



CUBA AND CARIBBEAN BASIN PERSPECTIVES



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FROM THE CHAIRMAN

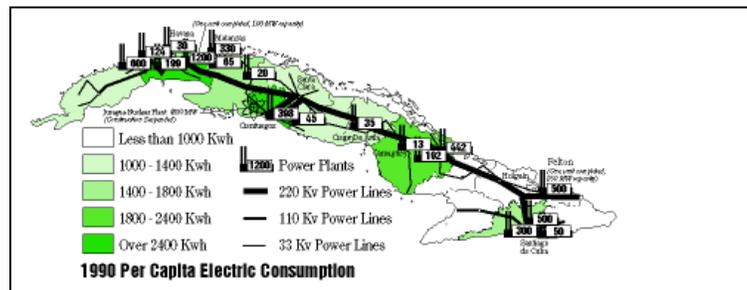
DETERIORATING LIVING CONDITIONS IN CUBA

Daily life has become increasingly difficult for the average Cuban. Shortages of food and electricity, a deteriorating transportation and health system, and a drastic decline of basic services provided by the state are creating tense conditions that could lead to increased social unrest.

The privations of life in Cuba have been taxing on its citizens, who routinely depend on their resourcefulness to make ends meet. The black market is booming and theft at the workplace is commonplace. Meanwhile, services provided by the government are lagging far behind present needs: medicines are unavailable, water and sanitation shortcomings increase the likelihood of disease, and housing is inadequate, at times perilous. With the onset of the latest electricity austerity measures, some diplomats and observers on the island have suggested that these everyday burdens placed upon the population may stir discontent to heights not seen in a decade, when a rare public protest in August of 1994 was swiftly and brutally silenced. Historically, in the face of these widespread shortcomings in government services, the average Cuban has seemed more preoccupied with fulfilling basic needs than clamoring for change. While the future is unclear, the present deterioration in basic services and the hardships of daily life facing the Cuban population are unfortunately all too certain.

INCONSISTENT ELECTRICAL SERVICE GETS MUCH WORST

Recent developments have plunged the Cuban power grid into a new crisis mode which again places the burden upon the populace. In May, in a catastrophic oversight during a routine maintenance shutdown, one of the main rotors of the Antonio Guiteras power station, the largest thermoelectric plant in the Cuban electrical system, was damaged. As a result, Guiteras, which supplies approximately fifteen percent of the entire national electrical output, will be out for several months for major repairs. Despite the fact that the accident occurred almost four months prior, and the effects have been felt in increased blackouts during that time, the government did not release this information until September. The clarification was finally given to explain new austerity measures, including scheduled rolling blackouts, the closing of over one hundred factories and other means of production until further notice, the limitation of nocturnal security lighting, and even strict guidelines on minimum indoor temperatures for air conditioned businesses.



One resident voiced some of the frustration which has become a part of daily life: "You go to work and waste time because if there's no electricity you can't use the computer. You get home and you don't know whether or not you should turn the washing machine on. But the worst is when the power goes off in the middle of the night; with this heat, it's just impossible to sleep without an electric fan."

Another more serious consequence of these stoppages is the spoiling of perishable foods. With the average Cuban earning the equivalent of \$US10 a month, the unreliable availability of rationed foods and the high prices of staples and other goods at dollar stores, most do not have room in their razor-thin budgets to replace spoiled food that was already allotted for.

SECURING BASIC MEDICINES IS OFTEN A HERCULEAN EFFORT

EVEN LACK ASPIRINS

Reports abound concerning the lack of aspirin, antibiotics, multivitamins, and other pharmaceuticals. Leaders in Havana point to statistics concerning number of doctors and consultations as proof of the outstanding coverage of the Cuban system. For instance, in 2002, there were over 76 million doctor visits or approximately 6.8 per capita. Unfortunately, these numbers actually tell very little about the reality on the ground. For instance, patients may receive a prescription from their doctor, which is valid for a week. With the acute shortage of medication, the pharmacies usually do not carry the necessary medicines, and when shipments do arrive, the pent up demand often ensures that they are gone quickly. As a result, many must return to their doctors every week to have a valid prescription ready in the event that a shipment arrives.

Antibiotics are rare in Cuba and are not available in the state-run pharmacies; they can only be purchased on the black market. Pharmacies are not stocked with even some of the most basic supplies, such as aspirin, forcing Cubans into the government dollar stores where they are available at prices in US currency, well out of the reach of many Cubans with no access to dollars. One Canadian journalist found that a tube of cortisone cream cost as much as US\$25, the equivalent of nearly two months' salary for an average Cuban.



Drugstores in Cuba Lack Even Basic Medicines

SPECIAL REPORT

On October 25, 2004, Communist Cuba launched a two-week process to eliminate the U.S. currency from circulation in its stores and businesses in response to stepped-up American sanctions.

President Fidel Castro said widespread use of the currency of his country's No. 1 enemy, once seen as a necessary evil to stay afloat after losing Soviet aid and trade, would be halted to guarantee Cuba's economic independence.

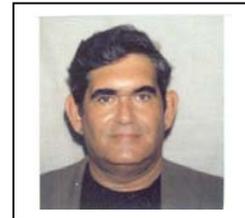
A local currency known as the convertible Cuban peso will be the only money accepted at most businesses across the island of 11.2 million people beginning Nov. 8, 2004.

Before the collapse of the Soviet Union, when Cuba was a major client of Moscow, Havana was not nearly as reliant on the U.S. dollar or other convertible currencies because it engaged in barter trade for goods such as petroleum, food, medicines or manufactured goods.

But after Cuba lost Soviet and other East Bloc trading partners with the end of the Cold War, the country increasingly relied on dollars to finance needed imports. By removing the U.S. currency from circulation, Castro is effectively and symbolically switching his hard currency base to that of other foreign currencies, including the European Union's euro, the British sterling pound and the Canadian dollar.

Since the American dollar was legalized in Cuba in 1993, Cubans had used the U.S. currency to buy items not provided in monthly government rations.

U.S. measures aimed at reducing hard currency in Cuba took effect this summer, limiting how often Cuban-Americans can visit relatives on the island and decreasing how much money they can send in.



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Holds advanced degrees in geological studies from Cuba, Holland, and the former Soviet Union. Held key executive positions in Cuba's Ministry of Basic Industry, and in *La Academia de Ciencias de Cuba*, and is the author of a large number of books and scientific manuscripts on a multitude of subjects dealing with Cuba. He is a senior advisor to companies in consulting, mining and transportation. He brings knowledge and operational experience in heavy industry, construction materials, and international trade.

BABUN GROUP CONSULTING CHANGES NAMES

To facilitate communications with our friends and customers, In June 2004, Cuba Caribbean Development, and Cuba Caribbean Consulting, LLC. were merged into a new company named Babun Group Consulting, LLC. The web site brand of Cubadata.com will continue to function under that name.

PRESIDENT BUSH UNVEILS COMMISSION REPORT *PRESENTED AS FIRST COMPREHENSIVE U.S. STRATEGY*

Pressure by the Bush Administration reached a high point earlier this year when the president's Commission on Assistance to a Free Cuba (CAFC), chaired by Secretary of State Colin Powell, released the first comprehensive U.S. government strategy to assist the Cuban people in hastening the day of freedom in Cuba and to prepare the United States to support Cuba's democratic transition. **Babun Group Consulting was quoted more than 30 times in the report.**

To hasten the day of Cuba's freedom, the Commission recommended a comprehensive approach; one that pairs a more robust and effective effort to support the opposition in Cuba with measures to limit the regime's manipulation of humanitarian policies and to undermine its survival strategies.



The Bush Administration provided an additional \$14.4 million to support the development of civil society in Cuba and the empowerment of the Cuban people in their efforts to effect positive change. Six million dollars has already been transferred to USAID to dramatically expand its work with civil society groups. As part of the new strategy, the administration is working with international partners to promote greater international involvement in helping civil society activists by channeling the remaining \$8.4 million through a new process designed to tap into the innovative ideas of democracy activists around the world.

Licensing requirements have been streamlined so that, for the first time ever, high-speed laptop computers can be delivered to Cuban civil society groups. These deliveries have already begun.

Efforts to mobilize international diplomatic and public diplomacy have been stepped up to increase international support for Cuban civil society and transition planning. As a result of the new efforts, the International Committee for Democracy in Cuba, led by former Czech President Vaclav Havel, and dozens of current and former political leaders from around the world participated in an unprecedented 3-day event in Prague. The resulting "Declaration of Prague" called for the release of all political prisoners, and included harsh condemnations of the Castro regime. President Havel told the press, "Cuba is a giant prison. We have to put up alarm bells around the walls."

Another key component of the strategy is to break Castro's information blockade on the Cuban people and to bring a message of hope to the island. To circumvent Castro's jamming, Commando Solo, the C-130 aircraft equipped with a powerful electronic transmission capability, has so far flown four times, beaming Radio and TV Marti signals to the island. TV Marti is being seen on the island, by many Cubans for the first time.

The overall strategy includes working to undermine Fidel Castro's succession strategy, whereby Castroism would continue in Cuba without Fidel Castro. The Commission recommended efforts to place pressure on the ruling Cuban elite so that succession is seen for what it would be: an impediment to a democratic and

free Cuba. Among these pressure points is the establishment of a database of those involved in torture and other serious human rights abuses, including those involved in the torture of American POWs in Southeast Asia, to prevent these individuals from ever entering the United States.

But 90 percent of the Commission report, deals with assistance that the U.S. government would provide following a post-Castro transition. The goal is to position the U.S. government to respond effectively and agilely, should such assistance be requested by a free Cuba. The State Department Bureau of Western Hemisphere Affairs, working with the newly established State Department Coordinator for Reconstruction and Stabilization, is coordinating a comprehensive inter-agency action plan that could serve to inform policy-makers to ensure that the U.S. government is prepared to the greatest extent possible for the day of transition to a free Cuba.

THE NEWSLETTER

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A REVIEW OF CUBA'S INFRASTRUCTURE & INDUSTRY

- **Road and highways.** One of the island's strong points is its transportation system, which is in acceptable conditions. There are more than 21,100 miles of highways.
- **Railways.** With 9,270 miles of track, Cuba's main railway system presents unique opportunities for cargo transportation.
- **Airports.** There are six international airports. The largest commercial facility, located in Havana, handles more than 700,000 passengers each year and has the capacity to process 1,800 per hour.
- **Ports.** Cuba's coastline sports a total of 70 ports, 31 with cargo operations. Ten of these can be categorized as major ports.
- **Telecommunications.** The telephone infrastructure cannot support adequate services by developed-country standards.
- **Energy.** There are 14 electrical-power plants with a total generating capacity of 3,192 mega-watts. The system consists of pre-1959 US-built plants as well as newer Japanese, French and Soviet-bloc facilities.
- **Mining.** Cuba has identified over 200 mining deposits, many of which have not been exploited due to the lack of capital and know how.
- **Construction.** The island is well poised to deal with new construction demands. There are six cement plants with a combined capacity of 5.3 million Mt/year, as well as, 22 facilities to produce prefabricated homes and 11 brick plants scattered throughout the country.
- **Industrial Facilities.** Cuba's industrial plants are surprisingly diverse in capabilities, quality and products produced. They manufacture products as varied as cranes, engines, steel containers, elevators, railway cars and complete sugar mills.
- **Agriculture.** Cuba is best known for its agricultural industry. The country produces sugar, citrus products, tobacco, coffee, bananas, potatoes, rice, winter vegetables, tropical fruits and other crops.



The system of water distribution is in serious disarray and has proven unable to satisfy the needs of the Cuban population. According to the National Institute of Hydraulic Resources, the Cuban government ministry overseeing water concerns, virtually all urban Cubans (98.3 percent) receive water service. Of these, the vast majority, or 83.5 percent, has a connection within the home, with another 14.8 percent having easy access to water, a technical term which implies a water source within 300 meters of the home. Despite these impressive numbers, the reality of water provision in urban Cuba is a very different one. Independent sources confirm that Havana loses approximately 30 percent of its municipal water supply to leaks. This unfortunately is not a problem that is limited to the capital.

Leakage in water systems is a tremendous concern throughout Cuba, with leakage rates ranging from 13.3 percent in Pinar del Rio to 30 percent in Manzanillo and Camagüey to an alarming 42 percent in Santa Clara. This creates a situation where, as a result of these leaks, the amount of water extracted far exceeds the actual need simply to overcome waste and satisfy demand. A report from the Inter American Development Bank listed Cuba as having a ratio of water withdrawal to water availability of over ten percent, which is recognized as an indicator that the water supply is inadequate, signaling a need to either increase supply, limit usage, or both.

Poor pumping capacity also limits the number of hours that water is available through these connections. The figure varies from sixteen hours in Bayamo to eight hours a day in Pinar del Rio and Santa Clara. Santiago de Cuba, the country's second largest city, is serviced by an aqueduct built in 1927 that has received little maintenance and is inadequate for the needs of the current population. Different areas of the city receive water every thirteen to fifteen days, and some neighborhoods, like the Reparto Abel Santa María, have recently endured 35 days without service.