

CUBA BRIEFING

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US eases recent restrictions on travel and remittances

US President Barack Obama has signed into law a US\$410bn government spending bill that includes some provisions that will roll back the Cuba-related restrictions on Cuba-related travel, remittances and trade introduced by former President George Bush Jr.

However, claims that the elimination of these restrictions herald the start of President Barack Obama's promised "new chapter" in US-Cuba relations have been undermined by reports that two Democrat Senators - Bill Nelson of Florida and Bob Menendez of New Jersey - withdrew their threat to block the spending bill after receiving a written assurance from Treasury Secretary Timothy Geithner that the government would interpret the new Cuba-related provisions so strictly that language that would have effectively removed their policing, would be ineffective.

The US\$410bn budget package approved by the US Senate on 10 March bars the use of public funding to enforce former President Bush's travel restrictions, and permits Cuban-Americans to travel for an unlimited period of time once every 12 months and to spend up to US\$170 per day, instead of the current US\$50. The definition of family member is broadened from parents, grandparents, children and siblings to include aunts, uncles, cousins, nieces and nephews. Cuban-Americans were previously restricted to travelling to Cuba for just two weeks every three years. Visits were confined to immediate family members.

Because the spending bill only removed funding for enforcing travel restrictions, travel to Cuba would still have been illegal. To remove this loophole, a new travel license has been issued by the Treasury Department. Details of the new licence were published on the Office for Foreign Assets Control (OFAC) web page on 11 March.

US businessmen will be allowed to travel to Cuba under a general license (not requiring individual permission) to sell agricultural products and medical goods. And funding is prohibited to enforce a 2005 ruling requiring Cuba to pay US companies before the loading of food shipments in US ports. The prior policy allowed payment after shipment but before delivery to Cuba.

However, in his 5 March letter, the Treasury Secretary stressed that “only a narrow class of businesses would be eligible, under a new general license, to travel to Cuba” and that “current financing rules” remain in place, with Cuba still required to pay “cash in advance” for US imports.

“Treasury believes that this change will likely have no influence on current financing rules”, he wrote. “Exporters ... will not be permitted to export to Cuba on credit other than through third-country banks”.

When asked to comment on Mr Geithner’s letter, White House spokesman Robert Gibbs said: “It’s like a Presidential signing statement, except it’s not the President, and it’s not a signing statement”.

New York Democrat, Jose E. Serrano, who wrote the Cuba amendments into the bill, has warned that the law is not subject to “creative interpretation” and vowed “a showdown”.

“The Treasury Department is going to try [to find loopholes], and the [House] appropriations committee will have to remind them who Congress is”, he told *The Miami Herald*. “Treasury will be in violation of the law. There will be a showdown. The bigger issue will not be Congressman Serrano. It will be that they are behaving just like the Bush administration did”.

However, other observers believe the letter is little more than a political charade designed to save face for the two Senators.

“The Senators have this letter from Treasury saying, ‘we’re not going to follow this’, but six months from now, will [Obama administration officials] remember that letter, or are they going to follow the law?” asks Carlos Gutiérrez, former Secretary of Commerce under President Bush. “Treasury is going to have to follow the letter of the law”.

There has been no official comment from Havana but a senior Cuban diplomat has reiterated Cuba’s willingness to begin dialogue, but dismissed the notion of political changes in exchange for improved ties with the US as a “nonstarter.”

Cuba needs “to be treated as an equal, to be treated as a sovereign, independent country”, Josefina Vidal Ferreiro, director of the North America division of the Cuban Foreign Ministry, told *US News* “Cuba is waiting for the United States to rectify its policy toward Cuba...Cuba is serious and could be a very serious partner of the United States”, she said.

President Castro has offered to meet President Obama directly “wherever and whenever he decides” - but only under “absolute equality of conditions, without the slightest shadow over our sovereignty”.

During the early part of his election campaign, Mr Obama said that he would meet with President Castro “without pre-conditions”. However, a number of preconditions were added as the campaign progressed. These included: meeting only “at a time and place of my choosing”; after “careful preparation”; when “we have an opportunity to advance the interests of the United States, and to advance the cause of freedom for the Cuban people”; and if political prisoners, human rights monitoring and free elections are part of the talks.

Cuba aiming to step up drilling efforts

Exploration work in the Cuban section of the Gulf of Mexico will resume this year, according to basic industries minister Yadira Garcia. Drilling has stalled over the past two years because of the high costs and limited availability of rigs.

Ms Garcia did not indicate when drilling work will begin, or which of the several foreign oil companies holding exploration contracts will be involved. But the most likely contender is a consortium comprising Spain's Repsol-YPF, India's ONGC Videsh and Norway's StatoilHydro. The consortium was created three years ago and holds exploration contracts for six blocks.

The consortium is expected to re-examine the Yamagua-1 well, which is located 35km off the north coast. Repsol-YPF discovered oil there over three years ago, but decided that the quantities were not commercially viable.

However, according to a *Reuters* report on 11 March, "there have been recent, but unconfirmed indications that the finding may have been more encouraging than was disclosed. One source told *Reuters* that several hundred million barrels of oil had been discovered and the next well will be not an exploratory well, but one to measure the size of the oil field".

CUPET Exploration Manager Rafael Tenreyro Perez claimed in October that the country's offshore fields could hold more than 20bn barrels of oil - more than double the US Geological Survey (USGS) estimate of up to 9bn barrels of oil. However, CUPET's estimate is based only on limited new data and comparisons to known oil reserves found within similar geological structures off the coasts of the US and Mexico.

Foreign companies hold 21 of the 59 blocks in Cuba's exclusive 112,000km² zone in the Gulf of Mexico. Companies active in Cuba's upstream include Canada's Sherritt, Malaysia's Petronas, PetroVietnam, UK firm Gold Oil, China's Sinopec, Brazil's Petrobras and Venezuela's PdV. They will be joined soon by China's CNPC, which is negotiating a contract with state oil company CUPET. "At least one" Russian company has expressed interest in exploring in the Cuban offshore, according to CUPET officials.

They also dismiss suggestions that the termination of the block 7 contract held by Canadian companies Pebercan and Sherritt in January could dampen foreign investor interest. The 1993 contract was scheduled to expire in 2018. But Havana opted to rescind the contract rather than paying off the state's debt to the two companies. Pebercan received a net lump sum of US\$140m, including payment of all outstanding debts. Sherritt received US\$60.2m.

Cuba has agreed to pay off the remaining US\$162m it owes Sherritt over the next five years and has guaranteed that it will not fall behind on payments this year. "We have reached a good, solid arrangement", Sherritt Chief Executive Ian Delaney said last month.

Sherritt's gross oil production in Cuba this year is expected to be 23,500 b/d, down by a quarter from 2008 because of the termination of the block 7 contract.

Cuba consumes around 180,000 b/d of oil equivalent (boe/d), with 80,000 boe/d produced domestically and the remaining 100,000 boe/d imported from Venezuela.

In brief

US

- Lactalis USA, the US subsidiary of the French cheese giant Lactalis, has been fined US\$20,950 by the Office of Foreign Assets Control (OFAC) of the US Treasury Department for trading with Cuba. OFAC fined the company for breaking US trade embargo regulations and for making “wire transfer payments in which Cuba or Cuban nationals had an interest” between February 2004 and March 2007. This is the first fine imposed against a company by OFAC since Barack Obama took office last January.

Europe

- The European Commissioner for Development and Humanitarian Aid Louis Michel will travel to Cuba this week to meet with the newly appointed Ministers of Foreign Affairs and Foreign Trade and Foreign Investment, Bruno Rodriguez and Rodrigo Malmierca, respectively. The European Union (EU) pledged to restart co-operation with Cuba after EU and Cuban officials met on 16 October in Paris. This was the first formal meeting between the two sides since 2003 when the EU imposed diplomatic sanctions on Cuba. The EU offered to resume formal political dialogue with Cuba after diplomatic sanctions were definitively lifted in June 2008 (*Cuba Briefing, 23 June 2008*). The offer was formally accepted by Cuba in September.

- Russian bombers could be based in Cuba, a top Russian air force officer Maj. Gen. Anatoly Zhikharev told the *Interfax* news agency. “There are four or five airfields in Cuba with 4,000-meter-long runways, which absolutely suit us”, he added. But a Kremlin official said later that Maj. Gen. Zhikharev was “speaking about technical possibilities, that’s all”. Prime Minister Vladimir Putin said on 4 December that Russia was not interested in establishing permanent military bases in Cuba but said that it could use Cuban ports to “refuel and replenish supplies for our warships” (*Cuba Briefing, 8 December 2008*). In July, Russia’s *Izvestia* newspaper quoted a “highly placed source” as saying Russia could land Tu-160 supersonic bombers in Cuba in response to a planned US missile defence shield in Europe that Moscow opposes. Russian officials later denied the *Izvestia* report. Cuba signed a strategic partnership with Russia on 30 January during President Raul Castro’s visit to Moscow – the first by a Cuban leader since 1985. Over 30 co-operation agreements were signed in sectors ranging from agriculture and manufacturing to science and tourism to boost trade and investment between the two countries (*Cuba Briefing, 2 February 2009*). Russia also agreed to provide a US\$20m loan for the development of Cuba’s construction, energy and agriculture sectors and promised to deliver 25,000 tons of grain.

Rest of World

- South American Defence Ministers urged the United States on 10 March to end its trade embargo against Cuba. The issue was not on the agenda for the inaugural meeting of the South American Defence Council, which was formed by 12 nations to create a multilateral forum for defence issues. But it was brought up by Brazilian Defence Minister Nelson Jobim. “A key element for the United States to have a better relationship with South America is a change in its policy toward Cuba,” said Mr Jobim. “Today, we see favorable conditions with the new President in the United States to put an end to this discriminatory and unjust situation,” said Argentina’s Defence Minister Nilda Garre. “This is a pending issue in our region”.

- More than 1.5m people from 35 countries, including Cuba, have benefited from *Operation Miracle*, a free ophthalmologic rehabilitation programme sponsored by the Cuban and Venezuelan governments. Of this figure, more than 1.3m are foreign patients, of whom 266,743 underwent surgery in ophthalmological centers in Cuba, the Minister of Foreign Affairs reported. Operation Miracle was launched in 2004.

Cuba

- Cuba was the scene of 4,571 workplace accidents in 2008, almost 3 percent more than the year before, *Granma* reported on 10 March. Last year there were 127 more workplace accidents than in 2007, while cases resulting in death also increased, from 76 to 91. The sectors with the most workplace accidents were agriculture, fishing, metalworking and transport, according to official data. Among the principal causes, the authorities named technical and organisational problems as well as “errors by the person injured.

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