Continuing the push to implement the ALBA cooperation and integration agreement, the presidents of the member nations met Jan. 25-26 in Caracas for the 6th Presidential Summit of the Bolivarian Alternative for the Americas.

At the summit, Cuba, Venezuela, Bolivia and Nicaragua agreed on the founding charter of Banco del ALBA, and the small Caribbean island nation of Dominica officially joined ALBA as the fifth member nation. Dominica is the first English-speaking member.

Attending the summit were Presidents Hugo Chávez, Evo Morales, Daniel Ortega, and Cuban Vice President Carlos Lage, Prime Ministers Roosevelt Skerrit of Dominica, Ralph Gonsalves of Saint Vincent and the Grenadines, and Baldwin Spencer of Antigua and Barbuda, as well as officials from Ecuador, Haiti, Jamaica, St. Kitts and Nevis, Honduras and Uruguay as guests.

During the summit, the members:
• signed the founding charter of the Banco del ALBA. The infrastructure bank, set up to finance the “grandnational” joint venture companies under ALBA, will initially be capitalized with at least $1 billion. It isn’t clear yet where the funds will originate (see sidebar).

“While stock exchanges crash, we at ALBA are opening banks,” Chávez said during the signing of the charter. “We have no reason to envy Wall Street.”

BRAZIL SEEKING CLOSER TIES

Helping Cuba diversify its economic relations, Brazilian President Luiz Inácio “Lula” da Silva during a two-day visit to Havana carried in his luggage the promise of hundreds of millions of dollars worth of financing and an offshore exploration agreement by state oil company Petróleo Brasileiro SA (Petrobras).

The warm shower from Brazil came five weeks after the defeat of a referendum promoted by Venezuelan President Hugo Chávez, reminding Cuba of the risks of relying too much on just one partner.

Lula’s visit, originally scheduled for late last year, was postponed several times because of the complexity of the agreements sought by Cuba, according to Lula.

The Brazilian delegation, which included four cabinet ministers and the president of Petrobras, José Sergio Gabrielli de Azevedo, signed 10 agreements.

“We are frustrated, and we know you must be frustrated too,” Mavis Anderson, a senior associate with LAWG, said in a message to supporters, adding it’s unlikely restrictions would be eased in a presidential and congressional election year. (Also see ‘Cuba will not talk to Bush’, p. 10)

**Embargo**

**Anti-embargo group: Forget 2008**

Changes to ease or lift U.S. restrictions on Cuba this year are “small,” the Washington-based Latin American Working Group said in a message to supporters. The anti-embargo group blamed the failure of activists and lobbyists to achieve change in the Democratic-controlled Congress on a combination of a “leadership tired of the Cuba issue, a ‘missing-in-action’ Cuba Working Group in Congress and … a mobilized and well-funded pro-embargo opposition.”

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**Economy**

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“The Brazilian government is attentive to the desire of
• created the Grandnational ALBA Energy Company (Empresa Grannacional de Energía del ALBA). The joint venture company will implement the 2007 Energy Security Treaty, under which Venezuela guarantees ALBA member countries oil and gas supply “for the next 100 years and longer.” The ALBA Energy Company will organize the member nations’ joint activities in exploring and exploiting one block of Venezuela’s Orinoco oil field. The joint venture will also be in charge of expanding and building refineries in member countries, both to ensure domestic supply and for export.

• created the joint shipping company Albanave. The company is in charge of shipping of oil derivatives between the member countries. No details were released as to the planned size of the Albanave fleet. Another ALBA shipping company, Transalba, was founded last year. Havana-based Transalba has already started to charter tankers and counts two ships among its assets, one combined 700-cubic meter liquid gas tanker and 20,000-barrel clean liquid tanker, and a 40,000-barrel crude oil tanker. In December, the partners agreed to purchase two Panamax-size tankers.

• expanded an agreement between Cuba and Venezuela to build an undersea fiber optic cable. The cable will run all the way from Venezuela via Cuba to Nicaragua. It can be expanded to other Caribbean and Central American nations. In August, the Chinese-made “Simón Bolívar” satellite will be in orbit, covering Venezuela and ALBA member states.

During the summit, Venezuela proposed the creation of “compensatory” or “structural convergence” funds to support the least developed countries and regions within ALBA. The program, similar to the European Union’s structural funds, would finance projects in the poorest areas.

According to Cuban officials, Haiti will also join ALBA. The summit took place at the Hotel Alba Caracas. The former Caracas Hilton was renamed last summer after a Venezuelan state cultural institution took over operations to turn the 38-year old hotel into a socialist enterprise.

Banco del ALBA — how it works

The main tasks of the bank are to support the integration of ALBA member countries’ production and promote import substitution. It will finance ALBA “grand-national” joint ventures and create special funds such as a social solidarity and a disaster response fund.

Each member country — so far Venezuela, Cuba, Bolivia and Nicaragua — has one vote, no matter how big its capital contributions are. The bank will also seek alliances with other financial entities in the region, such as Banco del Sur.

A rotating executive director reports to both the ALBA Council of Ministers and the ALBA political commission.

The bank aspires to be self-sustaining. Initial capitalization will be between $1 billion and $1.5 billion, with maximum capitalization of $2 billion. The “contributions each country will make correspond to an individual analysis and depend on its possibilities,” Venezuelan Finance Minister Rafael Isea said. The contributions of each country will be determined within 60 days of the summit. Oil-rich Venezuela is expected to be the main source of funds.

The bank already opened its offices in an 11-story tower on Avenida Los Llanos in central Caracas and should be fully operational within two months.

Cuban Central Bank President Francisco Soberón, 2nd from right, cutting the ribbon at Banco del ALBA’s new offices in Caracas.

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Cuba in Focus

By Kirby Jones

Notes from Havana

I recently returned from several days in Cuba with the delegation of California companies headed by the California Secretary of Agriculture, A.G. Kawamura. We landed the day after the January 20 elections for the new National Assembly.

What struck me the most was the normalcy of it all. In the U.S. media and among Cuba-watchers in Florida, Washington, and on the email circuit, there seems to be far more angst, far more hand-wringing, far more analysis that I found among Cuban officials and taxi cab drivers.

Cuba seems to be taking the elections and the expected changes very much in stride. There is not a single piece of evidence of the turmoil that has been predicted by some Cuba “experts” – most of whom have never been to or do not visit Cuba. Those who do visit Cuba on a regular basis seem to have a very different view than those who do not. And that view is far more similar to that which Cubans themselves hold.

To be sure, there is much speculation as to the really important election coming up on February 24. On that day, this new Assembly will elect the next Council of State, its President, and its First Vice President. But this speculation is just that and no more.

Despite the fact that February 24 may very well – and indeed probably will – produce the most profound political change in Cuba since Fidel Castro’s revolution triumphed on New Year’s eve in 1959.

For the first time since then, it seems most likely that Fidel Castro will not be Cuba’s leader and Head of State.

There were some common threads among the many Cuban officials with whom I spoke. I think one can expect growth path last year. Agriculture began a recovery with a nearly 25-percent spike in output, goods production increased by 11.6 percent, non-sugar manufacturing grew 8.8 percent.

Investment in infrastructure is beginning to show: Transportation and communications grew 7.3 percent, electric, water and gas supply went up 6.9 percent.

Also, the state continued to expand healthcare and education. Public health services were up 21.7 percent, education rose 6.9 percent. These numbers include an increasingly important factor in Cuba’s hard-currency earnings — services provided by Cuba abroad, in countries such as Venezuela, Bolivia or China. Many of these generate hard-currency earnings, to the point where they have surpassed tourism, until recently the engine of Cuba’s economy. The same applies to culture and sports,

Continued on next page
which grew by 12.2 percent.
Some of the fast-rising importance of service exports as a hard-currency generator is shown in the foreign trade numbers. Donations included, service exports grew by a hefty 21.5 percent. Another remarkable aspect is the 32.5-percent rise of goods exports. Some of it can be attributed to rising nickel prices, but part of it is due to other exports.
A rise of nearly 10 percent in scientific and innovation activities points to a continuation of Cuba’s conversion to a knowledge economy.
One questionable aspect in the GDP statistics is the 9.1-percent growth in hotel and restaurant services. Officially, the number of tourists and tourism revenues showed slight declines in 2007. The gap would have to be picked up by restaurant and hotel services provided to Cuban citizens. But there are few indications that Cubans are increasing their dining-out and domestic travel activities.
The biggest drag on the GDP were the failures of an over-ambitious residential construction program aimed at closing the big gap of demand for housing and supply. The main part of the program was supposed to provide citizens with the material and tools to build and renovate under their own initiative. But the share of private-initiative projects dropped from nearly 70 percent of total construction in 2006 to below 60 percent in 2007.

### Residential Construction (units)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan</td>
<td>109,709</td>
<td>70,300</td>
</tr>
<tr>
<td>Finished</td>
<td>111,373</td>
<td>51,790</td>
</tr>
<tr>
<td>Percent</td>
<td>101.5</td>
<td>73.7</td>
</tr>
<tr>
<td>Total by state</td>
<td>33,533</td>
<td>20,948</td>
</tr>
<tr>
<td>Percent</td>
<td>30.1</td>
<td>40.4</td>
</tr>
<tr>
<td>Total priv. init.</td>
<td>77,840</td>
<td>30,842</td>
</tr>
<tr>
<td>Percent</td>
<td>69.9</td>
<td>59.6</td>
</tr>
</tbody>
</table>

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### Foreign Trade (million pesos)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>chge. from '06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Int’l goods trade*</td>
<td>13,500</td>
<td>+8.8 %</td>
</tr>
<tr>
<td>Exports</td>
<td>3,850</td>
<td>+32.5%</td>
</tr>
<tr>
<td>Imports</td>
<td>9,650</td>
<td>+1.5</td>
</tr>
<tr>
<td>consumer goods</td>
<td>2,000.9</td>
<td>-6.6%</td>
</tr>
<tr>
<td>interm. goods</td>
<td>5,871.4</td>
<td>+7.7%</td>
</tr>
<tr>
<td>capital goods</td>
<td>1,777.7</td>
<td>-6.9%</td>
</tr>
<tr>
<td>Int’l service trade*</td>
<td>8,355.2</td>
<td>+21.5%</td>
</tr>
</tbody>
</table>

*includes donations

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### Notes from Havana, from previous page

that there will be a manifestation of the new generation, about which Fidel wrote a few weeks ago, taking its place among the new leadership. Much of it already is in place as younger vice ministers and ministers have quietly been assuming their current leadership posts. But I think this ongoing process will also be apparent when the new Council of State assumes control.

At the same time, there also seems to be a concern that this election process not result in any perception of instability. I am not talking about the domestic instability that many Cuban-American watchers have been supporting for so long. But I am talking about a governmental structure that projects a message and confirmation of stability outside of Cuba – to the international financial markets, foreign investors, and foreign capitals.

For this reason it would surprise me if the “acting” part of Raul Castro’s title were not removed and thereby signal to the outside world – and of course to Cuban citizens as well – that the government of the last 18 months will continue. With this solid foundation of continuity, the Council of State could then include those who would signal clearly that the new generation is right behind him and ready to go forward.

Anyone who tells you that he/she knows what is going to happen, really doesn’t know. And certainly not a foreigner – including me. But as pundits and observers speculate on a weekly basis our own elections, so too is the same game being played about February 24.

But no matter what personnel changes are or are not made, it is clear with every visit I make that the direction of the country is changing, that foreign capitals and investors seem satisfied with the stability of Cuba (witness the $1 billion worth of investments and credits extended by Brazil); that the average Cuban has come to grips with a Cuba not directed by Fidel Castro; that these same Cubans expect and want the changes to come soon; and that Cuba once again is charting its own course with total disregard with what is projected or thought in the United States.

All the plans for transition, the renovation models for Old Havana drawn up by wealthy Cuban Americans, the scenarios of economic doom for Cuba that have been forecast yearly for decades, and the conclusions made by observers as to what is and is not in the interest of a people whom they have never met are all irrelevant.

With what is expected on February 24 comes a moment for the U.S. to abandon a 45-year long policy based on Fidel Castro and instead craft one based on the future and how together the new generations of both countries can forge a pathway to living together.

Kirby Jones is founder and president of the U.S.-Cuba Trade Association and has been a consultant to companies and organizations conducting business in and with Cuba since 1974.
Embar go

Embargo stalwarts gear up for fight in Miami

In what the Miami Herald dubbed “the battle of titans,” embargo stalwarts Lincoln and Mario Díaz-Balart will face serious challengers.

Going against eight-term Republican Congressman Lincoln Díaz-Balart in this fall’s congressional elections is Democrat Raúl Martínez. Younger brother Mario will face Joe Garcia.

Garcia is a former executive director of the Cuban American National Foundation and current head of the Miami-Dade Democrats. Martínez is a former mayor of Hialeah, the city with the highest share of Cuban-Americans anywhere in the United States.

Both Martínez and Garcia support the embargo, but they have criticized travel restrictions for Cuban Americans.

Lincoln Díaz-Balart said the challenges are part of a larger plan to unseat him, his brother and fellow anti-Castro activist Ileana Ros-Lehtinen, with the final goal of lifting the embargo. An aide to Martínez, according to the Miami Herald, rejected the accusation that Martínez would make concessions to Cuba.

Eight television stations covered the press conference in which Martínez announced his bid. At the event, he criticized Lincoln Díaz-Balart for not questioning the Iraq war and for voting against a children’s health insurance program.

Martínez is a controversial but popular politician. In the late 1980s, he had to defend himself against corruption charges over his relationships with developers. An appeals court overturned a first-instance conviction, and the case wasthrown out after two mistrials.

Lincoln Díaz-Balart’s working-class district has lost thousands of registered Republicans, and the strength of the anti-Castro cause is waning.

“The problem with defining yourself in opposition is that once the opposition is gone, there’s a blank space where identity should be,” Miami Herald columnist Ana Menéndez wrote. “That’s part of the problem now facing the Díaz-Balart brothers and, to a smaller extent, Ileana Ros-Lehtinen.”

“When Fidel's gone, [Lincoln] Díaz-Balart will be left shackled to a party whose anti-immigrant, anti-science and anti-social programs fringe opposes almost everything the traditional exile voter believes. … Martinez may not win. But Miami is changing.”

Love, Loss and Longing: The Impact of U.S. Policy on Cuban-American Families

The Latin America Working Group Education Fund (LAWGEF) and the Washington Office on Latin America (WOLA) are pleased to announce the publication of Love, Loss and Longing: The Impact of U.S. Policy on Cuban-American Families, a stunning photo and text book. The photos and testimonies in the book movingly capture how Cuban-American families feel at being separated from their family members on the island.

This new book is based on the photographs and stories exhibited that toured across the country for the past year and a half. With venues in over 20 cities throughout the United States, the photo exhibit reached thousands of Americans and is aimed at moving policymakers towards a policy of engagement with Cuba. The book includes expanded text on the background and implications of current restrictions.

To order your copy today, go to: www.lawg.org/misc/Sign_up_pubs.htm.

Proceeds will contribute to LAWGEF’s work to educate the American public and policymakers about the impact of the Cuba travel ban. To preview a free version of the book go to: www.lawg.org/misc/Publications.htm
Cuba’s leading art critic gives his definitive account of Cuba art in the 1990’s

La Muerte de una casa
stunning photo-essay from one of America’s best photographers: Roberto Polidori

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Cuba’s leading economic commentators give their analysis of the current situation

Cuba’s diving hot spots

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John Dew
Ambassador
British Embassy Havana

www.CubaAbsolutely.com
Underlining both the rise of importance and limitations of the port of Cienfuegos, the first oil tanker bringing Venezuelan crude to a newly opened refinery docked at new facilities in January.

Cienfuegos is at the beginning of a boom, thanks to Venezuela and the ALBA and PetroCaribe trade agreements. Even before the opening of the refinery, the port cleared 3.4 million tons of goods from 396 vessels in 2007, up 22 percent from the previous year. Officials expect the tonnage to double this year.

Cuban-Venezuelan oil shipping joint venture Transalba S.A. chartered the Four Moon, a double-hull 65,000-ton crude oil Panamax tanker owned by Premuda Gestioni Srl of Genova, Italy.

The 227-meter vessel, the largest ship ever to dock at the port of Cienfuegos, arrived with 53,460 tons of crude from Puerto La Cruz, Venezuela. The tanker went through three hours of maneuvering to reach the dock. According to official media, the Four Moon is just within the permissible size limits. Docking the big vessel represents a challenge, due to the strong currents and narrow passage of the entry to the Bay of Cienfuegos. The Four Moon is scheduled for regular runs between Puerto La Cruz and Cienfuegos.

A Venezuelan-Cuban joint venture plans to refurbish a pipeline from the Cienfuegos refinery to the northern port of Matanzas, which has a supertanker terminal.

**ETHANOL REFINERIES GET GO-AHEAD**

Cuban and Venezuelan officials agreed at a bilateral commission meeting in Caracas to start 76 agriculture projects worth $1.355 billion this year. They include construction of one ethanol pilot plant, four full-blown ethanol refineries, and two sugar mills, all in Venezuela.

The agreements make clear that, despite their harsh criticism of U.S.-Brazilian ethanol plans, Cuba and Venezuela continue to pursue a limited ethanol option.

Venezuela’s energy ministry said that while some new projects were added, many had already been agreed upon a year ago. Adding a sense of urgency, Cuba’s minister of economic cooperation said at the event that making joint projects a reality is more important than signing documents.

In February 2007, Cuba and Venezuela signed a framework agreement for construction of 11 ethanol refineries and development of sugarcane cultivation in Venezuela. The South American country will mix the ethanol with gasoline.

Twenty-six sugar and ethanol joint ventures have already been set up, 10 projects still are in the negotiation phase, economic cooperation Minister Martha Lomas said.

The most recent agreements stipulate the supply of raw material and equipment, engineering, construction, technical assistance, operation and training by Cuban entities.

The partners also agreed to begin planning construction of yeast plants to produce the base of concentrated cattle feed.

**Ethanol: Change of mind?**

In what seems to be a softening of his stance on the massive expansion of ethanol use, Fidel Castro criticized the United States for raising obstacles to the import of Brazilian ethanol.

In an editorial, he called U.S. subsidies for ethanol production “brutal.” “Why won’t they let the ethanol you produce freely enter the United States?” Castro said he asked Brazilian President Luiz Inácio “Lula” da Silva.

The softening came after Lula visited the ailing Castro in Havana. A U.S.-Brazilian ethanol agreement signed last year had driven a wedge between the left-leaning Brazilian government on one side, and Venezuela and Cuba on the other side.

Castro last year dedicated several editorials to the issue, criticizing that massive expansion of ethanol use is disastrous for the world’s poor because it raises food prices.

But in his new editorial, he says Lula explained to him that only 1 percent of Brazil’s land is used for sugarcane cultivation.
Brazil offers big loans, offshore oil exploration

continued from p. 1

investors to increase their presence in Cuba, and wants to support investment in that country, especially in strategic areas of the economy,” a presidential spokesman said.

Gabrielli signed a memorandum of understanding with CubaPetróleo (Cupet) for oil exploration in Cuban waters of the Gulf of Mexico. The agreement gives Petrobras six months to analyze seismic data before deciding which offshore blocks it would select. The Brazilians are seeking partnerships with other foreign oil companies and hope to have Cuban deepwater wells operational by 2010, according to a presidential spokesman.

The Brazilian oil company also agreed to produce a feasibility study within 120 days for construction of a joint-venture lubricants plant on the island. That memorandum of understanding includes a two-year timetable for the setup of the plant, which could export part of its production.

In addition, Petrobras promised in a cooperation agreement to support Cupet in the areas of refining, research and training.

CUBA RE-EXPORTS MORE GENERATORS

Adding to 60 2-megawatt fuel oil generators already deployed in 2007 under the ALBA trade and integration agreement, Cuba will provide Nicaragua with 60 more 2-mw generators this year, Venezuelan President Hugo Chávez said during a meeting with Nicaraguan businesspeople.

The first eight of the generators were German-made, according to Granma. Over the past two years, Cuba has bought hundreds of Spanish-, German- and Korean-made generators to implement its “energy revolution” concept of decentralized electricity generation.

By the end of 2008, the program will have added 240 mw of generation capacity to the Central American country.

The total cost of the generators, operated by Nicaraguan state utility Empresa Nacional de Transmisión Eléctrica (Entensa), is $100 million, according to President Daniel Ortega. Nicaragua paid part of the generator purchases with a $30 million donation from the government of Taiwan. Venezuelan state oil company PdVSA provides financing for the remainder under preferential conditions — Nicaragua can repay with vegetables, beans or hammocks, according to Ortega — and guarantees fuel supplies. Cuban technicians are helping to install and operate the generator clusters.

Nicaraguans have suffered extended blackouts as the country’s private and state utilities do not command enough generation capacity to cover peak demand, or are too cash-strapped to buy sufficient fuel to operate existing power plants.

The offshore exploration and lubricants plant projects have been in the making for at least three years.

As to loans for Cuba, Lula signed an agreement under which Brazil’s export credit agency COFIG provides financing for modernization of the Che Guevara nickel plant in Moa and purchase of fish farming equipment. This “open cooperation” framework agreement doesn’t have any amounts attached yet, but the nickel project has been tagged at $70 million. The limits will be established once Cuba and Brazil agree on particular projects.

COFIG will “continue to analyze” the possibility to provide hundreds of millions of dollars in financing for road construction, renovation of hotels, and unspecified pharmaceutical, biotechnology, sugar industry and transportation projects Cuba had requested.

COFIG also expanded loan guarantees for food purchases by Cuba to up to $100 million, Brazilian foreign relations officials said. Cuba had requested $200 million. The agreement signed in Havana didn’t specify an amount.

Also, the foreign ministers signed a communiqué under which Brazilian state agricultural research institute EMBRAPA will provide technical support for soy production.

Finally, Cuba’s Heber Biotec S.A. agreed to license interferon Alpha2B production to a Brazilian non-profit. The drug is used with hepatitis C patients.

Brazil also agreed to recognize Cuban medical degrees. Currently 902 Brazilians are studying in Cuba, including 475 at the Latin American School of Medicine (ELAM). ELAM is expected to graduate 1,000 Brazilian doctors by 2010.

"Lula decided this is not going to be a farewell visit to Fidel. It’s a vote of confidence to Raúl [Castro]," said Phil Peters, a Cuban analyst with Washginton-based think tank the Lexington Institute. "Brazil is going out of its way not just to make a visit that conveys political support, but to put substantial economic resources on the table."

Chávez: Make ALBA military pact

Venezuelan President Hugo Chávez suggested during his radio show Aló Presidente just after an ALBA summit in Caracas that the trade and integration agreement should also get a military component. Chávez urged the governments of Cuba, Nicaragua and Bolivia to form a joint defense strategy against “the empire of the United States.” “Whoever messes with one of us is messing with all of us, because we will respond like one,” Chávez said during the show, assisted by Nicaraguan President Daniel Ortega. “Touching Venezuela means touching all of Latin America,” Ortega added.
Economy

Tourism Down, Minister Under Fire

The official numbers on Cuba’s tourism industry performance in 2007 are out, and they don’t look as good as the Tourism Ministry previously said.

The number of visitors dropped 3.5 percent, to 2.15 million, according to the National Statistics Office. Revenues were down 0.6 percent to $2.209 billion. Hotel occupancy was down 0.9 percent, to 45.7 percent in 2007.

Officials attribute the decline on issues affecting all destinations in the Caribbean, as well as the embargo-triggered pullout of cruise lines. But foreign hotel operators perceive the decline as the result of lagging investment in existing facilities, lackluster service, and de-valuing the U.S. dollar.

The Tourism Ministry stopped releasing figures early last year, when visitor numbers registered two-digit monthly drops.

In November, Tourism Minister Manuel Marrero announced he expected a slight growth for 2007, adding that he expected business to grow considerably this winter, the island’s main tourism season.

Meanwhile, the tourism ministry has come under fire. A commentator on state TV called the impact of the 2005 measure to slap a penalty on U.S. dollar sales “disastrous,” because “coming to Cuba can be more expensive than going to another Caribbean country. Worse, this price is not always backed up by the quality of the offer.”

The state TV commentator also said regulations issued by the Tourism Ministry in 2005 created “confusion and discomfort.” The rules limit and prohibit contact of tourism workers with foreign visitors.

Ministry Pushing Write-offs

In another effort to restore the financial credibility of ailing Cuban state companies and cooperatives, the Ministry of Finance and Prices told the entities they must account for overdue non-convertible currency debt at the end of each financial year.

For years, the government has tried to force state companies to clean up their balance sheets of large amounts of unrecoverable soft-peso debt, which often dates back to the crisis years of the 1990s. In resolution 290/2007, published in the Gaceta Oficial Dec. 24, the finance ministry tells state companies to create a “provision for unrecoverable accounts.” The amount of the provision is calculated by using an index from overdue accounts for the three previous years. At the end of each financial year, increases in the provision must be treated on the balance sheet as a cost, and decreases as income. The companies can deduct the losses from taxes.

The new resolution overturns two older resolutions issued over the past five years.

Brazil Buying Zeolite

Brazilian companies bought 110 tons of Cuban zeolite in January, and are set to buy a similar amount in February. Cuba has large reserves of the mineral, used to produce fertilizer.

Cuba Mending Ties with Mexico

The foreign ministers of Mexico and Cuba will meet in March in Havana to negotiate details of a visit by Mexican President Felipe Calderón to Cuba. A visit would mark a thawing of relations after six years of conflict during the administration of Vicente Fox. Just after a contentious election in 2006, Calderón, a political conservative, announced he would try to improve relations with Cuba and Venezuela. Trade between Mexico and Cuba has been on a downward slope since the mid-1990s. Late last year, the two countries agreed to renegotiate Cuba’s debt with Mexico.

Infrastructure Spending Priority

Economy Minister José Luis Rodríguez said that investments in transportation, water systems and electricity will be prioritized in 2008, to sustain accelerated economic growth.

In manufacturing, prioritized areas are food production and building materials.

Transportation projects include increasing passenger and freight capacity, improving port access, and refurbishing warehouses.

Water Institute Places Big Pump Order

Cuba’s Instituto Nacional de Recursos Hidráulicos is buying 2,672 pumps for $76 million, to replace aging pumps in municipal water supply systems. The INRH said it bought the pumps in Europe, but didn’t specify. The institute is also refurbishing pipes to reduce a 58-percent water loss rate.

Mining Projects Moving Ahead

Following up on an agreement with Venezuela signed in December, Cuba’s Geominera S.A. is doing feasibility studies about gold and zinc-copper mining in Villa Clara province. The mines could be operational in 2009.

Hotel Expansion Continues

The tourism ministry is planning to build 30 hotels this year, adding 10,000 to Cuba’s 46,000 rooms in 307 hotels, as well as 10 golf courses. Only 1,000 of the new rooms will be added to the main tourism centers of Havana and Varadero; most will be deployed in provincial cities and resort areas.

The biggest part of the increase is due to Hoteles E, a new state chain of boutique hotels in historical buildings.

Four new hotels will be added in Havana, including one on the Malecón, Havana’s famous seaside boulevard.

Among the hotels under construction is the 814-room Playa Laguna in Varadero. Owned by state company Gaviota S.A., it is expected to open in early 2009. The construction costs are estimated at $78 million.

Brazilian companies bought 110 tons of Cuban zeolite in January, and are set to buy a similar amount in February. Zeolite is a mineral used to produce fertilizer.

The state TV commentator also said regulations issued by the Tourism Ministry in 2005 created “confusion and discomfort.” The rules limit and prohibit contact of tourism workers with foreign visitors.

The number of visitors dropped 3.5 percent, to 2.15 million, according to the National Statistics Office. Revenues were down 0.6 percent to $2.209 billion. Hotel occupancy was down 0.9 percent, to 45.7 percent in 2007.

For years, the government has tried to force state companies to clean up their balance sheets of large amounts of unrecoverable soft-peso debt, which often dates back to the crisis years of the 1990s. In resolution 290/2007, published in the Gaceta Oficial Dec. 24, the finance ministry tells state companies to create a “provision for unrecoverable accounts.”

The amount of the provision is calculated by using an index from overdue accounts for the three previous years. At the end of each financial year, increases in the provision must be treated on the balance sheet as a cost, and decreases as income. The companies can deduct the losses from taxes.

The new resolution overturns two older resolutions issued over the past five years.
CUBA WILL NOT TALK TO BUSH ...

Cuba will not seek talks with the U.S. government while George W. Bush is in office, the new head of the Cuban Interests Section in Washington told the Associated Press in an interview. The dialog offer made in 2006 by acting president Raúl Castro was not intended for the Bush Administration, said Jorge Alberto Bolaños Suárez.

"He was speaking clearly that after the U.S. elections, the new government should take a position with regard to Cuba," Bolaños told AP. "That is the time when Cuba would be ready to seek a dialog on the basis of mutual respect."

CANADIANS CAN'T USE PLASTIC

Thousands of Canadians can’t use their MasterCards in Cuba anymore, after Bank of America Corp. took over one of Canada’s biggest issuers of credit cards. A Bank of America spokeswoman told the Winnipeg Free Press that her bank would have to process Cuban transactions in the United States, which is prohibited by U.S. embargo regulations. Last October, MBNA Canada Bank, a subsidiary of Bank of America, acquired the credit card business of Saskatchewan-based CUETS. CUETS issues MasterCards for 375 credit unions in Canada.

Canada is the biggest outbound tourism market for Cuba. A Canadian credit union official told the Free Press she advises members traveling to Cuba to use other credit cards in their wallet or traveler’s checks. "We’ve let CUETS know we’re not happy about this," she told the newspaper.

Bolaños

... BUT, MAYBE, TO OBAMA

Barack Obama favors negotiations with the Cuban government after Fidel Castro has died, he said in a questionnaire by the anti-Castro Cuban American National Foundation. Once a "post-Fidel government begins opening Cuba to democratic change," he would pursue "aggressive and principled bilateral diplomacy," the Democratic presidential candidate explained in the questionnaire.

Obama also answered "no" to the question whether the U.S. government should demand Cuba make concessions such as freeing political prisoners and allowing a free press, before entering negotiations.

"I believe U.S. policy has failed," Obama wrote. "That’s why I have called for a new policy that would permit unlimited family travel and cash remittances, but maintain the embargo as an inducement for democratic change on the island."

Cuban officials have responded in kind. In an interview with a Spanish daily, Parliament President Ricardo Alarcón said that Obama is the only one that has suggested a new approach and even a dialog with every one, with Venezuelan President Hugo Chávez and Cuba, and that he is against banning travel to the island. " But, Alarcón cautioned, "that is what they say while campaigning. We'll see what happens in reality."

SENIOR CONTINUES ANTI-OIL EFFORT

In an effort to curb offshore oil exploration in Cuban Gulf waters, Sen. Bill Nelson (D-Fla.) urged the Bush Administration to abandon a three-decades old sea boundary agreement with Cuba, trade publication E&E Daily reports. An exploration agreement between CubaPetróleo and Brazil’s Petrobras signed in January could pose environmental dangers to Florida, Nelson wrote in a letter Jan. 23 to President George W. Bush. A Nelson aide told E&E that the senator believes Washington’s withdrawal would scare foreign oil companies away from Cuba. The White House didn’t comment on Nelson’s letter.

Last year, Nelson sponsored a bill that would have nullified the maritime boundary agreement, signed in 1977 by the United States, Cuba and Mexico. The law proposal, which had no co-sponsors, didn’t make it to a floor vote.
Cuba’s president to be picked Feb. 24

Fidel Castro was re-elected to the national parliament in a Jan. 20 vote.

The new national assembly unites Feb. 24 to form a Council of State. The Council of State, in turn, will pick the president from among the members of the parliament.

The new parliament will confront “great decisions,” interim President Raúl Castro said after the elections.

His ailing older brother, 81, has sent mixed messages whether he will continue as president. But two leading Council of State member said they would vote for him if his recovery continues.

Almost all of the 614 candidates received more than 90 percent, with the least popular ones getting more than 70 percent. In Cuba’s consensus-minded electoral system, there are neither parties nor campaigning. Voters have only one choice per seat, and officials urged Cubans to vote for the full slate of candidates. Competition occasionally occurs during the nomination of candidates.

Nevertheless, turnout continued high, at 94.74 percent.

The share of blank ballots — opposition groups called for a boycott — was 3.11 percent, up from 2.36 percent in the previous elections. The highest incidence of blank ballots was on Isla de Juventud, with 5.91 percent.

Dissident Oswaldo Payá called the electoral process a "joke" and a "violation of the constitution." His Christian Liberation Movement, he said, submitted a petition signed by 25,000 voters calling for a referendum and new electoral laws.

Only one-third of representatives in the new Asamblea Nacional del Poder Popular are incumbents.

Most high-level leaders of the Communist Party and government have a seat in the assembly. Among the new members are Álvaro López Mira, head of the chiefs of staff of Cuba’s military; Julio César Gandarilla, head of military counterintelligence; Fernando Remírez de Estenoz, the Communist Party chief of foreign relations; Lina Pedraza, head of the Party’s anti-corruption efforts; Olympic gold medalist Yipsi Moreno; baseball catcher Ariel Pestano; and Baptist Church leader Raúl Suárez.

Three high-profile officials dropped out: the oldest Castro brother Ramón, 83; revolutionary veteran Pedro Miret, 80; and Rodrigo Álvarez Cambra, 72, a physician who counted Saddam Hussein among his patients.

State TV airs documentary with baseball defectors

After circulating five years underground, Cuban state TV on Jan. 12 aired a Cuban-made documentary on baseball that shows interviews, among others, of Cuban defectors who play professional baseball in the United States.

“Fuera de Liga” (out of competition), made by Ian Padrón, 31, is an homage to Havana’s champion baseball club, Los Industriales. Padrón produced the 70-minute documentary with state film institute ICAIC in 2003, only to be ignored by official Cuba afterwards.

Cuban athletes playing professional baseball in the United States are considered traitors by the government.

“I am not a traitor. I am an Industrial,” pitcher Orlando “El Duque” Hernández says in the film, referring to the team that made him a world star. "I've had the opportunity to play for the two best teams in the world: Cuba's Industriales and the Yankees."

Other baseball defectors appearing in the film are Kendry Morales, René Arocha and Euclides Rojas.

Padrón called the TV premiere “a first step.” “Cubans are prepared to debate any problem of their society,” he told Mexican newspaper Milenio. “If this documentary had been made in the United States, the same thing would have happened as in Cuba,” he added.

Famous Cuban film maker Humberto Solás called the film a “classic.” “It’s a very honest documentary, an expression of the hope of the nation,” Solás told Milenio.

Padrón presented the film in January at the Stockholm film festival. He is now working on an anthology of famous salsa band Los Van Van.
Economy

Food buying in U.S. to stagnate on ‘07 levels

Cuba this year will buy roughly the same dollar amount of food and agricultural products from the United States as in 2007, said Pedro Álvarez, head of state food importer Aliimport S.A., during a press conference in Havana. However, because of rising prices the quantities will be smaller.

Meanwhile, Cuban officials believe agricultural production will continue its recovery, after dropping to a record low in 2006. Last year marked a turnaround, with a food production increase of nearly 25 percent. The Agriculture Ministry expects vegetable and grains production in 2008 to rise 13 percent. Thanks to a cooperation agreement with Vietnam, Cuba expects to produce 300,000 tons of rice this year.

Rice Production Dips

Rice production in Cuba dropped slightly in 2007 to 208,000 tons, down from 217,000 in the previous year, according to just-released statistics from National Office of Statistics. Cuba imported 532,000 tons of rice in 2007. Over the past few years, the main supplier was the United States. However, Cuba signed a major rice supply agreement with Vietnam for 2008 during the International Havana Fair in November.

Non-Sugar Agricultural Production 2007 (select products, thousand tons)

<table>
<thead>
<tr>
<th>Product</th>
<th>2006</th>
<th>2007</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>vegetables</td>
<td>4,874.1</td>
<td>5,195.0</td>
<td>+6.6</td>
</tr>
<tr>
<td>tubers and roots</td>
<td>1,330.2</td>
<td>1,480.0</td>
<td>+11.3</td>
</tr>
<tr>
<td>bananas, plantains</td>
<td>871.8</td>
<td>979.0</td>
<td>+12.3</td>
</tr>
<tr>
<td>tomatoes</td>
<td>636.0</td>
<td>659.0</td>
<td>+3.6</td>
</tr>
<tr>
<td>total cereals</td>
<td>522.5</td>
<td>599.0</td>
<td>+14.6</td>
</tr>
<tr>
<td>rice</td>
<td>217.1</td>
<td>208.0</td>
<td>-4.2</td>
</tr>
<tr>
<td>corn</td>
<td>305.4</td>
<td>391.0</td>
<td>+28</td>
</tr>
<tr>
<td>beans</td>
<td>70.6</td>
<td>105.0</td>
<td>+48.7</td>
</tr>
<tr>
<td>total citrus</td>
<td>373.0</td>
<td>447.4</td>
<td>+19.9</td>
</tr>
<tr>
<td>oranges</td>
<td>178.4</td>
<td>314.2</td>
<td>+76.1</td>
</tr>
<tr>
<td>grapefruit</td>
<td>169.6</td>
<td>108.1</td>
<td>-36.3</td>
</tr>
<tr>
<td>other fruit</td>
<td>746.5</td>
<td>798.0</td>
<td>+6.9</td>
</tr>
<tr>
<td>cattle</td>
<td>111.3</td>
<td>103.0</td>
<td>-7.5</td>
</tr>
<tr>
<td>pork</td>
<td>151.3</td>
<td>268.0</td>
<td>+77.1</td>
</tr>
<tr>
<td>poultry</td>
<td>40.0</td>
<td>41.3</td>
<td>+3.3</td>
</tr>
<tr>
<td>milk</td>
<td>415.2</td>
<td>485.1</td>
<td>+16.8</td>
</tr>
<tr>
<td>eggs (mln units)</td>
<td>2,341.3</td>
<td>2,355.0</td>
<td>+0.6</td>
</tr>
</tbody>
</table>

Source: Oficina Nacional de Estadísticas

Food buying in U.S. to stagnate on ‘07 levels

PANAMA SEEKS CUBAN AG HELP

Cuba’s deputy minister of agriculture headed a delegation to Panama to sign cooperation agreements. Panama is interested in sharing Cuba’s genetic plant modification technology regarding sweet potatoes, cocoa and coffee.

INSPECTORS TARGET ENERGY WASTE

The government created a new "special corps" of 200 inspectors to prevent waste of fuel and electricity. Vice President Carlos Lage said during the swearing-in ceremony of the first 65 inspectors that they have "all the authority to continuously monitor how electricity, fuels and lubricants are being used."

The inspectors suggest control measures and can also dish out penalties “for those who irresponsibly fail to comply,” Lage said. Energy savings are an important part of Cuba’s “energy revolution.”

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CONFERENCES & EVENTS

• "A Conversation on Implications of Super Tuesday Primaries for U.S. Relations with Cuba" (Fund for Reconciliation & Development), Washington D.C., Feb. 7
• 10th Habano Festival (cigars), Havana, Feb. 26-March 4
• 10th Intl. Meeting on Globalization and Development Problems (economics), Havana, March 3-8
• "A Changing Cuba in a Changing World" (symposium, Bildner Center on Western Hemisphere Affairs, City University of New York), New York, March 12-15
• Cuba Consultation (strategy gathering, Washington Office on Latin America), Washington D.C., April date TBA
• 3rd International Congress on Intellectual Property, Havana, Apr. 8-10
• 10th Intl. Congress of Information (INFO 2008, information technology and business administration), Havana, April 21-25
• 4th Intl’l Meeting on Justice and Law, Havana, May 21-23
• Intl’. Meeting of Rice (rice cultivation and processing), Havana, June 2-6
• Intl’. Congress of Dentistry and Stomatology (congress and exposition), Havana, June 9-13
• 31st Panamerican Convention of Engineering (UPADI 2008, conference and exposition), Havana, Sept. 29-Oct. 3
• Intl’. Conference for Food Science and Technology (CICTA), Havana, Oct. 13-17

Call (941) 330-0303 or send an e-mail to JWerner@cubatradenews.com for more information on events.
Imperial Tobacco Group PLC completed the takeover of Altadis S.A. Jan. 25, with shareholders of 95.8 percent of Altadis’ stock accepting Imperial’s euro 50-per-share offer. The Bristol, UK-based company now controls Altadis’ 50-percent stake in Habanos S.A., the joint venture that markets Cuban premium cigars worldwide. Imperial CEO Gareth Davis told shareholders in August his company would not make any substantial changes to Habanos. Cuban state company Cubatabáco S.A. has an option to take over Habanos entirely in the case of a “substantial change” of shareholders in Madrid- and Paris-based Altadis. A spokesman for Imperial told Cuba Trade in September that Davis would travel to Havana once the merger is completed. Altadis CEO Antonio Vázquez declined to become executive CEO of Imperial Tobacco’s cigar division “for personal reasons,” according to Imperial. However, Vázquez will act as a consultant to “support the integration process.”

Pernod-Ricard SA said sales of Havana Club rum rose 16 percent in 2007. The Paris-based company is in charge of worldwide marketing of the Cuban-made rum. Havana Club sales grew particularly in Central and South America.

Driving Cuba’s ailing cruise business close to zero this season, Germany’s Hapag-Lloyd cruise line dropped Cuba from its Caribbean itinerary after including U.S. destinations. Hapag-Lloyd, owned by Hanover-based TUI AG, made 15 port calls in Cuba last year. Pullmantur SA pulled its Holiday Dream from its winter base in Havana just before the 2006-07 season, after Miami-based Royal Caribbean Ltd. bought a majority stake of the Spanish company.

Cuba’s EnergoImport signed a contract in Beijing to buy six wind turbines from GoldWind Science and Technology Co. Ltd., China’s largest manufacturer of wind-power generators. The six 750-kw generators will be used for a second wind farm in Gibara, in eastern Holguín province. This is the first time GoldWind exports its products. The Cuban ambassador in Beijing said he hoped this would be the beginning of a long-term relationship. Due to high demand, European-made wind turbines — which set the technological standard — are hard to get. Cuba is implementing an ambitious program to install up to 100 mw in wind power.

The National Center for Scientific Research (CNIC) in Havana started clinical trials of a new bio-material for bone implants. Poliapatita will be used for large bone implants, unlike Coralina, a product also developed at the CNIC for use in short bones.

Montreal-based Pebercan Inc. said it successfully completed a test drill at the Santa Cruz 305 well. Initial production will be 881 barrels per day of heavy oil of 10.2 degree API density, about the same low quality of oil found onshore in Cuba. Previous drills at the near-shore Santa Cruz field had yielded higher-quality oil of 16 degree API. Pebercan is exploring the Santa Cruz near-shore field jointly with Sherritt International Corp.