

# CUBANEWS

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## Corruption, poor management deal blow to fishing sector

*Domingo Amuchastegui*

Three years ago, the Cuban fishing industry was one of the better performing areas of the economy, with catches and exports rising and incentives and improved technology boosting productivity. However, the past year has seen a series of reversals.

Industry sources say that last year's total catch dropped by about 10% to 31,000 tons. Worse still, the declines have hit key cash species, such as lobster, shrimp and tuna.

Sources say a number of factors are to blame, including delays in introducing modern technology, poor use of the new equipment that has been purchased, serious problems in aquaculture and quality control problems.

But by far, the most important reason for most of the problems has been what sources say is large-scale mismanagement and extensive corruption. The result has been a lack of financial control, uncontrolled expenditures, rising debt levels and considerable petty theft.

The Fisheries Ministry reportedly is facing a severe liquidity crisis. There already have been reports that the government could not service some fisheries-related debts and sources say the Central Bank has begun to audit ministry accounts for evidence of wrongdoing.

Much of the blame is expected to be heaped on former Fisheries Minister Orlando Rodriguez Romay, a

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## Castro says he'll buy more American food

*Ana Radelat*

WASHINGTON – Fidel Castro's government appears to have reversed itself on his position that a recent purchase of \$35 million worth of American farm products would be a one-time deal.

During a lengthy meeting in Havana on the evening of Feb. 12, Castro told Jim Summer, president of the USA Poultry and Egg Export Council, and other representatives of the American poultry industry that they could expect additional purchases of food and agricultural products in approximately the same amount if the US government continued to expedite export licenses for the shipments.

Alimport, the Cuban state food importer, recently purchased 10,000 tons of chicken from US companies, mostly chicken leg quarters that are difficult to sell in the US market.

Summer said that as a result of his "fact-finding mission" to Cuba, he was "pleased to learn that Alimport is interested in purchasing additional poultry products from companies in the United States, including chicken, turkey and eggs."

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## Fishing scandal ...

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young captain from the Navy who was a long-time protege of Defense Minister Raul Castro. Three years ago, he made a special report to the National Assembly on the state of the ministry, insisting that the industry was sound and poised for strong growth.

In late 2000, however, his brother, know as "El Gordo" was arrested on corruption charges. He was a director of several shipping companies and fishing ventures associated with the Armed Forces. After the arrest, the minister's activities naturally came under scrutiny and a wide range irregularities were soon discovered.

The new minister, Alfredo Lopez – a civilian engineer – reportedly has found that the situation is far worse than anyone had imagined.

### Scandal harms reform efforts

The scandal also may be a bad indication of where the government's reform of the state sector is going. A broad effort to implement the *Perfeccionamiento Empresarial* business reform program in the fishing industry apparently created few obstacles to the misconduct that took place.

The government remains committed to the technological changes it had adopted before the scandal and

officials have said they will focus on investments in ships, fish processing plants and ice-factories as well as improved aquaculture systems, training and increased exports of live lobster and shrimp. There also are plans to improve packaging and quality control systems to ensure Cuban products are competitive in export markets.

A few reforms already have been adopted. The Merchant Marine, which used to operate under the authority of the Ministry of Fisheries has been placed it under the Ministry of Transport.

Central Bank President Francisco Soberon reportedly has been overseeing the reforms and housecleaning, an indication of the importance the government places on the sector. He also is leading a search for new sources of financing. Officials say they expect sales to reach \$143 million this year.

However, the scandal is a major setback for an industry that was widely touted as having strong potential and that was to have demonstrated the government's ability to reform state enterprises without privatization or foreign management. The fact that this has proven to be so difficult and for such unsavory reasons, raises questions about the government's ability to tackle similar challenges in other industries. ~

## More food sales ...

*Continued from page 1*

US food sales to Cuba are allowed under a law passed by Congress nearly two years ago. But the opening to new trade came with certain restrictions, including that Cuba pay for the goods in cash.

When the law was approved, Castro's government chafed at the restrictions, especially the ban on US credit, and said it would not purchase a single grain of American rice.

But after the Bush administration offered aid to Cuba in Hurricane Michelle's wake last year, Cuba's government made the surprise announcement that it would make a "one-time" purchase of certain foodstuffs. Besides poultry, Cuba bought thousands of metric tons of soy meal, corn, flour and rice from Archer Daniels Midland – which has shipped nearly 95,000 tons of grain to Cuba since November – and other US producers. Most of the US food was delivered by Mexican-flagged ships that sailed from Louisiana and Mississippi ports.

Alimport also made a purchase from a US retailer – Indianapolis, Ind.-based Marsh Supermakets, which signed a half-million dollar deal to deliver 53 truckloads of pork lard to the island.

Before Castro met with the US poultry industry representatives, there was a hint that Cuba was willing to make additional food buys in a late January meeting between Cargill CEO Warren Staley and Alimport President Pedro Alvarez. During their talks, Alvarez said Cuba was willing to purchase more food if it received "encouraging signs" from Washington.

One sign of encouragement would be an end to the credit ban on Cuba's purchases. The trade restriction was sponsored by Cuban-American lawmakers who support the embargo, but their farm-state colleagues are seeking an end to the prohibition.

Sen. Tom Harkin (D-IA) the head of the Senate Agriculture Committee, included a provision that would lift the

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## More food sales ...

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financing ban in a new \$174 billion farm bill approved by the Senate on a 58-40 vote on Feb. 13.

Cuba's willingness to buy more US food may be designed to energize the farm state lawmakers pushing for an end to the financing ban. But even with the prospect of more sales, the lawmakers may not prevail.

Harkin's bill must be reconciled with House-approved farm bill that does not contain the Cuba trade provision. It's likely that House leaders – who oppose any attempt to weaken the embargo – will try to have the financing provision stripped from a final bill. In addition, President Bush has vowed to veto any legislation that would ease US trade sanctions on Cuba and has other problems with both the House and Senate farm bills. ~



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## Labor

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### Government unemployment figures offer little insight into true situation on jobs

*Domingo Amuchastegui*

Although government officials concede that unemployment rose in the wake of the Sept. 11, 2001 attacks in the United States as tourist arrivals fell sharply, they appear to be unwilling to address the full magnitude of the problem.

Officials have not released any information at all on the impact of the drop in tourism on light manufacturing, entrepreneurs and retail, all of which are highly dependent on sales to the tourism industry or tourists. In addition, even as officials acknowledge layoffs in the tourism sector, the economy's most dynamic area, officials announced that unemployment fell from 5.4% in 2000 to 4.1% in 2001.

Officially, just 180,000 people, out of a workforce of 4.4 million are out of work. But even the most charitable

independent estimate has 256,000 Cubans idle, and some estimates are much higher. Even the government's own figures are contradictory. One recent report found that in the Manzanillo area alone there are 120,000 young people who are unemployed, a figure that renders the government's number absolutely ridiculous.

The government's figures also do not take into consideration the numbers of young people joining the work force every year.

The government claims that last year, 195,625 permanent jobs were created, of which 119,400 were located in the eastern provinces. This includes 10,000 in Holguin province; 14,314 in Camaguey; 18,000 in Las Tunas, and 46,162 in Santiago de Cuba. In the Manzanillo area of Granma province, 13,000 new jobs were created..

However, only 60% and 70% of these jobs actually are permanent. The rest are seasonal agricultural jobs. In addition, up to 80% are in agriculture, which because of very low wages and a lack of economic incentive programs, holds little appeal for most young Cubans. The average Cuban salary in the last quarter of 2001 was 247 pesos a month (less than \$10) and most agricultural workers make less. Cuba's most prized jobs are the 1.3 million that include bonuses and performance incentives, most of which are in nickel, tourism and energy.

Significant improvements are nowhere in sight. The government continues to have few resources available for job creation and usually struggles to pay its food import bills. Foreign investment also appears to be a trickle compares to the mid 1990s, which investors were enthusiastic about Cuba's prospects and confident of economic and political changes. The recovery of the tourist industry remains very much an open question although there are some positive signs suggesting a gradual improvement.

The two other sources of new employment – private activities and large-scale foreign investments – will require significant shifts in government

policies. There appears to be little prospect of this in the near term.

This is a perilous time. If unemployment continues to rise there is a risk of social and political consequences. But in light of the refusal to adopt reforms, the government's only option appears to be to cook the books and hope the Cuban population remains patient. ~

### Cuban firm provides travellers assistance, insurance coverage

HAVANA — It's not unusual for tourists to get into trouble while they are abroad and many buy travel insurance to protect themselves against accidents, lost luggage and theft.

Since its founding more than 10 years ago, state company Asistur has become Cuba's leading travel insurance company and has relationships with more than 165 insurance companies in 48 countries to assist distressed tourists.

Asistur manages treatment and repatriation of injured travellers, reimbursement for lost or stolen property and other travellers' headaches. Insurers abroad pay Asistur a fee for services it renders and pay for medical treatment at Cuban hospitals or clinics serving foreigners operated by state company Servimed.

Last year, Asistur helped more than 8,000 tourists, including more than 300 who needed to be hospitalized. Although many tourists seek help for lost bags, stolen wallets and other inconveniences, the majority required some sort of medical attention.

Asistur is part of a state-own financial conglomerate called Caudal, which also includes the country's largest insurance companies Esicuba, Reaseguradora de la Habana, Intermar and Interholdings.

Asistur also sells a variety of policies to Cuban's travelling abroad, including medical, life insurance, auto and travel insurance. Another state company, La Isla, also a member of the Caudal group, provides insurance to companies in the tourism sector, primarily liability coverage and casualty insurance. ~



## Diplomacy

### Fox moves to address Mexico-Cuba relations

*Relations solid but not like before*

Ana Radelat

WASHINGTON – While Mexican President Vicente Fox said his nation's relationship with Cuba was "solid," things may have shifted a bit between the neighbors.

Mexico has always been an ally of Fidel Castro's government – it was the only Latin American nation that never heeded the US call to stop trading with Havana. During the 1990s, Mexico became one of Cuba's main trading partners, although commerce with the island dropped precipitously after implementation of the 1996 Helms-Burton Act has only begun to creep up again in the last couple of years.

While Fox wants Mexico's commercial relationship with Cuba to continue, he bowed to US pressure and to calls within his conservative PAN party, to address the human rights situation in the island – an issue his predecessors from the once-ruling PRI party assiduously avoided.

In an early February 24-hour trip to Havana, Fox met with Cuba's best known dissidents – Elizardo Sanchez, Oswaldo Paya, Martha Beatriz Roque, Hector Palacios, Raul Rivero, Manuel Cuesta and Osvaldo Alfonso – in the Mexican embassy in Havana.

Foreign Minister Jorge Castaneda, who at one time called himself a Marxist and accompanied Fox on the trip, once battled PAN officials who wanted Fox to be more critical of Cuba's one-party communist system.

But, Peter Hakim of the Inter-American Dialogue said it wasn't surprising that Fox and Castaneda met with Cuban dissidents.

He pointed out that last year Mexico deviated from its usual policy of opposing an annual US effort to have the US Human Rights Commis-

sion condemn Cuba. Mexico abstained from the vote instead.

With Mexico trying to play a larger leadership role in Latin America and trying to curry favor with the Bush administration, "it seems it would have been very hard not to pay attention to the internal problems of the regime," Hakim said.

While Fox displeased Castro by meeting with dissidents, the Mexican president assured the Cuban leader that his country would not join the US effort this year to condemn Cuba's human rights record.

Despite the pledge, Castro deviated from custom and failed to see Fox off at the airport. Cuban Foreign Minister Felipe Perez Roque did the honors instead.



## The Embargo

### Congress renews effort to allow greater travel to Cuba

Ana Radelat

WASHINGTON – After abandoning plans to seek an end to enforcement of US travel restrictions on Cuba in the wake of the Sept. 11 attacks, Sen. Byron Dorgan (D-ND) vowed during an February congressional hearing to try again this year.

The US embargo prohibits Americans from spending money on travel to Cuba unless they belong to any of the 13 categories of people who can, under current law, obtain Treasury Department approval to skirt the embargo. Those who can obtain a license from the Office of Foreign Assets Control to spend money on Cuba travel, include journalists, Cuban Americans, farmers and federal officials.

But tens of thousands of Americans break the embargo each year by traveling to Cuba without permission from OFAC. One of them was Marilyn Meister, a 75-year-old retired teacher from Wisconsin who testified at Dorgan's hearing that a Canadian

group that organized a bike trip on the island assured her it was legal for Americans to participate.

Upon her return to the United States Meister told a Customs Agent that she had visited Cuba and was subsequently fined \$7,500 by OFAC, the usual amount the agency levies against anyone it catches violating Cuba travel restrictions. The fines are usually negotiated down to about \$700.

Nevertheless, during his Senate Appropriations subcommittee hearing, Dorgan said he was outraged at Meister's treatment and would reintroduce legislation, either by himself or with a bipartisan group of Senate colleagues, that would strip OFAC of money to enforce Cuba travel restrictions.

A similar provision was included in the bill that funds the budget of the Treasury Department and other agencies by Rep. Jeff Flake (R-AZ). Dorgan intended to introduce a companion measure in the Senate version of the Treasury Department budget bill, but changed his mind after the terrorist attacks on New York and Washington, saying he did not want to spark any controversy in the wake of the assaults.

Flake's provision did not survive a joint conference between the House and Senate on the budget bill.

Dennis Hays, executive vice president of the Cuban American National Foundation, testified against a loosening of restrictions at Dorgan's hearing. But he predicted there will be a tough battle over the issue this year.

While Hays believes Castro's government wouldn't welcome a flood of American tourists, he said the perception that there's movement toward allowing free travel to the island may help Cuba's government reach its goal of increasing investments by European, Mexican and Canadian companies that dominate the hotel sector on the island.

"Everybody wants to be there, half a step ahead of the Americans," Hays said.



## Cuba reports progress in sugar harvest but doubts remain

The sugar harvest has entered its peak, when all mills are active, cane shows the highest sugar concentrations and weather conditions are the best. At this time, both Cuban officials and outside analysts —having a access to different records — define the estimates on the final output and the overall size of the harvest.

Ministry officials highlight increased output to date when compared to last year's performance. By late January, official sources reported twice the amount of sugar than the same date in 2001. Also, a higher sucrose yield of 10.34% compared to 10.22% the previous season was reported. In late January, Sugar Minister Ulises Rosales del Toro said the sugar mills show "good signs of recovery."

By February 5<sup>th</sup>, raw sugar output was roughly at 1 million tons, sources said. If correct, the estimate is a little low for that date, considering there was an early start of the harvest and prevailing good weather. To reach Cuba's goal of 4 million tons, the industry would need to produce more than 1 million tons in March and another million in April, a tough task for the 104 sugar mills that are active in this season. Extending the harvest well into May would solve the shortfall, but the sector would pay a high cost in efficiency.

To compare, in the 1995/96 harvest the first two million tons were reached by March 5 and another 2.45 millions were produced in the next 12 to 15 weeks. A similar pattern was repeated the next season when the harvest totaled 4.2 million tons and ended a bit earlier. Then nearly all of Cuba's 156 mills were active.

The harvest is facing serious obstacles even in areas spared from Hurricane Michelle's devastating blow. As in past years, lack of sugar cane in the fields, poor cutting pace and mismanagement are problems.

Despite the good signs, Rosales

blamed some obstacles for delays in the production pace. Poor scheduling of some harvest essentials, incomplete preparedness in sugar mills and rains added to the damages caused by Hurricane Michelle in late November, to create a 13% shortage of sugar cane. Key provinces as Camaguey, Ciego de Avila and Villa Clara, which account for nearly one third of the nation's sugar tally, reported major problems in some mills and showed little signs of improvements through January.

At just over 70%, mill production is well below the 80% rate that's necessary if the harvest is to succeed. At this time last year, production was around 74% nationwide. Some mills are grinding even below 50% of their capacity. Customarily, the industrial tempo slows as the harvest peaks and breakdowns in the plants become more frequent. The loss of a 1% of productivity means roughly 50,000 tons of sugar is never produced.

In Camaguey – a bellwether for the harvest accounting for 13% of the total sugar output — the industrial pace in the first 10 days of February was 73.7%, official media reported. The source said three out of eight active mills in the territory were grinding with a good pace of 85.4% during that 10-day period, meaning that the rest averaged a poor 63% capacity. At that moment, the province is 15% below its projected output. From Feb. 1 to Feb. 10, its eight mills suffered 310 breakdowns, but four of those mills accounted for 276 breakdowns, an astonishing average of 7 industrial failures every day in each one of them.

A similar picture appears in other areas. In mid February, Ciego de Avila ( which accounts for 10% of the island's tally) reported missing production goals by 28,400 tons, and was lagging nine days behind schedule. In early January, the sugar deficit here was 10,200 tons. The province's six active mills were

grinding at a miserable 66% capacity.

Remarkably neither Camaguey nor Ciego de Avila was affected by Hurricane Michelle.

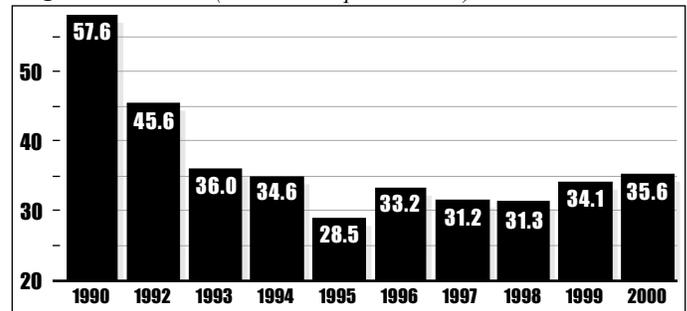
Other complaints with this season's production include a high level of impurities reaching the sugar mills, the grinding of non-fresh sugarcane and the loses in the industrial process, meaning the amount of sugar that "escapes" in the industrial wastes and by-products.

The ministry reported that for the first time since 1990, the area planted in sugarcane area increased by 38,760 hectares (95,800 acres) to 1.417 million hectares (3.5 million acres), a modest 3% improvement, but nevertheless the first success in an expensive annual replanting campaign. Still, cane croplands nowadays are just 80% of those existing 12 years ago, while the critical agricultural yield represents just 62% of the average yield in 1990. Two thirds of the industry remain idle and the output is less than a half of that of the sector's heyday.

Cuba made a strong bet in sugar cane planting since 1997 to overcome the low agricultural yields and increase sugar output. This commitment cost the country roughly \$270 million per year, half of that amount in hard currency spent to buy abroad fertilizers, pesticides, machinery, fuel and other necessary items. At the current market prices, 1.7 millions tons of sugar would be needed just to pay off sowing expenses.

The original ministry program created in 1997 expected production this year a jump to 5.5 million tons. Sadly, the industry would be lucky to reach 4 million tons this season.

**Sugarcane Yields** (Metric Tons per Hectare)



Source: Anuario Estadístico de Cuba, 2001



## History of honey industry is not all that sweet

HAVANA — Although it is not a major industry, the production of honey and related products is an important source of hard currency for Cuba's battered agriculture sector.

Honey is produced in most areas of Cuba, though it is most important in the island's remaining woodlands, rocky plains and mangrove swamps along the northern coast.

The industry has been important since colonial times and during the decades after independence, when some 8,000 tons of honey per year were produced.

However, over the past century, it has had to compete with the sugar industry, which has claimed much of the island's land. In addition, the cutting of timber reduced the percentage of the island covered by forest from 54% at the turn of 20<sup>th</sup> century to an estimate 14% by 1959, reducing honey output as well.

After the revolution, the government saw honey, beeswax and other related products as a source of export revenues. The government created

several research centers to support the industry and a number of facilities to produce higher-value products, such as royal jelly.

Under, centralized control, more than 100 work brigades cared for more than 200,000 beehives, with the number of hives peaking at 208,200 in 1985. Honey production averaged 9,200 tons of honey per year in the 1980s, peaking 10,212 tons in 1983, a strong increase from the 2,500 ton average of the 1950s.

At the peak of the industry, Cienfuegos province had best yields, with 175 to 187 pounds of honey per beehive, mostly due to its prime location near the Zapata Swamps and the Escambray Mountains. Pinar del Rio, Havana, Matanzas, Sancti Spiritus and Ciego de Avila also produced more than the national average of 100 pounds at that time. Holguin and Guantanamo produced poor yields of about 45 pounds per beehive.

The bee keeping sector suffered greatly during the crisis of the 1990s as the economy and agriculture sectors declined. In addition, the sector was severely affected by an outbreak of parasites, the *Varroa Jackson* tick, which Cuban officials claim was deliberately introduced by the United States to harm the indus-

try. Official sources say that 16,000 beehives were wiped out by the plague. Another 50,000 beehives are believed to have been lost to other causes during the crisis. Yields also collapsed during the crisis. After peaking at an average of 120 pound of honey per hive in 1982, yields recently have dropped to 78 pounds per hive and efforts to boost this have been in vain.

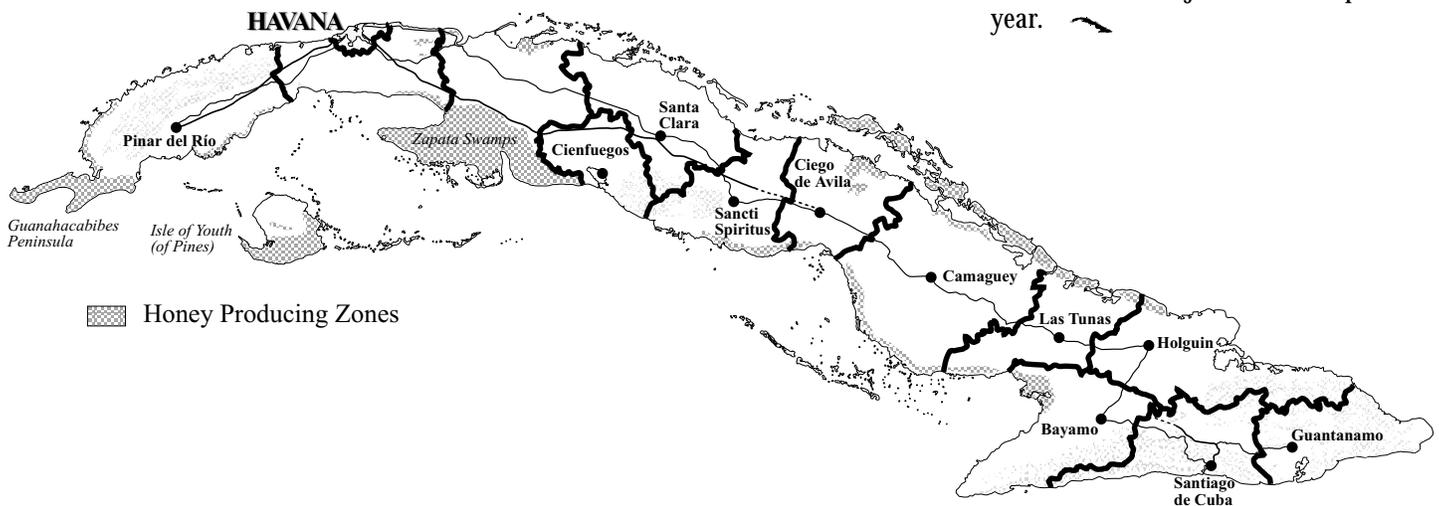
During this period, production declined sharply. Output fell to 4,500 tons in 1993 before recovering to about 5,000 in each of the last five years. The government set a target of 8,000 tons for 2001, but industry sources say they believe this goal is unattainable.

Revenues from exports were \$8.08 million in 1999, the last year for which figures are available. This is lower than the record of \$9.93 million in 1989, but better than the \$3.7 million the industry earned in 1993 and 1994.

Eugenio O. Rufin, the director of Cuban bee keeping activities, said that 90% of Cuban honey and nearly all by-products are exported, chiefly to Europe. Currently, prices for Cuban honey average \$930 per ton, better than the \$700 per ton some other producers earn, but much lower than about a year ago.

Although the Cuban industry has tried to boost the production and sale derivatives, such as wax, royal jelly, and others, revenues from the export of these items is just \$84,000 per year.

### HONEY PRODUCING ZONES



## COMMODITY EXPORT MARKETS



### SUGAR

After a short improvement in late December to early January, sugar prices plummeted in the second half of the month to set a 22-month spot record low of 6.41 ¢/lb on February 11. Monthly averages settled at 7.96¢/lb for spot in January 2002, from 8.03¢/lb the previous month and 7.79¢ in December, while futures for March 2002 averaged 7.43¢/lb in January, a bit higher than the previous month's 7.41¢.

The prospect of a huge sugar crop in Brazil sent a chill through the world market, sending prices into a tailspin amid fears a flood of increased exports could hit prices. Analysts predict the size of the center-south Brazilian harvest, which produces the bulk of the country's sugar, will be as much as 25 percent above the past season's harvest, while more conservative estimates predict a 12 percent increase, still enough to destabilize prices worldwide. Meanwhile, because of a weakened real, exports could rise up to 19 percent.

As the Brazilian harvest runs from April through October, analysts show little hope for a significant recovery during the rest of the year and the outlook remains doubtful beyond the year-end.

Recent indications are that China will import 1.1 million tons of sugar through the summer, down from last year imports of 1.7 millions. Brokers said the 400,000 tons China usually imports in a long-term agreement with Cuba will be deducted from the country's purchases in the free market, and that would reduce the effect Chinese purchases could have on world sugar prices.

Cuba hit the peak of the harvest in February. In early February sugar industry sources in Havana said the raw sugar output exceeded 1 million tons and five provinces yielded over 100,000 tons each. These results exceed the industry's performance in past harvests, but were below authorities' expectations for the date.

Nearly perfect weather and an early start account for the success of the first two months of the harvest when compared to the 2001/2002 season. By early February, 95 out of the 104 sugar mills scheduled to participate in this harvest were grinding. Sugar Minister Ulises Rosales del Toro said the sugar harvest was proceeding satisfactorily.

Grinding averaged 70% of the overall capacity through February, well below the necessary 80% average. This caused production shortfalls for nearly every province. Sucrose yield from sugarcane was also below expectations, a probable result of an early start in chopping cane (as ripening was not complete) and to the fact a large ratio sugarcane in the central provinces was damaged by Hurricane Michelle.

Industry officials estimate output for this year at 4 million tons, up from 3.53 millions in 2001 despite the devastating effects of Hurricane Michelle, which smashed more than 50,000 hectares of sugarcane in the central provinces and twisted or knocked down 54 percent of all sugarcane plantations in the island. President Fidel Castro said earlier that the hurricane would cost 400,000 tons of sugar exports.

At the average prices for December/January, the planned export of 3.3 million tons would be worth roughly \$580 million, but both prices and

production may drop.

### NICKEL

World nickel cash prices rose above \$2.8/lb. in mid January but did not managed to stay at that level and slid to \$2.6-\$2.7/lb. later in the month. Nevertheless, January cash prices for nickel settled at a much healthier \$2.743/lb. compared to \$2.389/lb. in December and \$2.303/lb. in November.

Analysts are cautiously optimistic in the 2002 outlook as nickel demand remains strongly tied to the recovery from the worldwide economic slowdown. Simon Heale, chief executive of the London Metal Exchange (LME) said he sees a turnaround in the second half of the year.

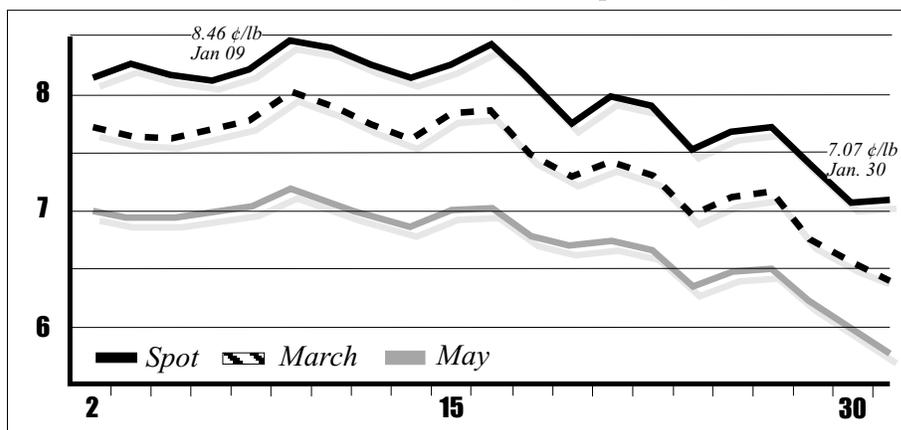
"My guess is we're going to have a good 2002," he said

Improved demand and lower oil prices prompted Canadian Falconbridge to restart its Falcondo ferronickel mine and refining complex in the Dominican Republic after a three-month shutdown.

Cuba produced a record 76,600 tons of nickel concentrate last year, a 5 percent jump over 73,000 tons of nickel plus cobalt in 2000, and 13 percent up from 66,500 in 1999.

Nickel plus cobalt exports last year totaled \$428.8 million, compared to \$573.6 millions in 2000, according to the Cuban Foreign Ministry. Better nickel prices and sustained production could allow nickel to displace the sugar industry as a source of revenue this year, as it did in 2000.

**WORLD SUGAR PRICES - January 2002** (Cents per Pound)



Source: New York Board of Trade

Previous month Sport average: 8.03¢/Pound



### Canadian venture expands online shopping options

Vito Echevarría

Some years back, Canadian firm ICC brought the web to the Cuban government, starting the popular web portal Cubaweb ([www.cubaweb.cu](http://www.cubaweb.cu)) – which helped Havana market its tourist sector and promote its political point of view.

Now ICC, which has already had some success with full-fledged e-commerce through its online remittance site “Quickcash” (<http://quickcash.cubaweb.cu>), is moving into what could be its most successful e-commerce venture yet: an online supermarket “Precios Fijos” ([www.preciosfijos.com](http://www.preciosfijos.com)). The site allows Cubans living abroad to purchase food and other consumer products for their cash-strapped relatives in Cuba. The site saves the trouble and cost of shipping goods or carrying them on planes to the island.

Indeed, there is a huge assortment of food products on the site, such as rice, beans, spaghetti, coffee, milk, fruit juices, rum, wine and beer, and even fancy French pastries and breads – items not found in Cuban grocery stores for non-dollar-paying customers. In addition, there are cassettes and CDs, toiletries, hair care products, electronics (including telephones, answering machines and fax machines), home appliances, gift items such as flowers, not to mention auto parts, hardware and construction materials.

According to ICC President Enzo Ruberto (who marketed beachfront time-share Cuban condo project, Cuban Club Resorts out of his office in the Habana Libre Hotel), the Preciosfijos.com site already has a customer data base of over 5,000 clients registered in over 50 countries, primarily from the US, Canada, Spain, Italy, France, Germany and Mexico. Ruberto said the site has already done well

without elaborate marketing. “Until this moment, we have not advertised or promoted our site. So far, all our clients have come to us through word of mouth and referrals from our previously satisfied customers. Our philosophy is to keep our customers completely satisfied with all our services so that they can tell all their Cuban friends about the great services we offer.”

Preciosfijos.com’s food and other merchandise is supplied by the Cuban government-controlled retail sector. Conglomerate Cimex provides food and other consumer goods. State Cuban phone company Etecsa supplies the telephones, answering machines and fax machines that are available. And Francuba, a French-Cuban joint venture that makes pastries and breads more than 30 restaurants, some hotels in Havana and 10 “Pain de Paris” French pastry shops, provides the baked goods.

Preciosfijos offers delivery service through local firm Cubapacks and serves all of the island. Delivery is included in the purchase cost. Cubapacks is a subsidiary of Cimex. Havana residents still receive goods quicker than the rest of the island; 48 hours, versus up to 7 business days for the rest of the island. The only exception is for baked goods, which are available only in Havana.

ICC expects to increase its customer database by 50% per year, and to generate over \$500,000 in sales by the end of this year.

However, at least one online competitor wants to cut into Preciosfijos.com’s future sales.

Ruberto’s friendly e-commerce competitor, Steve Marshall, the British web entrepreneur best known for marketing Cuban tourism through his “Go Cuba Plus” site, had already set up his own Cuba online shopping site (Cubagiftstore.com) – which was launched last spring. The site is operated by Marshall’s web design firm DimensionW, and is jointly owned by his import-export company Primeras Inversiones Internacional and Cuban software enterprise Softel.

As successful as the site has been, Cubagiftstore.com may still have an

uphill battle competing with Preciosfijos.com in the near future because its selection is not as large as Preciosfijos’. Marshall says he plans to add more selection, but the backing of Cuban state enterprises gives Preciosfijos an advantage.

More importantly, Cubagiftstore.com’s coverage is limited to the Havana area and the western Cuban provinces of Pinar del Rio and Matanzas. Cubagiftstore offers as a photo confirmation service – where for an additional \$4.95 charge, those ordering goods on the site can view a digital photo of the recipients receiving their gifts.

The services is just the latest offering from Cuba’s products-based e-commerce sector, where unlike the bricks-and-mortar retail sector, foreign investment is permitted by the Cuban government. Currently, dollar store chains like Tiendas Panamericanas, Caracol, Universal are firmly controlled by the Cuban government.

#### RUMOR OF THE DAY

Two former officials who were ousted in the past reportedly are close to political rehabilitation. Former Foreign Minister Roberto Robaina – a young, popular reformer who was dumped after he fought with Fidel Castro over foreign policy issues, has been undergoing political reeducation for some time and stands a good chance of being brought back into the government at the next Communist Party Congress late this year. His wife, ousted amid a corruption scandal, also has returned to public life.

Carlos Aldana, a former protege of Raul Castro who rose quickly in the 1990s and then was ousted because of his eagerness for power and ties to foreign businessmen, also is staging a comeback. He has been seen at several public events in Havana and sources say that his house has been refurbished, a sign that he is back in Fidel Castro’s good graces.