

Economic Update March 10



U.S. to Announce Further Easing of Cuba Restrictions March 17th

President Barack Obama's administration will announce further measures to ease travel and trade restrictions on Cuba on March 17th, ahead of his historic visit to Cuba this month, U.S. congressional sources recently said.

The new rules will mark the latest effort by Obama to use his executive powers to sidestep the U.S. Congress and chip away at the more than half-century-old U.S. economic blockade against Cuba.

The measures are expected to include changes to make it easier for individual Americans to visit Cuba if they qualify under 12 authorized categories of travel such as educational or cultural visits, as well as further loosening of trade and banking rules, said the sources, who were briefed on the matter by administration officials.

Though details were still being finalized, the package could also include revised regulations on how the U.S. dollar can be used in trade with Cuba, a person familiar with the discussions said. U.S. regulations restrict or prohibit the Cuban government from using the dollar for international transactions.

The rules changes are likely to allow more people to go on self-directed "people to people" and cultural trips without having to rely on group tours or being sponsored by an organization, two people familiar with the discussions said.

But a ban on general tourism to Cuba will remain in force. It is part of the broader U.S. blockade and can only be lifted by Congress. Obama has called for an end to the blockade but Republicans say that will not happen during his presidency, which ends in January 2017.

January, a Good Month for Tourism

January saw the arrival of 417,764 tourists to Cuba, a 12.7% increase as compared to the same period last year.

According to figures released by the Cuba's *National Office of Information and Statistics (ONEI)*, 2016 has begun with positive results for the tourist sector. A report published on the ONEI website reveals that January saw the arrival of 417,764 tourists to Cuba.

The principal emissaries of tourists to the country during the month were Canada, Italy and Germany. January also saw the arrival of 3,800 cruise ship tourists.

January is generally a good month for the country's leisure industry, with tourist arrivals increasing over the past 4 years. Cuba ended 2015 with a record over 3.5 million tourist arrivals.

Billion Peso Investment in Cuban Energy and Mines

The energy, oil and nickel industries feature among sectors scheduled to receive investments in 2016 as Cuba is set to invest more than 1 billion pesos —a slightly larger figure than last year-- in its energy and mining sectors, reported Deputy Minister of the sector, Rubén Cid.

Speaking to the press, the official from the Ministry of Energy and Mines noted that investments in 2015 amounted to around 1 billion pesos, representing 94.9% fulfillment of the scheduled plan. He described 2015 as a good year for activities in the sector, which saw key industries achieve high levels of production. He noted that the only sectors in which targets failed to be met were oil refining, and gold and salt extraction.

The deputy minister also noted greater stability in the supply of imported resources for daily operations, the fulfillment of scheduled maintenance works and investments in various industries, as the keys to last year's success.

Despite financial difficulties and organization problems, the country spent a total of 900 million pesos on imports, he stated.

Cid also highlighted the impact on exports stemming from a fall in international prices for some of the country's key products, such as nickel.

Over 2015, nickel was valued at an average price of \$11,835 dollars to the ton, with reference to the London Metal Exchange.

However, a drop in prices meant that barely 55% of the sales plan was met, he explained.

Among scheduled investments for 2016 are those linked with renewable energy, the oil sector, energy efficiency in the nickel industry, improvements to the national electricity system and household electrification.

U.S. Blockade Sees British Cuba Solidarity Campaign Bank Accounts Close

The extraterritorial application of the U.S. economic, commercial and financial blockade against Cuba is demonstrated time and again, despite the change in policy announced by Obama and the reestablishment of diplomatic relations.

There are many examples of the extraterritorial character of the economic, commercial and financial blockade imposed by the United States against Cuba for over half a century. The cases range from multi-million dollar fines against banks or companies for doing business with Cuba, to the refusal to provide services to persons or entities that have some link with the Island.

A clear example of this policy is the closure of the bank accounts of the Cuba Solidarity Campaign (CSC) in the UK, following the takeover of the Co-op Bank by U.S.-based hedge funds.

Other organizations with links that could be considered contrary to United States foreign policy interests, such as the Palestine Solidarity Campaign, have also faced account closures since the Co-op Bank was bailed out by the U.S. funds.

The irony is that many campaign groups banked with the Co-op on principle, precisely because of its supposed ethical credentials.

In a statement released following the closure, CSC Director Rob Miller said it was “no coincidence,” that the closures occurred following the bailout.

“It was done unilaterally. The national campaign has had all its accounts closed. We find it unethical and unacceptable,” Miller stated, noting that “We have consulted lawyers and have not ruled out legal action.”

CSC wrote to the bank on several occasions requesting an explanation, but the Co-op Bank limited its response to stating that the closure was due to it “changing its risk appetite.” As such, the bank indicated that it now considers Cuba to be a “high risk location.”

Recently, the Daily Mirror referred to the “secret international blacklist” that can leave account holders locked out of their bank account. One of the examples offered by the tabloid was the case of the CSC, quoting its director, “The Co-op Bank has finally admitted that the closure of the Cuba Solidarity Campaign's bank accounts is a direct result of the United States blockade policies against Cuba.”

Miller added that “The fact that such an historic and proudly independent British institution, renowned for its ethical banking, has been forced to adopt U.S.-imposed policies is an affront to us all.”

Despite the reestablishment of diplomatic relations between Cuba and the U.S., in addition to the ongoing process of the normalization of bilateral relations, the blockade and its extraterritorial nature continue to impact the Cuban economy and obstruct entities seeking to build ties with the island.

This example of the extraterritorial application of the blockade also ignores the fact that the British government has full diplomatic relations with Cuba, promotes trade with the island and has signed a number of bilateral cooperation agreements.

The singling out of organizations whose sole interest is to work in solidarity with Cuba, underscores, yet again, the scope of the blockade and the need to end this genocidal policy once and for all.

Cuba and Austria Sign Bilateral Agreement on Cuban Debt

Cuba and Austria recently signed a *Bilateral Agreement on Cuban Debt*. Both sides agreed that the implementation of this agreement represented an important contribution to the proposed common objectives of both countries

Ricardo Cabrisas Ruiz, a Council of Ministers vice president, held a working meeting in the afternoon of Wednesday, March 2nd, with Rudolf Scholten, director general of the Austrian Control Bank. The two undertook a comprehensive analysis of the current situation and the outlook for economic, commercial and financial relations between the two countries, considering the results of the Cuba-Austria Business Forum, held earlier that day.

Both sides agreed that the implementation of the agreement signed between the governments of the Republic of Cuba and the Republic of Austria on the regulatory treatment of Cuban debt, as agreed in the context of negotiations held with the Paris Club ad hoc group, represented an important contribution to the proposed common objectives of both countries.

The bilateral agreement was signed by Council of Ministers Vice President Ricardo Cabrisas on behalf of the government of the Republic of Cuba, and the Director General of the Austrian Control Bank, Dr. Rudolf Scholten, acting on behalf of the government of the Republic of Austria.

Accompanying Scholten were Dr. Christoph Matznetter, vice president of the Austrian Chamber of Commerce, and Dr. Walter Koren, deputy director general of the Federation of Austrian Industrialists, among other members of the Austrian delegation.

Participating on the Cuban side were Arnaldo Alayón and Isaac Hernández, vice president and director of the Central Bank of Cuba, respectively; Aleida González Mexidor, vice president of the National Bank of Cuba, and Yamila Fernández del Busto, director general of the Ministry of Foreign Trade and Investment, among other officials.

A Week of Celebrations for the Habano

A haze of smoke still hangs in the air following the celebrations of the 18th Habano Festival, the largest international event for enthusiasts of the best tobacco in the world. The festival brought more than 2,000 participants from over 60 countries to the Cuban capital, from February 29th to March 4th.

This year's edition was dedicated to Cohiba, the flagship Habanos brand, on the occasion of its 50th anniversary, which was celebrated in style with a closing gala held at Havana's Pabexpo exposition center.

In this context, the presentation of the new Cohiba Medio Siglo (ring gauge 52 x 102mm long) was a landmark event, a product that joins the brand's regular portfolio within the Línea 1492 line.

Likewise, two other special edition products were launched to mark the occasion - a limited edition vintage-style humidor containing the exclusive Cohiba Majestuoso 1966 vitola (ring gauge 58 x 150mm) - aroused particular interest among worldwide tobacco manufacturers and suppliers, as well as artisans and smoking accessory collectors and dealers.

The luxury "Cohiba 50 Aniversario" humidor cabinet was also presented during the event, a limited edition of just 50 units, which is lined with Cuban ligero tobacco leaves plated with 24-carat gold. Each humidor is numbered and contains fifty "Cohiba 50 Aniversario" cigars.

This unique format vitola has a ring gauge of 60 by 178mm long, and is the first of this gauge (23.80mm) in the Habanos range, designed especially for the anniversary.

The 2,500 Habanos in this edition have been made with the signature taste the brand has become known for over the past five decades, all rolled completely by hand with long fillers at the El Laguito Factory in Havana.

The humidor, meanwhile, is made from a variety of precious woods, such as Macasar ebony, sycamore and pink cedar from the guarea cedrata family.

It was produced by the firm Elie Bleu, based on a design by Jean-Philippe Martin. The leaves used in the new Cohiba were meticulously handpicked from the best tobacco plantations in San Juan y Martínez and San Luis, in the region of Vuelta Abajo, Pinar del Río.

Cuban Wine, Tropical Delight

Since typical fruit varieties illustrate the quality of Cuban artisan wines, Cuba has challenged humidity and less than propitious weather to produce quality artisan wines, based on fermenting tropical fruits such as guava, pineapple, orange, papaya, guanabana and mango.

Noel Morales Rojas, president of the National Artisan Winemakers' Organization, reported that as early as 1983, winemakers from several provinces were participating in competitions, and in 1991 the group and its leadership body was constituted, with founding members from Pinar del Río, Havana, Cienfuegos, Sancti Spíritus, Villa Clara, Ciego de Ávila and Holguín.

He added that winemaking has been steadily expanding since then, and currently 32 clubs exist around the country, in all provinces except Artemisa and Mayabeque, with Ciego de Ávila standing out for the most participants.

The clubs have as their fundamental objective the promotion of both making and enjoying wine within Cuban society, thus contributing to recuperating traditions first introduced by the Spanish, said Rolando Guerras Coro, president of the western coordinating committee and the local club in Viniprince, Pinar del Río.

Cuban wines are different from those crafted abroad given their brix grade, which reflects residual sugars and alcohol. They are mostly sweet and semi-sweet, since these are the best received within the country. Our wines generally have high brix, and a low volume of alcohol, while those from colder countries tend to be drier, with higher levels of alcohol.

Most of the world's wine is, of course, based on grapes, but the humidity in Cuba conspires against their cultivation, and most varieties do not thrive. Thus, at times, tropical wines are not accepted as such, and winemakers face the challenge of promoting their products in the international market.

Guerras Coro reported that comparisons made by persons from other countries reveal that our wines are of high quality, since they are produced by artisans who age them longer, which develops the taste. But since Cuban wines have yet to be well received internationally, the task at hand is to work on drier varieties, he said.

Biomass, an Inexhaustible Source of Electricity for Cuba

Sugar cane is today transformed by the AZCUBA Enterprise Group into a series of different products (brown sugar, refined white sugar, unrefined white sugar and ecological sugar), as well as twenty derivatives.

Among the latter, electricity, alcohol, animal feed and bioproducts are significant, the Head of AZCUBA Power Generation Barbara Hernández Martínez, told Prensa Latina.

Sugar production is based on energy obtained through cogeneration – the simultaneous production of electrical and thermal energy from a single fuel – used for the clarification, filtration, evaporation and crystallization processes of sugar cane juice, she explained.

Since the sugar harvest of 2002, she added, the Cuban sugar industry has been selling increasing surplus electricity generated during the manufacturing process to the National Electrical Union. However, this has reached insufficient efficiency parameters to meet the energy needs of the country.

According to Hernández, sugar producers across the world are now abandoning the idea that sugarcane biomass (bagasse and straw) is an annoying waste product of sugar production, of low commercial value, and recognizing it as a fuel of great use in generating energy.

Biomass has been an energy source since time immemorial, and in fact was the first fuel used by human beings. Despite its ancient use, it will continue to occupy an important place in the global energy system going forward, according to a recent report by the Organization of the Petroleum Exporting Countries.

According to the Cuban official, the sugar cane industry produces the fuel it needs at very low cost, as biomass is a waste product of the milling process, thus making it both renewable and environmentally friendly.

Cuba Committed to FAO Plans and Goals

Cuba ratified its commitment to the implementation of the Plan for Food Security, Nutrition and Hunger Eradication 2025, during a regional meeting of the Food and Agriculture Organization of the United Nations (FAO) which took place in the Mexican capital.

Cuban Deputy Minister of Agriculture José Miguel Rodríguez, heading the delegation from the island to the 34th session of the FAO Regional Conference for Latin America and the Caribbean, spoke to Prensa Latina about the event.

Cuba has developed efforts and programs to support food production on the island, which have put us at the forefront in the early fulfillment of the goal set by the World Food Summit, he noted.

He recalled that last year, the director of the FAO recognized that Cuba is among the sixteen countries with the best results in reducing hunger.

Such achievements are counter to the economic, financial and commercial blockade imposed by the U.S. on Cuba, which forces the island to buy food from distant suppliers and therefore increases costs, he said.

Efforts are being carried out alongside Cuban producers, with the aim of reducing the current expenditure of over two billion dollars on food purchases, in order to ensure food security, he added.

He also highlighted that domestic industry is working to improve irrigation systems. Progress is also being made with regard to plant health with bioproducts, and animal health through the development of vaccines and antibiotics.

“The government devotes resources to all these efforts,” he stressed.

Rodríguez explained that one of the issues Cuba raised at the Conference was the importance of the FAO office in Cuba, given economic adjustments currently underway within this UN body.

We have explained everything we are doing, we are an island that imports food, and the only country to suffer a blockade for more than half a century, imposed by the United States; we require the knowledge and technology transfer provided by the FAO to move forward.

He further noted that Cuba is located in the region most affected by natural disasters and other phenomenon associated with climate change, with more than 200 climatic events in the past three years.

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