



BabunGroup Consulting, Inc

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Cuba Change News Alert

2011 Brings Far-Reaching Reforms

EXCLUSIVE NEWS OF POTENTIAL INTEREST TO OUR CLIENTS & FRIENDS

Our Analysis

Economic Changes

President Raul Castro has taken aim at Cuba's chronic economic problems with plans to slash 500,000 jobs from state payrolls by March while expanding the private sector and encouraging less reliance on the state.

About 200,000 of those jobs are expected to shift over to employee-run cooperatives that will be created at businesses currently operated by the state. The government also has begun issuing 250,000 new licenses for self employment and for the first time, the self-employed will be able to hire workers.

The caveat for the new program is new tax provision that will generate income for the government and include a new sales tax and social security tax. Welcome to "Rookie Capitalism", as the Cuban government will find out soon, where there are high taxes (with or without apparent benefits), there will be a change in people's behavior resulting in an expanding black market or at minimum civil misconduct.

First Party Congress

Castro announced the ruling Communist Party would hold in April its first Congress since 1997 to ratify the changes, many of which are already in action. Before the Congress, Cubans are to provide input at forums across Cuba. The reforms are the biggest since Raul Castro succeeded brother Fidel

Castro as president in 2008, and come with many questions.

Among them are whether the cumbersome government bureaucracy can move quickly to implement the plan and whether the new entrepreneurs will be too handicapped by regulations, taxes and lack of credit to succeed. Also, the planned job cuts may present the danger of many people ending up without work and if so, what will the consequences be in a socialist country where people basically have been guaranteed employment for decades?

At issue here is the question of succession and the introduction of perhaps younger market reform minded members of the Party, the integration of younger hard-line minded members of the Party into the decision making process, and the potential consequences of sharing the government with "hungry for action" leaders of different mind-set.

What to watch:

- How quickly the government moves to implement reforms.
- The numbers and performance of the newly self employed.
- The effects of government layoffs.

The Economy

Cuba, hit hard by [hurricanes](#) in 2008 and by the global financial crisis, has been so short of hard currency that it stopped paying most



of its bills and froze Cuban bank accounts of many foreign businesses two years ago. The situation has eased, but is not yet resolved. To avoid future cash shortages, Castro has cut spending and sought more income for the state, which controls 85 percent of Cuba's economy. He has slashed imports by 30 percent. Other devastating economic news include:

- 14.7% year-on-year decline in investment activity.
- 12.2% year-on-year drop in freight traffic in January-June led by a 20.3% decline in the volume of sugar transported.
- The index of total food production fell by 7.5% year on year in January-June.
- Less than 3% of Cubans used the Internet at least once in the past year, and only about 6% used email.
- Last year, U.S. agricultural shipments to Cuba were valued at \$528.5 million, down 26% from the \$710 million reported by the U.S. Commerce Department in 2008.
- During the first half of this year, food shipments to Cuba came to \$220 million — a 28% drop.
- In early December, Cuba cancelled the export and import licenses of 15 different state companies including Cupet (the Cuba oil monopoly), as part of the emergency economic reform taking place.



Cuba Oil

In a potentially game-changing development, a consortium led by Spanish oil firm Repsol YPF is expected to drill an exploratory well in Cuba's part of the Gulf of Mexico in 2011. It previously drilled an offshore well in 2004, but said it did not find oil in commercially viable quantities.

The drilling rig to be used, which has been under construction in China, will be passed on to other companies such as Malaysia's state-owned Petronas and a unit of India's ONGC to explore in blocks they have leased in Cuban waters.

The U.S. Geological Survey has estimated Cuba has about 5 billion barrels of oil offshore, but Cuba says it may have 20 billion barrels. Cuba currently depends on imports from its oil-rich socialist ally Venezuela.

What to watch:

- Movement of nickel prices
- Repsol's second deep water exploratory well in Cuba
- China's growing presence in Cuba energy sector

US-Cuba Relations

Controlled immigration continues to be the centerpiece of U.S. policy and the main focal point of US interest as it relates to Cuba. Everything else is "pawn moves" made to accomplish different strategies and objectives.

Despite modest changes at the beginning U.S. President Barack Obama's administration, U.S.-Cuba relations have thawed only slightly and near-term prospects for improvement look dim due to Cuba's detention of U.S. humanitarian missionary Alan Gross.

Gross has been held since Dec. 3, 2009 on suspicion of espionage and providing illegal satellite communications equipment to Jewish synagogues, but has not yet been officially charged with a crime. The United States says he was only helping Jewish groups set up

Internet access, but Cuba is suspicious because he was a sub-contractor for a U.S. federally-funded program seeking to strengthen civil society on the island.

The U.S. government says it will take no major initiatives to improve relations with Cuba as long as Gross is held. Cuba may want to hold him until it gets something in exchange, such as the return of at least one Cuban agent imprisoned in the U.S. or a modification to the programs like the one that sent Gross to Cuba, although the program has already been substantially tweaked since the arrest of Gross.

Democrats Defeat

The White House had been reluctant to alter its Cuba policy before the mid-term elections. Now that those elections have resulted in victories and a majority by the Republicans of the lower house (and a larger base in the Senate), chances of an easing in sanctions against Cuba are now slimmer still.

Leadership of all House of Representatives committees, which control the congressional agenda, will now pass to Republicans. Ileana Ros-Lehtinen, a staunchly pro-capitalism and anti-communist Cuban-American congresswoman from Florida, will be the new chair of the Foreign Affairs Committee, while the head of the Western Hemisphere Subcommittee will be Connie Mack, another conservative from Florida. Together with Marco Rubio, the newly elected and charismatic Cuban-American Republican senator from Florida, they will form a strong nucleus of lawmakers who oppose normalization of relations with Cuba and who might try to reverse the Obama administration's recent tentative policy liberalization. Mr. Obama might still try to ease restrictions on cultural and academic exchanges, something he can do by presidential authority alone. But the bill (Freedom to Travel to Cuba) to lift US travel restrictions affecting Cuba will remain dead for now.

Further supporting the assumption that Cuba policy will not be eased is the fact that two senators who favor engagement with Cuba, Democrats Byron Dorgan and Chris Dodd, will retire at the end of this congressional session. Another, the chairwoman of the Senate Agriculture Committee, Blanche Lincoln, lost her re-election bid. Even so, there might still be enough votes in the Senate to defeat any bill that might emerge from the House to further tighten the embargo. Cuba policy stagnation remains a likely outcome. There will be some areas for bilateral co-operation, but these will probably remain limited to migration and anti-drugs efforts.

What to watch:

- Fate of humanitarian missionary Alan Gross
- Continued release of political prisoners
- U.S. and EU reaction to Cuban reforms



Ileana Ros-Lehtinen & BGC President Teo

**Respectfully Yours,
BabunGroup Consulting, Inc.**



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Summary & Developments

Since the early 1960s, U.S. policy has consisted largely of isolating Cuba through economic sanctions. A second policy component has consisted of support measures for the Cuban people, including U.S.-sponsored broadcasting and support for human rights activists. In light of Fidel Castro's departure as head of government, many observers have called for a re-examination of policy with two broad approaches advanced: an approach that would maintain the dual-track policy of isolating the Cuban government while providing support to the Cuban people; and an approach aimed at changing attitudes in the Cuban government and society through increased engagement. The Obama Administration has lifted restrictions on family travel and remittances; eased restrictions on telecommunications links with Cuba; and restarted migration talks. The Administration has criticized the government's repression of dissidents, but it welcomed Cuba's July 2010 announcement of a prisoner release as a positive sign. The Administration also has called for the release of a U.S. humanitarian missionary imprisoned since December 2009.



In early November 2010, Raúl Castro announced that the sixth party congress would be held in April 2011. The President maintained that the congress would concentrate on the economy, with decisions on updating the Cuban economic model, and outlining the economic and social policy of the party and the revolution.

The European Union decided not to alter its "common position" toward Cuba—which calls for democratic reforms and respect for human rights. However, at the meeting of EU foreign ministers in Luxemburg on October 25th, representatives of the 27 member countries did agree to explore opportunities for improving ties with Havana. This mild adjustment to the policy has underscored the split in the ranks of the EU with regard to Cuba policy, and suggests that full normalization of relations is not likely in the near term. However, other EU members do not see the release of the dissidents as sufficient, and are not ready to abandon their demands for democratization.

Obama Administration Policy

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In early December 2009, Alan Gross, an American humanitarian missionary working as a sub-contractor on a USAID-funded Cuba democracy project in Cuba was arrested in Havana. He was reported to have distributed communications equipment such as cell phones and laptops to Jewish synagogues. Cuban officials claimed that he was a spy, but U.S. officials strongly denied that he was working with the U.S. intelligence services. Members of Congress have raised considerable concern about Mr. Gross's detention. In June 2010, Secretary of State Clinton has said that Mr. Gross's detention is harming U.S.-Cuban relations, and that his release would be viewed favorably.

In response to the Cuban Catholic Church's July 7, 2010, announcement that 52 political prisoners would be released, Secretary of State Clinton said that it was "a positive sign" and that the United States welcomed it. In August 2010, there were numerous press reports maintaining that the Obama Administration would be taking action to ease travel restrictions further and allow all Americans to send remittances to Cuba.

Economic Changes Under Raúl

Special Report

In September 2010, the Cuban government announced a significant series of reforms designed to reduce the public sector and increase private enterprise. On September 13, 2010, the government announced that by the end of March 2011 it would identify half a million state workers that would be laid off, with most expected to find work in the expanding private sector. On September 24, the government announced an expansion of self-employment, identifying 178 categories of work allowed with 83 of those allowing small businesses to hire non-family members.

The self-employment categories cover a wide range of employment from “carpenters, gardeners, artisans, and animal trainers to small businesses such as home-based bed and breakfasts, rental property, restaurants, pizzerias, and snack shops.”⁴⁰ New tax provisions would generate income for the government and include a new sales tax and social security tax. The layoffs reportedly will affect all public sector employees, including in the public service and state-owned enterprises. Over the next five years, a total of 1.2 million state employees would be cut (out of about 4.3 million state workers).

A significant reform effort under Raúl Castro has focused on the agriculture sector, a vital issue because Cuba reportedly imports some two-thirds of its food needs. In an effort to boost food production, the government began in 2008 to give farmers more discretion over how to use their land and what supplies to buy. Decision-making on agriculture reportedly has shifted from the national government to the local municipal level, with government bureaucracy cut significantly. The government also began a program of turning idle land into productive use through a land grant program, whereby private farmers and cooperatives can apply for land.

At the beginning of 2010, there was a hint of forthcoming changes when Cuban Minister of Economy and Planning Marino Murillo reportedly said in January 2010 that “the gigantic paternalist state can no longer be, because there is no longer any way to maintain it.” In April 2010, the Cuban government began a pilot project turning over some state-run barber shops and hair salons to their employees. Specific reformers include:

- Alternative work will be offered in sectors where there are labor shortages, such as agriculture and construction. If the new private sector is unable to absorb all those workers who have lost state jobs, a rise in informal sector activity could result in increased criminality. It remains possible that the time scale for the first wave of layoffs, scheduled for completion within six months, may be extended.
- Incorporating existing operators. Whereas previously only state workers and retired citizens could receive licenses for self-employment, this will now be extended to people with no formal employment. The aim is to incorporate Cubans who currently derive their living from the informal sector.
- Private-sector employees. In 83 of the categories it will be possible for the first time to hire employees (these do not have to be members of the same household or relatives of the business owner, as was previously the case). They will be allowed to sell goods and services to the state and to rent their places of business from other Cubans.
- Microfinance. Bank credits may be made available to finance start-ups (BGC is closely watching this developments).
- Taxes. All registered private businesses will be required to pay tax and social-security contributions.
- Multiple activities. Formerly, the self-employed could only be involved in one activity, but now they will be permitted to hold licenses for more than one type of job.
- Geographical restrictions lifted. Previously workers were restricted to activities only in a single municipality; now they can operate outside the municipality in which the licensed was originally issued.



Raul Castro





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Offshore Oil & Natural Gas Development

Special Report

According to the U.S. Energy Information Administration, industry analysts maintain that there could be at least 1.6 billion barrels of crude oil reserves in Cuba's offshore sector; the U.S. Geological Survey estimated a mean of 4.6 billion barrels of undiscovered oil and 9.8 trillion cubic feet of undiscovered natural gas reserves. In October 2008, an official of Cuba's state oil company, Cubapetróleo (Cupet), maintained there may be more than 20 billion barrels of oil in Cuba's deep waters, but energy analysts expressed skepticism for such a claim.

At present, Cuba has agreements in place for six concessions involving seven foreign oil companies for the exploration of offshore oil and gas. Repsol (Spain), Norsk-Hydro (Norway), and ONGC (India) are partners in a joint project, while ONGC, PdVSA (Venezuela), Petronas (Malaysia), PetroVietnam, and Petrobras (Brazil) have separate concessions. In addition, Cuba is in negotiation with the China National Petroleum Corporation (CNPC) and Angola's Sonangol for offshore leases.

Some analysts have called for the Administration to proactively identify, and take action to amend or rescind as required, any regulatory restrictions or prohibitions on the transfer of U.S. equipment, technology, and personnel to Cuba that would be needed to combat an oil spill in Cuba.

In the 111th Congress, three measures have been introduced that would allow for U.S. involvement in Cuba's offshore oil sector, while another measure would impose visa restrictions and sanctions on aliens who help facilitate the development of Cuba's petroleum resources. S. 774 (Dorgan), H.R. 1918 (Flake), and S. 1517 (Murkowski) would authorize U.S. companies to work with Cuba for the exploration and extraction of oil, and to export without license all necessary equipment. The bills would amend the Trade Sanctions Reform and Export Enhancement Act of 2000 to provide for a general license for travel by persons engaging in hydrocarbon exploration and extraction activities. H.R. 1918 would also allow for the importation of such hydrocarbon resources from Cuba. In contrast, H.R. 5620 (Ros-Lehtinen) would amend the Cuban Liberty and Democratic Solidarity Act of 1996 to exclude from the United States aliens who invest \$1 million or more that contributes to the ability of Cuba to develop its offshore petroleum resources. The bill would also provide for the imposition of sanctions and prohibition on the facilitation of development of Cuba's petroleum resources.



Cuba's 19 Suggestions to President Obama

Special Report

On September 25th, Cuba is offering a series of small but specific steps the administration of President Barack Obama can take to soften the United States' 48-year-old trade embargo, including expanding flights and establishing ferry service between both countries and dropping bank bans that keep U.S. credit cards from working on the island. The 19 suggestions acknowledges that Obama cannot scrap the full embargo without approval from Congress, but to discuss steps his administration can take unilaterally. Cuba's suggestions for Obama are unique in that they are specific enough to suggest the island's communist government may be adopting a more conciliatory tone in its criticism of U.S. policy.

Cuba also said it wants Obama to make it easier for American travel agencies to sell trips to the island; currently only 150 agencies are authorized to do. Its other suggestions included allowing Cuban airlines — not just U.S. ones — to fly passengers between both countries; and expanding approved U.S. exports to the island to include insecticides, pesticides, more farming machinery and wooden furniture. Here they are in the original language:



En virtud de esas prerrogativas y si existiera la voluntad política para ello, el Presidente Obama habría tenido las suficientes facultades para flexibilizar de manera significativa el bloqueo contra Cuba. En ese sentido, y sin necesidad de que mediara una autorización congresional, el Presidente habría podido emitir una amplia gama de licencias para autorizar las siguientes medidas:

1. Expandir sustancialmente los viajes de los norteamericanos y extranjeros residentes en EE.UU., mediante una interpretación amplia de las 12 categorías de viajes establecidas por la ley* (por ejemplo, expansión de los viajes educacionales, los permisos para participar en conferencias profesionales, los intercambios académicos, científicos, estudiantiles, culturales, deportivos, religiosos, y autorización de proyectos humanitarios, entre otros).
2. Eliminar los límites a los gastos asociados a los viajes, como alojamiento, alimentación y transportación local, que los norteamericanos y cubanos residentes en EE.UU. pueden realizar cuando visitan Cuba (los norteamericanos, incluidos los cubanoamericanos, luego de la enmienda en la Ley de Presupuesto del año fiscal 2009, no pueden gastar más que el límite fijado para los viáticos por concepto de viajes al exterior de los funcionarios del Gobierno norteamericano, que en la actualidad es de 179 USD por día).
3. Eliminar la prohibición del uso de tarjetas de crédito y débito, cheques personales, cheques de viajeros, emitidas tanto por bancos de EE.UU. como de terceros países.
4. Ampliar la lista de aeropuertos de EE.UU. autorizados para operar vuelos charter hacia Cuba (actualmente hay sólo tres aprobados: Miami, Nueva York y Los Ángeles).
5. Permitir servicios de ferry entre EE.UU. y Cuba.
6. Autorizar a todas las agencias de viajes de EE.UU. organizar viajes a Cuba, o flexibilizar los requisitos y los procedimientos vigentes para que las agencias de viajes obtengan los permisos necesarios para esta actividad (actualmente son unas 150 las agencias autorizadas, mediante licencias específicas).
7. Autorizar a los viajeros que visitan Cuba, comprar productos cubanos y llevarlos a EE.UU. para su uso personal o como regalos, y eliminar el límite a su valor (hasta el presente lo único que pueden llevar son materiales informativos, incluyendo objetos de arte).





8. Eliminar la prohibición a las empresas cubanas para participar en la transportación de visitantes de EE.UU. hacia y desde Cuba, o de visitantes de Cuba hacia y desde EE.UU.
9. Permitir ciertas relaciones bancarias, como bancos corresponsales y apertura de cuentas por entidades cubanas en bancos de EE.UU., para facilitar las exportaciones agrícolas.
10. Eliminar la prohibición que impide a las embarcaciones que transportan productos agrícolas a Cuba, cargar mercancías en nuestro país aunque su destino fuera a un tercer país.
11. Expandir los productos que pueden ser exportados a Cuba para incluir, por ejemplo, insecticidas, pesticidas, herbicidas, equipos agrícolas e, incluso, muebles hechos con madera y confecciones fabricadas con materiales de origen animal o vegetal.
12. Permitir formas más amplias de colaboración en el desarrollo, comercialización y suministro de medicinas y productos biomédicos de origen cubano.
13. Autorizar la importación de medicinas y productos médicos de origen cubano, y los pagos correspondientes a los exportadores cubanos.
14. Autorizar la exportación de medicinas y equipos médicos que puedan ser usados en la producción de productos biotecnológicos cubanos.
15. Instruir a los representantes de EE.UU. en las instituciones financieras internacionales que no bloqueen el otorgamiento de créditos u otras facilidades financieras a Cuba.
16. Flexibilizar o eliminar la prohibición al uso del dólar en las transacciones internacionales de Cuba.
17. Permitir a las subsidiarias extranjeras de compañías norteamericanas realizar determinadas transacciones con Cuba, como servicios financieros, seguros, servicios e inversiones (la Ley Torricelli prohíbe el comercio de mercancías, pero no las transacciones mencionadas).
18. Levantar las dos prohibiciones establecidas en la Ley Torricelli respecto a las embarcaciones: la que impide la entrada a puertos de EE.UU., durante 180 días, de las embarcaciones de terceros países que hayan transportado mercancías a Cuba; y la que imposibilita la entrada a puertos estadounidenses de embarcaciones que transporten mercancías o pasajeros hacia o desde Cuba (la Ley Torricelli y las regulaciones para su implementación autorizan al Presidente emitir licencias para ello).
19. Excluir a Cuba de la lista de estados patrocinadores del terrorismo internacional. Esta lista fue publicada por primera vez, en 1982, bajo la administración Reagan y se ha mantenido hasta ahora. Entraña la aplicación de determinadas sanciones.**



*Estas categorías son: viajes para asuntos oficiales del gobierno, de gobiernos extranjeros o de organizaciones internacionales; viajes familiares; viajes para actividades periodísticas; viajes para investigaciones profesionales; viajes para actividades educacionales; religiosas; para presentaciones públicas, competencias deportivas y exposiciones; viajes para actividades de apoyo al pueblo cubano; para proyectos humanitarios; viajes para actividades de fundaciones privadas o de institutos de investigación o educacionales; viajes para actividades de exportación, importación o transmisión de información o materiales informativos; y viajes para actividades de exportación de productos agrícolas.

**Entre las sanciones que se aplican a un Estado patrocinador del terrorismo, según la lista confeccionada por EE.UU., se encuentran: la prohibición de transacciones financieras sin licencia, la prohibición de ayuda financiera y técnica directa del Gobierno de EE.UU., la prohibición de exportaciones de determinadas mercancías como productos industriales pesados, equipos de alta tecnología, y productos de uso dual, la prohibición de transferencia de municiones, y la prohibición del otorgamiento de visas temporales a los nacionales del país sin una decisión especial del Secretario de Estado.

Latest Business Headlines

Cellular Growth Still Slow to Cuba

Nokia, AT&T and Verizon Communications are urging the U.S. government to ease rules that keep them from operating in Cuba even after President Obama loosened telecommunications regulations last year to promote democracy on the Communist island.

Nokia, the world's biggest mobile-phone maker, is urging the U.S. to ease its 47-year-old trade embargo so it can sell handsets to Cuba. AT&T and Verizon, the largest U.S. wireless providers, urged regulators to make it easier for U.S. companies to directly connect calls to and from Cuba.

Cuba has the lowest mobile-phone penetration in Latin America. As recently as 2008, about 20,000 to 30,000 people, mostly foreign diplomats and senior officials, owned mobile devices. That number has grown to 800,000 since Castro lifted a ban on most people owning them, the Cuba Study Group says.

AT&T and Verizon may be interested in setting up roaming service for U.S. customers who visit the island as a first step into Cuba, said Jose Magana, a senior analyst at Pyramid Research in Cambridge, Mass.

The country of 11.4 million people could become the largest telecom market in the Caribbean, topping Puerto Rico's \$1.6 billion market, Magana said. If the market remains mostly closed, annual revenue could still reach \$400 million by 2013 from the current \$80 million, he said.

British Firms Could Buy Land

British companies could be among the first foreigners to buy land in Cuba since Fidel Castro's revolution in 1959, following a delegation to the communist state next weekend.

Up to 25 British companies are aiming to strike deals that could allow them to develop hotels, golf courses and renewable energy projects. Law firm Eversheds, Esencia Hotels and Havana Energy are among the firms that will meet Cuban government officials, who are trying to attract foreign capital to boost the country's shrinking economy.

Cuba to Link to Russian Version of GPS

Cuba plans to connect to Russia's satellite based navigation system, according to RIA Novosti, quoting Moscow's envoy in Havana. The Global Navigation Satellite System (Glonass) is the main competitor to the U.S.-based Global Positioning System (GPS).

"Our plans include a detailed work on connecting Cuba to the Glonass system," Mikhail Kamynin said. In fall 2008, Cuba for the first time expressed its interest in using Glonass for civilian purposes. In February 2009, Russia offered Cuba a channel on the Express AM-44 satellite. The satellite could facilitate telephone and television traffic between Cuba and Europe and link to an undersea fiber optic cable that will connect Venezuela, Cuba and Jamaica. Russian companies are participating in the modernization of the Gran Caribe satellite station in Cuba and are building a new space control center.

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Leisure Canada Lauds New Investment Law

Leisure Canada Inc., which has three large scale luxury real estate projects under development, praised the Cuban government's recent decision to allow foreign investors to use state-owned land for up to 99 years in a change that will accelerate development of hotels and golf courses on the island. The law, published Aug. 26, is aimed at "facilitating the process of participation of foreign investment in international tourism by giving "greater security and guarantee to the foreign investor in the real estate business." Robin Conners, president and CEO of Leisure Canada, sees this as a historic landmark that will spur development of Cuba's tourism infrastructure, helping to drive more visits and more foreign dollars into the economy. "It will serve to make Cuba much more competitive relative to Latin American tourism and help to attract thousands of new consumers to the island," said Conners.



Tourism Grows, but Spanish Arrivals Fall

Cuba has welcomed two million tourists so far this year and the sector is on its way to a 3% increase over 2009, say tourism officials. The island reached the 2-million mark for the seventh straight year and in record time, having gotten there this year 12 days before that milestone was reached in 2009.

The Ministry of Tourism says Cuba will surpass the 2.43 million visitors it received last year, with Canada remaining the top source of tourists, followed by Britain, Italy, Spain, Germany, France, Mexico, Argentina and Russia. Yet tourism from all-important Spain is stagnating or declining this year, Tourism Minister Manuel Marrero said recently, adding that he expects Spanish tourism to rise again "sooner or later." The number of Spanish visitors peaked in 2005, at 194,000. The current stagnation follows a financial crisis and recession that hit Spain harder than most other European nations.



Washington-based private equity firm Carlyle Group's 2006 purchase of Orizonia Corp., one of the biggest foreign tourism providers in Cuba and owner of the Iberojet tour operator and Iberworld charter airline, effectively took the company out of the picture, costing Cuba some 46,000 Spanish visitors per year. The takeover of Spain's Pullmantur Cruises by Miami-based Royal Caribbean Cruises, also in 2006, caused a 22,000-passenger drop in Cuban cruise tourism.

Cuba Lucrative Market for U.S. Pork Meat

The United States could boost pork exports to Cuba by up to \$28 million if travel and finance restrictions on Cuba are lifted, says Iowa State University economist Dermot Hayes.

Over the past year, U.S. producers shipped about \$13.4 million of pork to Cuba. The policy change also would create about 6,000 additional jobs in the United States, according to a study conducted by Texas A&M University, which also found that total U.S. exports would increase by \$365 million a year.

"Because of its proximity to Cuba — just 90 miles separate the countries — the United States is in position to capture a large share of the Cuban pork import market," said Sam Carney, president of the National Pork Producers Council (NPPC). "For the U.S. pork industry to remain successful and viable, we need new and expanded market access."

Brazil to Help Cuba's Economic Restructuring

Brazil's foreign minister says his country will help Cuba develop small- and medium-sized businesses as part of Raúl Castro's just-announced plan for economic growth.

Celso Amorim, calling Raul's proposed layoff of state workers over the next six months "very courageous," said Cuba could learn from Brazil's successful experience in fostering entrepreneurship.

"It doesn't pay off for Cuba to move 500,000 workers out of the public sector if they fall into the informal economy," Amorim said, adding: "I believe Cuba's evolution — and I use this word deliberately — is a process that will increase opportunities. We're ready to cooperate."

54% of Land Given to Farmers Lies Fallow

Two years after the Cuban government began land handouts to individuals interested in having parcels to labor, 54% of the one million hectares destined to private farmers are still not growing anything.

According to Armando Nova of the Cuban Economy Studies Center, land handouts should have started long before. In 2008, when this process began, Cuba had to spend \$2.5 billion on food imports alone.

Through August 2010, some 100,000 people had received parcels of land through this process, said Pedro Olivera, director of the National Center of Land Control. He attributed delays in making the land productive to drought as well as bureaucracy in the handing out of parcels.

The land under this system still belongs to the state, but proceeds from sales of farm products go to those who work the land. Olivera admitted the land was delivered with high levels of marabu infestation, not to mention lack of farm tools and resources.

During the first half of 2010, food production fell 10% compared to the same period in 2009, including staples like beans (-27%), rice (-2%) and green vegetables (-22%), according to data published by the National Statistics Office (ONE in Spanish).

Nova also criticized contracts which force farmers to sell to the state 70% of total production at fixed prices that are much lower than those on the free market. Even though land leases are for a 10-year period subject to renewal, Nova said all cases aren't equal, since some crops are short-cycle ones and others like fruit or lumber trees require years to produce. Out of a total 133,000 applications, 83% have been approved, say official statistics.

Irish-Cuba Business Network Established

A new business network to aid Irish businesses that want to invest in Cuba or create new markets there has been established with the backing of the Cuban Embassy in Ireland. The Irish Cuba Business Network (ICBN) was launched in Dublin late last month to promote trade and investment with the Caribbean island and to assist Irish companies interested in doing

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business there.

Along with a market of 11 million people and projected tourism growth to 4 million visitors by 2012 — are just some of the incentives, says Martin Connolly, founder of ICBN. A partner with Hospitality Business Reports, Connolly visited Cuba last May at the invitation of the Cuban Ministry of Tourism, to discuss the opening of an Irish gastropub and music and arts center in Old Havana. A site has now been selected for the cojoined venues in Old Havana, and construction will commence in the coming months.

“There are major opportunities for Irish companies,” Connolly said. “Cuba is like Ireland was in the 1970s and 1980s: we had visitors but not the infrastructure or standards they required.”

Tourism projects like hotels, golf courses and marinas, food processing, packaging, renewable energy, oil exploration and biotech are priority sectors for foreign investment. “Irish firms can form joint ventures with Cuban companies or enter into business as a foreign company without the involvement of any national investor,” Connolly said.



Venezuela to Expand Port of Cienfuegos

The Port of Cienfuegos is scheduled for a major expansion, reports AP. Venezuela and Cuba are building a refinery and petrochemical hub around the southern port city, and that’s boosting cargo traffic.

The port will add three berths and a terminal for supertankers within four years, says AP. Cienfuegos currently has five berths. Supplying the refinery with Venezuelan crude oil, supertankers have docked at Cienfuegos since 2008. Yet the entrance to Cienfuegos Bay is a major bottleneck for supertankers. Tugboats are operating at the limits of maneuverability in the straight passage.

“The Port of Cienfuegos will be an industrial port. This will be its main role,” Luis Medina, general director of the national ports authority, told journalists. He said petrochemical products are changing the nature of the port. Cienfuegos is not the only port expansion in Cuba. Construction of a \$300 million container terminal at the Port of Mariel, just west of Havana, began early this year, with funding from Brazil and Dubai. Mariel will also be the base for offshore oil operations.

Canadian Firm Wins AG Contract

A Canadian company signed agreements to sell \$1.17 million worth of agricultural equipment to Cuba, reported *Trabajadores*.

The company, which was not identified, will sell windmills and fruit harvesters to Grupo Empresarial Fruticola (GEF) during the 14th International Agriculture Fair (FIAGROP) at Rancho Boyeros in suburban Havana.

Over \$4.5 million in agreements was signed at FIAGROP. Forty companies from Cuba, Germany, Canada, Argentina, Venezuela, South Korea, Panama and Sweden attended the show. The largest pavilion was Germany’s, which included Addcon, Bayer, Bela-Pharm, DZ-Bank, and the state of Niedersachsen.



China to Give Cuba \$600 Million in Aid

China provided its ideological ally Cuba \$600 million in loans and grants Sept. 3 during a three-day visit to strengthen ties by the Asian giant's parliamentary head Wu Bangguo, diplomatic sources said. Wu, the No. 2 man in China's ruling Communist Party, and Cuban parliamentary chief Ricardo Alarcón oversaw the signing of a series of agreements, including for a loan worth \$260 million for the purchase of 10 grain shipments, as well as a \$300 million loan to help improve Cuba's telecom network.

A Chinese credit also will be invested in Cuban television; a spokesman of China's diplomatic mission told the news agency AFP, without specifying the amount. In addition, Beijing donated \$9 million, offered an official credit in the same amount, and provided a \$1 million preferential line of credit, all for investment in projects to be determined by Cuba's government.

D.R. Entity to Deliver Packages to Cuba

A new company, ParaCuba.com, has been formed in the Dominican Republic to deliver parcels to Cuban institutions and individuals. The new enterprise is the result of an agreement between Dominican Stemsá Comercial SA and Cuba's Transcarga that allows for parcel deliveries by sea or air cargo.

The agency handles a wide variety of items from foods to cosmetics, perfumes, hygiene products, construction materials, tools, furniture, auto spare parts, household appliances, computers and communications equipment. Shopping may be done online and round-the-clock service in a virtual supermarket that not only handles orders for delivery in Cuba, but also the sale of Cuban products for consumers in other countries. Estimated time of delivery to Havana recipients is 5-12 working days.



Cuba Geopolitical Outlook

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