



## From the ASCE president

Dear Members,

I hope this newsletter finds you in good spirits and good health. We discuss below our upcoming spring schedule of events along with our other initiatives. We are pleased to announce ASCE's biannual Carlos Diaz-Alejandro lecture, which this year will be given by our long-time ASCE member, Dr. Carmen Reinhart. As many of you may know, it is an honor for ASCE to host Dr. Reinhart, the co-author of *This Time Is Different: Eight Centuries of Financial Folly*. She has been at the forefront of analysis on international economics throughout her career, and the resounding success of her book speaks to the singular analysis it provides on the recent global financial crisis. She will deliver ASCE's Carlos Diaz-Alejandro lecture at the C. Fred Bergsten Conference Center at the Peterson Institute for International Economics on April 28, 2011, at noon.

Work is continuing on our annual conference and the call for papers has been issued. I would encourage our members to reach out to individuals or institutions that can promote the conference or are interested in participating in our research on the current changes in Cuba. Inquiries and submissions are already arriving to the Board and our conference chair, Jorge Perez-Lopez, and we welcome abstracts of papers or descriptions of panels before April 17, 2011. An important part of the conference is the participation of students, and for this, we encourage our members – particularly those in academia – to promote participation in the student prize, which we are announcing jointly with the conference. It is a great opportunity for both graduate and undergraduate students to showcase their work at our conference in Miami. Finally, we are pleased to begin shipping the XX annual conference volume (from August 2010) and have posted it on the website for download.

We are happy to announce that work is complete on a database of the past twenty years of research presented at our past conferences and on our website. This database will be posted on our upcoming website this spring, and will allow users to search through the research that ASCE has produced over the past two decades by topic, author, date, title, etc. In addition, part of the website design called for the creation of a logo, and we are proud to show ASCE's new logo for the first time on this newsletter (upper left). We are working to make the website a useful tool for disseminating research

### **CURRENT OFFICERS:**

**President:**

*Rafael Romeu*

**Vice-President:**

*Jorge A. Sanguinety*

**Secretary:**

*Tania Mastrapa*

**Treasurer:**

*Geni Gómez*

**Board of Directors:**

*Rolando H. Castañeda*

*Antonio Gayoso*

*Stephen Kimmerling*

*Luis R. Luis*

*Gary Maybarduk*

*Roberto Orro*

*Marifeli Pérez-Stable*

*Jorge Piñón*

*Enrique Pumar*

**Former Presidents:**

*Felipe Pazos*

*Roger Betancourt*

*Jorge F. Pérez-López*

*Armando M. Lago*

*Antonio Gayoso*

*Lorenzo Pérez*

*Sergio Díaz-Briquets*

*Carlos N. Quijano*

*Beatriz Casals*

*Ernesto Hernández-Catá*

*Armando S. Linde*

*Jorge A. Sanguinety*



both for ASCE membership and the wider community. The website will also help raise awareness of the public good that ASCE has provided for over two decades.

On behalf of the Board, I would like to thank you for your continuing support of our organization and I look forward to seeing you in our events throughout the spring and into the summer. All the best,

Rafael Romeu

---

## From the ASCE secretary

Dear Friends,

Profoundly significant changes continue to sweep the Arab world where massive crowds demand democracy, freedom, and economic opportunities. Meanwhile, in Cuba only the Castro leadership decides what will change on the island. In September of 2010 Raúl Castro announced that 500,000 workers would be laid off by March 2011 in an effort to cut government waste. To date, there have been no known job losses. While massive layoffs would ease government spending the potential uproar from the unemployed is too risky for the ageing regime. On April 2011 Cuba will hold the first Communist Party Congress since 1997. The purpose of the Congress is to "make fundamental decisions on how to modernize the Cuban economic model and adopt the paths for economic and social policy of the party and the revolution." More symbolically, brother Fidel will now step down as Chief of the country's Communist Party. Change in Cuba has been determined from the top for over half a century. In the Arab world regimes are changing from the bottom up. Lehman College's Professor Miguel Pérez best explained the reasons for this difference in his article, "Watching Others Realize My Dream." The Arab world has wide access to social media, while only a few in Cuba are able to use this valuable tool. There can be no doubt that the Cuban leadership recognizes the empowerment social media provides the masses. In the meantime, we wait with bated breath for announced changes in April's Congress. As fellow members of ASCE and Cuba watchers I encourage you to stay up-to-date with events as they play out so that you can provide your analyses and insights at our upcoming May seminar in Washington, D.C., "After the Sixth Party Congress – Where is Cuba headed?"

Cheers,  
Tania C. Mastrapa

---

## From the ASCE treasurer

### Financial statements filed for our last tax year

I am pleased to announce that we filed on time this past January our return (form 990-EZ) for the tax year beginning July 01, 2009 and ending June 30, 2010. Main statement items are our total balance of \$35,273, out of which \$12,342 are net equity, composed of \$11,536 in retained earnings from past years and \$806 in net income during the filing period. It is important to highlight that we continue to

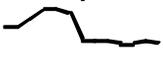
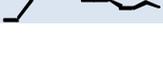
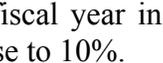
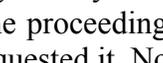


run our annual conference at a deficit of about \$10,000 dollars, which is primarily driven by venue-related expenses. This fact has become subject of several analyses and discussions during our recent Board meetings, as we strive to find a remedy to this issue.

### Current state of our Treasury

I would also like to share with you some key data points to depict the state of our current financial situation. Table 1 shows that we had a total amount of \$27,099 in our bank as of February 28, 2011. Although this is above the \$22,704 we had a year earlier, we are not adjusting for some expenses that we are incurring later this year, most probably in March, regarding the design, printing and mailing of the proceedings of the 20<sup>th</sup> annual conference.

Table 1: Our cash position. Key data snapshots.

Last 13 Months		Feb-10	Dec-10	Jan-11	Feb-11
<b>Checking Account</b>					
	Beginning Monthly Balance	\$ 14,719	\$ 2,273	\$ 2,049	\$ 4,421
	Credits	\$ 795	\$ 304	\$ 2,584	\$ 928
	(Debits)	\$ (1,625)	\$ (527)	\$ (212)	\$ (2,982)
	Ending Monthly Balance	\$ 13,889	\$ 2,049	\$ 4,421	\$ 2,368
<b>Savings Account</b>					
	Beginning Monthly Balance	\$ 8,814	\$ 24,826	\$ 24,828	\$ 24,830
	Credits	\$ 1	\$ 2	\$ 2	\$ 2
	(Debits)	\$ -	\$ -	\$ -	\$ -
	Ending Monthly Balance	\$ 8,815	\$ 24,828	\$ 24,830	\$ 24,832
<b>Total</b>					
	<b>Total Beginning Monthly Balance</b>	<b>\$ 23,534</b>	<b>\$ 27,099</b>	<b>\$ 26,878</b>	<b>\$ 29,252</b>
	<b>Total Credits</b>	<b>\$ 796</b>	<b>\$ 306</b>	<b>\$ 2,586</b>	<b>\$ 930</b>
	<b>Total (Debits)</b>	<b>\$ (1,625)</b>	<b>\$ (527)</b>	<b>\$ (212)</b>	<b>\$ (2,982)</b>
	<b>Total Ending Monthly Balance</b>	<b>\$ 22,704</b>	<b>\$ 26,878</b>	<b>\$ 29,252</b>	<b>\$ 27,200</b>

### Year-end membership outreach effort

This past December we launched a mailing action to reach out to members that had not renewed yet for the current fiscal year in order to lure them back to the organization. As a result, we increased our ranks by close to 10%.

### Proceedings of the 2010 annual conference already available

As many of you may have already noticed, we have recently made available on our website the online version of the proceedings of our 20<sup>th</sup> annual conference. Hardcopies will be mailed out this week to those that requested it. Non-member orders are welcome.

Sincerely,  
Geni Gomez



## ASCE Panels in Washington - Request for paper proposals by March 21

ASCE is working on offering two half-day seminars in Washington this May and September. Tentatively focused on “After the Sixth Party Congress – Where is Cuba headed?” the seminars would focus on recent reforms, the Sixth Party Congress and implications for US policy. The target audience would be executive and congressional staff, opinion leaders, and academics interested in Cuba. We are searching for a host venue for a May seminar. Possibly Brookings or the New America Foundation. The Elliot School at George Washington University has expressed an interest for late September.

We would like to host the first seminar in May when interest in the Sixth Party conference is likely to be the greatest. Unfortunately, that does not give much time for the preparation of papers, especially since the papers would likely need revision immediately after the Congress. The second seminar in September would come after the usual job rotations in the Washington foreign affairs agency. The September date also has the advantage of coming after our own summer meeting when numerous good papers are likely to be available.

For now, we need proposals for papers. We expect to have a least three and no more than six panelists for the seminar. We need papers that will reflect the highest quality of ASCE scholarship and seriousness as well as relevance to the seminar theme. If, as we hope, there is a surplus of proposals, ASCE’s Executive Board will put together a panel to choose the papers. Coordinators for these seminars are Gary Maybarduk, Antonio Gayoso, and Tania Mastrapa.

Please send your proposals to [cubantransition@gmail.com](mailto:cubantransition@gmail.com). Please indicate if you can have your paper ready by mid-May. Participation in May will not exclude the possibility of presenting in September as well, when conditions have changed and the composition of our audience will be different. ***Proposals for the May Seminar submitted by March 21 will receive first consideration.*** By early April, we would like to have the paper proposals and a couple of alternate proposals to give to the hosting organization.

We can take proposals for September at any time, but we will probably not work on that program before June or July

---

## ASCE Student Prize Award

### Call for Papers for the Student Competition

ASCE Student Award Committee is accepting nominations for the 2011 Jorge Pérez-López Student Award Competition. Anyone can nominate original papers authored by undergraduate and graduate students in good standing. The papers should address topics related to Cuba's domestic issues, its foreign relations, or Cuba in comparative perspectives. At a minimum, papers are expected to outline a thesis statement and present evidence or data supporting it. All nominations ranging from 15-20 pages or 5000 words must follow one of the standard academic writing and citations styles. Self-nominations are also welcomed. All correspondence must be accompanied by a letter stating the name, school



affiliation, mailing address, phone number, and email of the nominee as well as a brief statement describing the merits of the nomination. Papers received or postdated by May 20, 2011 will be considered. The winner of the competition will be announced in June 2011.

All students who enter the competition will receive a one-year complimentary membership in ASCE, which will entitle them to receive our publications and newsletter. If they wish to attend the annual meeting in Miami, they will also receive a complimentary conference and key speaker luncheon invitation (but no travel allowance, except to the first prize winners).

### **Deadline**

Papers received or postdated by **May 20, 2011** will be considered. The winner of the competition will be announced in June 2011.

### **Basis for Award**

A panel of scholars on the basis of relevance, originality, quality, contribution, and clarity of presentation will judge papers. The 15-20 pages or 5000 words limit for the essay will be **STRICTLY ENFORCED**.

### **Submission and Information**

Please send a hard copy of the manuscript via regular mail and an electronic MS Word attachment of the paper to: **Dr. Enrique S. Pumar**, Chair Student Award Committee, The Association for the Study of the Cuban Economy, P.O. Box 28267, Washington, DC 20038-8267, and by email to: [asce@ascecuba.org](mailto:asce@ascecuba.org).

#### **Graduate Awards**

**First prize:** \$150, up to \$600 travel, and publication in *Cuba in Transition*.

**Second prize:** Honorary mention.

#### **Undergraduate Awards**

**First prize:** \$100, up to \$400 travel, and publication in *Cuba in Transition*.

**Second prize:** Honorary mention.

---

## **The Institute for Cuban and Cuban-American Studies and the Cuban Heritage Collection of the University of Miami Libraries**

Cordially invite you to a lecture  
**“CHALLENGES OF ECONOMIC CHANGES IN CUBA”**  
(Part of the Goizueta Lecture Series)

**INTRODUCTION:** **Jose Azel**, is a Senior Research Associate at the Institute for Cuban and Cuban-American Studies (ICCAS), University of Miami.



**SPEAKER:** Carmelo Mesa Lago, is Distinguished Service Professor Emeritus of Economics and Latin American Studies at the University of Pittsburgh

**DISCUSSANT:** Jorge Sanguinety, holds a Ph.D. in economics and is an expert in economic and educational development strategies

**DATE:** Thursday, March 3, 2011

6:30 Reception 7:00 p.m. Lecture

**WHERE:** Casa Bacardi, University of Miami, 1531 Brescia Avenue, Coral Gables

**COST:** \$15.00. Donations to support ICCAS. (Free to UM Faculty, students and staff)

**RSVP:** The Institute for Cuban and Cuban-American Studies (305) 284-CUBA (2822). Reservations required.

---

## Discussion on the State of the Cuban Economy

*The Inter-American Dialogue and Florida International University's Cuban Research Institute* are pleased to invite you to participate in a discussion on the Cuban economy. The session will take place at the Dialogue on Friday, March 11, 2011 from 8:30 to 10:00 a.m.

### The State of the Cuban Economy

**Lorenzo Perez**  
Association for the Study  
of the Cuban Economy

**Phil Peters**  
Lexington Institute

**Arch Ritter**  
Carleton  
University

Friday, March 11, 2011  
8:30 a.m. – 10:00 a.m.  
Inter-American Dialogue  
1211 Connecticut Ave. NW, Suite 510

The discussion will review the plans of the Raúl Castro government to introduce a wide-ranging set of economic reforms, and examine the extent to which they are likely to effectively respond to the formidable economic challenges facing the country. We will also explore other possible changes that may be required to revive Cuba's economic fortunes, and the prospects they will be pursued.

Our featured speakers include Lorenzo Perez, who has served as Assistant Director of the IMF Western Hemisphere Department and President of the Association for the Study of the Cuban Economy (ASCE); Phil Peters, Vice President of the Lexington Institute and author of the blog, *The Cuban Triangle*; and Arch Ritter, Carlton University Professor of Economics and International Affairs.



## Call for Papers and Panels for ASCE's Twenty First Annual Meeting August 4 - 6, 2011 The Hilton Miami Downtown Hotel Miami, Florida 33132

The Association for the Study of the Cuban Economy (ASCE) will hold its Twenty First Annual Meeting in Miami, Florida, on August 4 - 6, 2011. The main theme for the meeting will be **“Cuba’s Evolving Socio-Economic and Political Landscape”** focusing on Cuba's existing economic and social conditions, recent Cuban policies to address the impact of the world economic and financial crises, Cuban policy shortcomings, and needed structural reforms.

Proposals for papers and/or panels on these subjects are welcome.

ASCE also invites paper and panel proposals on subjects related to the Cuban economy and society, including macroeconomics; banking and finance; agriculture and the sugar industry; tourism; social and political aspects of economic development; education; health; environmental policy; law and legal institutions; civil society; gender issues; governance; infrastructure; and civil-military relations. Preference will be given to proposals for papers and panels related to the main theme, but all proposals will be given consideration.

Proposals for papers, panels, or roundtables should be sent to:

**Jorge Pérez-López** Chair, Program Committee 5881 6th Street Falls Church, VA  
22041 [jperezlopez@cox.net](mailto:jperezlopez@cox.net)

**Detailed abstracts of papers or descriptions of panels should be sent no later than April 17, 2011.**

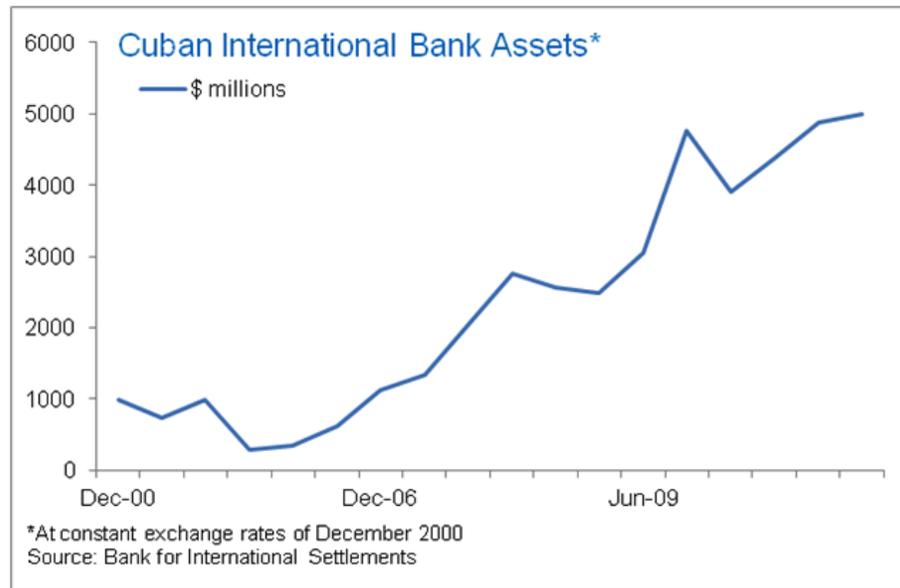
Individuals interested in serving as discussants, session chairs or participants in roundtable discussions should also indicate such interest to the Chair of the Program Committee.

**Papers to be presented at Annual Meeting should be distributed to the discussants and session chairs by July 10, 2011.**

### What is Happening with Cuban International Bank Assets?

Luis R. Luis

Cuban deposits in international banks are expanding at a time when there are widespread distress signals regarding the Cuban economy. As Cuban export and tourism receipts are only moderately recovering from the deep recession of 2008-2009, the central bank and other Cuban banks are managing to add to their hard currency deposits in the banks of some 40 countries reporting to the Bank for International Settlements (BIS) in Basel. As of end September 2010, Cuban banks were reported to hold \$5.28 billion in deposits at international banks as against \$2.57 billion at the end of 2008, slightly more than doubling the international liquidity available to the Cuban government to meet external payments for import finance and debt service. The chart below tracks Cuban international bank assets for the last decade, adjusted for exchange rate changes, which shows the dramatic increase in bank assets in real terms. What is happening with Cuban international bank assets?



It is apparent that such a build-up of international assets derives from a cash flow surplus in Cuba's external accounts. This is possible because of the contraction in imports at the huge cost of depressed consumption for the population and the postponement of investment projects. In addition Cuba implemented a freeze on hard currency deposits by foreign companies in the Island between November 2008 and mid-2010. The recoveries in nickel prices and of refined oil products that Cuba exports also help explain the improvement in liquidity. Lending and transfers from friendly countries, such as Venezuela and China, may also be a source of liquidity, though scarce data on financial operations from those sources does not allow any firm conclusion. Lending from banks in BIS countries is not a source of liquidity as outstanding loans from these banks fell by \$200 million to a modest level of \$1.73 billion between the end of 2008 and September 2010.

Indeed the stagnation of bank lending to Cuba from international banks provides a quite plausible hypothesis as to the need for a high level of bank deposits by Cuban financial entities. As lending dries out, Cuba needs to pay cash or provide cash collateral for the bulk of its imports. Not only is Cuba cut off from long-term finance for imports but also is deprived of bank lines of less than two-years maturity needed to carry on with ordinary trade finance. Imports are estimated to reach some \$11 billion or more in 2010, implying international reserves and other liquid assets of the financial system covered some 45 percent of imports, an adequate but tenuous level in the absence of new bank lending.

Lacking new international lending, Cuba is caught in a vicious circle of having to use costly cash to finance much needed imports, cash that could instead be employed to pay for capital and intermediate goods needed to foster domestic production and consumption.



## Sherritt Cuba Operations

Jorge Piñon

Crude oil prices reached this week a thirty-month high price level of nearly \$100 per barrel with industrial residual fuel oil prices close behind at a twenty-eight month high price of \$80 per barrel. These price increases are reflected in Sherritt's year-end 2010 financial reports released this month.

Cuba's onshore and coastal 2010 crude oil production is estimated at approximately 50,000 barrels per day of which 11,128 barrels per day represents Sherritt's net working interest (equity) production; a decrease of 11% from 2009 levels of 12,489 barrels per day. This production is sold to Cuba's national oil company Cupet at a discounted U.S. Gulf Coast residual fuel oil price representing its final end-use value as fuel oil for Cuba's electric power plants.

Sherritt and Cuba, do not realize the true value of its crude oil production based on its refined products yield since Cuban crude is used directly as industrial fuel for the electric power sector instead of optimizing its inherent value by processing it into high value refined products such as gasoline, diesel and jet fuel.

Cuba's realized crude oil value could substantially improve once is able to monetize its heavy oil production in its own future heavy oil conversion Cienfuegos and Matanzas refinery processing capacity; and or able to market its crude oil to U.S. Gulf Coast refining companies.

High oil prices negatively impact Cuba's balance of payments, not only in the value of its crude oil imports from Venezuela under the *2000 Convenio Integral de Cooperación* services for oil barter agreement increases; but also as it has to purchase part of its domestic crude oil production from Sherritt. We estimate that the total value of Venezuelan petroleum imports and the purchase of Sherritt equity production for 2010 will be approximately \$2,894 million.

The good news for Cuba is that nickel prices also reached this week a 24-month high price level of \$13.00 per pound, an increase of 177% from the low price of \$4.50 a pound reached in February 2009; still far from the contract record high of \$24.00 a pound reached in May 2007.

Canada's Sherritt reported nickel and cobalt revenues for 2010 of \$453.1 million reflecting a 29% improvement over 2009 revenues of \$350.7 million. The reported figures only reflect Sherritt's fifty percent interest in the Moa/Saskatchewan upstream and downstream nickel joint venture with Cuba Nickel; therefore a similar improvement should mirror its Cuban partner operations.

Cuba and Sherritt offset receivables between its nickel and crude oil operations therefore alleviating Cuba's crude oil negative cash flow impact on the national balance of payments.

### Natural Gas

Cuba's natural gas production is all associated natural gas found within the crude oil reservoirs. The island's geology to date has not proven to be a major source of dry, non associated natural gas reservoirs.

Annual production is averaging 43 billion cubic feet (bcf) or 21,000 barrels of oil per day equivalent (boe), with estimated reserves of 2500 trillion cubic feet (tcf) according to the U.S. Energy Information Administration, and a recovery rate of approximately 94 percent.



## Power

Economic incentives allowed Cupet to develop a business solution with Canada's Sherritt and recover flared natural gas. Locally produced associated natural gas from the Varadero, Boca de Jaruco and Puerto Escondido fields is now being used as fuel for onsite power generating plants of 400 MW total capacities.

The power plants and related sour gas processing units are owned and operated by Energas, a joint venture in which Sherritt has a one-third indirect interest, along with Cupet, which supplies gas at no cost to the joint venture, and Unión Eléctrica, which buys all the power from the plants. Each has a one-third interest in Energas.

Sherritt reported Energas electric production for 2010 was 2,067 GWh five percent lower than 2009 as "a result of natural gas shortages from declining crude oil production."

## Outlook

Sherritt's financial report reflects a plateau period in Cuba's domestic crude oil and natural gas operations.

Cuba's heavy oil recovery rates are around 7 percent of proven reserves; estimated by the US Energy Information Administration to be at 750 million barrels. These low recovery factors are due to the viscous quality of the crude oil and the nature of the geology.

Sherritt and Cupet are working on future secondary enhanced recovery and production projects, which could substantially increase current production levels.

Heavy oil reservoirs are generally characterized by low primary recovery rates of less than ten percent. However, long field life, stable and predictable production, along with new enhanced recovery technologies makes today heavy oil development an attractive investment at world oil prices of over \$55 per barrel.

Secondary and tertiary enhanced oil recovery --EOR-- technologies such as water or steam injection, natural gas reinjection and carbon dioxide injection can increase recovery rates to about 20-30% depending on the permeability of the rocks and the viscosity of the oil.

We estimate that once Cuba has access to United States based investments and technology; it could increase its onshore and coastal production to over 80,000 barrels per day.