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First Quarter Report to U.S. Agency for International Development
National Policy Association
January 1st – March 31st 2002
Working Group on Best Business Practices in Cuba
Grant No. LAG-G-00-00-00002-00

In the first quarter of 2002, NPA worked to defend the rights of Cuban workers by gaining the endorsement of the NPA Working Group Principles for Private Sector Investment in Cuba of five American corporations, by publishing another issue of Cuba Today, by planning for a Madrid conference to promote the principles, and by continuing to build a network of individuals and groups interested in Cuba.

Corporate Endorsements of NPA's Principles

In a joint effort with the American Chamber of Commerce of Cuba in the United States (AmCham Cuba), NPA sent letters to approximately 140 corporate members of AmCham Cuba in order to gain their support for the NPA Principles for Private Sector Investment in Cuba. During the first quarter, five corporations signed on to the principles, signaling their support. The letter sent to investors (attached) was jointly signed by Robert Weekley, President of AmCham Cuba, and Anthony Quainton, President and CEO of NPA. NPA will continue to seek more corporate endorsements over the next two quarters.

Preparation for May 20 Madrid meeting

European investors are important players in the Cuban economy, including the Grupo Sol Meliá, Telecom Italia, and Golden Tulip Hotels. However, there is not always a full appreciation in Europe of the human rights situation in Cuba, particularly in the area of worker rights. Some Europeans take at face value the Castro regime's professions of good intentions and commitment to workers' rights, notwithstanding the prohibition on non-communist trade union activity (the Cuban Workers' Confederation – the CTC – is the only officially sanctioned union) and the government's confiscation, in effect, of 95 percent of the wages paid to workers in the foreign investment sectors. Much needs to be done to raise European awareness of the situation in Cuba and to encourage a more aggressive defense of workers' rights by those companies already operating in Cuba and those considering engagement in the Cuban economy.

Because more than a quarter of Cuba's joint ventures are partnerships with Spanish enterprises, and because of Spain's long history of engagement in Cuba, Spanish business leaders have a unique understanding of the island. Investors in Spain have many years of working through and around Cuban government regulations that often hinder productivity and efficiency among workers. Their collective knowledge of Cuba's labor situation can be enormously useful in developing strategies to promote the rights of workers.

In order to give greater visibility to these issues, NPA is holding a roundtable seminar in Madrid on May 20, 2002, in partnership with the Fundación Ortega y Gasset. The roundtable will include presentations on Cuban foreign investment and workers' rights issues. Participants will include Spanish investors in Cuba, Spanish and North American academic experts on Cuba, representatives of the Spain's labor unions (especially UGT and CCOO), and members of NPA's Cuba Working Group. NPA has received an additional grant for $30,000 from the Bureau of Public Diplomacy at the US Department of State to pay for the expenses of this Madrid event. A full report of the meeting will be included in the second quarter report to USAID.

Cuba Today

The Fall 2001 issue of *Cuba Today* (attached) was published in Spanish in the first quarter of 2002. This issue covered worker issues in the telecommunications industry in Cuba.

The March 2002 issue of *Cuba Today* (attached), which focuses on worker issues related to Cuba's mining industry, was published during the first quarter. This issue of *Cuba Today* is the last in a series of four which examined industry-specific challenges to worker rights in the foreign investment sector on the island. The Spanish translation of the March 2002 issue of *Cuba Today* will be published during the second quarter of 2002.

The Cuba project intern gathered materials for the May 2002 issue of *Cuba Today*, which will also be published during the second quarter of 2002. This forthcoming issue of *Cuba Today* will cover a variety of perspectives on how foreign investors can promote the rights of workers on the island and, like the last several issues, will be published in both Spanish and English.

North American Committee

The North American Committee of the National Policy Association, which initiated the current project on worker rights and foreign investment in Cuba, met in Alexandria, VA on March 14-16, 2002. The Executive Committee discussed the Cuba project at length, offering suggestions for the future of NPA's work to promote the rights of workers in Cuba, as well as the roundtable planned for Madrid in May 2002. The NAC Executive Committee expressed its continued support for the work of the program.

Outside Meetings / Contacts

The Project Director met with a number of individuals and organizations during the first quarter to build support for the program and to increase the database of contacts. Ms. Bailey met with the following contacts to discuss strategies to promote worker rights in Cuba:

Mike Parmly, Bureau of Human Rights and Democracy, US Department of State
Dan Neher, Bureau of Public Diplomacy, US Department of State
Ambassador Richard, Ambassador of Switzerland to Cuba
Matias Travieso-Diaz, Shaw Pittman
Bill Kelly, Ford Motor Company
Thea Lee, AFL-CIO
Chris Owens, AFL-CIO
Jeff Heynan, Canadian Fulbright Scholar
Brian Alexander, Cuba Policy Foundation
Richard Nuccio, Pell Center for International Relations and Public Policy
James Carragher, Office of Cuban Affairs, US Department of State

Future Plans for the NPA Cuba Program

NPA submitted and a request to USAID for a no-cost extension for an additional period of three months. USAID granted this extension, which will allow the current project to run through August 2002. NPA plans to produce an additional issue of Cuba Today and to continue to promote a dialogue among investors and others about strategies to promote core labor standards in Cuba. NPA is currently considering how it can continue its useful work on Cuban issues to promote human rights and democratic efforts on the island.

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February 8, 2002

ouncil

Washington, DC 20005-4713

Dear Mr. Shiere:

We are addressing this letter to you as a representative a key international business organization who is a member of AmCham Cuba.

As you know, workers' rights in Cuba remain far below the minimum standards agreed by most countries and international organizations. This disparity in workers' rights has been one of the impediments to the United States' willingness to improve relations with Cuba, and has often been cited as a reason for preventing U.S. companies from doing business in Cuba. Supporters of the U.S. embargo policy believe that U.S. companies operating in Cuba would become participants in the exploitative Cuban labor system.

You may be aware that the National Policy Association (NPA) has carried on a project for some two years now to call attention to problems facing workers in Cuba. The NPA Cuba Working Group, in which AmCham Cuba has been a participant, has produced a carefully worded set of "Principles for Private Sector Investment in Cuba."

The Working Group's Principles are drawn from widely accepted international standards that are familiar to U.S. businesses operating abroad. In general the Principles speak to the aspirations of American companies operating abroad to respect the worker's right to organize freely; not to condone political coercion in the workplace; to seek the right to hire and pay workers directly; to avoid child labor; to avoid discrimination based on race, gender, national origin, religious beliefs, political beliefs or affiliation; to provide a healthy and safe working environment; and to encourage respect for due process. The enclosure contains the full text of the Principles.

We believe that if U.S. companies were to publicly endorse these general principles it could have a two-way effect on resolving the U.S.-Cuba policy stalemate that has kept U.S. companies out of Cuba for over forty years. First, it could help induce the government of Cuba to recognize that the benefits of foreign investment come hand-in-hand with improving basic

(over please)

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AmChamCuba, a non-profit organization, is a member of the US Chamber of Commerce.

human rights in Cuba, in this case workers' rights. Even if Fidel Castro were to step down as President, this issue of workers' rights would remain an impediment to U.S. businesses returning to operate in Cuba. Secondly, endorsing these Principles would signal that concern about U.S. companies exploiting Cuban workers should not be an obstacle to future U.S. investment in Cuba.

Your firm's endorsement of the "principles for Private Sector Investment" will be an important step towards encouraging the eventual normalization of commercial and diplomatic relations with Cuba.

Yours truly,

Robert M. Weekley
President
AmCham Cuba

Anthony C.E. Quainton
President and Chief Executive Officer
National Policy Association

PRINCIPLES FOR PRIVATE SECTOR INVESTMENT IN CUBA

Prepared by

THE NATIONAL POLICY ASSOCIATION – CUBA WORKING GROUP

The international private sector has a vital role to play in promoting open, free market institutions and adherence to universal standards of human rights. Because we, the International Working Group on Best Business Practices in Cuba, believe that socially responsible business practices can help foster human rights and, ultimately, a more productive workforce, we urge businesses investing in Cuba to adopt socially-responsible business practices in their activities in Cuba. We also recognize that the situation in Cuba is dynamic, and that the challenges facing private sector involvement in Cuba are many. While operating in a manner consistent with current laws and regulations in force in Cuba, companies should endeavor to respect fundamental worker rights principles and advocate changes in laws and regulations where adherence to these principles is not currently possible.

Based upon the Arcos Principles (1994) and the North American Committee Principles (1997), as well as the Sullivan, McBride, and other socially-responsible principles that have served as a catalyst for progress in non-democratic societies, we encourage the private sector to voluntarily adopt the following basic principles:

I. **Respect workers' right to organize freely in the workplace and to choose a union to represent them in negotiations with management, in accordance with ILO Conventions 87 and 98;**

II. **Maintain a corporate culture that respects free expression consistent with legitimate business concerns, and does not condone political coercion in the workplace;**

III. **Work to gain the right to recruit, contract, pay and promote workers directly, not through government intermediaries;**

IV. **Employ socially responsible employment practices, including the avoidance of child and forced labor and discrimination based on race, gender, national origin, religious beliefs, or political beliefs or affiliation, in accordance with ILO Convention 111;**

V. **Provide a safe and healthy workplace, consistent with the principles of sustainable development;**

VI. **Support the strengthening of legal procedures, encouraging respect for due process, human rights, and the international conventions of which Cuba is a signatory.**

We, the undersigned firm, support these Principles.

Firm name and address: _____

_____

_____

Name of person signing: _____ **Title:** _____

Signature: _____ **Date:** _____

(Please return signed letter to AmCham Cuba)

CUBA TODAY

Best Business Practices and Labor Rights

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ADENTRO. . .

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CUBA TODAY presenta el tercer número de una serie de cuatro partes que explora la inversión extranjera y los derechos de los trabajadores en Cuba. Este número se enfoca en la industria de las telecomunicaciones en la isla. Existen retos y oportunidades para los trabajadores cubanos en este campo a medida que ellos se enfrentan ante una realidad que cambia constantemente, así como a una que refleja las decisiones tomadas a través de decenios.

CUBA TODAY sirve como un foro para el diálogo acerca de las interacciones entre labor y negocios en Cuba. Los siguientes artículos notan que la modernización de las telecomunicaciones ayudarán a transformar a Cuba de un país emergente a un competidor internacional en la venta de sus productos y servicios. La Tecnología de Información (IT, por sus siglas en ingles) se convertirá en una de las principales exportaciones de Cuba. Entre tanto, las industrias cubanas de IT buscan expandir empresas conjuntas con socios extranjeros, y el gobierno ha hecho una prioridad mejorar la infraestructura nacional de las telecomunicaciones.

Los dos números anteriores de *CUBA TODAY* abordaron la agricultura y el turismo. El cuarto número de esta serie explorará la industria pesada como la minería.

Las grandes posibilidades de las telecomunicaciones en Cuba

por el Dr. Byron L. Barksdale
Director del Proyecto de Cuba contra el SIDA
y John H. Barksdale
Vicepresidente, Havana Bay Company

El tema del pabellón de Cuba en la Feria Mundial de 1939 en la ciudad de Nueva York fue "Las grandes posibilidades de Cuba." En el nuevo milenio, un tema para Cuba podría ser "Las grandes posibilidades de las telecomunicaciones en Cuba," si ocurre una transición posible que permita que todos los sectores de la economía, incluso los individuos, tengan acceso abierto y que utilicen totalmente el Internet y las telecomunicaciones.

EL TURISMO Y LAS TELE-COMUNICACIONES MODERNAS

La economía de Cuba se ha basado tradicionalmente en productos, principalmente en tabaco (cigarros), azúcar y ron. Mientras que la biotecnología y el turismo se han sido designados últimamente como motores de crecimiento para la nueva economía cubana, las exportaciones comerciales históricas de Cuba siguen siendo azúcar, tabaco, café, mariscos, cítricos y frutas tropicales. Cuba ha producido una vacuna eficaz contra meningitis serogrupo B, *Niesseria meningococcal,* que las gigantescas compañías farmacéuticas internacionales esperan producir y vender mundialmente. Este año, Cuba tiene la meta de recibir dos millones de turistas. Estos turistas hablarán acerca del mundo mas allá de las costas cubanas, incluyendo la World Wide Web, política mundial, actividades laborales del mundo y la facilidad de la conectividad global con las telecomunicaciones modernas. Ellos exigirán tener acceso total al Internet durante su estadía en Cuba. Para cumplir con esta exigencia, Cuba provee cafés cibernéticos, centros de negocios en los principales hoteles, y alquiler de teléfonos celulares. Los turistas pagan altos precios por utilizar el Internet y los celulares, cerca de US$5.00 por 30 minutos en el Hotel Habana Libre. La amplia variedad de información, productos y servicios que la Internet provee, demostrada a diario

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por el empleo del Internet por los turistas, no ha pasado desapercibida por los trabajadores en Cuba.

Una Conferencia Internacional de Redes y Telecomunicaciones se celebra todos los años en La Habana patrocinada por el Centro de Diseño de Sistemas Automatizados, una rama del Ministerio de Ciencia, Tecnología y el Medio Ambiente. Estas conferencias exploran el comercio electrónico, nuevas tecnologías del Internet, uso de la red, seguridad de las redes y servicios de información, y presentan exhibiciones de productos y tecnología modernos de "networking."

ALIMENTACIÓN DE LA ECONOMÍA CLANDESTINA

A pesar de la creciente conciencia sobre el Internet entre el pueblo cubano, como en China, el gobierno cubano ha limitado temporalmente—por medio del costo, restricción al acceso, estrictas y severas penalidades e infraestructura inadecuada—la presencia del Internet y del telecomunicaciones modernas entre los ciudadanos civiles. La población cubana, altamente educada, está contrarrestando los esfuerzos restrictivos del gobierno. Es cada diá más probable que los trabajadores en todos los sectores de la economía hayan terminado secundaria o cinco años de universidad. Estos trabajadores educados observen a los extranjeros usando celulares, el Internet y otros medios de comunicación para coordinar sus actividades diarias; ven a los turistas haciendo "networking" y saliendo de Cuba, así sea solo en el espacio cibernético, a destinos remotos en la red, incluyendo sitios red con sede en Estados Unidos. Los trabajadores cubanos y sus familias desean hacer lo que sea para formar parte de la comunidad mundial.

Las prohibiciones y el hostigamiento del gobierno son obstáculos relativamente insignificantes para el uso de Internet para una población que carga una economía frágil. De hecho, muchos trabajadores cubanos y ciudadanos civiles ven al Internet como la manera principal de mejorar su valor neto financiero al vender arte, música y artesanías en privado y en directo, y al hacer contratos con turistas que planean visitar a Cuba. Estos crecientes esfuerzos emprendedores, facilitados con la ayuda del Internet y las telecomunicaciones, ignoran a las autoridades cubanas jurídicas y de impuestos. Tal capitalismo en acción alimenta la economía clandestina y la prosperidad individual porque los extranjeros les pagan a los emprendedores directamente en dólares libres de impuestos.

Los jóvenes trabajadores cubanos, como sus colegas en China, ser compensados por sus productos y servicios a precios de mercado, no por medio de la compensación estructurada de una socialista. Lo que motiva aún más a los cubanos para que aumenten y ahorren sus bienes son preocupaciones recurrentes acerca de la salud de Fidel Castro y lo que pasará en Cuba cuando él fallezca. Las naciones democráticas y los comprometidos a los trabajadores deben alentar los esfuerzos emprendedores porque ellos contribuirán a reforzar las "Mejores Prácticas de Negocios" que se necesitan en Cuba en la era pos-Castro.

EL AUMENTO DE INFORMÁTICOS Y "CUENTAS DEL MERCADO NEGRO"

A medida que la isla se integra a la economía mundial, la gente cubana está entendiendo más en cuanto al Internet y las telecomunicaciones, y como se mencionó anteriormente, está ignorando una ley que prohíbe el uso privado y sin autorización de Internet. Un creciente número de nuevos revolucionarios conocidos como informáticos, resiste los esfuerzos del gobierno para "mantener la versión cubana del Internet en su la cárcel del socialismo." Los ciudadanos civiles, incluyendo los empleados de los cafés cibernéticos, de los centros turísticos y de las universidades, están entrando al sistema a las páginas principales de Yahoo en español o de CNN, tienen nombre de usuario en Yahoo o Hotmail para tener acceso a correo electrónico, utilizan mensajes instantáneos, leen publicaciones extranjeras, investigan grandes bases de datos localizadas en el extranjero y bajan música e imágenes

Los trabajadores cubanos de más edad se acuerdan de los amplios derechos otorgados a los trabajadores según la constituciones de 1934, 1935 y 1940. En 1940, el Partido Socialista Cubano aplaudió los nuevos derechos de los trabajadores, los cuales incluían el derecho de formar sindicatos independientes, de entrar en huelga (avisándole al Ministro de Trabajo), de negociaciones colectivas o individuales, de libertad de reunión, de palabra, y de prensa, y de prohibir el trabajo forzado. En 1959, el gobierno de Castro suspendió la constitución de 1940 y más tarde intentó abordar esos derechos en la constitución socialista cubana de

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1952. Sin embargo, esta última revisión de los derechos de los trabajadores es secundaria al dogma socialista y es juzgada arbitrariamente por cortes orientadas al socialismo (en vez de cortes imparciales políticamente). Aún más, así como lo indica el Artículo 63 de la Constitución de 1992, ninguno de estos derechos "se puede ejercer en contra de la Constitución de 1992 ni de las leyes cubanas, ni en contra del estado socialista."

Tener total (aunque ilegal) acceso al Internet en Cuba requiere una línea de teléfono privada (la cual es difícil de obtener), un aparato para tener acceso al Internet (generalmente un computador personal con módem), y una capacidad para conectarse a Internet por una suma mensual (alrededor de US$35 mensuales). El acceso total, privado y del mercado negro al Internet es una de las áreas de más alto crecimiento de la economía clandestina. Para compensar el crecimiento de estas "cuentas del mercado negro" o "compartir cuenta" de información sin censura por parte de los individuos, el gobierno está colocando más computadores en las escuelas públicas y está abriendo y operando cafés cibernéticos (por ejemplo, en la Plaza de Armas y en el Capitolio). El estado también permite el amplio acceso de gente joven a cursos de computación formales y por medio del Internet, y una versión del Internet censurada a través de universidades, escuelas secundarias, oficinas de correo, y 150 Clubes Juveniles de Computación orientados al socialismo y supervisados por el gobierno.

PRIMEROS ESFUERZOS EN TELECOMUNICACIONES

Después de la Guerra Hispano-Americana, Estados Unidos creó la base para proyectos de salud pública, vivienda, transporte y telecomunicaciones en Cuba. La primera empresa de teléfonos fue la Empresa de Teléfonos Cubana-Americana antes de la Primera Guerra Mundial. El primer cable por debajo del mar entre Cuba y Estados Unidos lo instaló AT&T en 1921.

El ritmo de las mejoras en las telecomunicaciones en Cuba (la mayoría implementadas entre 1938 y 1945) se detuvo abruptamente con la insurrección contra Batista en 1959 y el embargo comercial impuesto por Estados Unidos en 1962. La reforma agraria, educativa y de salud, y la nacionalización de empresas extranjeras, junto con la defensa del nuevo gobierno, se convirtieron en las principales prioridades.

Para 1995, la negligencia de las telecomunicaciones por parte del gobierno durante decenios resultó en una infraestructura obsoleta y en pobres condiciones de trabajo. Los sistemas de enlace de cable coaxial anticuados, que emplean una red de X.25, son el estándar en Cuba. Internet de alta velocidad y servicios de telecomunicaciones, domésticos y aquellos conectados a las comunidades internacionales, son limitados a pesar de la autorización del Congreso del Partido Comunista Cubano en 1980 de desarrollar telecomunicaciones computerizadas. La primera verdadera red electrónica nacional no empezó a funcionar en Cuba sino hasta 1988. AT&T, Sprint y MCI empezaron a ofrecer llamadas directas a Cuba en 1994. Sin embargo, el pago de impuestos por el uso y regalías a Cuba se han complicado por las recientes decisiones de la corte de Estados Unidos después del incidente de "Hermanos al Rescate" cuando los jets cubanos derribaron a aviones civiles sobre los estrechos de Florida en 1996.

EL AUMENTO DEL PIB DE CUBA POR MEDIO DE LAS TELECOMUNICACIONES

Para el futuro crecimiento del Producto Interno Bruto, Cuba está apostando bastante en las ganancias en moneda fuerte en campos como biotecnología, medicina y turismo, campos que requieren lo último en telecomunicaciones y conectividad al Internet. A medida que Cuba trata de diversificar sus productos y servicios nacionales fuera de los sectores basados en productos, especialmente la agricultura, las inmensas posibilidades (y realidades) de las telecomunicaciones modernas se hacen más evidentes:

- internacionalmente—Web masters cubanos están creando sitios Web atractivos (bajo el dominio .cu) para atraer turistas e inversionistas extranjeros a la isla y para vender productos cubanos; y
- nacionalmente: avenidas históricas se están cavando para instalar líneas y cables digitales de alta velocidad.

Existen cuatro redes cubanas principales, controladas por el gobierno: CENAI, CIGBnet, TinoRed e InfoMed. La conectividad al Internet internacional de las instituciones académicas, entidades comerciales propiedad del estado y centros de

investigación parece ser más importante para el gobierno que el acceso personal al Internet. Portabilidad y movilidad por redes inalámbricas son más evidentes en Cuba hoy en día por las empresas conjuntas con entidades extranjeras. Un ejemplo es Teléfonos Celulares de Cuba (Cubacel), la cual ofrece productos y servicios en las principales zonas turísticas de La Habana. Originalmente era una empresa conjunta entre Telecomunicaciones Internacionales de México, S.A. (TIMSA) y Cuba. Sherritt International, con sede en Toronto, es propietaria de intereses minoritarios en Cubacel.

A PESAR DE LAS BARRERAS, LAS OPORTUNIDADES ABUNDAN

Renovar las telecomunicaciones en Cuba requiere una gran cantidad de capital que Cuba socialista sencillamente no tiene, y existen numerosas dificultades en el camino para modernizarlas, así como el Internet. Posibles empresas conjuntas con el sistema de teléfonos de Cuba enfrentan tres obstáculos fundamentales. Primero, la red telefónica es intrínsicamente la misma desde antes de la revolución de 1959. Segundo, los envíos entre Estados Unidos y Cuba se han visto afectados por los recientes decretos de las cortes estadounidenses, y éstas han tenido un efecto negativo en posibles inversionistas. De hecho, Cuba no puede recibir remesas de su mercado más grande de larga distancia. Por último, la economía cubana y el peso (el cual no tiene convertibilidad líquida en moneda fuerte) permanecerán frágiles a pesar de las ganancias minúsculas durante la recuperación cubana del "Período Especial" precipitado por el colapso de la Unión Soviética. La Cuba socialista, como Corea del Norte, permanece como una reliquia de la Guerra Fría. A pesar de estas barreras, sin embargo, y donde se permitan, las oportunidades abundan dentro de las iniciativas estratégicas que se están llevando a cabo por el gobierno cubano y financiadas por empresas conjuntas con socios domiciliados en el extranjero.

Cuba es una nación emergente en cuanto a la realización del potencial total de las telecomunicaciones modernas, comunicaciones de datos e Internet. Sin embargo, estas áreas mejorarán drásticamente por el 2004. Para entonces, el acceso per cápita al Internet y su uso (incluyendo el aprendizaje electrónico) aumentará, las barreras de infraestructura serán removidas, las preguntas sobre cuestiones de seguridad de la red se responderán adecuadamente y los altos costos de acceso se resolverán. Por lo tanto, el uso de Internet por la ciudadanía aumentará dramáticamente. Estos cambios llevarán a los trabajadores cubanos, especialmente a los emprendedores, aún más allá, a una economía de conocimiento y al comercio electrónico. Cuba estará en camino de convertirse en un país competitivo en la venta de sus productos y servicios en mercados mundiales. ■

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El desarrollo humano es clave para el crecimiento de Cuba como una Isla de Silicio

por Stephane d'Amours

Presidente, Consorcio, Silicon Island, Inc.

Otra revolución está sucediendo en Cuba, una revolución basada en el desarrollo humano. Cuba emergerá en la nueva economía como una nación rica en información, altamente educada y orientada hacia la inteligencia. La tecnología de información (IT, por sus siglas en inglés) se convertirá en una de sus principales exportaciones. Miles de estudiantes extranjeros aprenderán electrónicamente en universidades cubanas, los médicos de todas partes del mundo utilizarán los servicios de salud por televisión de Cuba, y los centros de llamadas de Cuba servirán a los mercados hispanohablantes. Empresas internacionales de IT crearán alianzas estratégicas con Cuba para entrar a los futuros mercados del Tratado de Libre Comercio de las

Hoy casi todos los sectores de la economía cubana están abiertos a los inversionistas extranjeros. El gobierno cubano está determinado a convertir a Cuba en una economía de alta tecnología, viable y próspera—una Isla de Silicio.

Las empresas IT de Cuba y los miles de trabajadores cubanos altamente calificados, que ya tienen entre 5 y 20 años de experiencia en este campo, desean establecer asociaciones dinámicas con inversionistas extranjeros. Las empresas IT de Cuba se enfocan en el desarrollo de software "turn-key " (llave en mano),

programación en el extranjero, tele-salud, multimedia, turismo, agricultura, y soluciones geomáticas (como mapas aeronáuticos, estudios geodésicos, y sensores remotos). Las exportaciones de software ya tienen un valor de millones de dólares y han crecido más de un 600 por ciento desde 1999.

EL FACTOR HUMANO

El desarrollo humano es la clave para el éxito de la revolución IT en Cuba. La isla tiene una gran ventaja sobre sus competidores debido a que provee servicios sociales, como salud y educación, a sus ciudadanos. Los que toman las decisiones en la industria de software entienden muy bien el factor humano, el cual es su mejor ventaja.

Cuba tiene los mejores recursos humanos del hemisferio. El sistema educativo cubano y el compromiso del gobierno a educar a los estudiantes en IT a través de centros de enseñanza superior destacan a Cuba entre los países de la región. Cuba tiene casi 24.000 profesores y más de 300.000 estudiantes en 47 universidades a través de toda la isla. Tiene más graduados de universidades per cápita que cualquier país latinoamericano. La IT forma parte integral del sistema educativo; empieza en el séptimo grado de la escuela elemental y continúa a través de la universidad y colegios técnicos.

En 1970, la Universidad de La Habana y la Universidad Central de Las Villas fueron las primeras en Cuba en ofrecer un programa de maestría en computación. Desde entonces, varios programas especializados en enseñanza superior se han ampliado para que incluyan ingeniería de computación, de telecomunicaciones y de automatización, robótica y control de sistemas. Más de 30.000 estudiantes se han graduado de programas de educación superior en computación y electrónica. Miles de diplomas en educación también se han otorgado en matemáticas avanzadas y computación. En respuesta a las necesidades y aptitudes requeridas por la industria IT cubana e internacional, las universidades en Cuba ofrecen en este momento 10 programas de maestría con un enfoque en IT.

La proporción entre maestro-profesor/estudiante para todos los niveles educativos es 1 a 14. Uno de cada 15 cubanos tiene un diploma universitario. Uno de cada ocho es un técnico. Cuba tiene el 12 por ciento de todos los ingenieros en Suramérica y el Caribe.

Hoy en día se pueden encontrar numerosos ejemplos en Cuba de ingenieros aeronáuticos que trabajan como taxistas y de médicos que trabajan como meseros en bares y restaurantes. Sin embargo, a medida que Cuba empiece a utilizar más sus valiosos recursos humanos, habrá más casos de personas que trabajen en la profesión que escogieron. El desarrollo de la industria IT cubana contribuirá a la utilización más amplia de la fuerza laboral altamente calificada de la isla. De hecho, el crecimiento de la IT está brindando buenos empleos. Los trabajadores altamente motivados y calificados contribuirán a grandes mejoras económicas en Cuba.

Muchas empresas de IT han introducido incentivos especiales, como sobresueldos y más beneficios sociales, para evitar la emigración de personas calificadas y alentar a los trabajadores de IT a permanecer en la isla. Las condiciones de trabajo en las empresas de software cubanas se parecen a las de Norte América; son dinámicas y permiten creatividad. Las mujeres y jóvenes forman gran parte de esta nueva generación de revolucionarios electrónicos.

LA VISIÓN DEL GOBIERNO

El gobierno cubano creó recientemente un nuevo ministerio como una herramienta para su estrategia de IT: El Ministerio de Información y Comunicaciones (MIC). Sus objetivos principales son aumentar el acceso de toda la sociedad cubana a los computadores y promover el crecimiento de la industria IT de Cuba.

En el centro del plan hay una red interna nacional con amplio acceso a escuelas, clubes de computación y oficinas de correo. El sistema de teléfonos será actualizado a un costo de cientos de millones de dólares. La red de telecomunicaciones será digitalizada completamente. Este plan incorporará la IT a todos los sectores de la economía. Aumentará el acceso a información, comunicación y servicios para los ciudadanos cubanos, y permitirá que el país entre a la nueva economía de información.

El Presidente George W. Bush declaró que Internet conllevará libertad para China. El Secretario de Estado de Estados Unidos Colin Powell afirmó que "el aumento de la democracia y el poder de la revolución de la información se combinan para influenciarse el uno al otro." Algunos esperan que la tecnología ayudará a traer ese cambio a Cuba. Cuando hay más comunicación entre las personas, las ideas vuelan con más. ■

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Las telecomunicaciones en Cuba: Presente y futuro

por Enrique J. López
Presidente, AKL Group, Inc.

Las telecomunicaciones son el catálisis principal en el crecimiento económico de las naciones en vías de desarrollo. Cuba no es una excepción. Las telecomunicaciones en el tercer mundo han estado por lo general limitadas a comunicaciones de voz dentro de las redes nacionales limitadas que conectan a estos países con la comunidad internacional. Las llamadas a larga distancia siempre han sido una fuente de ingresos significativa y confiable de los países en vías de desarrollo.

La evolución mundial "paisaje de la información" ha ampliado los medios y métodos de comunicación disponibles. El portafolio de telecomunicaciones de hoy en día consiste, como mínimo, del transporte de comunicaciones de voz, datos y video a través de autopistas de información diversificadas que varían desde redes telefónicas tradicionales hasta sofisticadas plataformas de comunicaciones inalámbricas. La necesidad de transportar varias formas de información es impulsada por las actuales realidades económicas regionales y globales. Una infraestructura de telecomunicaciones nacional deficiente es un obstáculo considerable.

ACTUALIZACIÓN DE LA INFRAESTRUCTURA DE LAS TELECOMUNICACIONES DE CUBA

Cuba se dio cuenta de este problema e hizo una prioridad la evolución de la infraestructura nacional de telecomunicaciones a una tecnología digital. En 1991, lanzó su primera participación en una inversión privada en una empresa conjunta con Telecomunicaciones Internacionales de México, S.A. (TIMSA) y su empresa estatal de telecomunicaciones, lo que creó Teléfonos Celulares de Cuba (Cubacel), un proveedor de servicios de teléfonos celulares. Cuba ha continuado a participar en otras empresas conjuntas con socios extranjeros de México (Grupo Domos, 1994), Italia (STET, 1995), Canadá (Sherritt International, 1998) y Taiwán (Zytel, 2000). China es un participante activo en la industria telefónica de Cuba, ya que le otorgó a Cuba US$200 millones en créditos blandos para la compra de equipo de telecomunicaciones chino, contratados con ETEC S.A. (el proveedor nacional de telecomunicaciones de Cuba) para suministrar US$300 millones en equipos, y donó e instaló un sistema digital. La participación del Grupo Domos no fue exitosa debido a las dificultades financieras en las que se vio durante la recesión económica de México en 1995, la cual forzó al grupo a vender su participación a STET.

La densidad de teléfonos actual de la isla entre 4.5 y 5.5 líneas por 100 habitantes permanece baja según los estándares mundiales, e incluso está por debajo de los países vecinos en el Caribe. Los cálculos de la inversión requerida para actualizar la infraestructura nacional de telecomunicaciones de Cuba varían entre US$900 millones para la infraestructura nacional de teléfonos hasta US$2.5 mil millones para completar totalmente la infraestructura de comunicaciones de voz, datos y video. El cálculo incluye el aumento de la densidad telefónica a 11 por 100 habitantes, ampliando la densidad a 15 por 100 habitantes en la ciudad de La Habana por el año 2004.

Según las estimacuibes oficiales, la inversión hasta el momento ha sobrepasado US$1 mil millones, primordialmente para los sectores de la industria que requerían niveles de servicio actualizados para funcionar y generar ingresos muy necesitados. Los sectores que tiene prioridad son educación, medicina, turismo, gobierno, comercio, diplomacia e instituciones financieras. El crecimiento verdadero a largo plazo de las telecomunicaciones debe contar con estos sectores porque el salario disponible de los cubanos no aguantará los ingresos por línea necesarios para las actualizaciones planeadas. Algo que también juega un papel significativo en qué tan rápido ocurrirá el lanzamiento nacional planeado será la flexibilidad del gobierno en relajar su agenda política y permitir a los ciudadanos el acceso al mundo sin restricciones por medio de comunicaciones de voz y de datos. Desde el principio de la revolución cubana, el flujo de información dentro del país y con el mundo exterior ha sido cuidadosamente vigilado.

El servicio de llamadas internacionales ha sido el principal generador de ingresos dentro de la industria de telecomunicaciones de

Cuba. Una mayoría considerable de este flujo de ingresos, aproximadamente entre $50 y $70 millones, vienen del tráfico de larga distancia entre Cuba y Estados Unidos. Estos ingresos se verán afectados en el futuro, a medida que Cuba aumenta sus esfuerzos para incluir redes nacionales digitales capaces de proveer correo electrónico, acceso al Internet, protocolos del Internet de doblaje, y otras aplicaciones que no dependen de una red basada en la voz.

UN CENTRO REGIONAL DE TELECOMUNICACIONES

El futuro de las telecomunicaciones de Cuba no dependerá solamente en la habilidad de la isla en mejorar la infraestructura nacional de telecomunicaciones. También dependerá en la habilidad de Cuba en capitalizar su locación geográfica y tamaño. Estos factores hacen de Cuba un candidato potencial para un centro regional de telecomunicaciones. Otros factores a favor de Cuba son su afinidad cultural y lingüística con la mayoría de sus vecinos caribeños y de Latinoamérica, su proximidad al mercado Norteamericano, el nivel educativo del pueblo cubano, sistema de salud generalizado y bajos costos laborales.

Como un centro regional de telecomunicaciones, Cuba podría proveer servicios de operadora y de asistencia de directorio para los suministradores de servicios de larga distancia, así como también como centros de llamadas regionales de apoyo al mercado para los fabricantes y vendedores de varias industrias. Cuba podría llevar a cabo estos servicios al mejorar su infraestructura interna de telecomunicaciones y al establecer conectividad con las múltiples rutas de fibras ópticas y cientos de millas de fibras ópticas bajo el mar que existen en la región. Esta conectividad le abriría a Cuba la puerta al mundo de la muy necesitada tecnológica de alta velocidad.

La política extranjera de Estados Unidos será un factor importante en el desarrollo económico de la isla, incluyendo la magnitud y el ritmo de las inversiones extranjeras en Cuba. El sector de las telecomunicaciones es meramente uno de los sectores que se verán afectados por la política estadounidense, debido principalmente a la gran dependencia del sector en tecnología y su costo. La actual situación financiera de Cuba, sus bajos ingresos per cápita y la escasez mundial de capital para invertir no acuerdan con los planes de ganancias de los inversionistas extranjeros en el sector de las telecomunicaciones. Puede que los sucesos del 11 de septiembre de 2001 tengan un impacto en la política extranjera hacia Cuba, una que puede reflejar una postura más firme que podría perjudicar aún más los esfuerzos de la isla para atraer inversión extranjera a los sectores relacionados a la tecnología. ■

Miembros del Grupo de Trabajo sobre Cuba

- AFL-CIO American Center for International Labor Solidarity (ACILS)
- American Chamber of Commerce of Cuba in the United States (AmCham Cuba)
- Confederation of Netherlands Industry and Employers (VNO-NCW)
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- United Food and Commercial Workers International Union (UFCW)
- U.S. Chamber of Commerce
- U.S. Cuba Business Council

Realidades de las telecomunicaciones cubanas

- La densidad de teléfonos permanece baja según los estándares mundiales, y varía entre 4.5 y 5.5 líneas por cada 100 habitantes, y está muy por debajo de la densidad de los países caribeños vecinos.
- Cálculos de la inversión requerida para actualizar la infraestructura nacional de telecomunicaciones de cuba varían desde US$900 millones para la infraestructura nacional de teléfonos hasta US$2.5 mil milliones para completar totalmente la infraestructura de comunicaciones de voz, datos y video.
- Se calcula que existen entre 5.500 y 7.000 abonados celulares en Cuba hoy en día.
- Las exportaciones de software ya valen millones de dólares y han aumentado más del 600 por ciento desde 1999.
- Funcionarios cubanos dicen que las empresas extranjeras y el gobierno han realizado inversiones de más de mil millones de dólares en el sector de las telecomunicaciones desde comienzos de la década de los noventa.
- Para el primer trimestre de 2001, Telecom Italia S.p.A. reportó una disminución del 17 por ciento en sus ingresos operacionales para ETEC S.A., el proveedor nacional de telecomunicaciones de Cuba. La disminución sucedió después de la rotura de lazos con los Estados Unidos por parte del gobierno cubano el 15 de diciembre de 2000, el último paso en la larga batalla entre Cuba y Estados Unidos sobre las dos aeronaves derribadas por la aviación cubana en 1996.
- El tráfico internacional en las telecomunicaciones cubanas disminuyó por 8 por ciento en ese trimestre, una pérdida parcialmente contrarrestada por un aumento del 5 por ciento en el tráfico doméstico como resultado del creciente uso de Internet.

Fuentes: *Business Guide to Cuba* (*CubaNews*, 2000) y *Economic Eye on Cuba* (U.S.-Cuba Trade and Economic Council, Inc., 22-28 de octubre de 2001).

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CUBA TODAY presents the final issue in a four-part series exploring foreign investment and the rights of workers in Cuba. Previous issues in the series examined agriculture, tourism, and telecommunications. This issue focuses on the mining industry, which has had a long history on the island in exploring and extracting natural resources such as copper, gold, and nickel.

CUBA TODAY serves as a forum for dialogue on the interactions between labor and business in Cuba. The following articles provide an understanding of the overall role of the mining industry in the Cuban economy, weakened by the worldwide recession and the aftermath of September 11. They explain the importance of U.S.-Cuba relations to the future of the island's economy. They also focus on how the economy and the mining industry in particular affect the lives of individual workers, noting that working in a mine operated as a joint venture can be significantly different from working in a nationally owned mine.

The Growth of Cuba's Mining Industry

by Gerardo Gonzalez Núñez

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Cuba is in a region that has a complex geological base composed of structures of diverse origin, composition, and geological age. Cuba thus has an extensive variety of minerals, including copper, zinc, nickel, cobalt, iron, gold, bauxite, quartz, zeolite, kaolin, and phosphates. But Cuba's mining importance stems from the country's abundance of nickel and associated cobalt. With an estimated 37 percent of world reserves of nickel in Cuba, mostly in its eastern region, the island ranks first in world reserves of nickel and second in world reserves of cobalt.

CUBA'S NICKEL AND COBALT PROCESSING PLANTS

The first processing plant of nickel and cobalt (today called René Ramos Latour) began operation in 1943 in Nicaro, in the eastern part of the country. This plant, which used U.S. technology, was opened mainly in response to the high demand for steel in the United States during World War II. The ending of the war paralyzed Cuba's mining industry, just as the country had become the fourth largest producer of nickel worldwide. However, the armed conflict in Korea and the need for strategic raw materials in the United States created new demands, and the plant began to operate again in 1952, eventually producing 22,700 tons annually.

In 1960, a second plant was put into operation in Moa, also in Cuba's eastern section. Pedro Soto Alba uses a unique nickel and cobalt processing technology and is

energy and metallurgically efficient. This plant has an annual capacity of 24,000 tons. The high efficiency of both plants as well as the Moa plant's novel processing technology have given Cuba a great competitive advantage over nickel producers internationally.

THE RISE AND FALL OF NICKEL PRODUCTION

Cuba's investment in nickel and cobalt extraction intensified when the island developed ties with the Soviet Union. In 1972, the two countries signed an agreement to modernize the Nicaro and Moa plants and to construct a third plant in the region of Punta Gorda, with a planned annual capacity of 30,000 tons. The new plant, Ernesto Ché Guevara, began operation in 1986. These investments resulted in a sustained increase in nickel production, which reached a record level of 46,000 tons in 1989.

Until the end of the 1980s, the European socialist bloc countries guaranteed a high priced market for Cuban nickel and at the same time provided the aid necessary for the operation of the three plants. The disintegration of the socialist bloc was therefore a hard blow to the mining sector. Production was reduced in the early 1990s, and by 1994, total production had fallen to just 26,000 tons. Low usage levels meant high operating costs. With the scarcity of fuel and other supplies, the industry quickly became undercapitalized and faced the threat of total shutdown.

REVIVING THE MINING INDUSTRY

The Cuban government placed a high priority on the recovery of nickel and cobalt production and to that end sought foreign investment. The government's first step was to adapt the legal framework to stimulate foreign investment in mining and to regulate its operation. Under the new mining law enacted in 1994, mining was declared a highly strategic sector. The state was given total control of all mining deposits, including the provision of concessions to foreign investors for the exploitation of the deposits. The duration of the concessions for geological research is 3 years, and for exploitation and processing, 25 years. These may be extended.

In 1994, the Nickel Union of Cuba and Sherritt International of Canada entered into a joint venture. The assets of the new business, Moa Nickel, S.A., include the Moa plant, a refinery in Fort Saskatchewan in Alberta, Canada, and a marketing corporation in the Bahamas. The Cuban government's mining concessions to this joint venture totaled 60 million tons of nickel ore, which ensured raw materials for the operation of the Moa plant for 25 years. In addition, the state granted 15,000 hectares with sufficient reserves for another 25 years.

The joint venture has introduced technological improvements that have lowered production costs and increased output at the Moa plant. The Nicaro and Punta Gorda plants have benefited from the joint venture because they, too, have incorporated improvements in technology, management, and labor force training.

These efforts have revived Cuba's production and export of nickel. In 2000, production reached a record 72,000 tons, making Cuba sixth in world production of nickle. At the same time, the island recovered its international market, exporting nickel to more than 30 countries.

Nickel mining is not the only aspect of the industry that has profited from foreign investment. Copper, gold, silver, chromium, magnesium, lead, and zinc are also being evaluated, prospected, and extracted by foreign investors. The agreements between the state and foreign companies are risk-based contracts that include commercialization of the minerals.

The contracts that have shown substantial results include Holmer Gold Mines, which discovered gold, copper, lead, and zinc in Pinar del Río province; Caribgold Resources of Canada, which found gold in Camagüey province; and Miramar Mining Company, which operates a gold mine on La Isla de la Juventud. These contracts have brought significant technological advances that have allowed the exploration and extraction of minerals previously inaccessible because of the techniques used in Cuban mining.

Fifty-five associations have been established in the mining sector with foreign capital. Mining is thus the third largest sector in foreign investment.■

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Foreign Investment and the Mining Industry in Cuba

by Martha Beatriz Roque

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Cuba's most important areas of metallic minerals are in the Sierra Maestra mountain range in the east, in the Holguín province, around the Bays of Moa and Nipe, and in the Pinar del Río province. Cuba has about 800 million tons of nickel deposits that yield more than 19 million tons of pure nickel per year. Known reserves exist in the provinces of Camagüey and Pinar del Río. Cuba's only sulfite plant is in Pinar del Río. Modest quantities of chromium are found on the eastern part of the island. Kaolin and marble are extracted from La Isla de la Juventud.

Mining has not been a priority of the state for many years. However, nickel mining recently became an exception with the creation of joint ventures through foreign capital. Mining activity is governed by the Ministerio de Industria Básica. The company Geo Minera, S.A., whose specialty is prospecting and risk exploration, is in charge of business with foreign partners.

MINE CLOSINGS WORSENED AREA ECONOMIES

Some important mines have been closed, including the copper mines of Matahambre in Pinar del Río and the Mina Grande de El Cobre in Santiago de Cuba and the gold mines on La Isla de la Juventud and in Pinar del Río. The closing of the mines and the connected labor centers has worsened the economic situation in these areas, particularly for the residents of Matahambre, a municipality once considered "the economic bastion of Pinar del Río" mainly because of its mining reserves. But the premature exhaustion of the copper deposits through exploitation and use of obsolete technologies paralyzed the mines.

As a resident of Matahambre explained: "We don't have anything to live on. The younger ones have two options: loiter around town or go to other municipalities. We are left only with broken promises and contaminated air, soil, and sea from the waste of the mines that the government exploited until it couldn't anymore."

SMALL BENEFITS FOR SOME MINERS

Nickel production is centered in the municipality of Moa in the Holguín province. Two Cuban companies are dedicated to the production of this mineral: Moa Nickel, S.A., which works with the Canadian firm Sherritt International, and Ernesto Ché Guevara, which does not have a foreign partner.

There is considerable difference in the salaries and benefits of workers at the two plants. Moa Nickel workers collect a percentage (from 7 to 15 percent) of their salaries in dollars, based on monthly production. Their salaries are determined by the national wage scale. For example, an assistant of any position earns 220 pesos; an operator at a metallurgical plant, 260 pesos; an engineer, depending on his or her specialty, between 375 and 500 pesos; and an operator of control panels, 340 pesos. This means that a worker's monthly salary will be between US$15 and $35 using the smaller percentage and between $33 and $57 using the higher percentage. Payment is made by discounting the dollars of the salary based on the "official" exchange rate of one peso to one dollar. Therefore, if an engineer earns 375 pesos and receives a bonus of $35, his or her salary in the national currency will be 340 pesos. In turn, Sherritt pays the state-designated salaries to the Cuban government in dollars. This ensures the business a net income from each worker's salary in addition to any profits that it makes.

Moa Nickel workers are given small benefits to improve morale.

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They receive one bar of soap for washing and one for bathing every other month. At the end of the year, they are given a bag containing other personal hygiene articles. They also annually receive a pair of boots and a change of clothes.

In addition, workers can buy at low prices some food and drinks that are normally difficult to obtain. A bottle of beer, for example, is not meant to be sold in the national currency and costs 5 pesos. In the currency market, one bottle costs $.60, equivalent to about 16 pesos (at the actual exchange rate of 26 pesos per dollar).

However, workers are required to give one dollar of their monthly bonus for health benefits, which the government calls a "voluntary donation." The union also demands dollars from workers whenever it has a problem or for various political activities. Workers cannot refuse to pay because they would immediately be removed from their jobs, and others are waiting to fill their positions to get the small benefits.

For their part, workers at the Ernesto Ché Guevara plant do not receive any material bonuses. Their low income has made their lives extremely difficult. They suffer from hunger and poverty and have little access to social institutions.

Regardless of the plant, mining is extremely dangerous and is harmful to the workers' health. The men who work the ovens, for example, inhale the dust generated by them. In general, workers carry out their jobs in substandard labor conditions. Furthermore, while the local hospital has about 400 beds, it lacks medicines and resources to attend to the sick and injured.

Transportation is another problem in Moa. The local means of transport consists of cars pulled by horses and the bici-taxi, a bicycle to which two seats have been added behind the driver. The streets are completely deteriorated, and the town is highly contaminated by dust from the mines.

Finally, products are even more expensive in the currency stores in Moa than in the high priced stores in other localities. Therefore, a dollar in Moa does not have the same exchange value that it does in the rest of the country.

NICKEL PRODUCTION AND INVESTMENT IN MINING PROJECTED TO GROW

In 1996, income from nickle production in Cuba was about US$416 million and in 1997, $415 million. Although that revenue decreased to $263 million in 1998, it was projected to generate more than $500 million in 1999 and again in 2000. In the latter year, the government officially declared that nickel exports had surpassed sugar exports for the first time in history.

According to a recent biannual mining survey by the Raw Materials Group of Sweden, projections for mining investments in Latin America are auspicious. For the period 2001-09, the company projects that Latin America will attract $25.8 trillion (30 percent) of total world mining investment of about $86 trillion. Cuba is expected to have four mining projects. ■

ABOUT THE AUTHOR AND ICEI

Born in Ciudad Habana, Martha Beatriz Roque Cabello was professor of mathematical statistics at the University of Habana for eight years. Ms. Roque joined the dissident movement in 1989. In 1991, she became part of the Cuban Institute of Independent Economists (ICEI), created by Manuel Sánchez Herrero, and later became president. Ms. Roque was imprisoned from July 16, 1997, until May 15, 2000, accused of attempted sedition for writing, with three other dissidents, the document *The Fatherland Belongs to All.*

Founded in 1995, ICEI is an association of some of Cuba's most highly regarded independent economic analysts. In the early 1990s, the Cuban economy was in particularly weak condition, although this was difficult to assess because reliable economic data were scarce. Working with U.S. universities in Miami and Washington and with the Association for Study of the Cuban Economy, a core group of economists in Cuba began to collect and share data and later officially incorporated the ICEI.

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The Cuban Economy and Challenges to Growth

by Brian Alexander

Policy Director, Cuba Policy Foundation

The Cuban economy has been impacted by a series of recent blows, leaving the government to face one of its biggest economic challenges since 1994, when the economy began to recover from the collapse of the Soviet bloc. Current setbacks are nothing in comparison to the free fall witnessed in the early 1990s, and the economy did post growth for the eighth consecutive year in 2001. However, performance fell below initial expectations, and the political and economic challenges ahead are unique. These conditions affect ordinary Cubans and demand responses by the Cuban government.

FACTORS AFFLICTING THE ECONOMY

The Cuban economy managed to grow 3 percent in 2001, but fell short of the predicted 5 percent rate. Numerous factors contributed to the weaker than expected performance. In November, Hurricane Michelle battered the island. Particularly hard hit was agricultural land in central Cuba. As many as 45,000 buildings and homes were damaged, telecommunications and other infrastructure were disrupted, and severe damage was inflicted on crops. Cuban Vice President Carlos Lage stated that no hurricane "has provoked economic damage of [that] magnitude." Sugar, Cuba's leading cash crop, was significantly hurt, with an estimated 54 percent of sugar crops damaged and 10 percent ruined. Although better prices have allowed sugar revenues to improve slightly over 2000 revenues, growth is still below expectations.

Tourism, the nation's primary engine of economic growth, was dramatically hit by the plunge in global tourism levels following the September 11 attacks in the United States. Anecdotal reports from visitors to the island in Fall 2001 indicated a conspicuous absence of tourists. Many of the island's hotels were forced to lay off workers, and some shut down entirely. Individuals dependent on tourists for dollar incomes, such as street vendors, taxi drivers, and other benefactors of the tourist trade, were the most immediately affected. In 2001, the number of foreign tourists totaled approximately 1.8 million, down from the Cuban government's targeted goal of 2 million.

Nickel, another leading source of foreign revenue, achieved a record level of production, improving almost 5 percent over 2000. Unfortunately, declining global nickel prices offset this gain. Despite the growth in production, export revenues decreased 25 percent, down from $573.6 million in 2000 to $428.8 million in 2001.

In other signs of a slowed economy, the Cuban peso fell more than 20 percent against the dollar, trading in Havana currency houses at 27 to the dollar in December 2001, compared to 22 to 1 a year earlier. The number of new joint ventures in Cuba is also down—24 joint ventures were formed with foreign companies in 2001 compared with 31 in 2000 and 58 in 1999. This drop may be attributable to the worldwide economic slowdown, but there is also interest among foreign investors in greater reforms in the government-controlled Cuban economy.

UNCERTAINTIES AHEAD

Additional factors could impact Cuba's economy. The announcement of the closure of the Russian spy-base at Lourdes will cost $200 million in annual revenue, in addition to auxiliary losses caused by the departure of more than 1,000 Russians who worked at the base.

Further, under a five-year deal arranged by Venezuelan President Hugo Chavez and Castro to supply Venezuelan oil at a discount to Cuba, Cuba receives the equivalent of 25 percent savings on oil prices. Based on one estimate, this amounts to a net cash transfer of at least $2.6 million to Cuba from Venezuela over the period. Given political in-

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stabilities in Venezuela, however, Cuba's oil savings may be at risk since a successor to Chavez is unlikely to maintain the arrangement.

Finally, official Cuban reporting on the economy indicates that the road ahead will be fraught with uncertainties. Castro warned the Cuban people that because of economic difficulties, "sacrifices will come." Other public statements have been unusually forthright in admitting that Cuba is facing greater economic challenges than expected. In addition, a December report on the Cuban economy to the National Assembly conspicuously lacked information for the public, which some Cuba observers noted as a sign that things were not going as well as desired.

RELATED DEVELOPMENTS

The decline in the performance of the Cuban economy should lead Cuba observers to look for several related outcomes, not the least of which is the possibility of further economic reforms. In the early 1990s, to cope with the collapse of the Soviet bloc, which provided 85 percent of Cuba's foreign trade, the Castro government undertook a series of economic reforms. These included opening Cuba to foreign investment and increasing opportunities for self-employment for individual Cubans. After near-total economic free fall and as much as a 50 percent contraction in gross domestic product, the reforms led to restored economic growth in 1994.

By the end of the decade, several of the reforms had been retracted. But as troubled economic conditions again face the island, the Cuban government may need to restore efforts of economic liberalization. These could include reinstating opportunities for self-employment and reducing taxes and licensing fees on independent workers. Paradoxically, should such restrictions be eased, Cuba's economic troubles may in the short term lead to improved opportunities for some Cuban workers.

If the economy continues to stall or retract, the potential for increased political instability and unrest also can emerge. In 1994, following the worst year of the post-Soviet economic retraction, violent street protests took place in Cuba. Such occurrences are rare in Cuba, but they are a signal that economic hardship can lead to unrest. Indeed, most migrants leaving the island in recent years have done so for economic reasons rather than for ideological reasons as was primarily the case in the earlier years of the Castro government.

Countering Political Unrest

The government can counter political disturbances in two ways. One option is to allow a rafter crisis to unfold, as witnessed in 1980 and 1994. A migration crisis could perhaps be encouraged by the government as the regime seeks a means to allow restless inhabitants to flee the island. Such a crisis could also develop independently and spiral out of control. As the recent events at the Mexican embassy in Havana indicate, some Cubans are willing to take extreme measures in an effort to depart the island.

Another option available to the Cuban government is increased repression, as dissidents and others who criticize the government and economic conditions are harassed, detained, or arrested. Although it is too early to tell if the February jailing of high-profile Cuban dissident and economist Martha Beatriz Roque is part of a larger trend, it may be a sign of things to come should the economy not improve.

Courting Outside Help

Cuba also will continue to court foreign investors. However, some observers think that the countries of Europe and the Americas will not provide the level of foreign investment they did in the mid-1990s. This could make it harder for the Cuban government to find outside help. Greater internal economic reform, which would improve domestic efficiency and increase the attractiveness of Cuba's investment climate to foreigners, may be needed. This would require liberalizing foreign investment laws and reducing political barriers to investment.

THE ROAD TO IMPROVED CUBA-U.S. RELATIONS

In addition, Cuba may seek to improve relations with the United

States. Indeed, this appears to be an emerging trend. Despite some harsh criticism by Cuban officials regarding U.S. military action in Afghanistan, the Cuban government has taken other measures to appear cooperative with U.S. efforts to fight terrorism. This includes Cuban offers of medical supplies and sanitation programs to the United States for the basing of al Qaeda and Taliban detainees at the U.S. Naval Base at Guantánamo Bay. In a statement about the base in January, the Cuban government announced its "willingness to preserve the atmosphere of détente and mutual respect that has prevailed in that area over the past several years." This statement is in stark contrast to the Castro government's historic position on the U.S. outpost, which has been called "illegal"and had been a regular target of the Castro government's anti-American rhetoric.

Cuban government officials have also made statements in recent months in support of improving U.S.-Cuban joint efforts to counter illegal drug trade. Further, an offer was made to settle claims on U.S. properties confiscated by the Cuban government in the early days of the Castro regime.

Buying U.S. Farm Goods

An even more dramatic sign of outreach occurred in late 2001 when the Castro government reversed a previous position and allowed the first sale of U.S. farm goods to Cuba in four decades. The sales, permitted under a 2000 U.S. law that excludes agricultural products from the embargo, will total an estimated $30 million. Initially, Castro said that his government would not buy "a single grain of rice" because of finance restrictions in the law. The surprising turnaround was at first justified by the Cuban government as a one-time purchase to replenish supplies lost because of Hurricane Michelle. Since then, the Castro regime has indicated even greater willingness to make more purchases, on the condition that the United States take steps to reduce the barriers to such sales. In early March, an additional $30 million-plus in purchases had indeed been announced.

The sales of U.S. farm goods to Cuba will provide some net savings for the Cuban economy, particularly in the shipping costs for farm goods otherwise purchased from Asia. However, limited purchases from the United States alone will not make a significant difference in Cuba's economic performance. Nevertheless, continued interest by the Cuban government in ending the embargo indicates its perception that the Cuban economy would improve through greater trade ties with the United States.

Castro's "Charm Offensive"

Castro's sudden openness has been characterized by Bush administration officials as a "charm offensive" meant to appeal to members of the U.S. Congress who favor easing trade and travel restrictions or ending the U.S. embargo altogether. President Bush has stated that until Cuba's human rights record improves, he will "oppose any attempt to weaken sanctions against the Castro regime." In February, senior U.S. diplomat in Havana, Vicki Huddleston, said that the U.S.-Cuban relationship "is not improving because we are still concerned about human rights, democracy, and the free flow of information."

Within Congress, there is indeed support for greater ties with Cuba. Votes in the House and Senate during the 106th and 107th Congresses indicate a growing sentiment in favor of easing trade and travel restrictions. This trend began well before Castro's so-called charm offensive, but congressional observers note that if Castro were to take any precipitous step, efforts in Congress to ease the embargo could be curtailed.

The course of the Cuba economy is hard to forecast, dependent as it is on political decisions in Washington and Havana that are never easy to predict. Nevertheless, it is a safe bet that recent weaknesses in the Cuban economy will be a significant factor in any outcome. ■

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AFL-CIO American Center for International Labor Solidarity (ACILS)

American Chamber of Commerce of Cuba in the United States (AmCham Cuba)

Confederation of Netherlands Industry and Employers (VNO-NCW)

Consejo Mexicano de Comercio Exterior (COMCE)

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National Policy Association

Pax Christi Netherlands

Prince of Wales Business Leaders Forum

United Food and Commercial Workers International Union (UFCW)

U.S. Chamber of Commerce

Cuban Mining Facts

■ In 2001, the government shut down the Mina Grande de El Cobre copper mine in the Santiago de Cuba province because of low copper prices and declining reserves. The move ended 471 years of copper mining in Cuba.

■ About 37 percent of the world's nickel reserves are in Cuba, yielding about 800 million tons of deposits. Cuba has the largest nickel reserves in the world and the second largest cobalt reserves.

■ Nickel production reached a record level of 46,000 tons in 1989 and then plummeted in the early 1990s as a result of the loss of support from the collapsed Soviet Union. By 1994, production had fallen to a low of 26,000 tons.

■ In recent years, the industry has received an influx of about US$500 million in foreign investment. In 2000, Cuba produced a record high of 72,000 tons of nickel, placing the country sixth in world production. In 2001, it set another production record, and exports rose 5 percent over the previous year. As prices tumbled, however, overall export revenues fell.

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