanted in Venezuela, where he's a naturalized citizen, on charges that he plotted the deadly 1976 bombing of a Cuban jetliner from Caracas.

The case against Posada was dismissed in May after U.S. District Judge Kathleen Cardone in El Paso concluded that federal authorities used trickery, fraud and deceit in trying to pursue a criminal case against him. Posada was accused of lying on an application and during an interview to become a naturalized citizen.

Lawyers for the government argued in their appeal that Posada didn't meet his burden to prove that the government engaged trickery or deceit. They also contended that the government's "deception or outrageous conduct" doesn't excuse Posada's alleged lies.

### UN FOOD OFFICIAL: CUBA IS AN EXAMPLE TO FOLLOW

A top UN food expert has lavished praise on Cuba as a world model in feeding its population.

AP reported that Jean Ziegler, who has been the United Nations' independent investigator on "the right to food" since 2000, spent 11 days in Cuba on a controversial fact-finding mission in November, meeting with top officials and chatting up farmers, state managers and ordinary Cubans waiting in line for food allotted by ration cards.

"We haven't seen even one malnourished person" — a rare feat in much of poverty-stricken Latin America, Ziegler said. "The right to being fed is the priority [in Cuba], without a doubt."

Cuba is one of 32 nations around the world that include the "right to food" in their constitutions.

Ziegler, who visited two prisons in Havana to ask inmates about their daily diets, didn't address human-rights concerns over the arbitrary imprisonment and alleged abuse of political prisoners.

### CUBA TIGHT-LIPPED ON BASEBALL PLANS

Cuba has received an invitation to play in the 2009 World Baseball Classic, but wouldn't say whether it plans to participate.

José Ramón Fernández, a Cuban vice-president and head of the island's Olympic Committee, told AP that officials received an invitation from Major League Baseball to compete in the second installment of the international tournament.

MLB and its players' association jointly ran the first edition of the WBC last year, when Japan beat Cuba 10-6 in the final at San Diego. While a formal decision hasn't been made, it appears the second WBC will be played in March 2009.

Details are likely to be announced at the winter meetings Dec. 3-6 in Nashville. The tournament field is expected to remain at 16 teams.

The issue is a sore spot with political undertones for Cuba. In late 2005, the Treasury Department denied Cuba a permit to participate after Fidel Castro had personally confirmed his country's team would accept American invitations to play.

## “ In their own words ...

"Cuba faces an economic war and incessant hostile propaganda from the United States, but our people must be alert and strengthen fraternity and solidarity among the population while tirelessly battling any sign of corruption. The destiny and existence of our nation are at stake in these battles."

— **Ricardo Alarcón**, president of Cuba's National Assembly, lecturing Nov. 10 to a Havana gathering whose name was almost as long as Alarcón's speech: *Fourth International Meeting on Society and the Challenges Posed by Corruption*.

"The U.S. government should lift harsh restrictions on travel and remittances to [Cuba] to encourage more people-to-people contacts and support for Cubans pushing for democracy. More family travel and cultural and academic exchanges would open a world of information and supportive contacts for Cubans on the island. More remittances would help sustain political prisoners as well as Cuban democrats stripped of jobs."

— *The Miami Herald*, in a Nov. 7 editorial titled "More remittances, travel for a free Cuba." Until now, the paper has been reluctant to criticize U.S. restrictions.

"He has a problem with bleeding in the digestive system that got complicated and slowed down his recovery, but I find him in very good shape."

— **Rodrigo Alvarez**, Cuba's top orthopedic surgeon, discussing Fidel Castro's health with Nicaragua's *El Nuevo Diario*. Alvarez denied reports that Fidel had cancer.

"I don't touch that issue. I can't get into that because I just can't. I stick to my job."

— **Ramón Castro**, Fidel Castro's older brother, asked by journalists to comment on Fidel's plans for the future.

"In some cases, the dissidents have enormous dislike and distrust for one another. When I hear people outside Cuba talking about dissidents or pro-democracy activists or agents of change, I don't see that as being the reality on the ground in Cuba."

— Cuba expert **Frank Mora** of Washington's National War College, quoted Nov. 4 in a *South Florida Sun-Sentinel* article about Cuba's dissident movement.

"Their unjustified detainment is exactly why Cuba needs change now. The Cuban people deserve an end to these tragedies."

— **U.S. Commerce Secretary Carlos Gutiérrez**, co-chair of the *White House Commission for Assistance to a Free Cuba*, following the Castro regime's brief detention of 70 youths wearing white rubber wristbands stenciled with the word "cambio" (change). Gutiérrez himself wears the wristband to support democracy in Cuba.

"Standing with those that are oppressed is our highest moment and our best calling. It is unthinkable that a regime would be so weak to be so threatened by something as simple as these wristbands we are wearing."

— **Sen. Mel Martínez (R-FL)**, displaying his "cambio" wristband to fellow lawmakers next to Cuban-American colleague **Sen. Bob Menendez (D-NJ)**, who also had one on.

"Once again, and at such a moment, they left Cuba, its people, its citizens to their own devices and wallowed in an imitation of democratic harmony that is now so full of falsehood that the fake harmony has become a dissonant noise."

— **Oswaldo Payá**, founder of the *Varela Project* and Cuba's leading dissident, in a Nov. 12 statement accusing the Ibero-American Summit held in Chile of ignoring the plight of Cuba's people and "losing the chance to vindicate itself before history."

"For obvious reasons ... I cannot provide information to those who have organized and executed more than 600 assassinations plots against him."

— **Cuban Foreign Minister Felipe Pérez Roque**, asked by CNN in an Oct. 30 interview whether ailing Fidel Castro was recovering at home or in a hospital.

"The speech made by the president of El Salvador provoked nausea."

— **Fidel Castro**, criticizing Salvadoran President Tony Saca, who on Nov. 11 defended his country's free-trade agreement with the United States.

## Diplomats — FROM PAGE 1

superiors at the State Department, which often didn't take their cables seriously and sometimes ignored them altogether.

James Cason, appointed by President Bush to head USINT-Havana from 2002 to 2005, was perhaps the most controversial diplomat ever to hold the post. His tough-talking style and determination to enforce the Bush administration's policies following Castro's 2003 crackdown on dissent earned him many enemies in Havana.



Ex-chiefs of USINT-Havana: Wayne Smith (1979-82); John Ferch (1982-85); Jay Taylor (1987-90); Alan Flanigan (1990-93) and Vicki Huddleston (1999-2002).

Unfortunately, Cason (profiled in the February 2004 issue of *CubaNews*, page 8) is now the U.S. ambassador to Paraguay and as such was unable to participate in the Nov. 14 event.

Nor was the current head of USINT-Havana, Michael Parmly.

Nearly 200 people attended the reunion of the five now-retired diplomats. Here's a summary of what each of the speakers had to say:

### WAYNE SMITH (1979-82)

A veteran diplomat who's since made a second career out of his Cuba experience, Wayne Smith first came to Havana in 1958 as third secretary at the U.S. Embassy. He stayed until 1961, when President Kennedy broke diplomatic relations with Cuba. Smith was transferred to Brazil, and later was posted to the Soviet Union and Argentina.

He eventually returned to Washington, where he became director of Cuban affairs at the State Department.

In 1979, President Jimmy Carter — who two years earlier had lifted travel controls as an initial step towards improving relations with Cuba — appointed Smith to head the new U.S. Interests Section in Havana.

"Ramón Sánchez Parodi was chief of the Cuban Interests Section in Washington, and the two of us discussed how we would handle the two issues that had to be solved first: compensation for nationalized U.S. properties, and No. 2, a lifting of the U.S. embargo," Smith said. "We agreed we weren't going to lift the embargo until they compensated our properties, and that we'd have to negotiate the two things simultaneously."

Things were going smoothly until Nov. 16, when Smith heard on his car radio that a top U.S. government official had announced that

the White House would freeze relations with Cuba because of a buildup of Soviet troop strength on the island.

But Smith said the move by Zbigniew Brzezinski — then Carter's national security advisor — was wrong "because he gave the statement on his own, without clearing it with anyone, on the basis of a two-page CIA estimate."

Immigration talks were also a major issue. "There were growing pressures because of all these Cuban-Americans returning to Cuba," he said. "Cuban officials came to us several times to suggest we had to negotiate

this and find some normal channel for people to leave under acceptable circumstances. I sent a cable up to Washington suggesting that we do this. I never got an answer to any of these cables."

As a result, he said, the United States was totally unprepared for what happened next: the Peruvian Embassy crisis and Castro's subsequent announcement that anyone who wanted to leave Cuba was free to do so.

Between Apr. 15 and Oct. 31, 1980, an estimated 125,000 Cuban refugees crowded onto boats sent by Cuban-American exiles and sailed from Mariel to South Florida.

Relations worsened as soon as Ronald Reagan moved into the White House. Smith called the policies of the Reagan administration "outright lies" and later quit in disgust.

What brought things to a head was Cuba's announcement in December 1981 that it had halted all weapons shipments to Central America. The regime hoped this would improve the atmosphere for bilateral negotiations, and Smith relayed this information to the State Department. Six weeks later, Smith received his answer: no negotiations of any kind.

Shortly thereafter, the Reagan administration reimposed travel controls, it said, because of Cuba's increasing arms shipments to Central America, even though no evidence of this existed.

"In the spring of 1982, I asked to be removed from the post and given a job unrelated to policy until I could take early retirement," said Smith.

As bad as things were under Reagan, U.S.-Cuba relations are even more chilly now.

"This administration has the worst policy towards Cuba imaginable," said Smith, who's now a senior fellow at the Center for Interna-

tional Policy, a Washington think tank. "Our policy has been a failure, and if our objective is to bring about positive change, we have not. In the last few years, we've pushed in the other direction."

Asked about the man who now occupies his old job in Havana, Smith had this to say:

"Michael Parmly is a fine guy and he'd be the perfect one to carry on the dialogue. But given our policy — and that bloody sign on the front of the U.S. Interests Section broadcasting all sorts of propaganda messages like Times Square — there's no chance at all. The

Bush administration is not interested in any kind of dialogue with the Cubans."

### JOHN A. FERCH (1982-85)

Over the course of his lengthy Foreign Service career, John Ferch specialized in Latin America and economics. He served in eight countries; in addition to being chief of USINT-Havana, he was also U.S. ambassador to Honduras and deputy chief of mission in Mexico.

But nothing in Ferch's experience had prepared him for the realities awaiting him in Havana, where he served during the height of the Cold War.

At that time, the Reagan administration was helping the right-wing *contras* in their war against the Sandinistas in Nicaragua, and giving massive economic and military assistance to the government of El Salvador, which was also engulfed in civil war.

"Frankly, I got very few instructions," Ferch said. "I was given one briefing which was quite revealing. I was advised that if the Cubans put MiGs into Central America, there would be bad consequences. So I went down there, and within days made an appointment with Alarcón, and I gave him this message."

From the U.S. perspective, it was Cuba's support of rebel troops in Angola which explained why USINT-Havana didn't mature into a full-fledged embassy.

"There was also evidence of drug-trafficking in Cuba. This is how we saw it. And the Cubans saw a Reagan administration whose rhetoric had escalated tremendously. The U.S. was more unpredictable than before, and more threatening from their perspective."

Ferch maintained regular communications with many of the contacts established by his predecessor, Wayne Smith. Besides Ricardo

Alarcón, president of Cuba's National Assembly, these included Carlos Aldana, then-head of the Cuban Communist Party's departments of ideology and international relations; José Luis Padrón, a minister of tourism who had close ties to the Cuban state security apparatus, and Carlos Salsamendi, an assistant to Vice-President Carlos Rafael Rodríguez who is now Cuba's ambassador to The Gambia.

"I thought that in addition to those people, I could meet some Cuban economic types. So I asked for an appointment with the minister of economics, but I didn't get that appointment for at least 18 months," he said.

"But these four people I met at least once a month. Even if we had nothing to say, we kept up the contacts. It took awhile for me to realize that the Cubans had made it possible for me to see the right people immediately."

Ferch recalled a few specific instances of the Castro regime trying to get him to send messages to Washington.

"We indicted some Cuban officials for drug-running in Florida. Fidel sent Padrón over to tell me that Washington was barking up the wrong tree. Another time, they called me in to persuade me to be forceful with Washington about not opposing Cuba's bid to host the Pan-American Games."

Ferch's tenure at USINT-Havana coincided with the U.S. invasion of Grenada in 1983.

A bloody coup on that tiny Caribbean island provided the Reagan administration with the perfect excuse to get rid of a Marxist regime that had allied itself closely with Castro.

"I wasn't told in advance about it, but on the morning of the invasion, I received a cable from Washington that was right out of the 19th century, saying I should tell the Cubans something like 'we're not fighting with you, you can leave with honor, with flags flying.' I gave it to Alarcón, and he was pissed off."

Cuban troops eventually left Grenada, but Cuba's continued military presence in Angola was a major sticking point in bilateral relations. So it came as a surprise when, one day, Ferch was reading *Granma* and came across a "very favorable" article about U.S. negotiations over that war-torn African country.

"I sent a cable up to Washington. They told me to begin talking about Angola [with Cuban officials], but nothing came of it," he said.

At one point, Ferch said he was "called into Fidel's inner sanctum" to discuss the December 1984 bilateral migration accord.

"During the time I was there, a great deal of reality was displayed by both sides. Our objective was not regime change; I never heard that phrase. And it wasn't normal relations either. I'd call it 'cultivate your own garden.'"

Ferch added: "After 18 months, I was final-

ly allowed to see the minister of economy. I did some good reporting on Soviet involvement in the Cuban economy, but to my knowledge, no one in Washington ever cared about those reports."

#### JAY TAYLOR (1987-90)

A career foreign service officer, Jay Taylor served as deputy assistant secretary of state for intelligence and research. Among other things, he was director of analysis for Asian and Pacific affairs, and political counselor at the U.S. Embassy in Beijing.

By the time Taylor arrived in Havana, the Soviet Union was no longer officially an "evil empire" in the eyes of President Reagan.

"Glasnost and perestroika were already at work in the Soviet Union. This openness and readiness to accept more dissent suggested the world was changing," he said. "Castro and



Recently refurbished USINT is an annex of the Swiss Embassy in Havana.

LARRY LUXNER

the Cuban hierarchy recognized that this was a totally new situation."

Taylor said he spent his first few months in Havana getting his feet wet, meeting with 200 government officials, students, intellectuals and others. The big topic at the time was Angola, and how to disengage from that mess.

"I told Washington that they needed to cooperate with Cuba. I got a zinger back that said I didn't know what I was talking about, that Castro would not get out of Angola until South Africa became communist," he said.

Taylor was finally able to convince his superiors — through back-and-forth cables — that if Washington wanted Castro to move on other issues like human rights, he had to understand there would be some payoff for removing his troops from Angola, where the situation had been heating up for some time.

"The Angolan government had launched an offensive against UNITA, [but] we didn't make a huge issue of the fact that Cuba had sent reinforcements to Angola," he recalled.

"We had talks in Luanda and Havana, and Castro was totally committed, totally enthusiastic. He saw himself now as actively involved

in diplomatic accords with the United States, and we recognized him as such. These talks went on for a year, and finally an agreement was signed in December 1988. Secretary of State [George] Shultz thanked the Cubans for playing a cooperative and supportive role."

To everyone's surprise, Taylor said, "Cuba withdrew all its forces ahead of schedule. This led to South Africa's withdrawal from Angola as well as elections in Namibia and eventual independence. All the objectives the United States wanted were achieved."

But, Taylor said, there was a glitch.

"During our early talks, I had been authorized to tell the Cubans that if this happened, it would result in improved relations. By 1989, the Cubans were out of Angola, and they had also withdrawn from Ethiopia. So I sent a cable to the State Department suggesting that we think about our options. We could do nothing, or make some gesture, or begin a process or take a step in relaxing the embargo.

"I got another zinger back from State saying we had never made that commitment. So I sent them back the [index] numbers of the cables authorizing me to say that. I never heard anything about it again."

During the time Taylor served in Havana, human rights became an increasingly important issue. Taylor said that for the first time, the Castro regime allowed the International Red Cross to interview political prisoners.

"Before, if you were a Cuban dissident, either you were in Miami, or you were in jail," Taylor quipped. "But Castro began to accept that there could be dissent, and we began visiting dissidents at home for the first time."

Nevertheless, relations continued to deteriorate, and in March 1990 — as the Soviet Union was quickly disintegrating — the decision was made to put TV Marti on the air.

"By that time, Castro had realized what was happening with glasnost," said Taylor, now an associate at Harvard University's Fairbank Center for East Asian Research. "Instead of putting a human face on communism, it was a death mask for communism."

#### ALAN FLANIGAN (1990-93)

During his 31-year career in the Foreign Service, Alan Flanigan served in Lima, Izmir, Ankara, Lisbon and Havana, finishing up as U.S. ambassador to El Salvador. After retiring, Flanigan served for three years as co-chairman of the Foreign Service Institute's Ambassadorial Seminar.

The three years Flanigan spent as head of USINT-Havana were undoubtedly the most desperate times in post-revolutionary Cuba.

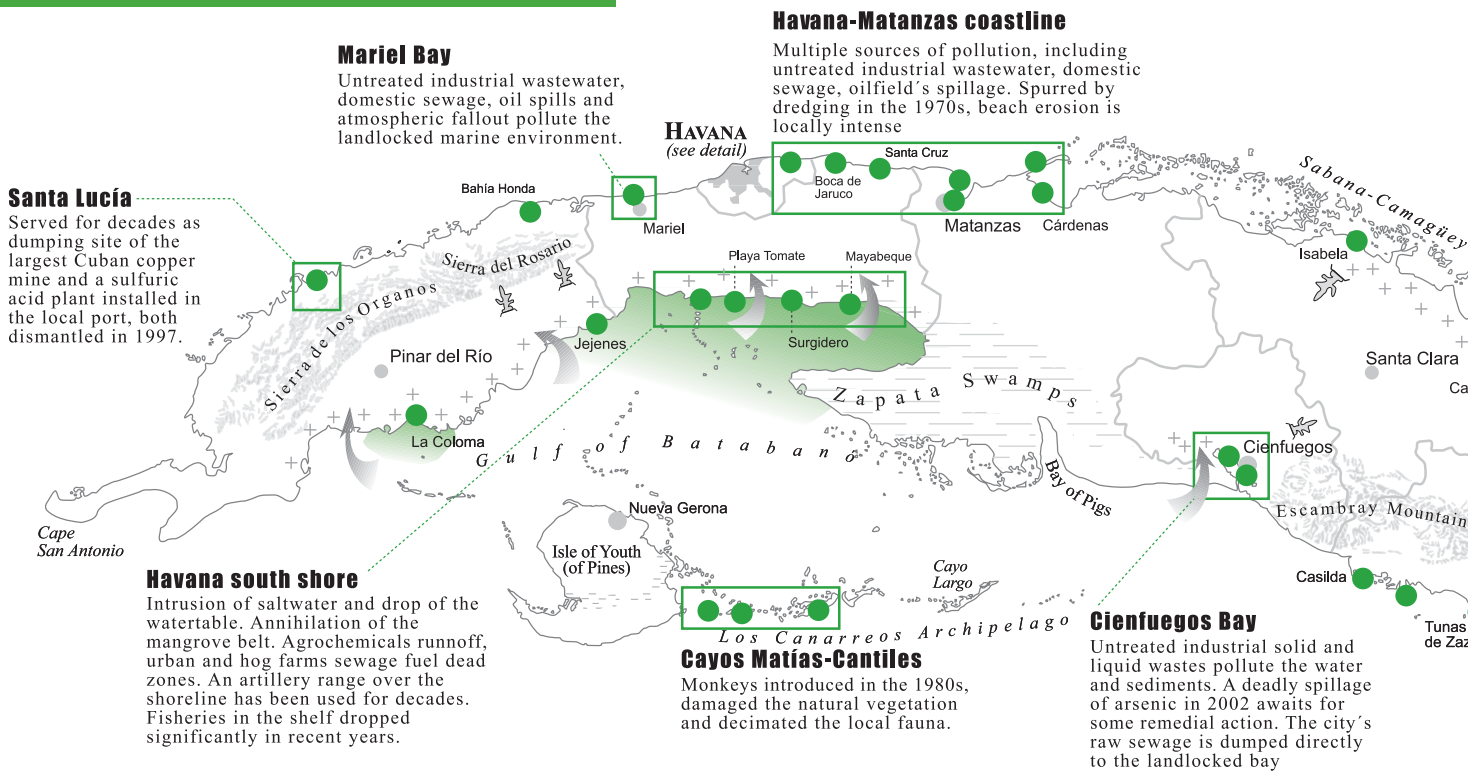
"I arrived in September 1990, not long after Iraq invaded Kuwait," he said. "The United States was concerned with the Middle East, not with what was going on in Havana."

Flanigan realized Cuba was in a tailspin.

"Economically, it was imploding. Its economy had shrunk by 40%, and they weren't sure they could survive," he said. "By the time I left, they were beginning to pull out of the tailspin, but it was a different country."

In 1987 — the year Flanigan began his Hav-

## ENVIRONMENT



## Toxic runoff contaminates Cuba's coastal ecosystems

As is the case with many other tropical countries, Cuba's coastlines are in bad shape.

Since the Castro regime rarely releases any detailed, comprehensive information on the subject, it is extremely hard — if not impossible — to determine how deep and extensive the damage to Cuba's coastal ecosystem is.

But it can be safely assumed that the harm is widespread, based on the few general public reports available, the environmental destruction in formerly communist countries of Eastern Europe and the opinion of Cuban scholars living on the island and abroad.

An undesirable byproduct of progress, coastal contamination likely began with the expansion of Cuba's sugar industry and explosive growth of coastal settlements and transport in the early 20th century.

But with the development of a Soviet-inspired industrial growth strategy in the 1970s and 1980s, stress on Cuba's coastal ecosystems reached a peak.

The main impact on the coastal environment comes from dumping untreated, or at best, barely treated sewage and industrial wastes directly into the sea — or indirectly,

through inland streams. In some cases, industrial waste and sewage is directly disposed to the groundwater through caves or sinkholes, as is the case in south of Matanzas.

The consequence: a loss of the natural productivity of the ecosystems, which is sometimes catastrophic when combined with overfishing or the use of destructive fishing techniques like trawling.

In extreme cases, the poisoning of the marine environment is so severe that it leaves little hope for a full recovery. It also puts at risk the health of people living by the shores (see *CubaNews*, September 2002, for a complete account of the deadly spillage of 3,700 tons of arsenic into Cienfuegos Bay).

Ten years ago, Cuba went through a feverish campaign to make the virgin beaches of its outer keys accessible for tourism.

These include Cayo Coco, Cayo Guillermo and Santa María. Several causeways were swiftly laid on the shallow shelf waters, cutting off natural tidal flow with the open seas.

The result was a severe and extensive blow to the Los Perros and Buenavista Bays, which have since become lifeless bottoms with dying mangrove shores.

Havana Bay and the capital's seafont suffer the most alarming incidence of environmental degradation in Cuba.

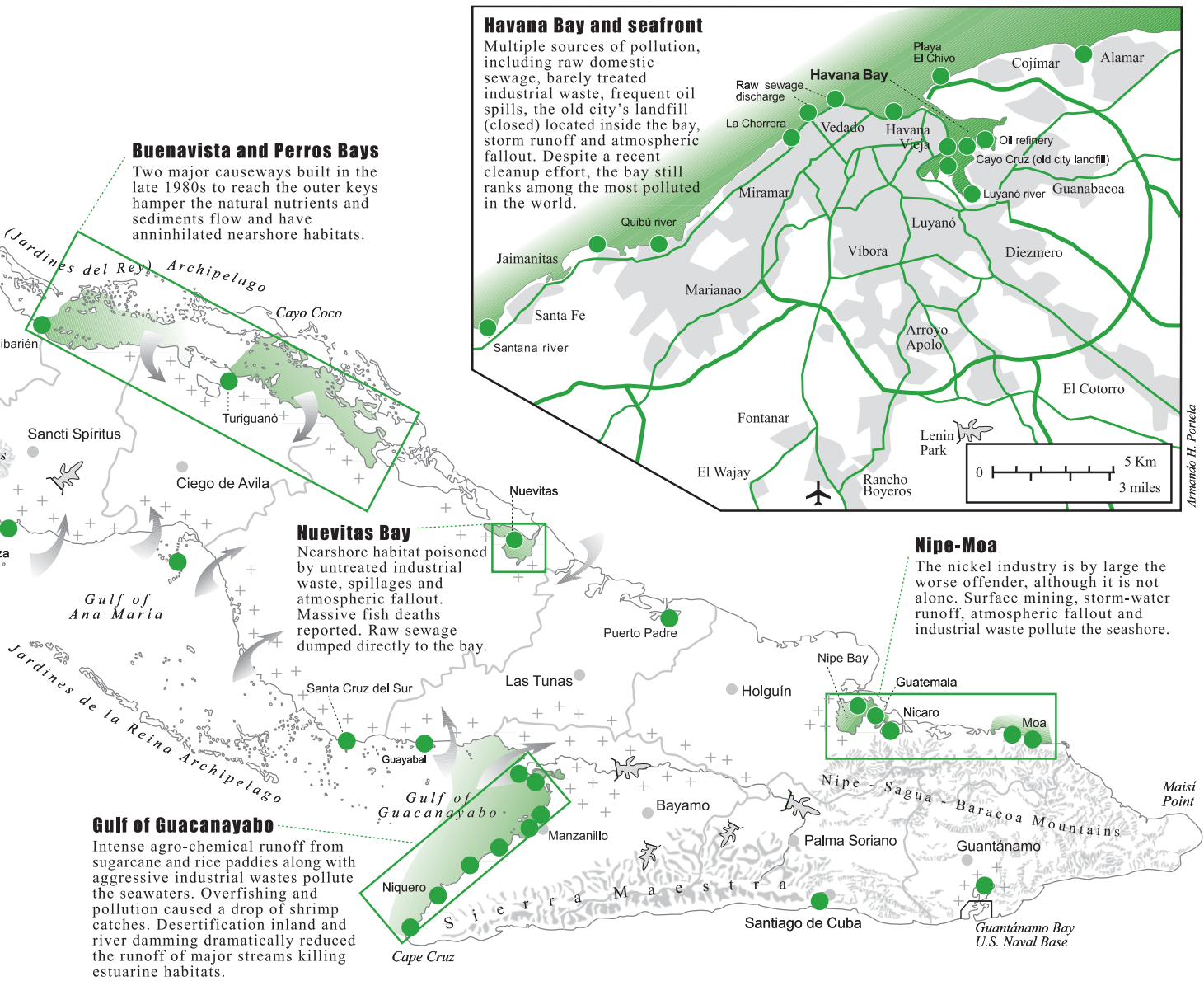
Even today, the bay ranks among the most polluted in the world, despite recent cleanup programs headed by Cuba's Centro de Ingeniería y Manejo Ambiental de las Costas.

Basic measures conducted for the first time include the collection of garbage and free-floating oils, construction of a containment wall around the oil refinery to avoid the spillage of petroleum products into the bay, and construction of a water treatment plant along the Río Luyanó with help from Italy.

Other critical sites along the city's oceanfront include the mouth of the polluted Río Quibú and Río Almendares, whose smelly effluent can be detected miles away, and the raw sewage discharge along the Malecón and Playa del Chivo.

Also critical are the environmental degradation along the south shore of La Habana province and the Gulf of Guacanayabo Gulf in southeastern Cuba.

Both areas, in the shallows of the island shelf, with limited capacity for rapid self-cleaning, report a dramatic loss of marine produc-



tivity, especially shrimp catches. This is a consequence of overfishing and the destruction of mangrove swamps — a natural shelter for many species in hatchling stage development.

Mangroves are also doomed by the dumping of raw industrial and agricultural wastewater, and by the decline of freshwater runoff now diverted inland for agriculture.

Along the Havana-Matanzas coastline, destruction tends to be associated with the dumping of raw sewage and industrial wastes.

The onshore oil wells in the area, mainly those developed before 1990, suffered frequent spills — especially before drilling norms required the construction of retaining walls and other cautionary measures.

One little-known episode occurred in the early 1970s, when the now-dismantled Camilo Cienfuegos sugar mill (formerly Hershey) diverted its wastewater to the nearby Rio Jaruco. The estuarine ecosystem at Boca de Jaruco was immediately destroyed, affecting

the nearby fishing port.

Varadero Beach, Cuba's main tourism hub, as well as the beaches east of Havana from Santa María del Mar to Guanabo have lost huge amounts of sand — a fairly common phenomenon for beaches around the world.

But in this case, the problem was accentuated by sand dredging directly from the seafront or the underwater sandbars.

The landlocked bays at Nuevitas (see *CubaNews*, October 1998 and April 2003), Cienfuegos, Mariel, Santiago de Cuba, Nipe and Puerto Padre are also badly contaminated — mainly from raw sewage, industrial wastes and polluting port activities.

Ironically, Cuba's economic difficulties over the past 15 years have helped the environment. Coastal ecosystems have only benefited from the dramatic downturn in industrial activity, chiefly the sugar industry, along with a decline in port movement and use of chemicals, fertilizers and irrigation. □

## Nickel plants back online

Nickel production has begun to stabilize after weeks of torrential rains in eastern Holguín province spawned by Tropical Storm Noel (see page 3) in early November shut down open-pit mines and slowed output.

The René Ramos Latour processing plant in Nicaro, which was shut when floodwaters reached its drying ovens, has reopened.

The two other plants in the area — Che Guevara (owned and operated by state-run Cubaniquel) and Pedro Soto Alba, a joint venture with Canada's Sherritt International, operated with skeleton staffs over the last two weeks, an industry source told Reuters, with little if any material moving in or out of the plants.

"Damage from the torrential rains have affected collection and distribution of food, passenger transportation and the moving of materials for the processing of nickel plants," government radio reported.

## NEWSMAKERS

# Fla. sugar king Pepe Fanjul dreams of post-Castro Cuba

BY VITO ECHEVARRÍA

In 1994, investigative reporter Carl Hiaasen used the Cuban-born Fanjul brothers as the inspiration for the murderous sugar-baron Rojo brothers Wilbur and Joaquín in the novel *Strip Tease* (later turned into a movie starring Demi Moore).

Alfonso "Alfy" and José "Pépe" Fanjul were furious with the implied similarities.

No surprise that 17 years later, the two men, who along with brothers Alexander and Andrés run Florida Crystals Inc., one of the nation's largest sugar growers, would be initially incensed with CBS-TV's current night-

and three alcohol distilleries. But after their holdings (estimated by *Forbes* magazine to be worth \$50 million at the time) were nationalized by Castro in 1959, they resettled in Palm Beach, Fla. Family patriarch Alfonso Fanjul Sr. and fellow exiles paid \$640,000 for a 4,000-acre piece of farmland in the Florida Everglades, creating Flo-Sun Inc. 10 years later.

## FAMILY CONTRIBUTES TO BOTH PARTIES

Today, the Fanjul empire controls 400,000 acres of sugarcane in the Everglades and the Dominican Republic, producing about one million tons of raw sugar annually with help of

liberated, as long as we are allowed to do so under U.S. law. We do think the rights of private property are fundamental, and transition countries that have successfully developed have recognized this and engaged in serious restitution. How that takes place is subject to a negotiable environment."

As has widely been reported in *CubaNews* and elsewhere, Cuba is now in the process of revamping its troubled sugar industry to produce ethanol as a viable alternative to fossil fuels. Indeed, the Fanjuls' experience running a biomass plant in Florida may prove useful as Cuba aims to establish similar facilities.

The Fanjuls' plant in Okeelanta, Fla., now generates enough electricity to power 60,000 homes while cutting carbon-dioxide emissions by 260,000 tons a year — a track record that can't be ignored by any future government in Havana.

## GRANT TO HELP FINANCE ETHANOL FACILITY

This past February, Florida Crystals Corp. and Florida International University's Applied Research Center received a \$1 million state grant to develop cellulosic ethanol technology.

The grant's goal is to come up with a pre-treatment process that can cheaply convert sugarcane bagasse to ethanol. The study will determine the feasibility of using Florida bagasse as a feedstock for a future large-scale bioenergy plant somewhere in the state.

Florida's sugar industry now generates over a million tons a year of bagasse, a byproduct of sugar extraction.

In addition, the Okeelanta facility has been chosen as the location for an ethanol plant that will produce 1-2 million gallons of the bio-fuel annually. A \$20 million state grant will be issued to finance construction of the plant — the first of its kind in Florida — which will act as both a commercial facility and an R&D lab.

The Fanjuls are also well-entrenched in the Caribbean tourism industry.

In 1984, the family acquired the Dominican Republic's posh Casa de Campo resort, located on 7,000 acres along the country's southeastern coast, from Gulf+Western. Long known as the top Dominican luxury destination, Casa de Campo may serve as a model for something similar in a post-Castro Cuba.

## WHAT ABOUT THE FAMILY MANSION?

Regardless of what happens after Fidel and Raúl are gone, Pépe Fanjul says post-Castro Cuba must create a political system that respects private property, paving the way for a smooth transition to capitalism.

Recently, the Cuba Study Group, under the direction of co-chairman and Miami banker Carlos Saladrigas, urged that any post-Castro government in Havana provide property titles for people now residing in houses and apartments confiscated by the revolution.

## FLO-SUN HOLDINGS INC.\*

- \$2.5 billion in 2006 revenues
- 400,000 acres
- 10 million tons of sugar cane
- 3.5 million tons of refined sugar
- Domino, C&H, Florida Crystals
- Casa de Campo resort (D.R.)
- 5,000 acres of organic farming
- Largest U.S. biomass power plant
- 50 million gallons of molasses
- 65 million lbs of furfural alcohol
- 2.3 million crates of corn
- 50 million lbs of rice
- 25,000 employees

\*Information gleaned from Flo-Sun Inc. website



José "Pépe" Fanjul at Flo-Sun headquarters in Palm Beach, Fla.

time drama *"Cane"* — which chronicles the lives and struggles of the scheming, cheating Cuban exile, sugar-growing Duque family.

The Fanjuls' lawyers recently went after CBS to help protect the family's public image, backing off only after extracting a promise from the network that the fictional Duques would bear no resemblance to the Fanjuls.

## FANJUL'S VAST CUBA HOLDINGS

"CBS has given us assurances that it will be clear from watching early and subsequent episodes that *Cane* is not about the Fanjuls, and that the fictional Duque family will not reflect the Fanjul family members or its businesses," said Joseph Klock Jr., general counsel for Flo-Sun Inc., in comments picked up both by the *Miami Herald* and the *Palm Beach Post*.

One reason the Fanjuls and their lawyers won't take legal action against CBS: the Duques' main business is liquor — using their properties' cane sugar to produce rum — while the Fanjuls strictly grow sugar cane, and produce refined sugar for American households, which includes the well-known Domino and C&H brands, as well as the organic Florida Crystals brand.

And what a business that is.

In pre-revolutionary Cuba, the Fanjuls owned 150,000 acres of cane, 10 sugar mills

controversial U.S. government subsidies that come to 22 cents a pound.

The family also owns the nation's largest biomass power plant and Casa de Campo, the Dominican Republic's premier luxury resort.

Alfy Fanjul contributes heavily to the Democratic Party and co-chaired Bill Clinton's 1992 Florida campaign, while Pepe Fanjul is a staunch supporter of President Bush and the Republicans. *Forbes* estimates the family fortune at \$500 million.

With the CBS episode out of the way, Pépe Fanjul says his family's long experience in the sugar, tourism and biomass energy sectors would make the Fanjuls worthy candidates to help rebuild Cuba once the Castros are gone.

"As a Cuban-American, I would like to help in the reconstruction of Cuba for sentimental and economic reasons," he told *CubaNews*. "I believe I'm in a good position to help Cuba because our company is almost tailor-made for Cuba's economic reconstruction. It owns and runs real-estate, marinas, commercial ports and airports, free-trade zones and sugar refineries. It is also the largest renewable energy company in the U.S., producing energy from sugar production and other green waste. These will be key skill sets to bring to the table in an effort to grow the Cuban economy."

Fanjul added: "Our desire is to cooperate with a future Cuban government once Cuba is

## FINANCE

# Herzfeld plans to launch \$300 million Cuba hedge fund

BY LARRY LUXNER

For years, Tom Herzfeld has been known as the guru of closed-end funds. His Herzfeld Caribbean Basin Fund, inaugurated in 1994, trades on Nasdaq under the CUBA ticker, and puts its investors' money into companies likely to benefit from an opening in U.S. relations with Cuba.

In late July, Herzfeld's Miami-based firm, Thomas J. Herzfeld Advisors, registered with the Securities and Exchange Commission for a proposed non-transferable rights offering to holders of the fund's common stock (see *CubaNews*, August 2007, page 3).

Now the company plans to launch a \$300 million hedge fund that seeks to capitalize on future opportunities in Cuba — the ultimate emerging market.

The new venture, dubbed Havana Partners, is to be ready by first quarter 2008. It will be managed by Herzfeld's son, Erik Herzfeld.

"Our existing closed-end fund is an on-shore retail product geared toward retail investors," said the younger Herzfeld, who joined his father's firm in March as head of alternative strategies. "Institutional investors won't get involved in closed-end fund. That's not really their game, and we had a lot of inquiries asking whether we'd offer something for them as well."

## Fanjul — FROM PAGE 10

"I haven't studied the specifics of these proposals in detail, but I know and respect Carlos Saladrigas," Fanjul told *CubaNews*. "He is highly intelligent and it is good he and others are proposing different formulas for the Cuban people.

"In our view, the most important thing is not to try to figure out how to split the pie before there is a pie. Our focus is on economic development in a free-market system and helping to grow the Cuban economy once its shackles are removed. We have learned to be patient. Any country that wants to develop economically must have a liberal economic system, free markets and protection of private property."

The arrival of the post-Castro era will certainly raise questions about the fate of at least one of the Fanjuls' former properties, which, to add insult to injury, has long been used by the ailing Marxist revolutionary as a personal residence.

"One of our homes is now the Museum of Decorative Arts," Fanjul complained. "Other homes are used to entertain visiting diplomats. We understand Fidel lives in one of our houses in Marianao, and that the old polo field at the back of the house is now being used as a helicopter landing pad." □

Herzfeld, who used to run JP Morgan's currency business in Asia on the derivatives side, said he sees Cuba as the next Vietnam.

"Cuba is one of the last communist countries. In our view, it is going to be the next one to topple, and there should be an incredible amount of [investment] opportunities there," he told hedge-fund newsletter *FINalternatives*.

## FIXED-INCOME, CURRENCIES AND BONDS

In a subsequent phone interview with *CubaNews*, Herzfeld said the new fund might be used to make private-equity investments.

"My background is in emerging markets, and it was a nice bet between my interests,

poised to benefit when the embargo is lifted," said Thomas Herzfeld. "We are not a startup company. We've been in business a long time. A lot of people would like to do what we're doing, and I'm sure many will — but we're on very solid footing."

Herzfeld, writing in his company's 2006 annual report, said "our portfolio strategy remains unchanged. We seek to invest in companies that we believe will do well even if the trade embargo with Cuba is not lifted.

"But at the same time, we place emphasis on companies which will benefit from resumption of trade with that country. Once U.S. law permits, we will consider direct

*"Cuba is one of the last communist countries. In our view, it is going to be the next one to topple, and there should be an incredible amount of [investment] opportunities there."*

— ERIK HERZFELD, HEAD OF ALTERNATIVE STRATEGIES AT THOMAS J. HERZFELD ADVISORS

the firm's expertise and the direction we see the Caribbean in general going," he told us. "Our strategy will be to look at other products like fixed-income, currencies and bonds — not just stocks."

Havana Partners will charge a 2% management fee and a 20% incentive fee, with a \$1 million minimum investment requirement.

But since U.S. institutional investors cannot put their money directly in Cuba, Havana Partners will have to take its chances with other Caribbean Basin countries such as the Dominican Republic and Panama.

"The Panama Canal is widening, so there's going to be a lot more cargo and shipping coming through, and the cheapest form of transportation is rail and ship, so you're going to see a lot more tankers go through there in a few years," he told *FINalternatives*.

## FIRM TRUMPETS '15-YEAR TRACK RECORD'

Havana Partners is not the only fund of its type that's been proposed in recent months. INTL Consilium LLC, based in Fort Lauderdale, manages a privately placed fund begun three and a half years ago. The company manages \$520 million worth of investments in sovereign bonds, corporate bonds, stocks, local-currency bonds and private equity (see *CubaNews*, November 2006, page 4).

A few months ago, we reported on the Cuba Study Group's proposed Cuban Enterprise Fund, a \$300 million fund aimed at helping start small businesses in a post-Castro Cuba (see *CubaNews*, September 2007, page 1).

"The difference between us and the others is that we have a 15-year track record of investing in the Caribbean and companies

investment opportunities in Cuba — not only in the country's traditional industries, such as sugar, rum, tobacco, mining, tourism and fisheries, but also in new areas, such as ethanol."

The Herzfeld Caribbean Basin Fund, worth \$8.5 million at inception, is now valued at over \$16.5 million. Its share price peaked on Jan. 22 of this year at \$17.76 per share, while net asset value (NAV) hit \$10.01 in early July. The fund's NAV as of Nov. 13 stood at \$9.55.

## RECENT RIGHTS OFFERING OVERSUBSCRIBED

As of Dec. 31, 2006, the fund's top holdings were in Florida East Coast Industries. (21.42% of total); Seaboard Corp. (9.15%); Consolidated Water Co. (8.73%); Watsco Inc. (5.59%) and Florida Rock Industries Inc. (5.29%).

"From my own account, I bought over \$1 million in stock, and my son Erik bought \$250,000," said the elder Herzfeld, "so we're great believers in the Herzfeld Caribbean Basin Fund."

On Nov. 1, Herzfeld announced that the fund's recently completed one-for-one, non-transferable rights offering was over-subscribed, raising \$18 million after deduction for expenses related to the offering.

The fund will issue 1,812,392 shares at a final subscription price of \$10.04 per share, which represents 85% of the average volume-weighted closing sale price at which shares of the fund traded on Nasdaq on the expiration date of Oct. 26 and the preceding four days. □

Details: Thomas J. Herzfeld Advisors Inc., PO Box 161465, Miami, FL 33116-1465. Tel: (305) 271-1900. Fax: (305) 270-1040. Email: herzfeld@bellsouth.net. URL: www.herzfeld.com.

## BUSINESS BRIEFS

### BRAZIL'S PETROBRAS WON'T GIVE UP ON CUBA

Brazilian state-owned giant Petrobras is taking another look at deep-sea exploration in Cuban waters in the Gulf of Mexico, Brazilian officials said Nov. 7.

"Petrobras is interested in oil prospecting in Cuba," said Miguel Jorge, Brazil's minister of development, industry and trade, at the annual FIHAV trade fair in Havana.

Diplomatic sources told Reuters that a high-level Petrobras delegation had visited Cuba in September and that a team of technical experts were in Havana for talks with Cuba's state oil company, CUPET.

Jorge said he didn't know whether any agreements would be signed during a visit Brazilian President Luiz Inacio Lula da Silva plans to make at the end of the month.

He said Brazil had ample deep-water technology and can build exploration platforms that are in short supply in the current rush to find new deposits spurred by high oil prices.

Petrobras prospected for oil in Cuba between 1998 and 2001, but withdrew after sinking an estimated \$16 million in a coastal wildcat well that turned out dry. In 2003, Petrobras studied seismic data on Cuba's Gulf of Mexico prospects but took no decision.

Interest in Cuba's Gulf of Mexico blocks picked up after Spain's Repsol-YPF SA discovered a small deposit of light oil in 2004 that was not commercially viable. Repsol has since joined forces with Norsk Hydro and India's ONGC Videsh. The consortium plans to drill a second well late next year.

### COPA TO STEP UP PANAMA-HAVANA FLIGHTS

Panama's Copa Airlines will increase the frequency of flights to Cuba in 2008. Representatives of both nations signed a cooperation accord with paves the way for the new flights, beginning in May 2008.

This accord will allow 500 additional visitors from Panama to arrive every day in Havana, via four daily flights to the Cuban capital. Weekly flights will now increase to 28, compared to the present 21.

Copa, a code-share partner of Houston-based Continental Airlines, currently offers 116 daily flights to 36 destinations in 21 countries throughout the Americas.

### IRAN MULLS J-V SHIPPING LINE, OIL EXPLORATION

Tehran and Havana have agreed to establish a joint shipping line to boost Iranian-Latin American trade, Iran's finance minister announced Nov. 5.

Iran's talks with Cuban officials have yielded positive results, Massoud Mir Kazemi said upon his return from the second trade meeting of the Non-Aligned Movement member states in Cuba, held Nov. 1-3.

Mir Kazemi also said Iran could use its vast experience to help Cuba explore oil in its Gulf of Mexico waters. He did not rule out Iran's future entry into the Cuban oil sector, reported *Al-Ittihad* of the United Arab Emirates.

He said contracts had been signed on trans-

port as well as specific industries in which Cuba seeks Iranian investment, he continued.

In mid-June, the two countries signed several memos of understanding as well as a 200 million euro (\$289 million) loan from Tehran. The loan will finance Iranian equipment for the transport sector, mainly in railroad material and vehicles; hydraulic machinery; and materials for the energy sector.

"Both countries have important business ties. Cuba needs train wagons and other Iranian products, and we are interested in Havana's well-developed biology projects," the minister said. "Venezuela intends to purchase Iranian agricultural products and construction materials. So, the deal will also help boost Iran-Venezuela trade relations."

### EMBARGO SCARES AWAY U.K. OIL PROSPECTORS

Gold Oil PLC and Minmet PLC have agreed to cancel an agreement relating to oil and exploration interests in Cuba and Latin America to allow Minmet to pursue opportunities in the United States, the companies reported in statements picked up by Thomson Financial.

"The Minmet board considered that opportunities in the U.S. and Cuba could not be pursued by the same company due to the long-standing U.S. embargo on doing business in Cuba," said Minmet.

The companies agreed to swap shares as part of the agreement, signed early this year and cancelled in October. The deal gave Gold Oil a 24.76% stake in Minmet and Minmet a 4.9% interest in Gold Oil.

With the termination of the deal, Gold Oil will sell its 8.3 million Minmet shares, and Minmet its 22.95 million Gold Oil shares. Proceeds from the sale will be distributed back to the companies.

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### CIEGO DE AVILA GYPSUM PLANT TO MODERNIZE

The gypsum extraction plant and refinery located in Punta Alegre, in northern Ciego de Avila province, is being modernized with an eye towards increasing production.

Despite its 30-year-old technology, some 250 tons of gypsum is processed monthly and delivered to Cuba's four cement factories.

Jorge Luis Pérez Rancaño, deputy director of the Building Materials Enterprise in Ciego de Avila, said the technology is being refurbished with new parts and components.

He mentioned a drilling set that was recently acquired including a forklift truck and a compressor.

On the industrial line, sieves used to classify the material were replaced by new ones, as well as conveyor belts and rollers. A setting furnace was renewed, and a new scales set up in the sack filling and weighing area.

Rancaño said three new trucks with a capacity of 23 cubic meters each will improve the transportation from the deposit to the processing plant, as they only had two old trucks available. This new equipment — along with the repair of an excavator — will allow the

plant to double its production.

One ton of gypsum currently costs \$90-100 on the world, while locally produced gypsum costs \$30-35. Punta Alegre contains 8 million tons of the mineral, which means there's enough to meet demand for at least 50 years.

### RUSSIA RESTRUCTURES POST-SOVIET DEBT

Russia's lower house of parliament on Nov. 16 ratified an intergovernmental agreement on restructuring Cuba's \$166 million post-Soviet debt to Russia.

Under the agreement, the debt will be restructured over a 10-year period, with a four-year grace period and a 5% rate for arrears. The debt is to be repaid in euros.

The deal, signed in Havana on Sept. 28, 2006, does not cover Cuba's debt to the Soviet Union, which is subject to separate discussions and is estimated at \$26 billion.

Meanwhile, trade between Cuba and Russia reached \$250 million in the first nine months of 2007. Russia's export of motor vehicles, aircraft and equipment for the Cuban energy sector constituted the bulk of this trade.

Government minister Ricardo Cabrisas said nine Cuban enterprises operate in the Russian market, while over 20 Russian companies engage in official talks with their counterparts on the island.

The Cuba-Russia Business Committee, created in April 2005, is formed by 82 Cuban companies and 80 Russian firms.

Russian interest has focused not only on traditional products but also non-traditional sectors like pharmaceuticals, biotech and IT.

Unofficial sources have said there is talk about a Russian offer to update Cuba's fleet of Lada cars — most of them 20 to 30 years old — including those sold to individual owners at preferential prices.

### CHINA, CUBA SIGN TV BROADCAST AGREEMENT

China and Cuba signed an accord in early November to extend broadcasting of TV programs in their respective countries.

The document was inked at the Cuban Embassy in Beijing by Grissel Pérez, general director of Cubavisión Internacional and Du Hao, manager of China International TV Corp.

Through an agreement signed last year, the Chinese distribute the Cuban TV signal in 150 international-level hotels in 15 provinces, mainly Beijing, Shanghai and Guangdong.

The new accord extends the service to 1,500 hotels, while Cuba will provide broadcasts to all facilities related to the tourism sector.

Since 2004, the Cuban Institute of Radio and Television (ICRT) similarly broadcasts programs by three Chinese TV channels in English, Spanish and Chinese.

The accords include documentaries, soap operas, music, cartoons, history and children's and nature programs subtitled in their respective languages.

Separately, Chinese and Cuban officials have signed other agreements, including one to renew the contract for the supply of Cuban nickel to China, another to exchange technicians and products related to the oil sector, and a third to jointly promote energy conservation.

## MEDICINE

# Singapore, Cuba fight dengue fever

Singapore and Cuba, both known for excellence in controlling dengue fever, have joined forces to work together on researching the scourge.

The *Straits Times* of Singapore reported Sept. 15 that besides coming up with findings to help over 100 tropical countries fight the mosquito-borne disease, the two nations also expect to feed off each other's experience.

For instance, Singapore, now hit by the type called Den-2, is looking to Cuba for cues on battling Den-3 and Den-4, which broke out there in recent years. These types of dengue could also hit Singapore, where people have low immunity to them.

A memo of understanding was signed between Singapore's Environmental Health Institute (EHI) and Cuba's Pedro Kouri Institute. The Genome Institute of Singapore will also be in the loop.

"Cuba has faced their own challenges. It is not really in an endemic region, so they have seen the cases more intermittently and this has allowed them to study the diseases better," said Yaacob Ibrahim, Singapore's environment and water resources minister. "So with the better knowledge that Cuba has gained, I think this will be very helpful for us in an endemic region."

Cuba, strong in biomedical research and in the race to find a dengue vaccine, had at least five epidemics between 1977 and 2002. It has poured \$50 million into a sustained dengue-control program.

Also heavily into researching the disease, the IPK has produced over 200 publications on dengue since 1982, noted Ibrahim.

EHI head Dr. Ng Lee Ching noted that because dengue was not endemic in Cuba, outbreaks there have been intermittent. Also, unlike in Singapore, only a single dengue type usually hits at a time, so it is easier to study the disease.

Two other differences exist between the two countries: One is that temperatures drop below 20 degrees C. in Cuba, which slows down breeding among the *Aedes aegypti* mosquito and also its ability to spread the disease.

The other difference is that people in Singapore live more closely together. The prosperous city-state's population density is 6,400 people per square kilometer, compared to Cuba's 100 people per square kilometer, which means the disease can spread more quickly in Singapore during an epidemic.

NEA's director-general for public health, Khoo Seow Poh, noted that Singapore and Cuba had independently come up with similar approaches to the war on dengue.

Both have homed in on eliminating breeding sites, involving the community and imposing big fines on individuals or firms caught breeding the *Aedes aegypti*.

In the area of involving the community, Cuba has a pilot project which trains retirees to help their neighbours spot and destroy mosquito breeding grounds in their homes, even when there is no outbreak. □

## MEDICAL BRIEFS

### CUBA'S VENEZUELA MISSION SAVES MANY LIVES

Some 40,000 Cuban health specialists serving in Venezuela have saved more than 57,000 lives in Venezuela since the beginning of the Barrio Adentro mission in April 2003, claims government news agency ACN.

Dr. Pablo Feal Cañizares, deputy director of the Cuban medical brigade in Venezuela, said that over 70% of the population living in remote regions of that South American country have benefited from the program.

Feal Cañizares said that the improvement of health indicators is reflected in the decrease of infant and maternal mortality rates. He pointed out that between 1995 and 2005, nearly 1,000 children died every year due to curable infections, diseases and HIV/AIDS.

The Cuban doctor noted that over 256 million medical examinations and 168 million educational activities have been carried out over the last four years in Venezuela as part of the Barrio Adentro mission.

The program involves 6,000 clinics, 388 polyclinics and 492 rehabilitation centers across the country.

### PROGRESS REPORTED IN RETINITIS PROGRAM...

Thanks to the development of a national program for the early diagnosis of retinitis pigmentosa in Cuba, treatments are more efficient and patients have been able to improve the quality of their life, reports program director Obel García Baez.

In a Nov. 16 article, he told *Granma* the disease's prevalence had jumped from 1.4% of the population in 1990 to 4.4% in 2004.

This figure includes 2,718 men and 2,378 women with higher rates in the eastern Cuban provinces of Granma, Las Tunas and Camagüey. The cases belong to 3,053 families and 24.3% of all cases are blood-related.

Retinitis pigmentosa is a degenerative, genetic disease that causes the progressive death of ocular cells called photoreceptors resulting in increasing loss of eyesight.

### ...BUT CUBAN EYE-CARE FALLS SHORT IN ANTIGUA

Not everyone in the Caribbean is happy with Cuba's much-hyped eye program.

On the small island of Antigua, residents are complaining that they've not been able to access the program for several months now.

One would-be patient told the *Antigua Sun* newspaper that his efforts to see a Cuban vision specialist was stymied when he was told by the clinic that the Cuban doctors had gone on vacation in August and had not returned.

He said that no explanation had apparently been provided to patients, neither has word been offered about when or if the eye program would be restarted.

Dr. Marcelino Fajardo, Cuba's ambassador to Antigua, said the initiative will be resumed as soon as a new agreement can be signed between the two governments.

Fajardo added that the lone ophthalmologist stationed in Antigua had completed her two-year term and has since returned to Cuba.

## Paper: Going to the dentist is no picnic in Cuba

Cuba's *Juventud Rebelde* has published a stinging criticism of the state of dentistry in Cuba.

Reuters, reporting on the expose, said a team of reporters from the state-run newspaper fanned out to 22 dental clinics in various provinces only to discover the problems were the norm, not exception in the free system of more than 1,000 facilities.

"The majority of the 22 clinics lacked adequate professional and technical personnel, more than half had passed through crisis due to a lack of water, dentist chairs, materials to fill cavities, significant delays for dentures," according to the article headlined "Dentistry Dilemma."

Other problems included services provided through underground clinics — at a price — and patients waiting for hours in offices with little air-conditioning and few toilet facilities.

The Oct. 28 report followed by just a week a similar critical article on healthcare in general and publication of a story in the Communist Party daily newspaper *Granma*, detailing teacher shortages and other prob-

lems in the education system.

Cuba takes pride in its free health and education systems as the two most important achievements of the socialist society built after the revolution led by Fidel Castro in 1959 and official criticism is rare.

But the economic crisis that hit Cuba after the Soviet Union collapsed in 1991 and tougher U.S. sanctions have taken a toll, National Director of Dentistry Dr. Armando Mojaiber de la Peña was quoted as saying, with Cuba's annual hard-currency budget cut dramatically since the 1980s and 1990s.

Mojaiber de la Peña told *Juventud Rebelde* that thousands of dentists and technicians were being trained, more resources were flowing into the system and dentists who charged for services pursued.

"Today our data compares with developed countries; 68% of Cuban children up to age 5 have no cavities and 90% of the population up to 18 years have all their teeth," he said.

After that, Mojaiber de la Peña admitted, dentures may be hard to come by, with Cuba currently producing only half of its annual denture demand.

## FOREIGN INVESTMENT

# Blacklisted British online entrepreneur gives up on Cuba

BY VITO ECHEVARRÍA

Since the mid-1990s, Stephen A. Marshall had been a fixture within Havana's expatriate community.

The 38-year-old businessman, originally from Yorkshire, England, had come to Cuba to start up a venture dedicated to providing online travel services. He was often seen entertaining friends and business clients at the Club Nautico, near his office at the Marina Hemingway complex in western Havana.

Marshall's firm, Tour and Marketing International Ltd., registered in the British Virgin Islands, served a growing clientele through his primary website, GoCubaPlus.com, and over 100 related sites (see our profile of Marshall, *CubaNews*, March 2004, page 8).

During the late 1990s, he even used a companion site, RealEstateCuba.com, to dabble in selling the limited number of luxury condos that the Cuban government allowed to be constructed and sold to wealthy foreigners looking for a second home in Havana.

In 2005, *European Business* magazine reported that Marshall's 2004 revenues from his online Cuba travel business came to 1.06 million euros (a little over \$1 million).

But lately, Marshall's websites seem to have disappeared into the ether.

Not long ago, the U.S. Treasury Department's Office of Foreign Assets Control added most of them to its list of Specially Designated Nationals (SDNs).

Under OFAC regulations, persons subject to U.S. jurisdiction are barred from doing business with any entity or individual on the SDN list. This means U.S. citizens or groups who are licensed to travel to Cuba cannot make their travel arrangements through any of Marshall's travel sites; they may only use travel agents authorized by OFAC to make bookings to Cuba.

OFAC also says that foreign firms active in Cuba and conducting business on behalf of Cuban entities are "nationals of Cuba" for the purpose of barring Americans from doing any business activity with them.

"If his company is totally dedicated to promoting tourism in Cuba, that makes him a 'national' of Cuba," said Hal Eren, a Washington attorney and former OFAC official familiar with the agency's sanctions program. "His business' exclusive dedication is for Cuba, which makes him eligible for the SDN list."

Reached by phone in the Canary Islands, Marshall declined to comment on OFAC's activities against him. But he confirmed that he indeed pulled out of Cuba over a year ago.

"The investment climate in Cuba changed when China and Venezuela started cutting deals with Havana," said the entrepreneur, who now runs Online Travel Management.

He added that along with the more favorable investment climate in the Canary Islands, he's also eyeing real-estate opportunities in

the West African nation of Cape Verde.

Marshall's comments are consistent with those confidentially made to *CubaNews* a year ago by a Canadian web entrepreneur who asked not to be named. That Canadian also left Havana because of Cuba's lack of interest in attracting foreign investors.

Cuba's changing priorities seem to be raising questions about the future of the island's e-commerce sector, which was made possible by tech-savvy foreigners like Steve Marshall and one-time competitor Robert Sajo, creator of the Cuban government's commercial portal [www.cubaweb.cu](http://www.cubaweb.cu).

Eren said that Marshall could have prevented his travel service from being designated a "national of Cuba" had he also conducted online travel bookings to other countries like the Bahamas or Jamaica.

According to an OFAC press release issued in December 2004, Marshall's firm became a "national of Cuba" because it was "the official tour operator representing the Cuban government's Agencia Receptora Ecotur SA, one of Cuba's largest local agencies."

Marshall's inclusion on the SDN list may seem overblown to those who know him personally, since he only engaged in online travel bookings, and because the SDN list also cites nefarious people linked to drug-trafficking rings and terrorist groups like al-Qaeda.

Meanwhile, a businessman engaged in his own e-commerce venture told *CubaNews* that most of Marshall's domains are registered at

the U.S.-based <http://enomcentral.com>.

"So, if OFAC did not shut him down, an internal review of Enom could have found Stephen to be a client it needed to distance itself from and shut him down from the domain registration side," said the businessman, who asked not to be identified for this article.

OFAC spokesman Andrew DeSouza would not confirm or deny reports his agency had a direct hand in shutting down Marshall's sites.

In an email to *CubaNews*, DeSouza said "the regulations administered by OFAC generally prohibit persons subject to U.S. jurisdiction from providing services to those on the SDN list."

Therefore, Enom would certainly have been subject to legal pressure from OFAC regarding Marshall's sites. Said Eren: "If his sites were based elsewhere, that wouldn't be the case."

This would explain the continued existence of Marshall's companion site, [www.digital-panorama.net](http://www.digital-panorama.net).

According to *CubaNews* sources, that site has an IP location in the Bahamas — effectively shielding it from legal action by OFAC or any other U.S. government agency. □

*Details: Stephen Marshall, Managing Director, Viajes Tenerife VIP/Estival Tour Las Américas, Local 1ro, Centro Comercial Villa Blanca, Av. de Austria 36, San Eugenio Alto, Costa Adeje 38660 Santa Cruz de Tenerife, Spain. Tel: +34 922 751752. Fax: +34 922 798574. Email: [smarshall@onlinetravelmanagement.com](mailto:smarshall@onlinetravelmanagement.com).*

## Paper studies U.S., Cuban tourism cooperation

An analysis of the potential relationship of U.S. and Cuban tourism interests by Sergei Khrushchev and two co-authors, published in the November 2007 issue of the *Cornell Hotel and Restaurant Administration Quarterly*, suggests that the U.S. hospitality industry can begin to help bridge the economic gap between Cuba and the United States.

As the son of the former Russian premier, Khrushchev has the unusual position of living in the United States but having dealt with both the Cuban people and Fidel Castro. Khrushchev is now a senior fellow at the Watson Institute for International Studies at Brown University.

Khrushchev's co-authors are Tony L. Henthorne, Ph.D., chair of tourism management and professor of marketing at the University of Southern Mississippi, and Michael S. LaTour, Ph.D., chair and professor of marketing at the University of Nevada, Las Vegas.

The article explains the three scholars' personal experiences and their recent qualitative research in Cuba.

The authors found a deep distrust between the people of the two countries, while, at the same time, U.S. dollars are desired in the Cuban economy. The authors contend that, if the current embargo were lifted, U.S. hospitality industry-sponsored research could be a way for the United States to get its "foot in the door" in Cuba, while dispelling some of the distrust.

"We see a historic opportunity for profitable investment in a 'new Cuba,'" says the analysis. "Not only can the U.S. hospitality industry participate in shaping that new Cuba, in partnership with locals, but we contend that now is the time to advance prescriptive, forward-thinking insight designed to shift the thinking of the U.S. business community about Cuba and, in so doing, shift the thinking of the Cuban government, businesses, and people about their neighbors to the north."

The article, "Cuba at the Crossroads: The Role of the U.S. Hospitality Industry in Cuban Tourism Initiatives," is accessible for a limited time at <http://cqx.sagepub.com/cgi/reprint/48/4/402>.

## Diplomats — FROM PAGE 7

ana assignment — there were 50,000 bicycles in Cuba.

“Three years later, there were 800,000 bicycles, mostly the heavy Chinese kind, and no fat people at all,” he said. “It was a sad time to be there. We of course sat and watched. People thought the end was near. When I stopped in Miami on my way to Havana, I saw bumper stickers reading ‘Christmas in Havana,’ and those people actually believed it.”

Yet Flanigan says this was wishful thinking on the part of the Cuban exile community.

“What most people seem to forget is that this was a country under the control of a very rigid army and Ministry of Interior. They control all the communications and all the weapons — and there was no desire on the part of Fidel Castro to permit anything to open up. Sure there were dissidents, a handful of them, but they were arrested and put in prison.”

Regarding U.S.-Cuba relations during his tenure, Flanigan said: “Inertia is an important

## VICKI HUDDLESTON (1999-2002)

The first woman ever to head USINT, Vicki Huddleston had already served as coordinator of the State Department’s Office of Cuban Affairs before beginning her stint in Havana.

But she didn’t have a lot of breathing space, because the Elián González affair exploded onto the world’s headlines in January 2000, only a few months after her arrival.

“President Clinton had decided he’d change our policy on Cuba, even though when he was first elected, he had promised the Cuban American National Foundation that he’d bring the hammer down on Fidel, which he did. This led to passage of the Cuban Democracy Act,” she said.

Even so, Clinton permitted people-to-people travel, church exchanges and bilateral sporting events.

“Cuban-Americans were allowed to travel there at least once a year, and many people thought the Clinton administration would eventually lift the travel ban,” she said. “I believe that’s where we were headed, and I believe

“My proudest moment was when Jimmy Carter went to the University of Havana and called for the Cuban government to allow an up-or-down vote on the Cuban constitution. That was an amazing moment, and it showed just how much might be achieved in Cuba.”

Huddleston added: “Many people in Miami supported what we were doing, but the more conservative Cuban-Americans did not, and so the Bush administration decided to change the policy.”

After leaving USINT, Huddleston was named U.S. ambassador to Mali. In retirement, she’s now a visiting fellow at the Brookings Institution, where she directs the “U.S. Policy Toward a Cuba in Transition” project.

“It’s isolation that keeps Castro going. That is why U.S. policy is hugely at fault for propping up this regime,” she said.

“Unfortunately, our relationship has broken down, and Dagoberto [Rodríguez, ex-chief of the Cuban Interests Section in Washington] told me they haven’t spoken with the principal U.S. officer in Havana since I left five years ago. I wish they would; they need to.”

## CONCLUSIONS

Huddleston’s colleagues have all reached conclusions of their own, with Smith insisting that Raúl Castro, the man now running Cuba, sincerely wants to reform the system.

“He’s in charge of the armed forces, and they are deeply involved in the economy, and in a very constructive way. They’ve shown themselves to be good businessmen,” said Smith. “But there is Fidel, still in the background. Many of the decisions Raúl wants to make, Fidel wouldn’t approve of. So Raúl doesn’t want to move too far too fast.”

Ferch discounted the idea Fidel remains a key factor in the decision-making process.

“Fidel Castro is already gone,” he said. “If you had a panel of physicians up here rather than ex-Foreign Service officers, you might be hearing that a man in his condition cannot be making decisions.”

Ferch added: “The Cuban hierarchy was very realistic and pragmatic. I assume that characteristic is still there, so I have little doubt that if we engage them, they’ll engage us in a realistic manner. They’re not acting out of ignorance or emotions, but rational thinking.”

Taylor predicted a transition to a more open society.

“It’ll still be very controlled. It’ll be a system like China or Vietnam where you have no political rights,” he said. “But even the Chinese people are more free today than they’ve ever been in the history of China.”

Flanigan said anything Washington does now must be in its own interests “because I don’t think we can expect reciprocity, especially given the current situation in Havana.”

However, he added that there’s a “risk-reward ratio” in dealing with Cuba that all political operatives must keep in mind.

“It’s not just a bilateral relationship; it’s emotional, and there are votes involved,” he said. “Yes, we’ve missed chances, but it’s not the end of the world. We should look forward and find opportunities to make it work.” □



Five ex-USINT chiefs sound off on Cuba policy during a Nov. 14 event at Washington’s Brookings Institution.

thing in diplomacy, and inertia took hold for the three years I was there. Not much happened. Cuba wanted to make sure the U.S. wasn’t a problem, so they tried to maintain a decent relationship, though they didn’t do anything to make it a more productive one.”

Neither did the United States, apparently.

“We had very few opportunities to make real progress,” he said. “One of them might have occurred while I was there, but it didn’t.”

“After all, we had an election and a new administration which at least had some people who were sympathetic to improving the relation a little. But in the end, they just continued the same old policies.”

Flanigan seems not to have had much luck cultivating official sources at the top.

“Carlos Aldana was considered the prime minister, but he quickly disappeared from the scene [in September 1992]. I never talked to him,” he said.

“My contacts with the Cuban government were steady, regular and correct, but also testy and at a relatively low level.”

In the end, he said, “we missed opportunities, but I’m not sure they were real. Fidel needed us more as an enemy than as a friend. We could have taken steps to open up, but I’m not sure he would have reciprocated in any solid way.”

100% that Fidel used that little boy Elián in order to stop the Clinton administration from moving any further. Much more than that, it reinvigorated a very tired revolution.”

Huddleston recalled gazing out the 5th-floor window of her office and seeing the anti-American marches growing larger by the day — first thousands of people, then tens of thousands, and finally hundreds of thousands.

“These were all organized demonstrations, and everyone had to come, but every Cuban I knew, from dissidents to civil servants, agreed that Elián had to come back. It gave Fidel the greatest cause he could ever hope for.”

Even after George W. Bush became president, Clinton’s people-to-people measures were continued; at the same time, Huddleston earned the wrath of some Cuban officials for distributing thousands of cheap, \$10 AM-FM-shortwave radios to whoever would accept them (see our exclusive profile of Huddleston in the July 2005 issue of CubaNews, page 8).

“When the Bush administration came in, the new measures were continued. Our interests section began distributing books all over Cuba. It was a hugely vibrant time,” she said, noting that dissident Oswaldo Payá, founder of the Varela Project, was able to gain 10,000 signatures on a petition seeking a referendum to change Cuba’s constitution.

## CALENDAR OF EVENTS

If your organization is sponsoring an upcoming event, please let our readers know! Fax details to *CubaNews* at (301) 949-0065 or send e-mail to [larry@cubanews.com](mailto:larry@cubanews.com).

**Nov. 27:** "Rebuilding Cuba: The Critical Issues." Private seminar at Riviera Country Club, Miami, to discuss possible funding strategies for privatization, confiscated properties and the reconstruction of a new Cuba. Speaker: Thomas Herzfeld. *Details: Babun Group Consulting, PO Box 546135, Miami, FL 33154. Tel: (305) 884-0441. Email: mail@babungroup.com.*

**Dec. 1:** "Cuba: What to Expect," Westin Colonnade Hotel, Miami. Speakers at all-day event include Brian Latell, Frank Mora, Alcibiades Hidalgo, Eugenio Yáñez, Carlos Alberto Montaner, Orlando Gutiérrez, Andy Gómez, Marcos Antonio Ramos, Hans de Salas, Steven G. Ullman, Jorge Piñón, Antonio Jorge, Mario González Corzo, Jorge Pérez-López, Susan K. Purcell, Otto G. Reich, Pamela Falk, Damian Fernández, Mauricio Claver, Bruce M. Bagley. Keynote speaker is U.S. Commerce Secretary Carlos Gutiérrez. Cost: \$45 including lunch. *Details: Cuba Transition Project, University of Miami, PO Box 248174, Coral Gables, FL 33124-3010. Tel: (305) 284-2822. Fax: (305) 284-4875. Email: ctp.iccas@miami.edu.*

**Dec. 5:** Cuba session on final day of 31st Miami Conference on the Caribbean, Hotel Inter-Continental. Cost: \$800. *Details: Caribbean-Central American Action, 1818 N St. NW, #310, Washington, DC 20036. Tel: (202) 466-7464. Fax: (202) 822-0075. URL: www.c-caa.org.*

**Dec. 8-15:** Study tour to Cuba for students and staff at London Metropolitan University. Tour "to take in aspects of Cuban history, economy, conservation and architecture as well as music and culture." Cost: £888 (inc. airfare from UK, five nights at Hotel Habana Libre, guides, transfers, etc.). *Details: IISC, London Metropolitan University, 166-220 Holloway Road, London N7 8DB. Tel: +44 20 7133-2405. Email: stephen.wilkinson@cubastudies.org.*

**Dec. 12:** "The Scientific Revolution in Cuba: Highlights and Future Prospects," London. Speaker: Luis Alberto Montero-Cabrera, Consejo Científico, University of Havana. No charge. *Details: International Institute for the Study of Cuba, London Metropolitan University, 166-220 Holloway Rd, London N7 8DB. Tel: +44 20 7133-2405. Email: admin@cubastudies.org.*

**Feb. 5-6, 2008:** "Cuba After Fidel Castro: A New Era in Havana." Brookings Institution, Washington. Speakers: Vicki Huddleston, Jaime Suchlicki, Mark Falcoff, Ann Bardach, Philip Peters, Francisco Hernández, Julia Sweig, Daniel Erikson, William Leogrande, Riordan Roett, Peter Hakim, Carlos Saladrigas, Carmelo Mesa-Lago, Marifeli Pérez Stable, Andrés Gómez, Jorge Piñón and Kirby Jones. Cost: \$1,875. *Details: Brookings Institution, 1775 Massachusetts Avenue NW, Washington, DC 20036. Tel: (800) 925-5730. Email: registrar@brookings.edu.*

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