China celebrates ‘new start’, invests in port, golf project

BY JOHANNES WERNER

In a cryptic answer to skeptics who point out the limited scope of Chinese investments in Cuba, President Xi Jinping described his recent visit to the island as a reset of economic relations.

“We resolved by mutual agreement to jointly open a new chapter of the friendly cooperation between China and Cuba for mutual benefit, with an eye on further developing the bilateral ties from this new historic starting point,” he said, according to Communist Party daily Granma.

Xi also answered skeptics in kind, by witnessing in Havana the signing of 29 agreements, including two that will modernize the port of Santiago, China’s highest-profile investment yet in Cuba (see map next page).

In addition, a Chinese real estate development company agreed to set up a joint venture to build and operate a residential golf community just east of Havana (see sidebar, next page).

To be sure, even though the two projects may add up to several hundred million dollars, they aren’t the key investments some observers had hoped Xi would bring to Cuba, the last of four stops on his Latin America tour.

While Xi brought billions of dollars worth of agreements to Brazil, Argentina and Venezuela, Chinese investments in Cuba are still not as high-profile as those of Brazil and, more recently, Russia (see page 11). Despite preliminary agreements years ago, big investments such as a new oil refinery, in offshore oil drilling, or in nickel mining have not materialized.

At a meeting with Xi, Raúl Castro proposed the two sides establish a special working group to push for the construc-

U.S. crackdown puts remittance services under pressure

BY VITO ECHEVARRIA

The Obama administration’s billion-dollar crackdown against BNP Paribas and other European banks over U.S. dollar transactions with Iran, Sudan and Cuba is having a chilling effect on the international remittance business, which has also come under increasing U.S. money laundering scrutiny.

“All money transfer businesses are being affected by U.S. Treasury fines on banks, in turn, seek to reduce risk by not having business with money service (firms) because their activity entails a third-party liability risk,” says Manuel Orozco, an expert of the Latin American remittance business with Washington-based think tank Inter-American Dialogue.

U.S. money laundering scrutiny was highlighted in a May 29 report by the staff of Rep. Darrell Issa (R-Cal.) that criticized the U.S. Justice Department’s “Operation Choke Point” for pressuring banks to shut down what it deemed as legitimate but “high risk” businesses such as money transfer firms. The report mentioned that DOJ issued over 50 subpoenas to banks and payment processors by December 2013.

The U.S. scrutiny makes ripples beyond the United States, as at least one major third-country money transfer operator has recently pulled out of Cuba.

Money transfer agencies that let Cuban-Americans wire vital financial assistance to their island relatives have a major impact on the Cuban economy. Remittances to Cuba total an estimated $2.77 billion a year, according to Miami-based The Havana Consulting Group, exceeding hard-currency revenues from

See Chinese investments, page 2

See Remittance services, page 4
Chinese investment in construction of a multi-purpose terminal at the Port of Santiago will exceed $100 million. The project includes 200 meters of dock, a basin of 11 feet depth, two warehouses, and three gantry cranes and other cargo-handling equipment, accommodating vessels of up to 40,000 tons.

While this is a boost from the port’s current maximum capacity of 25,000-ton ships, it is much below the 60,000 ton-plus Panamax and post-Panamax ships the new container terminal at Mariel can handle.

Construction is funded with a line of credit by China’s Eximbank, for an undisclosed amount.

During his Cuba visit, Chinese President Xi Jinping toured historical landmarks in Santiago, but not the port.

GRAPHICS: ARMANDO PORTELA

Bellomonte: A golf project with a history

BY JOHANNES WERNER AND VITO ECHEVARRIA

Chinese President Xi Jinping looked on during a high-profile ceremony in Havana July 22, as Wang Dong, president of Beijing Enterprise Group Real Estate Co. Ltd., signed a memorandum of understanding with state company Grupo Palmares to create a joint venture — Bellomonte S.A. — that plans to build a golf community near Playa del Este.

Beijing Enterprise Group Real Estate Co. is a subsidiary of Beijing Enterprises Group Co. Ltd., a state-controlled company focusing on municipal utility companies. The company is listed on the Hong Kong Stock Exchange.

Beijing Real Estate joins four golf investor groups that have already set up joint ventures with Palmares. None of the ventures has broken ground yet.

The group that is most advanced is London-based Esencia Group. In May 2013, Esencia reached a formal agreement with the Cuban government to build the $350 million Carbonera Club golf course community near Varadero, with construction planned to begin in 2014.

A one-time promising project, Bellomonte Golf and Country Club was supposed to have been built in Playa del Este, just a short distance east of Havana off the Via Blanca highway (see map next page). The Bellomonte joint venture with Palmares collapsed when two top executives of the British investment firm that was putting it together, Coral Capital Group Ltd., spent months in pre-trial detention at a Havana prison on various allegations centering on corruption, before being convicted on minor charges and
**CHINESE INVESTMENTS**

**FROM PAGE 2**

Presidents Xi Jinping and Raúl Castro on July 22 in Havana witnessed the signing of 29 agreements. They include:

- A five-year purchasing agreement by China Minmetals Corp. for Cuban nickel.

- Chinese state oil company CNPC agreed to increase oil production in the Seboruco onshore field, east of Havana. CNPC also agreed to provide drilling equipment for depths up to 30,000 feet. In a press release, CNPC said they will help Cuban state oil company Cupet “lower operation cost of some existing oilfields and enhance the crude production and recovery,” and “provide 9,000m drilling rigs and supporting services to facilitate the exploration and development of Cuba’s offshore oilfields.”

- A memorandum of understanding for cooperation in the area of renewable energy and energy savings, signed by Xu Shaoshi, president of the National Commission for Development and Reform, and Energy and Mining Minister Alfredo López Valdés. The agreement includes “information exchange and advice on policies, regulations, forecast, technologies, projects and training.”

- A memorandum of understanding on health, for cooperation on healthcare policies, public health and medical services, medical education, prevention and control of chronic diseases, biotechnology, and natural and traditional medicine.

- A memorandum of understanding to extend and deepen a 10-year old cooperation agreement on biotechnology. The agreement was signed by Xu and Foreign Trade and Investment Minister Rodrigo Malmierca.

- China Development Bank chief Hu Huaibang signed agreements that grants Cuba two loans, amount and conditions undisclosed, for the purchase of telecommunications equipment, as well as for the equipment for construction of three biopesticide plants and a high-security lab.

- China is providing an interest-free loan and makes a donation — amounts undisclosed — for the “execution of projects or supplies of material and equipment,” according to official daily Granma.

- China also agreed to postpone Cuba’s payment of an interest-free loan granted in 2003.

- Another agreement initiated Phase 2 of the implementation of digital television in Cuba, including shipment of Chinese equipment.

- China will supply water measuring equipment for the water supply systems of provincial capitals in Cuba.

- A Cuban state company in Ciego de Ávila will install an aseptic bottling line made by China’s Doy-Pack.

- A framework agreement for cooperation on “cyberspace issues”, signed by Lu Wei, director of China’s State Office for Cybersecurity and Information, and Foreign Minister Bruno Rodríguez.

- A memorandum of understanding to deepen cooperation in telecommunications and information technology, signed by Deputy Minister of Information Technology Liu Lihua and Communications Minister Maimir Mesa Ramos.

- A memorandum of understanding for cooperation in the machine building, metals, chemicals, electronics and light industries. The agreement was signed by Liu and Industry Minister Salvador Pardo Cruz.

- A framework agreement to establish an agricultural demonstration project.

**BELLOMONTE**

**FROM PAGE 2**

Sketch of Coral Capital’s Bellomonte project

allowed to return to the UK. Coral Capital’s assets were reportedly confiscated by the Cuban government.

Neither Coral Capital nor Beijing Real Estate executives responded to inquiries by CubaNews.

**SMASH AND GRAB?**

A British businessman in Havana, who declined to go on the record, expressed his outrage at the Chinese deal, saying the Cuban government favors business with state companies over private investors “who make trouble when they don’t receive timely payments from Havana.” He accused the government of staging corruption trials as a pretext for a “smash and grab” against foreign investors.

In the trial against Canadian businessman Cy Tokmakjian, the Cuban prosecutor is seeking Tokmakjian “repay” $90 million in “damages to the Cuban economy,” partly with assets seized from Tokmakjian by the Cuban government.

Other foreigners are more sanguine. “Notwithstanding some concerns, I remain bullish about foreign investment in Cuba,” said Greg Biniowski, a Canadian lawyer, asked about Bellomonte. “Obviously, there should be clear rules regarding confiscation and efficacious and strict implementation of these rules, in order to maximize investor confidence.”

Adds Arch Ritter, a professor of economics at Carleton University in Canada: “I think that a clearer definition of what is legal and illegal would be of benefit to foreign investors and governments. For a couple of decades, for example, it was illegal but tolerated for foreign companies, embassies and international institutions to make under-the-table salary supplements for their employees. Clearing this up would be beneficial, that is, permitting them openly and taxing them.”

**Havana**

![Map of Havana](https://example.com/havana_map.png)

**Bellomonte**

![Map of Bellomonte](https://example.com/bellomonte_map.png)
BANKS CLOSING MTO ACCOUNTS

It is these smaller agencies that stand to lose most. Already, as Washington is pressing both U.S. and foreign banks to stop doing business with entities that may be used for money laundering, banks have grown increasingly leery of conducting business with money transfer operators (MTO) and agents.

“Unfortunately, I am all too familiar with the problem of money transmitters losing bank accounts for reasons totally out of their control, including banks’ concerns about government regulation,” said Andrew Ittleman of Miami law firm Fuerst Ittleman David & Joseph, PL. “I am also familiar with money transmitters losing accounts because the banks or credit unions where they banked were explicitly told by regulators to stop doing business with money transmitters.”

ripples beyond the united states

Servixpresto, a Costa Rica-based provider of remittances that does business for clients in Latin America and Europe, had to stop its Cuba service, according to Miami businessman Hugo Cuevas-Mohr, whose Mohr World Consulting organizes International Money Transfer Conference events in Miami, Brazil, Mexico and Turkey.

“Even if Costa Rican banks could handle the wires to Fincimex — the state-owned Cuban company that makes payments in Cuba — those wires go through correspondent banks, and those banks — large international banks — would stop (or curtail ... the wire transfers,” Cuesta-Mohr said. “For a while, Servixpresto sent the money to a Panamanian bank, who in turn issued a cashier check that was hand-delivered to another bank in Panama to credit the Fincimex account, avoiding the wire transfer hurdles. Now, most of those remittances go through Europe, where the problems are less, banks are more open, but the costs triple.”

Switching from dollars to, say, euros, adds so much cost customers would likely switch back to old-fashioned mulas, he adds.

RISING MONEY LAUNDERING SCRUTINY

The average remittance company operating in the U.S.-Latin America corridor has undergone more than two account closures per year due to U.S. pressures, says Inter-American Dialogue’s Manuel Orozco.

“The consequences of these closures are disturbing and manifold; they increase barriers to entry in the competitive marketplace, they create stereotypes associating these businesses with illicit activities, they increase operating costs for money transfers for U.S. consumers, they could potentially shut down a business if no other depository options were available, and lastly, they risk shifting funds into informal, underground business channels which are completely opaque to U.S. law enforcement,” Orozco said in an email message to CubaNews. “It is essential to mitigate risk, and strengthen confidence in the reliable services these financial intermediaries provide to millions of households.”

CUBA SANCTIONS: AN ADDITIONAL HEADACHE

Cuevas-Mohr confirmed the chilling effect on U.S.-licensed Cuba remittance businesses.

“Small to medium-sized money transmitters in the U.S. have kept themselves away from Cuban remittances because they don’t want to add another layer of problems to the ones they already have,” he said. “So, well-known Florida companies like Rapid-Evios, Intermex, GiroSol, and South Exchange have been very cautious with Cuban remittances.”

As have the third-country businesses U.S.-based agencies work with.

“Some companies used to work with Canadian companies — not anymore, since Canadian companies are also stopping Cuban remittances coming out of the U.S.” Cuevas-Mohr said, adding that many U.S. agencies are going through a precarious time.

“Cuban transmitters have been able to keep operating since they downplay the importance of remittances with other services, such as packaging, travel, media... Some banks will look the other way, especially if the name of the entity doesn’t mention envios, remesas, etc. I know a few that have been instructed to use names that don’t mean anything. But the problem comes when they need to wire funds, and that also can be tricky. (These) companies play a number of games to avoid detection — I don’t mean illegal ways, just managing amounts, names, and frequencies.”

Licensed bricks-and-mortar agencies in Miami declined to comment to CubaNews for this article.

Most U.S. investigations are about mundane transactions. Ittleman, the Miami lawyer, says he personally handled cases involving Miami-based Cuba money transfer agencies that were subject to investigations.

“Fortunately, in most of those cases, it was the state of Florida as opposed to the federal government leading the enforcement action,” he said. “In those cases, I was surprised to learn that the state did not want to touch the Cuba issue, and focused instead on technical violations that had nothing to do with Cuba. Those cases taught me a lot about politics in Miami.”

THE WINNERS: MULAS AND WESTERN UNION?

Rising federal scrutiny could have one possible outcome: the biggest player could emerge as the victor of a shakeout.

“Soon enough, Western Union will be the only one standing, with a monopoly on the Cuba remittance market and consequent high prices,” said a lawyer with a New York sanctions compliance firm.

In the meantime, Cuban families are the biggest losers. Remittance consultant Cuesta-Mohr says that one of the short-term effects of the federal crackdown has been a return to — unreliable — informal channels.

“People are taking the cash to Cuba, and the old-time cash couriers of the 70s are coming back to a number of corridors,” he says.

Think-tank analyst Orozco believes that Washington, instead of being part of the problem, could be part of the solution in maintaining legitimate remittance services for Cuba and other markets.

“Among these solutions are joint money transfer screening boards integrated by money transfer companies, banks, and regulators from the U.S. Treasury Department,” he said. “These boards could consist of a shared data clearinghouse that would aggregate and analyze all transactions originating from all MTOs and agents, thereby helping regulators and MTOs identify patterns of risk.”

Vito Echevarria, a New York-based freelance journalist, has written for CubaNews since our establishment in 1993.
Reformers handle stagnation with little transparency

BY DOMINGO AMUCHASTEGUI

It is not an issue of semantics. When your economic growth keeps lingering year after year around 2%, while economists are saying that what is needed should be somewhere between 5-7%, and all of a sudden you are slowing down to 1.4%, then you’re facing stagnation. And that’s a problem.

Yet Cuban key officials – Raúl Castro, Economy Minister Adel Yzquierdo and chief reform coordinator Marino Murillo – refer to these unpleasant facts as just desaceleración, or slowdown.

Pavel Vidal — a former Central Bank economist who now teaches in Colombia — reminds us that “all the growth indicators since the beginning of the reform in 2008 have fallen well behind plans.” The official average growth goal for 2011-2016 was originally set at 5.1%, and later adjusted to 4.4%. But taking into consideration the latest facts and the slow pace of reform, Vidal and his colleagues are now predicting an average somewhere around 2%.

In his closing remarks in the mid-year operations and were paid $5.41 an hour, worked under the guise of civic programs, including an HIV prevention workshop.

The program was started even as another USAID contractor, American Alan Gross, had been sentenced to a long prison term in Cuba.

USAID hired Washington-based Creative Associates International for the program. The same company was central to the creation of ZunZuneo, a “Cuban Twitter” revealed in April by The Associated Press.

Sen. Patrick Leahy (D-Vt.), chairman of the Senate subcommittee that oversees USAID, said in response to the AP story: “It may have been good business for USAID’s contractor, but it tarnishes USAID’s long track record as a leader in global health.”

GROSS BIDS FAREWELL TO FAMILY

A lawyer for USAID subcontractor Alan Gross said that his client cannot take life in prison much longer and has said his goodbyes to his wife and a daughter, according to AP.

Gross, who has spent more than four years in prison, was arrested in Cuba in 2009 while working covertly to set up Internet access.

His attorney, Scott Gilbert, said in a statement that his client “has withdrawn” and told him “life in prison is not a life worth living.”

Cuba considers USAID’s programs illegal attempts by the U.S. to undermine its government, and Gross was tried and sentenced to 15 years in prison.

CLINTON REPEATS NORMALIZATION CALL

Hillary Clinton, in an interview with Fusion, a program aired by the Univision network, repeated her call to end the Cuban embargo.

“I think it has propped up the Castros because they can blame everything on the embargo,” the Democratic front runner for the presidential candidacy told host Jorge Ramos.

“I would like to see us move toward normalizing relations eventually and therefore more Americans back and forth. That’s something President Obama did and I supported the first term. We do have our own political prisoner in Cuba, Alan Gross, a man who’s been, you know, thrown into prison and not being given a chance to come home to his family so I’d like to see that resolved. And I would like to see us move toward ending the embargo and trying to, by our example, by commerce, by all kinds of visits, you know, help the Cuban people have a different future.”

Asked by Ramos whether she was “interested in a Nixon moment,” Clinton answered: “You know, some day I’d like to go to Cuba. I would someday, yes.”
DOMINGO ON CUBA

not one specific case, name or position was published.

- Only 249 of the 498 non-agricultural cooperatives planned for 2013 have been established. This is not only well behind plan, but there are also signs of state intrusion in these newly formed cooperatives. Several ministers and other officials use the term “control” in connection with cooperatives and self-employed Cubans. This kind of wording goes counter the official discourse concerning the institutional, social, and financial independence of both sectors.

- The report from Minister of Agriculture Gustavo Rodriguez Rollero showed, once more, how far away state policies still are from achieving the goal of bringing domestically produced food on all tables. Agriculture involves a workforce of almost 1 million people but continues to represent only 4% of GDP. Out of 63 million hectares of arable land, only 2.64 million hectares are under cultivation. The 4,259 agricultural cooperatives are still facing distortions and violations; a system-wide inspection graded 63% of cooperatives as “bad or deficient” (malo o regular).

Putting an end to the Unión de Acopio (the state food purchasing monopoly that implemented forced procurement at fixed prices), as announced during the parliamentary session, might be a positive step. The new marketing mechanisms replacing Acopio should not replicate the much-hated state monopoly, but expand market mechanisms based on supply and demand.

According to official reports, lawmakers (no names published) spoke about “discontent among farmers and cooperatives.” “Because of the many defaults, they are not being paid by state entities, which represents a violation of existing contracts,” said a very short summary published by Granma.

Contrary to Raúl Castro’s directives seven years back, domestic demand for milk still has to be satisfied in part with imports. Eighty percent of dairy cattle is in non-state hands, but these farmers depend on supplies at unacceptable prices from state entities that fail to provide what is needed.

Transformations in agriculture, Vidal points out, started in 2008, but gradually and partially, guided by experiments. This “has shown not to be the best strategy to liberalize this sector,” Vidal says.

- Food Industry Minister María del Carmen Concepción highlighted two key issues. First, 90% of food processing plants are old, some dating back to the early decades of the 1900s. Second, the food industry requires investments and new technologies for packaging and containers.

- Private businesses seem to get little bank funding. State banks have provided 2.48 billion pesos (CUP) in loans to private customers in 2013 (US$100 million, according to the retail exchange rate). But instead of being used for startups and expansion costs of small businesses and cooperatives, 61% of the credits were for home improvements.

- Not one word was uttered concerning much-needed articulation of growing private businesses and cooperatives with the external sector. Marino Murillo, disappointing those eagerly waiting for a detailed report on whether the new investment law and the Mariel Special Development Zone (ZEDM) are attracting foreign investors, only said that “we are working on our portfolio of projects.”

- Minister of Finance and Prices Lina Pedraza announced that the 2013 budget had achieved a 1.3% surplus. However, several lawmakers questioned this, insisting the surplus was the result of efficient performance but of large quantities of the budget not being used for the many planned investments the government failed to implement. “The needs of the population are not met because of the inefficiencies of the managerial system,” lawmaker Jorge Luis Villa said.

- Minister of Tourism Manuel Marrero admitted that the planned 3 million visitors in 2014 may be out of reach, despite favorable numbers between January and April, after a dip in visitor numbers since the end of the season.

SOME GOOD NEWS

- BioFarmaCuba was presented as a success story in terms of industrial organization, production, productivity, and steady earnings. The state biotech holding is marketing five new products and expanding exports.

- The experiment in the provinces of Artemisa and Mayabeque of separating administrative authorities and lawmakers will be expanded to three new provinces. The results will be discussed in December 2015, before expanding the model to the rest of the country.

- Over the next five years, 66% of rice imports will be replaced with domestic production.

- Minister of Transport César Ignacio Arocha Másid described some of the large investments in this sector. The rail-way system continues to be the number one priority, with construction of 130 kilometers of rail to support all the operations of the Mariel Zone — the first new rail project in Cuba in decades. The second-largest item are capital repairs of major highways such as Via Blanca from Havana to Varadero and roads connecting tourist resorts in Cuba’s northeastern keys and on the seashore of Holguín.

STRATEGIC VISION THROUGH 2030

Vice President Murillo outlined some of the strategic lines of development, sources of funding, and problems to overcome between now and 2030, in particular a. Faster GDP growth; b. Maintain social ownership of the means of production (Note: still no clear definition for the exact meaning of “means of production” in an economy that is becoming increasingly service- and knowledge-based. In his closing speech, Raúl Castro talked about maintaining ownership of “the fundamental means of production”, also without elaborating); c. Transform the energy matrix, increasing the percentage of renewables (expected to reach 24% by 2030, relying on sun, wind, and biomass); d. Modernization of the country’s infrastructure; and e. Guarantee sustainable demographic development.

He added that the purchasing power of wages will rise “as long as we are capable of generating more wealth.”

Former Cuban intelligence officer Domingo Amuchastegui has lived in Miami since 1994. He writes regularly for CubaNews on the Communist Party, Cuba’s internal politics, and economic reforms.
Cuba is cracking down on imports of "gifts" considered to be for re-sale or commercial purposes.

Analysts say the move aims to bolster sales at state-owned stores and encourage Cubans overseas to send money instead of goods to loved ones on the island.

But for many entrepreneurs, it may be crippling.

The move affects a wide range of basics, from coffee to deodorant, batteries to inflatable toys.

Starting Sept. 1, when imported "gifts" of a listed item exceed the number allowed, Customs can seize the excess. And if Customs finds someone repeatedly importing lots of a listed item, it then can seize all those "gift" items, including the number allowed, according to a new Customs measure.

In addition, duties will rise on many items. For example, the duty on a 32-inch flat-screen TV will increase from about CUC 200 to CUC 250 (convertible pesos, roughly the equivalent of US dollars).

Critics call the measures unjust. They say Cuban entrepreneurs generally can’t find similar items on the island at reasonable prices, given the lack of wholesale markets and markups of 240-300% at state stores. And Cuba does not grant licenses for private imports, so there’s no option beyond "gifts."

That the value of goods sent to the island rose to $3.5 billion last year, up from $2.5 billion the year before.

About 54 percent of that total was sent last year with passengers on flights, 43 percent through agencies and 3 percent via online stores, said Emilio Morales, who leads the Miami-based consulting group.

Those shipments rose, Morales said, partly because higher duties were not routinely collected. Some Customs officials were known to turn a blind eye for a tip. And Cuba, facing a financial squeeze, did not push enforcement offering some breathing room to the self-employed and others on the island.

But times are changing, said Morales. With Cuba’s finances stronger, thanks to renegotiation of some debt and new credits from China, the island government sees a chance to re-exert control and shift more business back to its state stores.

That shift could work - if government improved the selection and quality of goods at state stores and cut their prices, Morales said. “But without that, I think these new Customs measures will be a mistake,” because they’ll make it harder for the self-employed and others to get by, he said.

Indeed, there’s been public criticism in Cuba over the move. Letters to official media called the measures a “step back” in opening the economy, when prices in state stores remain sky-high. One writer suggested the government grant licenses to new importers, collect taxes and “problem solved.”

**IN-KIND REMITTANCES TO CUBA**

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<th>Value of merchandise by type, 2013</th>
<th>US$</th>
<th>%</th>
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<td>Shipment with passengers</td>
<td>1.906 bln</td>
<td>54.37</td>
</tr>
<tr>
<td>Shipment via agency</td>
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</tr>
<tr>
<td>Shipment via online order</td>
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<tr>
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<td>100</td>
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Estimate: The Havana Consulting Group

Furthermore, some new limits are so strict – for example, five dolls or two dozen hangers – that the measure also squeezes legitimate gifts and keeps those abroad from stocking pantries in Cuba for their loved ones, said Cubans interviewed in Miami.

To be sure, not all imports are affected.

Passengers arriving on planes still can bring in personal effects duty-free up to 25 kilos, including such items as a laptop computer and cellphone. And passengers still can bring up to 10 kilos of medicine duty-free to Cuba, provided the medicine is in its original packaging, the Customs website says.

But the rules are far-reaching. For shipments sent by sea or air, for example, the amount allowed in duty-free starting Sept. 1 is cut to 1.5 kilos. And duties paid on the rest will double on many items.

Concerns for flights, shipping companies

The crackdown and increased duties hit so many layers of business with Cuba that it could ultimately undermine government revenue.

Charter flight operators now depend on fees paid for extra baggage as a major source of revenue. If luggage volumes fall significantly after Sept. 3, that could prompt cutbacks in flights too.

“We suspect we’ll see a big influx of people bringing in packages late August before the measure takes effect,” said Bill Hauf, president of Island Travel & Tours Ltd., which offers charters from Miami.

Package volumes likely will dip in September. “After that, we’ll have to see,” Hauf told CubaNews.

Crowley Maritime Corp., the U.S. shipping line authorized to carry humanitarian goods to the island, expects a drop from the roughly four container-loads of packages it hauls weekly to Cuba, said Jay Brickman, the Crowley executive in charge of Cuba business.

With higher duties to pay on shipments, Cuban families abroad will be further strained. “Cubans overseas only have so much money that they can spend on their families in Cuba,” said Brickman.

Cuba has taken measures before to crack down on the package trade. Two years ago, it switched payments on many duties from Cuban pesos to CUC, effectively raising the rates about 20-fold.

Still, the package business flourished. The Havana Consulting Group estimates...
Isle of Youth: Experiments, failure ... economic rebirth?

BY ARMANDO PORTELA

While many Cuban municipalities linger and lose population, their potential for economic rebirth grows. Like the accumulated energy before an earthquake, many territories pile up latent forces waiting for a jump-start that brings back in motion today’s abandoned croplands, stunned industries, unoccupied/underpaid workforce, decaying infrastructure, or lagging services. There’s no other option for the small countryside economies than to unravel their potential and restart their dormant capacities.

The economy of the Isle of Youth (until 1978 Isle of Pines) suffered the worst impact of Cuba’s persistent economic crisis after the collapse of the Soviet bloc in 1991, combined with the damage of devastating hurricanes and the uncontrollable spread of the Yellow Dragon plague that killed its once powerful citrus industry.

As incredible as it may sound, the citrus industry, once the epitome of the Isle, now is defunct, and the once emblematic cattle herd and dairy industry is damaged. The tomato canning industry, based on lavish local crops, seems to be idled at best, while another stronghold — the fish canning industry — suffered a serious slump. Tourism, the only local source of hard currency still is a promise 25 years after its launching, with capacities and visitors stalled for a number of years.

The marble quarries’ production, growing steadily over the past few years, is a rare bright spot in the local economy, along with a couple of successful renewable energy projects — albeit with limited impact on the overall economy.

Not surprisingly, the Isle — which was a magnet for immigrants from the 1960s to the 1980s, including thousands of foreign high school students — has been losing population since 2005 at a 0.3% annual rate.

REVOLUTIONARY EXPERIMENTS

Ironically, 50 years ago the Isle was chosen to advance one of the boldest projects of the Cuban revolution. The then young Cuban leaders wanted to create in a short period of time a powerful, youth-driven, centralized economy based on agriculture, in a hope to create — although not explicitly — a communist enclave ahead of the rest of the nation.

The experiment failed in the long run, but while Soviet largesse lasted the government succeeded in developing a dairy industry, large citrus orchards, Soviet-inspired housing projects, schools, dozens of freshwater reservoirs, roads and fair communications. The population grew six-fold from the early 1960s to the late 1980s, with mostly young immigrants from Cuba’s eastern provinces. At the end, the Isle became a showcase visited by foreign dignitaries, an incarnation of the utopia chased by Cuban leaders.

Citrus epitomized the Isle of Youth. In the late 1980s and early 1990s, output averaged 150,000 tons per year. Canadian and European cargo vessels docked at today’s abandoned citrus port in Nueva Gerona. By the early 2000s, both output and orchards collapsed. Cuba’s Oficina Nacional de Estadísticas reported zero output in 2013. The Isle produced 120 tons of fruit in 2012, or 3 pounds per capita, contrasting with 4,740 lbs per capita in the late 1980s. For 2012 ONE reported only six hectares of land dedicated to citrus production, down from 14,442 hectares in 1989.

Cattle and fresh milk are sharply down from former standards. The 5 pounds of beef and 9.8 liters of milk per capita produced in 2012 are a far cry from the 95 lbs and 160 liters per capita produced in the mid-1980s. The Isle was a traditional exporter of fresh and canned fish and sea products, but in 2012 produced only 4.5 lbs per capita of fish and 17 pounds per capita of lobster.

There are 55,100 hectares of vacant land in the Isle, an area 10 times the size of the Isle.
The ‘intermediate generation’, Iran, and public gripes

BY DOMINGO AMUCHASTEGUI

The twilight of the historicos:

In less than a month, two famous guerrilleros passed away. One was Orestes Guerra, a bold and courageous capitán who fought alongside Fidel Castro, Che Guevara, and Camilo Cienfuegos; then came the passing of Sixto Batista who, from a simple soldier in the rebel army in 1959, rose to achieve the rank of three-star general and became an important political leader in the Party.

ISLE OF YOUTH — FROM PREVIOUS PAGE

of Manhattan. ONE also reports 138,000 hectares of woodlands, including valuable pinelands, mangrove swamps and hardwood forests. This category also includes barren lands with secondary bushes and limited environmental value that could be developed under strict management rules.

Dozens of freshwater reservoirs built in the 1960s feature a combined surface of 50 square miles and provide a superb environment for housing development on their shores.

The bulk of the electric power generation on the Isle of Youth depends on a fuel-oil power plant at Nueva Gerona. Opened in 1999, this is the first completely foreign-owned power plant. It is operated by GenPower Cuba, a Panama-based company. There are four units of 3.6 mw capacity using light fuel oil covering about 55% of the island's global demand.

A number of minor, old and inefficient diesel units manufactured in Eastern Europe have been disconnected gradually and probably mothballed in reserve.

Two green-energy experiments have been praised by local media, even if their share of the overall electric power supply is limited.

A bio-diesel electric power plant feeds Cocodrilo, a 90-house village on the southern shore. This experimental plant has no impact over the Isle since it serves only 0.3% of the overall population.

A wind farm was built in 2007 at a cost of $4 million by France's Vergnet SA 14 miles southeast of Nueva Gerona. It features six 55-meter windmills, with a top combined capacity of 1.65 mw, equivalent to 10% of the Isle's consumption.

In 2012 the wind farm produced 1.44 mw/h, the top output since its inauguration. For 2013 the farm planned to produce 1.32 mw/h but the real figure has not been released to the public.

Work started in mid-July on a photovoltaic park at a cost of 3.5 million pesos (probably $3.5 million). The park's 4,000 250-watt units are expected to generate 1 mw/h at peak hours.

The biological factor thus becomes the final event that ends any political career.

It's a reminder that in a short period of time, most of these veterans will follow a similar path — if they are not headed to their institutional retirement, as President Raul Castro has announced several times for himself. Soon enough, we will witness, and try to understand, the promotion of new faces of the generación intermedia (intermediate generation) just like Miguel Diaz-Canel. Remember the new first vice president and 2nd of the hierarchy, whom experts and observers couldn’t “classify” when he was appointed? Calle Ocho and Washington are swapping the “dissonant option” for a “Gorbachev scenario”. New faces, civilian and military, will be promoted, and this generation then will be the one to shape or reshape the course of the reforms.

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Politics: For several decades, experts in Miami — the University of Miami’s Institute of Cuban and Cuban-American Studies (ICCAS) in particular — spun a host of conspiracy theories about the ties between Cuba and Iran. That includes terrorist operations, such as the deployment of missiles in Cuba by Hezbollah, aimed at the United States!!!

Any serious review of Iranian priorities in Latin America shows that Argentina and Brazil have been, and continue to be, the key partners. Cuba was never a major priority for Tehran. While Iran built billion-dollar trade and cooperation with these South American nations, Cuba is about a few rail wagons. The fact that the current debt between both countries is just $43 million — currently being renegotiated — is a clear indication of the small size. Iran is a major player in the oil industry. Any projects in Cuba? None.

When Fidel Castro criticized former-President, Mahmoud Ahmadinejad in a 2010 interview, for intensifying conflict in the Middle East and denying the Holocaust, Cuba-Iran relations reached their lowest level. Let me also remind some of our readers that Fidel Castro was very supportive of the establishment of Israel in 1947-48. Ahmadinejad’s visits to Cuba neither meant any significant improvement, nor did they bring any relevant projects; it was just part of Iran’s policy toward Latin America.

In 2013, the U.S. State Department highlighted that “Iran isn’t actively supporting terrorist cells in Latin America and its influence is waning...” senior policy director at the Council of the Americans, Christopher Sabatini, has concluded that “claims about more sinister activities are unfounded.” Where does this leave the ICCAS accusations?

The new Iranian government has chosen a very different path. Concerning Latin America, President Hassan Rouhani and his minister of foreign affairs, Javad Zarif, have repeatedly stated that Tehran is looking to expand relations and cooperation with Latin America, including Cuba — but on a minor scale compared to Argentina and Brazil.

***

The Comentarios de los Lectores (readers’ comments) in the Internet/Intranet edition of Granma are a must read — a great barometer for tolerance of criticism.

A few examples:

a. About the visit to Cuba by Eric Schmidt, chairman of Google (July 2 edition):

“He was here since Saturday, and we get the news three days after his departure, without specifying the purpose of his visit or the fact that he visited [the University of Information Sciences]. Enough of secretismo, [but] we continue with the same practices. No excuse for the delay; we can’t ask Mr. Schmidt to help us put an end to the U.S. blockade while allowing the Cuban authorities to keep their domestic blockade. The only ones we can hold accountable are among ourselves; the easiest way to avoid accountability is to blockade the people’s access to knowledge, culture, and a global vision that Internet provides. We speak of freedom of information, but all too frequently we see it kidnapped, without any logical and coherent explanation. Now all we are going to get is silence, and no one will admit their responsibility. I believe there is a lot of fear within the government ranks. In this country, the blockade is used to justify everything; the day it is lifted it's going to be a hecatomb.”

b. About the July meeting of the Central Committee (July 4 edition; contrary to the long summary of the Council of Ministers’ session, Granma published just 13 lines about this meeting):

“What we are lacking among the people and leadership is motivation for the citizens to stay in their country and stop migrating. Granma should stop wasting space and ink on local reports on agriculture or milk production in one province, news people don’t care about; more space to important matters is what is needed. The reasons as to why the economy does not progress are missing. What makes the economy more vulnerable is not the blockade but the extended corruption,

See Intermediate generation, page 11
Consular banking crisis in D.C. hits Cuban Americans

BY ANA RADELAT

Washington — Ed Canler, a Cuban-American businessman in Chattanooga, Tenn., wanted to take his son on a trip to Cuba as a graduation present, “so he could see where his father grew up.”

But Canler had to scrap plans for the trip he had scheduled in May. The reason: His Cuban passport had expired, and there was no way to renew it.

Canler blames his current inability to visit Cuba — a trip he has made about a dozen times since 1994 — on the problems Cuba has finding a U.S.-based bank willing to accept deposits of fees for visas, processing Cuban passports, authenticating documents and other consular services.

As time goes by, Cuban Americans who need to renew a passport are having a hard time doing so, say several Cuba travel providers. Cubans who migrated to the United States after Dec. 31 1970 are required under Cuban law to travel to Cuba with a Cuban passport. Those who left the island before that date need special visas, which are also becoming difficult to obtain.

Six months ago, 20 foreign missions in Washington had no banking services.

Merriam Ansara, director of Common Ground, a Cuba travel service provider in Massachusetts, said a Cuban-American professor scheduled to take his students to Cuba has to scrap the trip because of an expired passport.

THE PROBLEM: PASSPORT SERVICES

The problem, Ansara said, is that passport services are handled in Havana, and there’s no way to pay for them if Cuba does not have a bank in the United States.

U.S. citizens who travel on tourist visas to Cuba are having no problems, Ansara said, because those visas are issued in the Cuban Interests Section in Washington, which accepts cash from U.S. travel companies for the documents.

“The people who are suffering are the Cuban Americans,” she said.

Silvia Wilhelm of Cuba Puentes, a company that organizes “people-to-people” trips to Cuba, said several Cuban American friends had had to cancel trips because of passport problems.

“This is going to be a major problem if this doesn’t get fixed,” she said.

The banking crisis for the Cuban Interests Section in Washington began nearly a year ago, when M&T Bank advised Cuban officials they decided to end their business relationship. Cuba’s mission to the United Nations was also losing its bank.

A State Department source said the United Nations Federal Credit Union agreed to open an account for Cuba’s U.N. mission. But the Interests Section remains without a bank.

To be sure, the Interests Section’s troubles in finding a bank are shared by many countries’ embassies and consulates in the United States. In 2010, a number of banks began to notify dozens of diplomatic missions they did not want their accounts anymore. The banks were facing mounting pressure from lawmakers and the U.S. Treasury to ensure that they were not helping terrorists or drug traffickers. New U.S. money laundering regulations raised costs for banks, which historically enjoyed the prestige of dealing with foreign countries and dignitaries.

Besides M&T, some of the banks that discontinued their relationships with diplomatic missions include J.P. Morgan Chase, Bank of America, Citigroup and HSBC Holdings.

MANY MISSIONS FACE BANKING CRISIS

Most diplomatic missions were able to replace their banks by shopping around, said Suzanne McPartland, an official with the State Department’s Office of Foreign Missions.

But even as recently as six months ago, about 20 foreign missions had no banking services.

“But they went from one bank to the next,” until they found one that would provide services, McPartland said.

Now only a handful have no bank, McPartland said, including Sudan, Congo and Cuba.

She said the United Nations Federal Credit Union has extended services to Cuba’s U.N. mission, and to those of other nations whose banks quit.

But finding an institution that will handle the Cuban Interests Section’s financial transactions has been difficult, McPartland said.

“Those with (Office of Foreign Assets Control) sanctions are harder to place,”

OFAC, a Treasury Department agency, enforces the embargo on Cuba, among many other U.S. economic sanctions.

McPartland said the State Department is continuing to help Cuba and other nations without U.S. banks, but she’s frustrated “there’s a certain amount of You’re the host country — why don’t you do this for us? They don’t recognize that these are commercial banks.”

The Cuban Interests Section did not respond to questions, but Cuban officials have told U.S. travel providers they are working hard at finding a bank.

McPartland also said Cuba is exploring the use of a third-party service provider to handle its consular affairs. But that service provider handling Cuba’s cash will still need a bank, she said.

Meanwhile, Cuba is blaming the banking crisis on U.S. sanctions and a crackdown on foreign banks, including France’s largest bank, BNP Paribas, which was slapped with a nearly $9 billion penalty for violating U.S. sanctions against Cuba, Sudan and Iran.

In a July 5 speech to Cuba’s National Assembly, President Raúl Castro called the U.S. sanctions on banks an extraterritorial blow against the rights of other nations, free commerce and international law.

“It’s an extraordinary action, and as a consequence of the financial blockade, the consular offices at the Cuban Interests Section in Washington has been deprived of banking services, which hurts Cubans who live in the United States and makes it difficult for them to conduct family business and travel to our country,” Castro said.

Meanwhile, Canler is sending a cousin in Miami some money and his passport to see if he can find someone that can help him get his passport renewed.

“Cuba could easily say ‘if you have an American passport, come with the American passport,’” Canler said. “But they won’t.”

Cuba’s UN mission in New York found a bank: the United Nations Federal Credit Union. But the Interests Section in D.C. is still searching.
Putin suggests construction of new airport, to serve Mariel

BY JOHANNES WERNER

Saying that Russia is ready to “make up lost ground” with investments in Cuba, President Vladimir Putin announced in an interview to Cuba’s Prensa Latina and Russia’s ITAR-TASS news agencies that Russian companies are seeking third-country partners in the construction of a transportation hub and airport southwest of Havana.

Putin gave the interview ahead of a visit to Latin America that began with a stop in Havana.

A week before the visit, the Russian parliament ratified a write-off of $35 billion of Cuba’s $38.5 billion debt with the defunct Soviet Union. Russia agreed to let Cuba spend interest and principal service on the remaining $3.5 billion of the Soviet debt “on significant investment projects, which Russia is going to select and negotiate together with the Cuban side,” Putin said.

Cuba agreed to pay the $3.5 billion over 10 years in equal installments every six months, with the first installment scheduled for Oct. 25, according to news service RIA Novosti. The funds will be transferred to Russian state development bank Vneshekonombank (VEB).

“We believe there are real opportunities to bring our cooperation to a totally new level, including by implementing major joint projects,” Putin said in the interview.

The “modern international airport with a cargo terminal” would go up at San Antonio de los Baños, 10 miles southwest of the Havana International Airport, and home to an air force base. The large-scale project is “currently under development with Russia’s and Cuba’s involvement, as well as the possibility of attracting investment from third countries,” Putin said.

The airport would serve the new port of Mariel and the Mariel Special Economic Development Zone (ZEDM), according to Putin.

In addition to the airport project, the president listed a series of Russian investments already underway in Cuba:

- In August last year, state oil company Zarubezhneft started drilling the first development well in the on-shore Boca de Jaruco oilfield.
- He called the development of new offshore oilfields by Zarubezhneft and Rosneft “short-term prospects.”
- Energy company Inter RAO is planning to join the construction of new generator units for the Máximo Gómez thermoelectric plant at Mariel and East Havana thermoelectric plant. “The supply of Russian electric power equipment to Cuba is well underway,” Putin said.
- A “substantial number” of Russian companies, including reinforced plastics, auto spare parts, tractor and heavy railway equipment manufacturers have “shown interest” in opening operations at the Mariel Zone, according to Putin.
- “Active work is underway” to build ground infrastructure for Glonass, Russia’s answer to the U.S. GPS navigation system. Russia, according to Putin, would like to provide Cuba “with products, services and technologies in remote sensing and satellite telecommunications.”

Putin said more Russian airlines, beyond flag carrier Aeroflot, may offer direct flights to Cuba, increasing the number of Russian tourists in Cuba from 70,000 last year.

and the secrecy and the withholding of information. The worst thing that prevents our economy from progressing is corruption and graft by many of our leaders (...) [and] the absence of leaders capable of setting an example by way of their behavior, sharing with the people, and being efficient. Lázaro Expósito Canto is portrayed as the kind of leader that is needed. The people [have] considerable interest and expectations in the report of the [Inspector General] so [they] may become familiar with those involved in corruption. Or will the information be withheld?”

c. About the National Assembly sessions and the report of the chief of police concerning corruption (July 4 edition):

“This official confuses [the number of] corruption cases processed by the police with [actual] corruption. That is why to state that there has been a decrease in 2013 compared to 2012 is completely wrong. In general, people see a [rise] of corruption. Those in charge of dealing with these issues tend to see corruption as something normal. How is it possible that government leaders, civilian and military, can enjoy villas, hotels, tourists resorts at prices that are several times cheaper than what average people are charged? Isn’t this corruption, too? Isn’t this a form of institutionalized corruption? Painfully enough, we witness today thousands of examples.”

Former Cuban intelligence officer Domingo Amuchastegui has lived in Miami since 1994. He writes on the Communist Party, Cuba’s internal politics, reform, and South Florida’s Cuban community.
BRICS bank may offer funding alternatives for Cuba

BY JOHANNES WERNER

Three weeks after France’s biggest bank yielded to U.S. pressure, promising it would end all business with Cuba and other U.S.-sanctioned countries, Cuba is casting a hopeful eye on the creation of a new $100 billion development bank that may offer lower-cost lending alternatives outside the realm of Washington and Wall Street.

The Shanghai-based BRICS bank — called New Development Bank (NDB) — will complement multilateral lenders of last resort and development banks such as the International Monetary Fund and World Bank. Cuba is not a member of these UN institutions in part because the United States, which controls much of their governance, blocks Cuba's accession. Cuba has also been a critic of the conditions the World Bank and IMF attach to loans, such as liberalization, deregulation and privatization.

The BRICS countries — Brazil, Russia, India, China and South Africa — account for 25 percent of global GDP and 40 percent of the world’s population. China this year will surpass the United States as the world’s largest economy, and the BRICS nations are the biggest net contributors to the IMF, but they have little say in the UN institutions' governance.

Discussion about a BRICS bank began three years ago, and negotiations have advanced steadily, culminating in an agreement announced today in Fortaleza, Brazil. The five nations agreed to base the NDB in Shanghai, it will be first be presided by India, with Russia as chairman of the representative board (made up of member countries’ finance ministers and central bank chiefs), and it will have a governing structure that requires four of the five nations to approve new policies. Each BRICS member is expected to put an equal share into establishing the startup capital of $50 billion, with a goal of $100 billion.

Lending is expected to begin in 2016; the NDB will also consider lending to non-BRICS nations, Brazilian President Dilma Rousseff said during the BRICS summit in Fortaleza.

MULTILATERAL ALTERNATIVES FOR CUBA

Cuba has used loans from Brazil’s BNDES, the China Development Bank, and Russia’s Vneshtorgbank, to expand a refinery, build a container terminal at the Port of Mariel, and purchase Russian passenger jets. But the new BRICS bank could allow it to fund broader infrastructure projects such as road, railroad, water and energy construction, which go beyond the specific business interests of just one partner nation.

“While the BRICS bank may not cover the total financing needs of all emerging economies, a $100 billion fund is enough to make a difference to the infrastructure projects in some smaller emerging economies with fiscal problems and a volatile currency,” Zha Xiaogang, head of the Shanghai-based Institute for World Economy Studies, told Xinhua news service.

THE ‘NON-IMF’

The five nations also agreed to create the Contingent Reserve Arrangement (CRA), a $100 billion crisis lending fund designed to relieve short-term liquidity pressures. China will contribute $41 billion, Russia, Brazil and India will chip in $18 billion each, and South Africa will contribute $5 billion. Cuba could benefit from CRA loans in a repeat of crises such as the one in 2008, when it had to drastically cut imports and freeze hard-currency accounts.

DRIVEN BY U.S. SANCTIONS

U.S. sanctions against Russia made the Russian government an enthusiastic supporter of the BRICS bank, says Nobel prize winner Joseph Stiglitz, which helped reach an agreement.

“In spite of all of the differences, the emerging markets can work together, in a way more effectively than some of the advanced countries can work together,” the former World Bank chief economist said on the Democracy Now news program recently.

“This new institution is not going to change everything. It’s just a little bit of movement, but it’s a movement in the right direction, reflecting the new economic and political realities and reflecting the learning that we’ve done in the last 70 years.”

Ukraine-Russia cooperation continues, in Cuba

Ukrainian jet maker Antonov announced in July it was going to deliver its fifth AN-158 jet to Cuba. According to Antonov, the 97-seater, with registration number CU-T1715, was undergoing tests, and was expected to be delivered by the end of July.

The announcement comes amid rising conflict between Ukraine and Russia. The AN-158 regional jet, to be used by Cubana de Aviación, is a Ukrainian-Russian cooperation. It was developed by Ukraine’s Antonov ASTC and is jointly manufactured by Ukraine’s Aviant and Russia’s Voronezh Aircraft Production Association; it uses many Russian components. Russia’s Ilyushin Finance Co. is financing the leasing deal for the aircraft under an agreement with Roseximbank.

A sixth AN-158, as well as an AN-148, is expected to be delivered to Cubana by the end of this year.

In 2011, Cuba ordered three AN-158 and four AN-148. In 2013, Cuba ordered three more AN-158.

In 2013, Cubana began operating the AN-158 on domestic routes and to Nassau, Santo Domingo, Cancun and Caracas. Cubana is also planning to use the jet on routes to Canada and Colombia.
Tourism slows down, may not reach goal

Cuban officials are ringing the alarm bells over a summer slowdown in tourist arrivals.

A 1.4% decline in June, as reported by the National Statistics Office (ONE), was the first monthly slowdown after a promising start of the year. Despite the June slowdown, tourism still grew 3.9% during the first half of the year, but officials said during the summer session of the National Assembly that the slowdown may put the 3-million visitor mark again out of reach this year, leaving tourism below expectations.

The official Juventud Rebelde daily cited a speech by Economy Minister Adel Yzquirdo, in which he criticized tourism for poor organization and promotion abroad.

The June slowdown was due to drops in visitors from Canada, Great Britain, Spain, Mexico, Argentina and Colombia. Most likely, the number of U.S. visitors also dropped. The “other” category, which includes visitors from the United States, was down 2.1% in June.

Below-expectation tourism is yet another headache for Cuba’s economic reformers, who have to cope with economic stagnation this year.

The Cuban economy grew just 0.6% during the first half of the year, compared with 2.7% for all of last year.

—Johannes Werner

BRIEFS

PORT OF MARIEL CLEAR 15,000 CONTAINERS

The container terminal at Mariel has handled 57 vessels since it opened in January as the centerpiece of a special development zone.

Based on the average amount of cargo loaded and unloaded per ship, some 15,000 containers have been handled to date, the terminal’s deputy director, Alvaro Molina, told state television.

The terminal has the capacity to handle 822,000 containers a year, according to state television.

Managed by Singapore-based PSA International, it has 702 meters (2,300 feet) of berth and is equipped with four Chinese-made super-post-panamax cranes, the largest container cranes.

The terminal was built by Brazilian conglomerate Grupo Odebrecht at a cost of $957 million, with some $682 million in financing coming from that South American country’s BNDES development bank.

Administrators say they are analyzing 23 potential foreign investment projects at the Mariel Special Development Zone.

The official responsible for managing the zone’s activities, Ana Teresa Igarza, said the proposed projects are mainly focused on activities that would modify Cuba’s energy matrix, including the manufacture of solar panels.

Other projects are being evaluated in the biotechnology, pharmaceutical and construction sectors, among others, she said.

LABIOFAM TO PRODUCE IN ECUADOR

Cuban biotech company Grupo Empresarial Labiofam is playing a central role in expanding a dengue-fighting program in Ecuador.

During a visit to Cuba July 8-10, the vice president of the Andean country, Jorge Glas, and Ecuadorean Health Minister Carina Vance witnessed the signing of an agreement to expand the program and begin manufacturing a Labiofam-made biolarvicide in Ecuador.

Labiofam also agreed to perform a feasibility study for production of a veterinary vaccine with Ecuadorean state company Enfarma EP in Ecuador.

While in Havana, Glas witnessed the signing of six other agreements covering health, education and water projects, and he toured the Center of Genetic Engineering and Biotechnology (CIGB) in suburban Havana.

No details about cost and funding of the dengue program were released.

Cuba has pioneered an effective way to control the aedes aegypti mosquito, the carrier of the dengue virus; Labiofam’s BactiVex is central to the program. The Cuban state company has already set up a biolarvicide production facility in Brazil, as well as one each in Tanzania — partly funded by South Africa — and in Nigeria, Ghana and Ivory Coast — with Venezuelan funding.

The program in Ecuador will use 8 million mini-doses of BactiVex; BactiVex production in the Andean country is planned to begin in 2016.

Losses deepen for Sherritt in Q2

Despite a 35% rise in nickel prices this year, mining and energy concern Sherritt International posted a US$27.6 million net loss in the second quarter, compared to a US$9.81 million loss in the same period a year ago.

Overall revenues rose 7% to US$119.4 million in the second quarter. However, revenues from oil and nickel production in Cuba dropped.

The Toronto-based company blamed the losses on “significant depletion, depreciation and amortization” at a startup nickel mining operation in Madagascar and announced further cost cutting.

“Work continues on further opportunities to reduce structural costs … and to improve efficiencies,” the company said in a press release.

The leaders of Sherritt, Cuba’s largest foreign investor, just emerged victorious from a proxy fight in which dissident shareholders accused the company of neglecting its Cuban core business.

At the Moa joint venture in eastern Cuba, the company has been unable to take advantage of booming nickel prices. Sherritt’s share of finished-nickel production at Moa in the second quarter was 3,792 tons, level with the year-ago second quarter. Finished-nickel sales from Moa dropped by more than 100 tons in the same period.

The company postponed construction of a 2,000 ton-per-day acid plant at Moa to the first quarter of 2015 “as a result of further government review of key contracts,” the company said. The nickel industry in Cuba has recently gone through a series of corruption investigations and trials.

Sherritt’s oil production in Cuba dropped 4% to 19,528 boepd in the second quarter, while prices rose 8%.

The company blamed a “mechanical failure in a well in the Yumuri area and natural reservoir declines.” Sherritt expects the affected well to return to full production in the third quarter.
Researchers rank Cuban hotels by customer satisfaction

BY JOHANNES WERNER

Following a first decade of exclusively foreign-managed tourist hotels, it’s been more than 10 years now that Cuban state companies have entered the business of operating luxury hotels on the island.

At the end of last year, nearly half the country’s hotel rooms — and one-fourth of four- and five-star rooms — were under Cuban management.

Have state companies learned their trade?

Converting customer comments from TripAdvisor — a public-domain hotel ratings system — into data, two Spanish researchers have found that the performance of Cuban hotel management companies is still lagging behind that of their foreign peers in Cuba.

“Cuban-managed hotels are rated significantly lower than foreign-managed hotels,” concluded Julio Cerviño of Universidad Carlos III in Madrid during a presentation at the annual meeting of the Association for the Study of the Cuban Economy (ASCE) in Miami.

Cerviño and José Antonio Fraiz, of the University of Vigo, put together the researchers have found that the performance of Cuban hotel management companies is still lagging behind that of their foreign peers in Cuba.

“In all, more than 100 presenters talked about a variety of topics,” Cerviño and Fraiz conclude.

The annual meeting of the Association for the Study of the Cuban Economy (ASCE) in Miami featured a record number of presenters from Cuba.

They included Miriam Celaya (14yme-dio), attorneys Jesús Bu Macheco and Rolando Anillo, Rodolfo Stusser (Institutos Nacionales de Salud), Eduardo López Bastida (University Cienfuegos), Dariela Aquílune Luna and Vicente Morin Aguado (Havana Times), Yaremis Flores (CubaLex), and writer Orlando Luis Pardo Lazo.

Held under the title “Cuba’s Perplexing Changes”, the two-and-half-day conference at the Hilton Miami Downtown Hotel also included a dialogue with a panel of Cuban entrepreneurs.

Because most state companies manage a wide range of hotels in different categories, without a clear brand positioning and strategy. In a ranking of individual hotels (see table below), Cuban-managed premium hotels ended up towards the top.

“Cuban hotels seem to be competitive face to face with foreign hotels, particularly in Havana,” Cerviño and Fraiz conclude.

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Score</th>
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<tbody>
<tr>
<td>1. Platino Aranjuez</td>
<td>Spain</td>
<td>4.33</td>
</tr>
<tr>
<td>2. Habagüanex Varadero</td>
<td>Cuba</td>
<td>4.20</td>
</tr>
<tr>
<td>3. Be Live</td>
<td>Spain</td>
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<td>4. Swissotel</td>
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<td>5. Blue Diamond</td>
<td>Canada</td>
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<tr>
<td>6. H@10 Hotels</td>
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<td>7. Habagüanex</td>
<td>Cuba</td>
<td>3.56</td>
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<td>8. Barcelo</td>
<td>Spain</td>
<td>3.50</td>
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<td>9. Blue Bay Resort</td>
<td>Spain</td>
<td>3.50</td>
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<td>10. Exe Hotels</td>
<td>Spain</td>
<td>3.50</td>
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<td>11. Riu</td>
<td>Spain</td>
<td>3.50</td>
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<tr>
<td>12. Roc Hoteles</td>
<td>Spain</td>
<td>3.50</td>
</tr>
<tr>
<td>13. Gala Hotels</td>
<td>Turkey</td>
<td>3.50</td>
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<tr>
<td>14. Gaviota</td>
<td>Cuba</td>
<td>3.33</td>
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<tr>
<td>15. Occidental</td>
<td>Spain</td>
<td>3.17</td>
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<tr>
<td>16. Accor</td>
<td>France</td>
<td>3.17</td>
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<tr>
<td>17. Cubanacan</td>
<td>Cuba</td>
<td>3.14</td>
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<td>18. Gran Caribe</td>
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<td>2.97</td>
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<td>19. Islazul</td>
<td>Cuba</td>
<td>2.74</td>
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Source: Cerviño and Fraiz

*Based on a composite score of six categories

<table>
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<tr>
<th>Hotel</th>
<th>Location</th>
<th>Company</th>
<th>Country</th>
<th>Score</th>
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<td>1. Paradisus Varadero</td>
<td>Varadero</td>
<td>Sol Méliá</td>
<td>Spain</td>
<td>4.5</td>
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<td>Varadero</td>
<td>Habagüanex</td>
<td>Cuba</td>
<td>4.5</td>
</tr>
<tr>
<td>Hotel Terral</td>
<td>Havana</td>
<td>Habagüanex</td>
<td>Cuba</td>
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Source: Cerviño and Fraiz

*Havana and Varadero only

Top of the heap: Hotel Terral on the Malecón, by Habagüanex
Cuba officially sends baseball player to Canada

BY JOHANNES WERNER

The older brother of Cuban baseball star Yulieski Gourriel signed with the Quebec les Capitales minor league team for the summer, making him the first Cuban player to become a professional in Canada with the blessing of his country’s authorities.

Yulieski Gourriel, 32, has been in Quebec since July 10, according to les Capitales, and is eager to play for his new team.

Cuba’s Escambray daily reported that Gourriel’s contract was negotiated between Michel Laplante, president of les Capitales, the Cuban Baseball Federation, and Cuba’s INDER sports institute.

Laplante said Gourriel’s contract is similar to that of any player in the Can-Am league, to which his team belongs.

According to Can-Am rules, the salary cap for a rostered player is $4,000 per month, depending on the roster size.

“Yuniesky will play for us this summer, and then go back to Cuba in September to get ready for the professional Cuban league,” Laplante said.

In 2013, the Cuban government lifted its ban for athletes to perform as professionals abroad. Yunieski follows a trail set by his younger brother, 20-year old pitcher Alfredo Despaigne (Chiba Lotte Marines), and Norberto González and Joan Carlos Pedrosa, who play in Italy.

Playing in the Can-Am league, Gourriel sets a political precedent that is in contrast to Major League Baseball’s restrictive practice regarding Cuba. Citing U.S. sanctions against Cuba, MLB still forces Cuban players to defect before joining its teams.

Les Capitales are a franchise of the Durham, N.C.-based Canadian Association of Professional Baseball, which operates a five-team league.

Not only is Can-Am based in the United States, but two of the independent league’s teams — the New Jersey Jackals and the Rockland Boulders — are in the United States; in addition, this season the Can-Am is playing an inter-league schedule with 13 teams of the American Association, most of them in the United States.

The Capitales president said he didn’t expect any troubles with U.S. authorities, nor does he see any connection with the MLB and its policies.

“I don’t see any challenges toward MLB — not more than Canada toward United States,” Laplante said.

In a phone call from Quebec, Can-Am league Commissioner Miles Wolff said that Gourriel’s contract is an issue between the club and the Cuban player. Asked about the MLB’s restrictive approach to Cuban players, he said he didn’t know the details.

“It’s silly, that’s my first thought,” Wolff said. “I don’t know all the reasons. I’m sure there’s politics involved in this. But for the Cuban players to never go home again, that’s certainly very difficult for them.”

“From the league’s point of view, getting outstanding Cuban players helps us,” Wolff added. “It’s an interesting experiment. The interesting thing will be next year. If Yuni’s experience is good, maybe the Cuban government will expand the number of players.”

More Cuban players go to Japan

The Yomiuri Giants announced that 20-year old pitcher Héctor Manuel Mendoza has signed with the Japanese baseball team, becoming the third Cuban to join the Central League team this season.

The Giants did not disclose financial terms of the deal.

Mendoza, the youngest Cuban player yet to become a pro abroad with the blessing of his country’s authorities, joins compatriots Frederich Cepeda and Leslie Anderson on the Giants’ roster.

The team, also known as the “Yankees of Japan,” signed a cooperative agreement with the Cuban baseball federation in April.

Meanwhile, the Chiba Lotte Marine announced they have signed Cuban slugger Alfredo Despaigne.

Despaigne, 28, had been playing in the Mexican League earlier this year, but he was hit with a lifetime ban from the league after it was discovered that he was playing with a fake Dominican passport, leading to speculation about his possible defection. He returned to Cuba after his initial suspension from the league.

Despaigne holds the single-season home run record with 36 in the Serie Nacional. His numbers in the Mexican League were outstanding as well.

Mendoza, a right-hander with Isla de la Juventud, has a 6-4 record with 13 saves and a 2.35 ERA in the Cuban baseball league this season.

Anderson, 32, is the odd man out among the Cuban players in Japan. He defected from Cuba in 2010 to join the Tampa Bay Rays. He came to the Yomiuri Giants this year.

Finally, Yulieski Gourriel, 30, joined the Yokohama DeNa BayStars this season.

Last year, Cuba began allowing players to compete in overseas leagues, under the condition they return to Cuba for the beginning of the Serie Nacional there in October. The INDER sports institute usually leads contract negotiations with foreign pro teams.
If your organization is sponsoring an upcoming event, please let our readers know! Send details to CubaNews at johanneswerner@cubastandard.com.

Sept. 11-21: Habanarte 2014 — Dance, music, theater, cinema, visual arts, crafts — the first-ever combination in this all-in-one festival, the biggest of its kind in Cuba. www.habanarte.cult.cu.


Sept. 22-25: International LABIOFAM Congress 2014 — event that focuses on Cuba’s pharmaceutical products, held in conjunction with the 3rd International Symposium of Cancer Therapy Products. Palacio de Convenciones, Havana. Contact: Lirka Rodríguez Pérez, labiofamcte@infomed.sld.cu.


Nov. 3-9: 32nd International Havana Fair (FIHAV 2014) — Cuba’s largest trade fair with major presence of Cuba’s foreign partners. PABEXPO, Havana.

Nov. 20-21: Cuba 2014 — What the U.S. Legal and Business Communities Need to Know. Conference. Loew’s Portofino Hotel, Orlando.

Dec. 4-14: Festival Internacional del Nuevo Cine Latinoamericano — one of the largest film festivals in Latin America. Contact: festival@festival.icaic.cu; www.habanafilmfestival.com

Dec. (exact date TBA): International Crafts Fair (FIART), Pabexpo, Havana.


February 2015: 17th International Habanitos Festival — cigars. Havana, several venues. whernandez@habanos.cu.


April 20-24: Salud para Todos — 13th fair on healthcare, pharmaceuticals and biotechnology, organized by the Ministry of Health, Palacio de Convenciones, Havana, martha@palco.cu.

May 5-7, 2015: International Tourism Fair (FITCuba 2015) — Cuba’s biggest trade show and convention for the tourism industry. Cayo Coco, Jardines del Rey, direccion@publicitur.cu