



CUBA AND CARIBBEAN BASIN PERSPECTIVES

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FROM THE CHAIRMAN

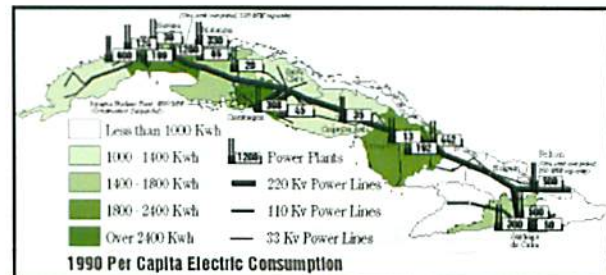
DETERIORATING LIVING CONDITIONS IN CUBA

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 WORSE

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.

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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

Last October 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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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.