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- Shortfall in sugar production expected
- Spanish company to study wholesale food market for Havana
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Europe offers technical help on currency unification

Cuba and the EU have held preliminary discussions on a range of co-operation issues including the possibility of it providing technical advice to help Cuba unify its dual currency system.

Speaking at a news conference on January 31 in Havana, Stefano Manservigi, the Director-General of the European Commission's Directorate General for International Cooperation and Development (DEVCO) said following a visit with a delegation from the European Investment Bank, that the EU would be interested in sharing its extensive relevant experience on currency unification with Cuba.

Referring to the introduction of the Euro and the phasing out of national currencies, Mr Manservigi observed that the EU had "perhaps the most significant experience worldwide in monetary transformation" before noting that the EU had offered its technical assistance to the Cuban government.

In Havana, in answer to media questions, the Director General said that the EU was willing to invite Cuba to join a future trade and assistance agreement between Europe and the ACP (the 79-nation group of African, Caribbean and Pacific States) when the renegotiation of the Cotonou Treaty takes place.

"While Cuba is not a member (of the present Convention), it is one of the most important players in the Caribbean, due to its capacity and organisation. We are interested in it having an active position and playing an important role in triangular cooperation," Mr Manservigi said.

Other issues discussed during Mr Manservigi's visit included the development of an EU funded co-operation program on renewable energy, and practical measures relating to trade, investment, agriculture, climate change, and technical assistance and promotion of culture that would rapidly turn a now much-changed EU-Cuba political strategy into deliverable actions.

Officials suggest that all such matters will be discussed again when Cuba and the EU meet on February 28 in Brussels at their first joint council (Cuba Briefing January 8, 2018) under the institutional framework, provided by the EU-Cuba Political Dialogue and Cooperation Agreement.

Mr Manservisi's visit was intended to add substance to earlier political conversations between senior Cuban ministers and President Castro and Federica Mogherini, the EU's High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission who visited in early January (*Full details in Cuba Briefing January 8, 2018*).

The rapid movement towards the implementation of a much deeper EU-Cuba relationship reflects a view in both Brussels and Havana that a unique window of opportunity exists for deepening relations. Officials note the US has absented itself from Cuba, market-oriented reforms are underway, a change of leadership will take in Cuba this year, and there is now a positive framework and funding for EU development assistance in place.

At the press conference Mr Manservisi reiterated the EU view that the US embargo was "illegal and unfair" and "contrary to European interests". He also said that Europe was prepared to engage in the modernisation and transformation of Cuba's economy.

Since 1994, Cuba has had an inefficient and hard to account for two currency system which involves a domestic peso (CUP) for wages and payment for local goods and services, and a convertible peso (CUC) for tourism, foreign trade and for some retail outlets selling imported goods. In remarks to the Cuban National Assembly in late December President Castro suggested that the unification of the two currencies could no longer be delayed but provided no further details.

Algeria set to become a significant oil supplier

Cuba has signed an intergovernmental agreement with Algeria to supply oil and oil products over the period 2019-2021. Cuba's state media described the agreement as a part of an overall deepening of bilateral economic relations and as one of the most important contracted by the two countries in recent times. No details as to the quantities involved or the value of the agreement were provided.

In a statement to Prensa Latina, the Minister of Foreign Trade and Foreign Investment, Rodrigo Malmierca, said that corresponding commercial contracts on oil were signed between the Algerian and Cuban state oil companies Sonatrach and Cupet.

Cuban media reports made clear that the agreement is central to the future performance of the national economy which it was noted had been 'one of the main factors that affected the performance of the national economy' in 2017 as well as the country's failure to meet its targeted production of 38,000 tons.

The decision suggests that Cuba has decided to end its over-reliance for its energy supplies from Venezuela in the short to medium term.

The announcement came at the end of high level meetings between Cuban and Algerian Ministers during which an agreement for Cuba to supply health services to Algeria was also signed. Although not stated explicitly the new arrangements with Algeria may be similar to those previously reached with Venezuela where the cost of oil is offset by the provision of health care and other services.

Speaking at the close of the XXI Session of Cuba's Intergovernmental Commission with Algeria, the head of the Algerian delegation, the Minister of Health, Population and Hospital reform, Mokhtar Hasbellaoui and Minister Malmierca said that the purpose of the agreements reached was to raise the commercial relationship to the level of "the excellent political relations" between the two countries.

Other sectors agreed for co-operation included biotechnology, water resources, sports, agriculture, basic and higher education, and the promotion of foreign trade and foreign investment.

Cuba has a close political relationship with the Algerian government dating back to 1961.

In 2017, Cuba purchased around 2.1m barrels of light crude for blending, naphtha and aviation fuel from Algeria. Reuters quoted an official at Sonatrach as saying that Algeria would ship the same amount in 2018. Cuba also purchased last year substantial quantities of oil products from Russia state oil company Rosneft and is continuing to discuss major investment with the company (*Cuba Briefing December 18, 2017*).

The Caribbean Council is able to provide further detail about all of the stories in our Cuba Briefing publication. If you would like a more detailed insight into any of the content of today's issue, please get in touch [here](#).

Cuba

- **Speculation in external socialist media about Cuba's Presidential succession.** The Bolivarian news outlet teleSur and some hard-left Spanish socialist websites have begun to speculate on the absence of any formal candidate being named by Cuba's Communist Party to succeed President Castro this April. In an article on Cuba's future leadership, teleSur and some European media outlets have suggested that it is possible that two ultra-conservative members of Cuba's historic generation of leaders may seek to succeed President Castro.

While recognising that the First Vice-President Miguel Díaz-Canel Bermudez has 'delivered major party speeches' and there being 'other tell-tale signs of succession', teleSur suggested that others 'may yet step into the fray'.

The multimedia platform, which is owned by the Cuban, Venezuelan and other left leaning Latin American governments, suggested that Jose Ramon Machado Ventura, the Party's Second Secretary, who fought in the Sierra Maestra and Vice President Ramiro Valdes, a comandante and former guerrilla leader, and one-time Minister of the Interior, may also be contenders to succeed President Castro.

- **AZCUBA says significant shortfall in sugar production.** According to Juventud Rebelde, the President of Azcuba, Orlando Celso, has said that Cuba's 2017-18 sugar harvest had only reached 31% of planned production target by the end of January. Reporting on the current campaign to a meeting of Cuba's trade union federation, the CTC, he said that only 29 out of 53 mills were processing cane because of heavy rains in January. The report went on to indicate that as a consequence Cuba had been unable to meet its export commitments and was likely to declare 'force majeure' in respect of some overseas shipments. Although Cuba had planned to produce 1.6m tonnes of sugar during the present campaign, the crop was severely set back by Hurricane Irma which damaged cane, delayed the repair of mills, and disrupted delivery of the inputs which the industry requires. Consequently, the harvest started late and was then further disrupted during January by heavy rains.

- **Eldest son of Fidel Castro commits suicide.** Granma has reported that 'Fidelito', Dr Fidel Castro Díaz-Balart, the eldest son of the former President Fidel Castro, committed suicide on the morning of February 1 after a period suffering from depression. Dr Castro who was a Scientific Advisor to the Council of State and Vice President of the Academy of Sciences of Cuba, had been treated for his condition by a group of doctors for several months. Although hospitalised for a while, he was an outpatient at the time of his death.
- **Tourism arrivals drop following hurricane and changing US policy.** Jose Manuel Bisbe, President of Viajes Cuba, a state enterprise, has said that tourism arrivals declined in the wake of Hurricane Irma and changes made by the Trump Administration affecting US citizens' travel to the island. He said that although the overall number of visitors rose by nearly 20% in 2017, it fell by 10% year on year in December, and was down by 7-8% in January. US visitor arrivals which had surged in the earlier part of 2017 fell by 30% he told Reuters. Mr Bisbe said that the decline was regarded as being temporary and that arrivals would recover as the year goes on. He told the news agency that the temporary setback would make no difference to plans to launch more than 15 hotels island-wide this year. The same report also noted that although occupancy rates at Meliá Hotels in Cuba were down around 20 % in December and January, bookings for February were more positive.
- **Full detail of 2016 economic performance published.** Cuba has now published details of its 2016 gross domestic product, exports and imports, money supply, and data on debt (*Cuba Briefing January 29, 2018*) The official data showed that exports of goods and services in 2016 stood at US\$13.6bn and imports US\$11.2bn compared with US\$14.9bn and US\$12.6bn in 2015. The full set of statistics for 2016 can be seen at <http://www.onei.cu/aec2016/05%20Cuentas%20Nacionales.pdf>
- **Majority of National Assembly candidates are female.** The President of the National Candidacy Commission for forthcoming elections to the Cuban National Assembly, Gisela Duarte, has been quoted by Granma as saying that 53.2% of the 605 candidates up for election are women and 13.2% of all candidates are between 18 and 35. She also said that 86% of those nominated for election had been through higher education, while 40.6% were either black or of a mixed racial background. Cuba's new national assembly will meet April 19.
- **Strong criticism of railways safety ethos following accident.** The Cuban media has been highly critical of the circumstances surrounding a railway accident at Sancti Spíritus station involving two trains. Describing it as 'just the tip of the iceberg of pernicious behaviour' in the sector in the province, Granma said that it was only a miracle that there were no major consequences. The accident involved points being switched wrongly, sending a locomotive hauling ten cars of cane onto a siding on which there was a stationary medical coach used for transporting patients to Havana. The impact caused considerable damage but no fatalities, as it was late at night and the coach was empty. The report cited other similar recent incidents and quoted experts' concern about indiscipline and the violation of speed limits.

United States

- **Formal protest made to US about new Internet task force.** Cuba has handed a formal protest note to the US Embassy in Havana observing that the US administration's creation of a Cuba Internet ask Force was an attempt to violate its sovereignty and carry out subversive activities (*Cuba*

Briefing January 29, 2018). The Foreign Ministry's démarche called on the US government to 'cease its subversive, interventionist and illegal actions against Cuba... and calls upon it to respect Cuban sovereignty'.

- **Food sales continue to grow.** The US-Cuba Trade Economic Council has said that despite the US government's return to hard-line rhetoric against Cuba, US food exports there totalled over US\$250m in the first eleven months of 2017, an increase of US\$50m compared to the same period in 2016. The report showed that by value, chicken made up more than half of US food exports to Cuba, which also purchases US soybeans and corn.
 - **Cuba is one of four nations singled out in State of Union address.** The US President, Donald Trump, has singled out in his State of the Union address, Cuba, Venezuela, Iran and North Korea as nations that the United States will continue to confront. "My administration has also imposed tough sanctions on the communist and socialist dictatorships in Cuba and Venezuela," Mr Trump said to applause largely from Republicans.
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Europe

- **Spanish company to study possible wholesale food market for Havana.** The Spanish company Mercasa, and a wholesale market entity of Cuba's Ministry of Domestic Trade (MINCIN) have signed an agreement to study the creation of a wholesale food market for Havana.

The project will involve the production of a feasibility study for a wholesale food market for fruits, vegetables, fish and meat, as well as dry and frozen products, with the objective of modernising the wholesale food supply in Havana.

In a first phase, Mercasa will carry out an extensive fieldwork in Cuba to collect data and establish a viable market model. After that Mercasa will develop a feasibility project focused on the best way to start-up a Cuba-relevant new wholesale commercial structure for fresh food in Havana. The project also envisages integrating supplies from national and international producers. Reports in the Cuban media say that the wholesale market will be called MercaHabana.

The €0.64m study, which is funded by the Spanish government's, Fondo para la Internacionalización de la Empresa (FIEM) will run for eight months. If approved, the new market would form a part of the Cuba's 2019 economic plan in 2019.

According to Mercasa's International Director, Ricardo López, the project is atypical. He said that the company would be interested in providing subsequent consultancy support on managing a wholesale market if the study was approved. Mercasa, he said, had unique experience in managing more than 20 central supply markets in Spain.

One of the continuing problems facing Cuba's cuentapropistas and non-state cooperatives is the absence of wholesale suppliers.

The Americas

- **Cayman carrier adapting to changing US Cuba policy.** Cayman Airways has reported that it saw its revenues decline by around US\$6m in 2017 following the opening of the Cuban market to US carriers. The reduction has prompted a re-evaluation of the carrier's strategy.

According to the airline's CEO, Fabian Whorms, the granting of permission to US carriers to begin direct flights severely affected its traffic. He said that previously Cayman Airways had benefitted from a significant flow of passengers originating in Cuba traveling on Spanish passports, to and from Miami with a stop in Grand Cayman. As such passengers had brought with them four or more bags the airline had been able to significantly increase its revenue from baggage charges. However, the introduction of direct services had seen Cayman Airways' revenue fall substantially as it reduced the number of its flights to Havana from a high of nine per week to three.

Mr Whorms said that the airline, which is in the process of receiving by December of this year new Boeing 737-8 Max aircraft, is now investigating alternate opportunities, including direct flights to Central or South America and the western United States. It is also discussing the possibility of establishing a spoke and hub service based on Grand Cayman to provide services that support multi-destination tourism for Russian and Chinese visitors travelling into the rest of the Caribbean from Havana, Mexico City and Punta Cana.

- **Floridita franchise for Mexico City.** The Mexican Group M and the Cuban state enterprise, Palmares SA, have signed an agreement to open this year a first Floridita franchise in Mexico City. The two companies which operate non-hotel tourism facilities such as restaurants and bars said that the new facility will seek to replicate all aspects of the Floridita in Havana. Palmares operates other Cuban franchises in various countries including those for La Bodeguita del Medio and Gato Tuerto.
- **Jamaican Senator proposes joint parliamentary activity in Caribbean.** The President of the Jamaican Senate, Thomas Tavares-Finson, has proposed at a meeting with President of Cuba's National Assembly, Esteban Lazo, that Cuba and Jamaica work together with the parliaments of the Caribbean. In other remarks Senator Tavares-Finson said that Jamaica's emphasis on teaching Spanish as a second language would contribute greatly to strengthening bilateral relations with Cuba.

Russia

- **Railways upgrade still on track.** Cuba's Deputy Minister of Transport, Eduardo Rodríguez, has confirmed that negotiations are still proceeding on plans for Russia to upgrade the Cuban railway system, reportedly at a cost of €1bn (*Details Cuba Briefing 3 March 2017*). Speaking to Prensa Latina in Moscow the Minister said: "We are working hard to sign the contracts with Russian Railways as soon as possible, to develop an important modernisation programme for the Cuban railways one of the most important transport routes in the country". His comments followed meetings with Russian Ministers and industry representatives. Meanwhile it has been reported that the provinces of Camagüey, Las Tunas and Ciego de Ávila will benefit in the third quarter of this year from the arrival of 40 new Russian manufactured motorised trains able to carry more passengers and freight into rural areas. Reports in the Cuban media indicated that a part of the planned Russian recovery and development programme for the Cuban railway system up to 2028 will include its overall rehabilitation; the restoration of locomotive workshops at Camagüey and Luyanó; and the construction of a modern Russian locomotive plant in Havana. Reportedly Russian and French financing is involved.

China

- **Beijing seeking to significantly deepen relations.** The Cuban Communist Party and the Communist Party of China (CPC) have discussed ways in which China might support the upgrading of Cuba's social and economic model. According to reports in the Chinese media, the matter was discussed when President Castro met recently with Song Tao, a special envoy of the Chinese President Xi Jinping. Although Cuban reports contained little detail of the meeting, the official Chinese news agency Xinhua said that Mr Song, who is the Head of the International Department of the CPC Central Committee, conveyed a message from President Xi indicating China's wish to advance relations between the two countries and two parties to a new level.

Rest of the world

- **Malaysia encouraged to manufacture Cuban vaccines.** Cuba's Ambassador to Malaysia, Ibeta Fernandez, has told the Malaysian National News Agency, Bernama, that he would like to explore the possibility of producing Cuban vaccines in Malaysia. Ms Fernandez was quoted as saying "Malaysia can be a platform for the production of vaccines that will be beneficial ... I see so many possibilities and Malaysian business people can go to Cuba to see what we are doing there". The Ambassador went on to say that the two countries should explore the possibility of opening trade relations. She said that Malaysia had ample facilities to produce Cuban vaccines.

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