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Report of the *Canada.*

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# MINISTERIAL TRADE DEVELOPMENT MISSION TO CUBA<sub>1</sub>

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Led by The Honourable Alastair W. Gillespie  
Minister of Industry, Trade and Commerce

March 19 to 22, 1975



Industry, Trade  
and Commerce

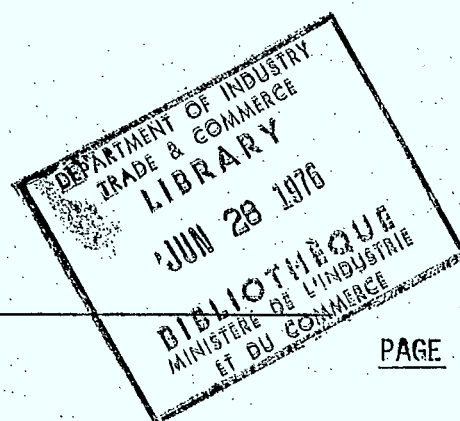
Industrie  
et Commerce

Report of the  
Ministerial Trade Development Mission to Cuba  
Led by the Honourable Alastair W. Gillespie  
Minister of Industry, Trade and Commerce

March 19 - 22, 1975



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### Theme

The Ministerial Trade Development Mission was a logical development in Canada's expanding trade relations with Cuba, which saw Canadian exports to the island rise 39% from 1972 to 1973, and 77% from 1973 to 1974. Previous high-level contacts between the two countries had included the visit to Canada of the Cuban Vice Minister of Foreign Trade in late 1972, a small official mission to Cuba in March 1974 led by the then Deputy Minister of Industry, Trade and Commerce, and the visit to Canada in February of 1975 by the Minister - President of the Cuban National Bank. The Honourable Alastair Gillespie had previously visited two of Canada's four most important markets in Latin America, Mexico and Brazil, and the missions to Cuba and Venezuela gave further thrust to the department's marketing strategy in the Western Hemisphere.

Canada is a natural supplier to Cuba both because of geographic proximity and because that country remains oriented to North American technology. In addition to this factor, it was felt that the timing of March 1975 was ideal, as the Cuban Five-Year Plan (1976-1980) is in the final stages of preparation, and the Mission provided an opportunity to bring Canadian export capabilities in goods and services to the attention of the Cuban planners. Moreover, high prices for sugar during 1974 had resulted in increased Cuban foreign exchange earnings. The Mission would also precede any possible resumption of trade links between Cuba and the U.S.

Minister's Mission to Cuba - Objectives

The basic objective of the Mission was to expand commercial relations with Cuba through the special vehicle of a mission of businessmen led by the Minister. Members strove to build on the already solid base of Canadian exports to Cuba, primarily agricultural, by greatly increasing the proportion of manufactured goods in our sales, while maintaining or expanding our exports of foodstuffs. In particular, efforts were directed at consolidating Canada's position in the Cuban market during the coming five year plan. By acquiring a first-hand knowledge of Cuban development plans for the period 1976 - 1980, Mission members are now in a position to match Canadian export capabilities to Cuban requirements.

MINISTERIAL TRADE DEVELOPMENT MISSION TO CUBA

March 19-23, 1975

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Mission Strategy

The mission objectives were achieved by careful selection of the mission members and by a programme which allowed for both group meetings with Cuban Ministers and individual meetings between businessmen and importing companies, or, in some cases, end users.

Efforts were made to achieve a balanced mission membership by including both "old hands" and companies new to the market. In addition to exporters of goods and services, the mission included firms involved in importing, a representative of the banking community, and an academic. Companies from eight provinces participated.

Several Canadian government officials accompanied the mission to represent key sectors of trade interest for Canada and to ensure maximum coverage of appropriate sectors. The mission secretariat was concerned with working up effective follow up programs for all business opportunities developed during the mission visit, with identifying all trade obstacles and with exploring in detail the means by which these could be overcome.

To ensure that the potential of the Cuban market and the scope of Canada's trade involvement with Cuba were widely publicized, ten representatives of Canadian news media also accompanied the mission. The extensive coverage in Canada which resulted has served to alert Canadian industry in general to the trading opportunities identified by the mission.

### Mission Program and Accomplishments

#### General

The Minister had formal meetings with the President of Cuba, Dr. Osvaldo Dorticos Torrado, Vice Prime Minister Dr. Carlos Rafael Rodriguez, Foreign Trade Minister Marcelo Fernandez Font, and most of the ministers concerned with economic matters. A reception at the Canadian Ambassador's residence was honoured by the visit of Dr. Fidel Castro, Prime Minister of Cuba, who met with the Minister for two hours.

#### The Cuban Market

As a socialist state Cuba imports through state importing companies which are specialized by product group. The Cuban Foreign Trade Enterprises are autonomous and independent with their own legal personality and in their activities take account of the most favourable marketing conditions. These trading companies are quite distinct from the end users. Thus if under the economic plan provision has been made for an agricultural enterprise to import tractors, it will make its needs known to the appropriate importing enterprise which will do the actual purchasing. It will be appreciated from this that generally there is no way of creating a demand for products in the Cuban market in the short run. The products first have to be on the Cuban "shopping list". In the longer term, however, introducing the product to the end user could influence future procurement plans. Once the Cuban planners have identified the need and allocated the resources, it is up to the individual Canadian company to compete for the

business. In the case of entire plants which Cuba prefers to have built on a fixed price turnkey basis, all negotiations are handled by Desarrollo Industrial (Ministry of Industrial Development). There is at present no possibility for foreign investment in Cuba although technical assistance is welcomed.

With a specialized economy, Cuba remains dependent to a considerable degree on imports to fill domestic requirements. As a state trading country, Cuba has no complex documentation requirements, and the tariff has little relevance for exporters to Cuba. Cuba normally buys f.o.b. Canadian ports.

#### Program Outline

##### Wednesday, March 19

- 12:55 - Arrive Havana
- 15:00 - Briefing at hotel
- 16:00 - Meeting with Dr. Raul Leon Torras, Minister - President of the Cuban National Bank.
- 17:30 - Meeting with Mr. Marcelo Fernandez Font, Minister of Foreign Trade
- 19:00 - Signing of EDC line-of-credit with Cuban National Bank
- 20:00 - Dinner hosted by Cuban Minister of Foreign Trade

##### Thursday, March 20

- 9:30 - Meeting with Central Planning Board
- 11:30 - Meeting with Mr. Angel Gomez Trueba, Minister of Industrial Development

- 14:30 - Visit to Canada - Cuba Friendship School
- 19:00 - Reception at Canadian Ambassador's residence hosted by the Honourable Alastair Gillespie

Friday, March 21

- 10:00 - Meeting with Mr. A. Lusson, Minister of Transport
- 11:30 - Meeting with Dr. Carlos Rafael Rodriguez, Vice Prime Minister, Foreign Organizations Sector
- 12:30 - Luncheon hosted by Cuban Minister of Transport
- 16:00 - Meeting with Mr. A. Velaz, Minister of Fisheries
- 20:00 - Dinner hosted by Mr. V. Colls, Director General of the National Institute for the Tourist Industry

Saturday, March 22

- 8:00 - De-briefing breakfast
- 10:30 - Meeting with Dr. Osvaldo Dorticos Torrado, President of Cuba

Saturday noon to Sunday morning

Visit to Varadero Beach hosted by the Cuban Government

Meeting with the Minister-President of the Cuban National Bank

Dr. Raul Leon Torras

This meeting was of necessity short because Dr. Leon was leaving for a visit to Europe and the meeting had to be sandwiched in between the briefing for mission members and the meeting with the Minister of Foreign Trade. For this reason, and also because Dr. Leon had visited Ottawa during the previous month, the meeting was primarily a courtesy call. Dr. Leon expressed his gratitude that the Canadian Government had agreed to extend the \$100 million EDC line of credit which was to be signed that evening, and which Dr. Leon had personally requested during his visit to Ottawa. Dr. Leon was confident that the line of credit would further stimulate trade between Canada and Cuba. He was also satisfied that the line of credit would be utilized over a very short period of time.

Mr. Gillespie took the opportunity to review and emphasize to Dr. Leon the importance the Canadian side attached to the projects that Canadian firms were currently negotiating with their Cuban counterparts.



Meeting with Marcelo Fernandez Font, Minister of Foreign Trade

Wednesday, March 19

After brief welcoming comments, Mr. Gillespie began discussions by noting that the Prime Minister and the Canadian people had taken a great interest in Canada - Cuba trade relations.

Mr. Fernandez stated that trade between the two countries had grown considerably in 1974, with an overall total of about \$220 million. The discussion then moved to agricultural items. Mr. Fernandez said that Cuba was undertaking intensive agricultural development, but that certain products such as wheat could not be grown in Cuba. The island was therefore likely to remain a good market for Canadian agricultural products. Mr. Gillespie noted that Canada exported inter alia wheat, wheat flour, poultry products, dairy cattle and frozen semen, and that Canada was purchasing increasing quantities of Cuban sugar and sea food products.

Mr. Fernandez then turned the discussion to sugar. He referred to the recent contract between Cubazucar and Canadian refineries, which provided for Cuban sales of 100,000 tons per year over a period of six years. However, he noted that Canada imports about a million tons of raw sugar per year, and that given Cuba's proximity to Canada, the Cubans were desirous of selling still greater quantities to Canada. He then mentioned Canada's preferential tariff on raw sugar and said that while it was true that current high prices for sugar had reduced the effect of this specific duty, the Canadian refiners would become more concerned with the impact of

the tariff spread when, as was expected, the price of sugar dropped.

Mr. Gillespie agreed that there was opportunity for growth in Cuba's sugar exports to Canada. He was pleased with the recent long-term contracts which represented consolidation at a new plateau. He had spoken to Canadian sugar refiners on the subject and he had hopes that Cuban sales would reach 200,000 tons a year. The Minister recognized that the Canadian sugar tariff inhibited Cuban sugar exports to Canada, but pointed out that the margin of preference was bound under contractual obligations to suppliers such as Australia. He drew to the Cubans' attention that the forthcoming GATT negotiations offered a possible opportunity for improving the terms of access for Cuban sugar.

Mr. Fernandez asserted that the Canadian sugar tariff really discriminated against Cuba only, as the island was Canada's only significant MFN supplier. He thought that a stable supply of sugar from Cuba was in Canada's own interests. As the MTN would probably take a number of years, an earlier change in Canada's tariff was desirable. Mr. Gillespie again referred to our contractual obligations and particularly noted the importance of Australia as a market for manufactured goods.

Mr. Gillespie inquired about Cuban interests in the MTN. He thought Canada and Cuba had a common interest as exporters in seeing production processed as much as possible in the country of origin. Canada, like Cuba, was a producer of raw materials, but because of tariff structures, a good deal of the processing of Canadian raw materials was done in importing countries. Taking sugar as an example, he asked if Cuba was generally

interested in having lower rates of duty on refined sugar and candy.

Mr. Fernandez replied that the bulk of Cuban sugar exports were in raw form. The Cubans planned to raise their refining capacity, but for the time being, their major interest was crude sugar. They were pleased with the level of their candy exports to Canada.

Mr. Gillespie stated that an improvement in shipping arrangements was desirable. For example, Canadian refiners were interested in importing Cuban sugar in the winter months, by means of ice - strengthened vessels. Mr. Fernandez replied that Cuba didn't have ice - strengthened ships, but that the Cuban Merchant Marine had been in touch with Canadian Shipping Companies, and it might be possible to use such ships at some future time. Also, Cuba was now purchasing bulk carriers of her own in several countries. The Cuban Minister pointed out that winter transportation might involve additional shipping costs.

Mr. Gillespie then raised the subject of a direct commercial air link between Canada and Cuba. He hoped that air agreement negotiations would begin soon and noted the opportunities for air freight. He asked the Cubans about their interest in exporting perishables to Canada via air freight. Mr. Fernandez felt that many Cuban export items had been hurt by transportation difficulties, and that a direct air link would open up possibilities for such products as live lobster and flowers. Mr. Gillespie noted the considerable number of Canadian tourists visiting Cuba and pointed out Canada's interest in the renovation of the Hotel Nacional and the Cuban airport development program. Mr. Fernandez particularly noted the need for

larger facilities for Havana than Jose Marti, and said that the new airport might be further away from the city.

The Cuban Minister then raised the subject of Canada's GPS. He asserted that the Canadian system excluded many items of interest to Cuba, notably fish products and tobacco, which he regarded as semi-manufactured items. Rum was on Canada's GPS list, but sales were disappointing. The Cuban Minister singled out internal mark - ups and taxation as access problems. Mr. Gillespie noted that the marketing of liquor in Canada was a provincial responsibility. The Federal Government therefore had limited authority, but could attempt to exercise moral suasion. The Minister said that he would be pleased to write the provincial ministers concerned, with a view to securing better access for Cuban rum.

Mr. Gillespie asked about future possibilities for Canadian cattle exports. Mr. Fernandez thought Cuban imports would continue and also noted possible future Cuban requirements for swine breeding stock, although there was only a limited import market for pork. He stated that Canadian prices for chicken meat were currently too high. Mr. Gillespie mentioned Canada's interest in selling rapeseed meal and oil to Canada.

The Minister noted the varied interests in the Cuban delegation and Canada's eagerness to participate in the Cuban Five - Year Plan. He then mentioned the \$100 million one - year EDC credit and expressed the hope that with Canadian bank participation, the sum might reach \$200 million. The Cuban Minister hoped that the EDC credit was just a beginning. He was confident that the credit would be utilized within one year. Mr. Gillespie

stated that Canada was currently Cuba's third most important supplier and that we hoped to become the second.

Mr. Fernandez spoke of Cuba's interest in medium-term contracts in certain items such as forestry products. Mr. Gillespie noted that the Canadian lumber industry was operating at only 60% capacity because of recession in Canada's major markets. Mr. Fernandez also mentioned sulphur and potassium fertilizers as products which the Cubans wished to purchase through medium-term contracts.

He went on to say that exchanges of delegations between Canada and Cuba had so far been sporadic, and he therefore proposed a bilateral commission. He said that Cuba had such commissions with several non-socialist countries as well as with all socialist countries. Mr. Gillespie agreed with the principle of periodic reviews of our trading relations by officials.

On the subject of the MTN, Mr. Gillespie thought the talks might take two years, whereas the Cuban Minister thought they would last longer. The latter hoped that the developed capitalist countries would agree to lower tariffs, as this would benefit the LDC's. Mr. Gillespie said that Canada didn't expect reciprocity to apply fully to LDC's as regarded tariff cuts, but we did expect some contribution. A major Canadian interest was obtaining lower tariffs on more fully processed products. The Minister stated that there was always a good deal of protectionist feeling, when the world economy was weak. Mr. Fernandez agreed, but felt that this could aggravate the situation.

Meeting with Vice President Miguel A. Figueres of  
The Central Planning Commission -  
Thursday, March 20, 9:30 A.M.

After welcoming comments, Mr. Figueres said he proposed to discuss the general characteristics of the Cuban economy over the last 15 years and then describe in some detail the first economic plan which will be for the period 1976 - 1980. He said the Mission had come at an opportune time because March was the 15th anniversary of the Central Planning Commission.

He said that a major consideration was the growth of the Cuban population, which was 6.7 million in 1959, estimated at 9.2 million in 1975, and by 1980 was projected to reach 10.2 million, or an increase of one million during the term of the Five - Year Plan. The Cuban population was relatively young - forty per cent being below working age (17 years), but the average age was higher than in many Western Hemisphere countries.

During the last fifteen years and particularly during the first decade of the 1960's, there has been a very deep change and transformation in the economic and social order in Cuba. This had included the nationalisation of industry and the transformation of Cuba into a socialist economy. In foreign trade, it had meant that Cuban trade with the United States had to be reoriented to the socialist countries, Western Europe, Japan and Canada. This had forced Cuba to seek out new sources of spare parts and brought close relations with the USSR and Eastern Europe. In addition, the foundations were laid for a deep social transformation with the virtual eradication of illiteracy, the doubling of the number of students matriculating, and the

strengthening of Cuban defences. The new political structure included the formation of the Central Planning Commission as an instrument of the Council of Ministers to give direction to the economic growth of the country. There was extensive investment in the production of sugar, in farm machinery and in reservoirs and irrigation systems. Investment had also been oriented towards education and public health, and this social investment had laid the basis for the progress planned for the 1970's.

The most dynamic sector so far in the 1970's had been the construction industry which had expanded threefold between 1970 and 1975. This period had also seen internal finances put into order with no price increases for necessities; for example, food product prices were at the same level as in 1960. In addition, during this period, Cuba had joined Comecon. The period also saw improvements in the accounting methods used in the planning process, and the first provincial elections with the implication for decentralization of local economic interests, such as retail stores and hospitals. The draft Five Year Plan which has not as yet been completed, will be presented to the First Congress of the Communist Party which meets later in the year for its approval of the general lines of the plan.

It was intended that the Five Year Plan would double the country's income (in total rather than per head). The Plan will give first priority to exports with the second priority being the development of import substitution in both the areas of agriculture and industry. Now that illiteracy had been virtually erased, education would be given third priority.



On a sector basis, first priority will be given to the sugar industry, which is in the process of being mechanized. Currently only 30 per cent of the industry is mechanized, and the Plan calls for this to rise to 80 per cent by the end of the decade - because of geographical factors, some areas under sugarcane cultivation are not susceptible to mechanization. It was also planned to increase the investment in sugar mills. The Plan also foresaw increased productivity through a large increase in the application of fertilizers and a four-fold increase in the area under irrigation.

In other agricultural areas, emphasis would be placed on animal husbandry, milk, pork and fowl production, as well as on rice and citrus and a number of others which would provide substitutes for products presently imported. In this connection the Plan called for a rapid increase in the area under irrigation. Another related sector of emphasis would be the fishing industry where plans called for sizeable increases in the number of ships, port facilities and processing plants.

During the Five Year Plan there would also be heavy investment in industrial production, accounting for 30 per cent of the plan's total. There would be very major investments to enlarge and modernize the nickel industry including two new plants. The capacity of the steel industry was to be doubled and a new integrated steel plant would be constructed. An important aspect of industrial development would be the provision of an adequate power basis, and in this connection, plans included a nuclear power station. In the chemical industry, the two plants now producing nitrogen fertilizers will shortly be augmented by a new plant under construction, and two additional

plants would be built during the Five Year Plan. Priority would also be given to the production of pulp from bagasse. There were presently two plants using bagasse and two new ones would be built. Among other industries projected during the Plan were a caustic soda and chlorine plant, a tire plant and a battery factory.

In the machinery sector, with help from the Soviet Union, it was planned to produce cane harvesters as well as cane carts, and facilities for producing sugar processing machinery would be enlarged. Also under study were automotive equipment factories and ship-yards to produce ocean-going vessels.

In the food and light industries, plans called for plants for processing dairy beef, pork and poultry, as well as flour mills. Expansion in the textile industry would be balanced between spinning and weaving sectors. In the light industry sector, a number of new lines were planned, including furniture and shoe manufacturing.

Construction materials was expected to remain the most dynamic sector of expansion, and additional cement plants are under construction. This industry will provide the foundation for a very heavy construction program which is expected to expand by 800 per cent. The building of homes is expected to double. Although an important part of the investment in new schools has already been made, the Plan would call for the construction of a thousand new schools similar to the Cuba-Canada Friendship School. This rather large number is necessary because of the explosion in the school population at the secondary level. Each of the schools would have 500 pupils.

The heavy investment in education was considered an important prerequisite for future development. In addition the Cuban educational system combined study with practical work particularly in the field of agriculture.

In transportation, the super-highway projects started in 1971 would be completed, and there would be a planned increase in rail capacity including provision for high speed transportation. Because of Cuba's geographical position and its dependence on exports, there would be extensive improvement to existing ports with eight additional terminals built for the export of sugar and two now under construction for the handling of bagged sugar. There would be a sizeable increase in the merchant fleet, and plans called for a container port as well as a port for handling super tankers.

The fruition of these plans will result in an increase in the standard of living of the Cuban people. Currently, 99.9% of the Cuban children were in school, and this percentage would be the same in 1980; but the proportion of children in secondary school age still in school would increase to more than 90% by 1980. This would be the same percentage of attendance as in most developed European countries. It is clear from these figures that in the next Five Year Plan, starting in 1981, there would be an explosion in the college population and in the late 1970's investment would have to be directed towards providing the necessary educational institutions. In the field of public health, Cuba now has the highest standards in Latin America and it was expected that by the end of the Five Year Plan, standards would be comparable to the developed countries.

Mr. Gillespie responded by thanking Mr. Figueres for his interesting account of the Five Year Plan which the Canadian side had found most impressive. Canadian firms would want to participate in these developments and he had members on his Mission who were interested in most of the economic sectors covered. In almost every sector mentioned, Canadian firms were in a position to compete. Mr. Gillespie gave the following examples of some areas of interest to the companies on the Mission:

Railways; Ports and Merchant fleets; Abbatoirs;  
Pulp and Paper; Industrial Materials; Steel;  
Industry; Fertilizers; and Food Packaging Equipment.

The floor was then thrown open for questions, and a press representative on the Mission asked about the specific sizes of the ships which the Cubans would require. He was told that these would be general cargo vessels and bulk carriers, mainly in the 15 - 20 thousand ton range.

Another member of the Mission asked for additional details on the proposed expansion in the steel industry. He was told that this would mainly concentrate on producing reinforcing rods, angle iron and other items primarily for use in construction. While it was planned to double plant capacity this would not result in a broadening of the range of products produced. The precise nature of the new plant would depend on further refinement of the Plan and a more precise determination of requirements.

Another question concerned the total capital requirements for the Five Year Plan and how this would be financed. Mr. Figueres said that total investment during the life of the Plan would be between \$14 and \$18 billion,

and that investment from any country was welcome in the form of credits but, of course, direct investment was not being contemplated.

Mr. Figueres was asked about plans for new airports and for air transportation. He said that Havana Airport and one or two others would be expanded to handle the increased tourist trade and that for the airlines, there would be a modernization of the air fleet and a greater number of routes. Mr. Gillespie outlined the advantages of the Canadian STOL system and the application this might have in Cuba. A further question related to plans for the development of facilities for tourism. Mr. Figueres said they had acquired special tourist buses and had plans for a large expansion in hotels and were currently putting together brigades for hotel construction at Varadero.

Mr. Figueres was asked about plans for the wire and cable industry and said that the industry was being developed to substitute for imports and consideration was being given as to whether it would be economic to move into copper refining rather than import the ingots as was now being done.

In answer to a question about hospital facilities, Mr. Figueres said that currently there were about 30,000 hospital beds and these would be increased to 70,000 by 1980, which would work out roughly to seven beds per 1,000 population.

Another member of the Mission referred to the world fibre shortage. He pointed out that no one had yet made a success of manufacturing paper from bagasse and his company would be interested in working with the Cubans to

develop a successful process. Canada's interest was, of course, that bagasse had to be mixed with imported wood pulp. Mr. Figueres said that they would welcome cooperation. The Cubans already had two research institutions dedicated to finding better ways to utilize bagasse and it might be possible for interested Mission members to visit them that day.

Mr. Figueres was asked what fuel the Cubans used for the generation of electric power. He replied that all power was currently produced by thermal generation through the use of petroleum. They did hope to have a nuclear generator plant by the end of the Five Year Plan which would be built by the USSR.

Meeting with the Minister of Industrial Development

(Desarrollo Industrial)

Mr. Angel Gomez Trueba

Thursday, March 20, 11:30 A.M.

After an exchange of welcoming comments, Mr. Gomez gave a brief summary of the work of Desarrollo Industrial. He said that the Cuban Industrial Development Plan was not excessively broad and did not involve a large volume of investment compared with other socialist countries. While they would like to do so, it was not their intention to industrialize in one step, because they did not regard this as an efficient way of proceeding. They hoped to industrialize rationally based on their knowledge of the Cuban economy, which was a relatively simple economy and not difficult to understand. A fundamental problem in their industrial development and indeed in the industrial development of developing countries generally, was the transmission of technology from developed countries to developing countries. There was, in addition, an important need to upgrade management and technology standards, but this would take time, and it was necessary to try and go ahead with their industrial development in the meantime. Desarrollo Industrial had, therefore, launched itself on a program of industrial development and was trying to solve the problems. In proceeding with this development, Desarrollo Industrial was at least aware of what the problems are, if not always sure of the solution. He pointed out that often an army received its best training in battle. Cuba was not interested in industrial



development for its own sake, but because agriculture would not provide all the things they needed to obtain, particularly in regard to living standards. Mr. Gomez concluded by saying that he, personally, didn't know all the answers and would welcome any assistance he could get.

On the organization of Desarrollo Industrial, Mr. Gomez said he hoped to form a group on the lines of an engineering consulting firm which could put into effect projects included in the industrial development plan. Desarrollo Industrial had built up extensive relations with Canadian firms, but so far had not undertaken any large scale enterprises in conjunction with Canadian companies. Mr. Gomez said that the financial agreement signed yesterday with EDC should be of considerable assistance to Cuba in its industrial development plans. He pointed out that the plan dealt with the general direction that the economy was to go and it was the job of Desarrollo Industrial to give concrete expression to the guidelines set out in the plan. Mr. Gomez said that after this introduction he thought the best way to proceed would be to throw the floor open to questions or ideas.

Mr. Gillespie expressed the hope that the EDC line of credit would be utilized by the end of the year. He pointed out that if Canadian banks became involved in the manner visualized in the EDC Agreement, the total amount of money available to Cuba would be greatly increased. Canada had developed advanced technology peculiar to Canadian requirements. The realities of a very large country with a harsh climate and a widely dispersed population had necessitated the development of an advanced transportation

system including railways and airports and aircraft as well as advanced methods of communication. The Canadian delegation had heard from Vice President Figueres the general guidelines set out in the Five Year Plan. It was now necessary to get down to details and to push particular transactions ahead. There had been two industrial development agreements so far, one for an aluminum extrusion plant and the other for a refrigeration plant. There were other Canadian companies, including some on the present delegation, who were working on projects with the Cubans and were anxious to see these brought to conclusion. One Mission member said that the Aluminum Extrusion Plant, which they were building for the Cubans, would be finished this year and was one month ahead of schedule. He remarked that his company had had an excellent experience working with the Cubans and found them good people with which to do business.

A Mission member said that his company had considerable experience in the transfer of technology, being involved in investments which ran in the neighbourhood of \$100 million annually, but even so, they had technical problems in meeting rated capacity. He enquired of Mr. Gomez what type of problems they had in the transfer of technology. In response, Mr. Gomez gave, as an example, problems they had encountered with the purchase of one plant. One problem was related to efforts by the contracting company to economize in building the plant. This might have been partly the fault of the Cuban side, but the results were that the engineering firm had used some parts of poor quality which had subsequently broken down and, for

want of replacement parts, the plant had never reached its rated capacity. A related problem was that the Cubans did not have the manpower to inspect the plant. Recourse to legal action was, of course, open to the Cubans, but this did not help produce the products which they required. Mr. Gomez had read a UN report on plants in developing countries and found that other countries had experienced similar problems. Mr. Gomez mentioned operating problems arising out of the malfunctioning of imported equipment in other plants due to difficulties of foreign technicians getting to Cuba because of poor transportation links.

The discussion then centered on three problems encountered by Canadians in dealing with turnkey projects in Cuba: the provision of engineering designs as part of the bid on a turnkey project, requests from the Cuban side for extensive changes in the engineering designs after their completion, and the Cuban practice of requiring bids on turnkey projects to be on a fixed price basis.

One Mission member said that as regards turnkey projects for complete plants, it would be a much preferable procedure if his company did not have to prepare complete design before his firm's submission was accepted. If his company were given the required capacity of a particular plant, they would be in a position to provide a budget estimate of total cost. Avoiding the step of providing complete designs prior to the acceptance of a proposal would advance the schedule by over one year. The company had followed this method with satisfactory results when negotiating for the construction of a modern plant which they had recently completed in

a third country.

Mr. Gomez was aware that in some countries the practice was to pay for conceptual studies from two or three contractors prior to selecting one to carry out the project proper but this was not the custom in Cuba. Moreover this kind of approach could be an expensive proposition for the buyer. Another factor under this type of arrangement was that the buyer did not have a complete idea of the plant before signing the contract. Furthermore, to do business in this way, Desarrollo Industrial would have to have a larger trained staff than was possible at the present time in order to supervise the project.

On the second point, a Mission member pointed out that over the last eighteen months, his company and the Canadian Government had spent a great deal of money in preparing designs which were now useless because of changes which had been made in Cuban requirements. His company would, therefore, like to put forward a compromise solution. Mr. Gomez replied that an appointment had already been made for this purpose. Mr. Gillespie commented that bringing this particular project to fruition would be a nice start on the EDC line of credit and he suggested that the Cubans try for a 1975 model.

Mr. Gomez said that negotiations of turnkey projects with Canada was a different proposition than negotiating with Japan or European countries. Canadian firms were reluctant to bid on a fixed price basis and this posed difficulties for the Cubans. The difficulties caused by inflation for the negotiation of fixed price contracts were pointed out by several members of the Canadian delegation. Mr. Gomez said that fixed price contracts were

common in international trade and that the system was preferred by Cuba. He went on to say that the Canadian economy was one of the most solid in the world and the Cubans seemed to have more confidence in the Canadian economy than we did. Mr. Gillespie responded that it was not possible to insulate the Canadian economy from world economic forces, but that, nevertheless, it was true that the Canadian economy remained strong. Canadian prices had been rising less (about 12%) than in many industrialized countries during 1974. This year, he predicted that price increases would be between 7 and 8 percent. Mr. Gillespie pointed out that despite this relatively good performance, price escalation posed real difficulties for Canadian firms in quoting on a fixed price basis. In response, Mr. Gomez said that the Cubans realized there was price escalation, but on what basis was the risk to be divided? A fixed price that had a built-in factor for estimated inflation would divide the risk. If inflation were greater than the estimate, the seller would lose, if it were less the buyer would lose. This might be a possible solution. Mr. Gillespie suggested and Mr. Gomez concurred that each transaction should be negotiated based on its own characteristics. During the course of the meeting, Mission members raised questions regarding particular turnkey projects in which their firms had an interest.

Ministerial Mission to Cuba - Meeting with Transport

Minister Antonio Lusson, Friday, March 21, 10 a.m.

Mr. Lusson began by stating that his ministry was concerned essentially with land transportation, there being a separate ministry for shipping. Railroad development was a major Cuban priority. Cuba currently had a rail network of approximately 15,000 kilometers, including the industrial railways of mining and sugar industries. Reconstruction had begun with the main line between Havana and Oriente Province, but this contract had been awarded to the USSR. Cuba was setting up a plant for concrete railroad ties. In pointing out the island's requirements for railroad wagons and locomotives, the Cuban Minister mentioned the twenty additional locomotives that Canada was to sell to Cuba. He expected that Cuba would have a requirement for more powerful locomotives in the course of the 1976 - 80 Five-Year Plan. There was also a need for commuter trains in the Havana area.

In the automotive field, repair shops were required, both renovations of old ones and new ones. Cuba was assembling buses, but had additional requirements, for example, specialized buses for tourism. There was also a need for further taxis in spite of the large numbers purchased from Argentina in 1974.

Mr. Gillespie began by noting the role railways had played in the building of Canada. He noted how the general-purpose box car had given way to various specialty wagons, and asked the Cuban Minister about the market in Cuba for the latter. Mr. Lusson said that the Cubans were already dis-

cussing the possible purchase of specialized cars with Canadian companies. Mr. Gillespie enquired as to the main suppliers of railway wagons, and Mr. Lusson named the socialist countries, England, Italy, France, Spain and Japan.

One Mission member thought that the Havana - Santiago line could use higher horsepower locomotives than those the Cubans were currently importing. Mr. Gillespie pointed out that when MLW had made its first sale to Cuba about a year before, the company had been owned outside Canada, but the firm was now Canadian-owned.

Another member referred to last year's visit of the Cuban Vice Minister of Transport, Mr. Alepuz. He saw opportunities for his firm in repair shops, signalization, containerization and commuter trains. He offered training services to the Cubans.

Mr. Gillespie indicated interest in Cuba on the part of the Canadian automotive parts industry.

Mr. Lusson saw railways as sufficient for domestic inter-city transportation, and viewed air transportation more as an international link and connected with major tourist developments. A mission member hoped for an early start to negotiations for the purpose of establishing a direct commercial air link between Canada and Cuba.

Mr. Gillespie then pointed out the possible use of the DHC-7 as an inter-city aircraft for domestic use. Mr. Lusson seemed interested in the use of such aircraft in tourist flights from Havana to the Isle of Pines and Varadero Beach.

Ministerial Mission to Cuba - Meeting with Dr. Carlos Rafael Rodriguez,  
Vice Prime Minister, Foreign Organizations Sector,  
Friday, March 21, 11:30 a.m.

Dr. Rodriguez began by saying that the series of meetings during the mission bore witness to Cuban interest in Canadian participation in Cuban development. He stated that the \$100 million EDC credit had escalated bilateral relations. There were particular opportunities in the transportation field. Cuba's principal supplier was the USSR, but that country could not supply all Cuba's needs. Cuba was now entering a stage of intensive industrialization after first having undertaken agricultural development. The latter stage was coming to an end as regarded investment, and by 1983, the agricultural infrastructure would be complete.

Dr. Rodriguez was grateful for the recently announced Canadian aid programme to Cuba, although he asserted that Cuba could not depend on aid. The basic resource was the Cuban people, who had chosen to sacrifice consumption to development in the years since the Revolution. In some years, as much as 32% of GNP had been invested. There had been drastic reductions in consumption, voluntary labour, and very long working days. Dr. Rodriguez asserted that these policies were now paying dividends. In spite of the aid programme, he felt the main weight of Canadian financing should come from EDC and the private banks.

The Cuban Vice Prime Minister then proposed the establishment of a Canada - Cuba Joint Commission. He referred to the recent France - Cuba



pact and a similar agreement about to be concluded with the U.K. The Cubans' experiences with joint commissions had begun with the socialist countries. They had found such arrangements highly satisfactory, although they had less experience with non-socialist countries.

Mr. Gillespie began by saying that he had been honoured by Prime Minister Castro's presence at the Canadian Embassy the previous evening. He thought that the various meetings had been very useful. The EDC credit, being based on a one-year period, was only a beginning. The Minister was most anxious to establish improved air and sea links between Canada and Cuba and suggested May 19 as an opening date for air agreement negotiations. Dr. Rodriguez did not make a commitment, but thought the date was acceptable. He agreed with the importance of an improved sea link and stated that efforts were being made to establish a multinational Caribbean shipping line. He then made the point that he regarded Canada - Cuba relations as permanent.

Mr. Gillespie agreed with the suggestion of a joint commission. He expected that such a commission would meet at the official level on a periodic basis, but that the first meeting might take place at the ministerial level. The proposed commission would provide a formal framework for collaboration between various agencies and departments of the Canadian and Cuban Governments and perhaps also a link between Canadian private industry and Cuban state trading enterprises. Dr. Rodriguez agreed that the first meeting of the commission should be at the ministerial level and he felt that subsequent meetings should involve at least one Minister or very senior official from each government. Mr. Gillespie observed that the

negotiation of such agreements generally took too long and hoped for a prompt exchange of letters, although he would have to consult with his Cabinet colleagues on Canadian participation. He then invited Dr. Rodriguez to Canada to preside over the first meeting of the joint commission. The Canadian and Cuban Ambassadors could negotiate an appropriate date.

Dr. Rodriguez expressed gratitude for Canada's position on the economic blockade of Cuba. The island was not in a hurry to renew relations with the U.S., although the Cubans did not deny the value of U.S. technology. In any event, the U.S. would never occupy the dominant role it once played in Cuban affairs and Cuba intended to continue intensifying links with Canada and other friendly countries.

Ministerial Mission to Cuba

Meeting with Fisheries Minister Anibal Velaz

Friday, March 21, 4:45 p.m.

Mr. Velaz began by asserting that fishing in Cuba had virtually begun with the Revolution. In 1958, the total Cuban catch had been only 21,700 tons, whereas in 1975, it was expected to be about 188,000 tons, and by 1980, would be on the order of 400,000 tons. The first goal after the Revolution had been to bring isolated fishermen into co-operatives; the second had been to develop a modern fishing fleet. The Cubans were now turning to ferro-cement, steel and fibreglass boats.

The Cubans now possess a steel-hull shrimp fleet consisting of 90 trawlers from Spain and 30 freezers from France. This fleet, which was now being enlarged with Peruvian and Cuban-built boats, operating in the Gulf and Caribbean area. Mr. Velaz also spoke of the Cuban tuna fleet, comprising 23 long-line tuna boats and a seiner of 600 tons. The Cubans were about to add 16 more seiners from Peru. This fleet fished in the Gulf, Caribbean, Central Atlantic and South-East Atlantic regions.

The Cuban Minister explained that all crews had been trained since the Revolution, with the average age of officers being only 24 years. The Ministry's responsibilities included the fishing fleet, the fish-processing industry, internal distribution of fish products, an officer school, an exporting company, an importing company, shipyards, development of pisciculture, a research organization and a construction organization, and it employed 34,000 people.

Mr. Velaz predicted considerable growth in the Cuban fishing industry. He saw exports to \$150-160 million in 1975, the value of the total 1958 catch. He thought the present 12 kg. per capita per annum fish consumption in Cuba would rise to 20 kg. by 1980 and would include more processed fish products.

The Cuban Minister then turned to Cuba's marine exports to Canada. There had been continuous growth each year for the last six years with 1974 sales being about \$13 million. The Cubans were pleased with the level of their lobster exports, although here, unlike with shrimp, they faced competition from a domestic Canadian product. In reply to a question from Mr. Gillespie, Mr. Velaz thought improved air transportation between Canada and Cuba would be useful on occasion. The Cubans had already exported marine products to Canada by air freight at times, but generally used sea transport. Mr. Velaz observed that Canada imported a great deal of canned tuna, and that Cuba hoped to obtain 25% of the Canadian market for that product.

On the subject of a projected Cubapesca fish cannery, a member of the mission pointed out that negotiations had begun in July 1973. Since that time, the project had expanded into what would be the largest fish processing plant in Latin America. He noted that Cuban officials were currently negotiating in Toronto and looked forward to a successful outcome.

Mr. Gillespie expressed Canada's interest in re-entering the market for salt cod, which had gradually fallen off. He also pointed out that Canada, too, had shipyards, and that we might be in a position to build

vessels for Cuba's fishing fleet.

Mr. Velaz said that the Cubans had extensive plans for the development of a fish-processing industry, which would lead to annual production of 40,000 tons of processed fish products by 1980. He noted that the Cubans were contracting in Canada for machinery to make fish cakes. They would be constructing 1500 fish stores valued at \$29 million, as well as regional distribution centres. There was consequently a need for 200 cold storage plants having a capacity of 200 to 250 tons each. Mr. Velaz referred to the 5000-ton Japanese cold storage facility then being erected adjacent to the Ministry and mentioned a requirement for another such building of 3000-3500 tons.

Ministerial Mission to Cuba

Meeting with President Osvaldo Dorticos Torrado

Saturday, March 22, 10:30 a.m.

The President began by summing up the previous meetings as very useful. The Minister's visit had opened up prospects for future exchanges, and both parties should feel very satisfied.

Mr. Gillespie referred to the growth in relations between Canada and Cuba. He mentioned Mr. Grandy's mission to Cuba in 1974 and the meeting between the latter and Dr. Dorticos. He noted the recent flurry of bilateral activity - the visit to Canada of Dr. Leon, the President of the Cuban National Bank; the EDC \$100 million line of credit; the decision to establish a Canada - Cuba Joint Commission.

Dr. Dorticos spoke of Cuba's interest in medium-term purchase contracts. Mr. Gillespie mentioned certain business successes achieved during the mission, such as the sale of 20 new locomotives from MLW. He stated that Canadian expertise was recognized in many fields among which were steel technology, communications and transportation. He then endeavoured to interest the Cuban President in STOL aircraft. Dr. Dorticos said that this was his first knowledge of such airplanes. Present aircraft purchases were made from the USSR, but this did not necessarily preclude Canadian aircraft manufacturers from the Cuban market. However, the President saw a clearer role for Canada in Cuban railroad development. Mr. Gillespie invited the Cubans to send a delegation to come to Canada to study the STOL system.

Mr. Gillespie looked forward to negotiations for a Canada - Cuba air link. Dr. Dorticos said he would take a personal interest in the matter. Mr. Gillespie also hoped that sea links could be improved. Dr. Dorticos observed that Canadian tourism to Cuba was much appreciated; it was healthy tourism which involved no conflict with the interests of the Cuban people.

The Minister pointed out Canada's long-standing interest in the Cubapesca fish cannery project. The President said that he had been following the matter closely, and that there were certain problems of price escalation. Mr. Gillespie mentioned problems encountered by the Canadian firm in the preparation of its bid.

Dr. Dorticos then asserted that Canada seemed a natural market for Cuban sugar. Mr. Gillespie was hopeful that Canadian refiners would increase their buying from Cuba.

Mr. Gillespie stated that Canada was Cuba's third most important supplier and that we hoped to achieve second place. Dr. Dorticos assured the delegation that Cuba would place no obstacles in Canada's way. In particular, he asserted that Canada - Cuba trade relations would grow regardless of the future course of U.S. - Cuba relations. Trade with Canada would remain very important for Cuba. The possibility of U.S. - Cuba trade had not been included in the 1976 - 1980 Five-Year Plan. Mr. Gillespie said Canada would continue to try to build trading relations with Cuba, and that we would not be deterred by U.S. competition.

Mr. Gillespie outlined Option III to Dr. Dorticos. The Minister said that he had been very impressed by Prime Minister Castro's knowledge of and interest in Canada. He hoped for more ministerial and official visits as well as technical exchanges. He mentioned that he had invited Dr. Rodriguez to Canada, hopefully in connection with the first meeting of the Joint Commission. Finally, Dr. Dorticos indicated that he would review all matters discussed during the Minister's mission, including the fish cannery.



Financing Agreement

During the mission, the Canadian Export Development Corporation and the National Bank of Cuba signed a financing agreement whereby Canada will extend a credit of \$100 million over one year to Cuba for the purchase of Canadian goods and services. Under the Memorandum of Agreement, it is agreed that the National Bank of Cuba will invite Canadian chartered bank participation with EDC in financing the export transactions being contemplated.

Follow Up

Trade Commissioner Tour

The Mission was followed up immediately by a Coast-To-Coast Tour by our Senior Trade Commissioner in Havana, as part of a group of Trade Commissioners from the Caribbean and Latin America. The tour included nine cities and provided both for seminar type discussions and individual private interviews between businessmen and the Trade Commissioner. The response from the Canadian business community was far greater than anticipated. The more than 360 requests by Canadian companies for private interviews with the Trade Commissioner resulted in considerable overbooking and back-up had to be provided from the Caribbean Division in Ottawa. An analysis of the firms interviewed brought out some interesting facts: about two-thirds of the companies interviewed were new to the market, approximately one-fifth had already made sales in the market, while some 14 per cent were currently engaged in negotiations with the Cubans. What is important for the expansion of our trade with Cuba is that of the two-thirds of the companies interviewed, who were new to the Cuban market, some 60 per cent have been rated conservatively as having "good" or "very good" potential in that market. Five of the firms who were on the Minister's Mission, had already returned to Cuba at the end of April and there were a further three visits by Mission members during May. Of the twenty-six Canadian companies to visit Cuba in May, six were interviewees during the Cross-Canada Tour. The Cuban Trade Commissioner's Office in Montreal which also acts as a central buying office for the Cuban state trading companies,

reports a very heavy increase in enquiries from Canadian firms since the Minister's Mission and the Cross-Canada Tour by the Trade Commissioners. The Department's Trade Promotion Program for Cuba for the 1975/76 fiscal year financed an incoming mission from Cuba in the field of airport development and renovation as well as an incoming tourism mission (hotel construction, renovation and equipment). A further airports mission is planned for the fall. In addition, some of the visits to Canada by buyers and senior officials of the Cuban State Trading companies can be directly attributable to the Ministerial Mission.

Cuba - Canada Committee on Trade and Economic Affairs - Visit by  
Dr. Carlos Rafael Rodriguez, Vice-Prime Minister - Foreign Organizations  
Sector

During the Mission, Mr. Gillespie reacted favourably to a proposal from the Cuban side for a Cuba-Canada Committee on Trade and Economic Affairs. The terms of reference for this Committee are being worked out with the Cubans. The Committee, which will normally meet at the senior official level, will provide a vehicle for closer liaison between Canadian and Cuban officials concerned with promoting trade relations between the two countries. It has been our experience that this type of Committee provides an effective vehicle for encouraging closer and more intensive trade and economic relations, particularly with state trading and planned economy countries.

Dr. Rodriguez has accepted the invitation to visit Canada, which Mr. Gillespie extended while he was in Havana. It is hoped that during this

visit the two Ministers will be able to co-chair the inaugural session of the Cuba-Canada Committee. The visit of such a senior Cuban minister will be a further step in the growing trade relations that are developing between the two countries.

Canada - Cuba Air Agreement

Discussions designed to lead to a Canada - Cuba Air Agreement took place in Ottawa during the week of June 9th. Good progress was made, and it is hoped the remaining details will soon be worked out so that scheduled direct flights between Canada and Cuba can begin in the near future.

Conclusions

The Mission can be considered a major success by any yardstick used, whether high level ministerial and commercial contacts established, actual business concluded, or business opportunities identified. The calibre of the Canadian business representatives and their reception by the Cubans clearly demonstrated the interests of both countries in developing and intensifying our trade relations. Considering the time limitations, less than two and one half working days, a great deal was accomplished.

The basic objective of the mission was to build on the solid base we had already established in the Cuban market. Trade with Cuba has expanded rapidly in recent years. Our exports rose from \$58 million in 1972 to \$81 million in 1973 and to \$145 million in 1974. In the first five months of this year, our exports to Cuba increased to \$95 million from \$45 million in the same period of 1974, an increase of 111 per cent.

The timing of the Mission was excellent, bring Canadian export capabilities in products and services to the attention of high level Cuban contacts at a time when the Cubans were finalizing their first Five-Year Plan for 1976-80. Secondly, recent high sugar prices had added considerably to Cuban foreign exchange resources. Furthermore, given indications of some movement towards lifting the OAS embargo, the time was right to consolidate our position in the Cuban market.

The Minister's program was clearly very successful, with lengthy and substantive meetings with Prime Minister Castro, President Dorticos and

Vice Prime Minister Rodriguez, as well as virtually all the Cuban ministers involved in international economic matters. In addition to formal meetings with Cuban Ministers, Mr. Gillespie and mission members had opportunities for discussions with scores of senior Cuban officials including Ramon Castro, who is enthusiastic about Canadian cattle and Vivian Colls, Director General of INIT, the Cuban Agency for Tourism.

Some of the highlights of the visit included:

- (1) Attendance by Prime Minister Castro at Mr. Gillespie reception. Prime Minister Castro and Mr. Gillespie carried on substantive and wide-ranging discussions and Prime Minister Castro questioned the Minister and mission members on numerous areas of commercial cooperation;
- (2) Assurances that Canadian participation in the Cuban economy will grow even if there is a change in relations with the U.S.A.;
- (3) Mr. Gillespie welcomed a Cuban proposal for a Joint Committee on Trade and Economic Affairs which, among other things, will help in matching Canadian export capabilities with Cuban requirements under their Economic Plan;
- (4) Mr. Gillespie invited Vice Prime Minister Rodriguez to visit Canada and the invitation was accepted in principle. It was anticipated Dr. Rodriguez' visit will take place during the fall;
- (5) The signing of an EDC \$100 million line of credit immediately following the arrival of the mission gave an impetus to the business discussions which followed. It is anticipated that Canadian banks

will also participate in transactions under the agreement.

A number of mission members including, in some cases, members of the press accompanied the Minister on some of his calls on Cuban Ministers. In addition, business members of the Mission met with potential Cuban importers and users of their products and services. Complete reports were not submitted by all mission members, but on the basis of material received to date, the following picture emerges from the Mission and the follow-up tour of Canada.

Business concluded while the Mission was in Havana totals some \$17 million while contracts discussed during the Mission, which appear now to be pretty well assured but require either further negotiation or assurance of supply, total some \$44 million. Since the Mission was in Havana, an associate company of a Mission member has signed a five-ten year contract worth \$30 million. The company attributes this contract to the work of the Mission. Mission members report that as a direct result of the Mission, they are negotiating contracts which they can reasonably expect to conclude, valued at \$5.5 million. Specific projects or opportunities which Mission members are pursuing total at least another \$150 million.

In addition to discussing Canadian export interests, several members of the Mission discussed possibilities for marketing Cuban products in Canada, including citrus products, seafood, rum and live animals.

While there is a natural desire to quantify the results of the Mission, the main benefits cannot be so calculated. For example, the above figures are by no means all-inclusive and in any event, are subject to amendment

as negotiations continue. The main benefits are spread wider than Mission members and can really only be judged by the course of Canada - Cuba trade over the next five years. Among the major benefits are the closer trade relations established by high level personal contact, the impetus given to interest in trade with Cuba on the part of Canadian businessmen as a result of the Mission and follow-up tour of Canada, together with the corresponding emphasis on the Cuban side. Nor is it possible to measure the extent which negotiations by companies not on the Mission were given a fillip as a result of the Mission's work. Certainly some of the recent visits to Canada by senior Cuban buyers are attributable to heightened Cuban interest in sourcing in Canada as a result of information obtained during the Mission and the EDC credit guidelines. One such Cuban official reports that apart from visiting his regular suppliers, he signed a \$200,000 contract with a Canadian firm new to the Cuban market.

In addition to their own company interests, Mission members sought out opportunities where Canadian supply capabilities exist. Business opportunities identified included railway equipment, ships, boats, ferro-cement barges, forest products, fertilizers, livestock for breeding purposes, cattle semen, seed potatoes, pulses, special purpose vehicles, inspection services, PVC plastic pipe, fork lift trucks (gas, diesel and electric) open pit mining machinery, crushing, screening and conveying machinery, agricultural machinery, communications machinery, power generator and distribution equipment, hotel equipment, airport equipment, and a wide range of turnkey projects including meat packing houses, textile factories, food processing facilities, electronics



plants as well as major infrastructure construction developments such as hotels, airports, thermal electricity stations, railway overhaul facilities and urban transportation and a wide range of engineering consulting services.

Any Canadian firms wishing to explore these opportunities in greater detail should contact the Caribbean Division, Western Hemisphere Bureau, Department of Industry, Trade and Commerce, Tower "B", Place de Ville, Ottawa; The Commercial Secretary, Commercial Division, Canadian Embassy, Havana, Box 499 (HVA) Ottawa, Ont., K1N 8T7; or the Senior Cuban Trade Commissioner, 1415 Pine Avenue West, Montreal, Quebec, H3G 1B2.

APPENDIX "A"

Canada - Cuba Bilateral Trade

Commercial Relations

Canada exchanges most-favoured nation treatment with Cuba under the terms of the GATT, of which both countries are members.

Market Volume

Cuba has become a market of considerable importance for Canada in recent years. Canadian exports to Cuba were \$58.7 million in 1972, \$81.9 million in 1973 and \$144.7 million in 1974. They stand at \$95.0 million for the first five months of 1975, more than double the equivalent figure of a year ago. In both 1973 and 1974, Cuba was Canada's fourth largest market in the entire Caribbean and Latin American areas, surpassed only by Venezuela, Mexico and Brazil. For the first five months of 1975, Cuba is second to Venezuela among the same countries.

Market Share

In 1974, Canada was Cuba's third most import supplier, after the Soviet Union and Japan.

Canada - Cuba Trade Statistical Summary

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Canadian Exports								
(\$Cdn Millions)	42.4	45.0	40.7	58.9	58.8	58.7	81.9	144.7
Canadian Imports	6.3	5.1	7.8	9.5	10.4	11.1	16.6	76.3
Balance	36.1	39.9	32.9	49.4	48.4	47.6	65.3	68.4

### Composition of Trade

Canada - Cuba trade has been principally in the agricultural area in recent years. Wheat, flour and milk powder have been the major Canadian exports. In 1974 the food, feed, beverages and tobacco category accounted for 68% of our exports to Cuba, a decline from 80.3% in 1973. On the other hand, in a year in which our overall exports to Cuba rose 77%, the proportion of end products grew from 7.0% to 8.8% and in absolute terms from \$5.7 million to \$12.7 million. Known signed contracts for end products yet to be shipped exceed \$40 million. Major opportunities are seen in power generation and distribution equipment, mining machinery, cold storage plants, lumber, railway equipment and rolling stock, and complete plants producing a wide variety of items.

Cuban exports to Canada are likely to remain largely in the traditional areas of sugar, shellfish and tobacco, although citrus could have potential with large acreage coming into production. Canada is expected to import at least 100,000 metric tons of raw sugar per year from Cuba over the next six years. Tourism is of course an important "invisible" export.

Principal Canadian Exports to Cuba (\$'000's)

	<u>1972</u>	<u>1973</u>	<u>1974</u>
live animals	1,882	2,173	2,086
meat, fresh, chilled or frozen	--	469	13,566
dairy produce	5,814	19,130	11,021
barley	--	--	2,270
wheat	16,243	18,888	42,831
other cereals, unmilled	668	577	1,173
wheat flour	25,577	25,555	26,342
vegetables and vegetable preparations	1,179	397	843
lumber, softwood	--	--	8,813
wood pulp and similar pulp	1,138	1,135	3,062
paperboard	377	227	1,462
other paper	112	439	1,260
oils, fats, waxes, extracts & derivatives	200	1,991	5,831
copper and alloys	--	1,307	1,243
metal fabricated basic products	884	1,670	4,248
electric lighting & distribution equip.	566	2,101	6,249
equipment and tools	288	323	1,307
total of above items	54,928	76,382	133,607
% of total Canadian exports to Cuba	93.5%	93.3%	92.4%
total Canadian exports	58,730	81,871	144,652

Principal Canadian Imports from Cuba (\$'000's)

	<u>1972</u>	<u>1973</u>	<u>1974</u>
fish and marine animals	5,756	7,169	12,689
raw sugar	3,900	6,888	58,519
refined sugar, molasses & syrups	--	--	2,170
tobacco	737	1,802	1,935
total of above items	10,393	15,859	75,313
% of total Canadian imports from Cuba	93.8%	95.5%	98.7%
total Canadian imports	11,076	16,611	76,315

APPENDIX "B"

The Cuban Trade Office in Montreal

As a socialist state, Cuba imports through state importing companies, which are set up on a sectoral basis, e.g. Alimport for foodstuffs, Maquimport for machinery, and so forth. In the case of entire plants, which Cuba prefers to have built on a fixed-price, turnkey basis, all negotiations are handled by Desarrollo Industrial (Industrial Development).

A number of the Cuban importing companies have Canada - based representatives in the Cuban Trade Commission in Montreal. An explanation of the functions of various Cuban enterprises and the responsibilities of the different Cuban trade representatives in Montreal follows. If a company wishes to examine the potential of the Cuban market and has not been approached by the Office of the Cuban Trade Commissioner, it should write Mr. Enrique Martinez Noa, Senior Trade Commissioner, Trade Commission of Cuba, 1415 Pine Avenue West, Montreal, H3G 1B2, outlining the company's product range and export capabilities and include product brochures, technical descriptions and an f.o.b. Montreal price list. At the same time, it is advisable to copy this material to the Commercial Division, Canadian Embassy, Box 499 (HVA), Ottawa, K1N 8T7. The Commercial Division will endeavour to ensure that your interest is brought to the attention of the head office of the import company in Havana and, where appropriate, that your brochures are placed in the hands of potential end users.

Where a businessman deems it useful to visit Cuba to promote his product, he should first discuss his plans with the Cuban Trade Commission in Montreal. This office will liaise with officials in Havana to arrange an appropriate work program for the visit. It is advisable to plan a business visit at least one month in advance of departure.

Cuban Enterprises Represented in Montreal

Import Companies

<u>Company</u>	<u>Mailing Address</u>	<u>Cable Address &amp; Telephone Number</u>
ALIMPORT (Empresa Cubana Importadora de Alimentos)	Infanta No. 16, Vedado P.O. Box 7006 Havana, Cuba	ALIMPORT 7-4971
- Foodstuffs, feedstuffs, livestock, seeds, barley, corn, flour, cattle, chickens, pigs, tallow, meat		
AVIAIMPORT (Empresa Cubana Importadora de Aviacion)	Calle 23, H y Y Edificio "La Rampa," Vedado Havana, Cuba	AVIAIMPORT 7-5076
- Commercial aircraft, parts and accessories, navigation and airport equipment		
CONSTRUIMPORT (Empresa Cubana Importadora de Maquinarias y Equipos de Construcccion)	Carr. de Varona, Kil. 1½ CAP de Vila Havana, Cuba	CONSTRUIMPORT 44-2111 44-2621
- All equipment for the construction industry whether mobile or fixed - graders, bulldozers, cement mixers, pavers, cranes, etc., and all spare parts		
CONSUMIMPORT (Empresa Cubana Importadora de Articulos de Consumo General)	Calle 23 No. 55, Vedado P.O. Box 6247 Havana, Cuba	CONSUMIMPORT 70-3571
- Consumer durable goods, commercial, hotel and kitchen equipment, small electrical appliances, electrical equipment for household and apartment installation, up-to-600 volt office equipment and sporting goods, small household items, lighting		
CUBAHIDRAULICA (Empresa Importadora y Distribuidora de Equipos Hidraulicos)	Carretera vieja Guanabacoa y Linea Ferrocarril P.O. Box 70 Guanabacoa Havana, Cuba	CUBAHIDRAULICA 9-4436 9-7900 9-7568
- Irrigation equipment, sprinklers, well-drilling equipment, water pumps, tubing, couplings, power units and related equipment and spare parts		

Import Companies (Cont'd)

<u>Company</u>	<u>Mailing Address</u>	<u>Cable Address &amp; Telephone Number</u>
CUBAMETALES (Empresa Cubana Importadora de Metales)	Infanta No. 16, Vedado P.O. Box 6917 Havana, Cuba	CUBAMETAL 70-2561
- Ferrous and nonferrous metals, fuels, lubricants, grease and additives, nonelectrical wire and tubes, tin plate, stainless steel, copper, zinc, bars, plates, aluminum		
CUBAPESCA (Empresa Cubana Importadora de Buques y Equipos de Pesca)	Puerto Pesquero Ensenada de Pote y Atarés P.O. Box 138 Havana, Cuba	CUBAPESCA 99-4474 99-4036 99-6775
- Fishing boats, equipment and accessories, machinery and supplies for the fishing industry, fish processing and canning industry, complete plants and cold storage units and all spare parts		
CUBATEX (Empresa Cubana Importadora de Tejidos, Fibras, Cueros y sus Productos)	Calle 23 No. 55, Vedado P.O. Box 6528 Havana, Cuba	CUBATEX 70-2591 70-8890
- Yarns and fibres, cordage, footwear, hides, leathers, papermakers, felts, felt textiles, plastic fabrics, canvas		
EDUCUBA (Empresa Importadora de Materiales para la Enseñanza)	Obispo No. 160 Havana, Cuba	EDUCUBA 62-0498 61-2760
- Educational equipment and supplies, language labs, electronic teaching aids, educational TV, etc.		
FERRIMPORT (Empresa Cubana Importadora de Artículos de Ferretería)	Calle 23 No. 55, Vedado P.O. Box 6258 Havana, Cuba	FERRIMPORT 70-2531
- Hardware items and products, nuts and bolts, nails, hand tools, electric tools, wire, screws		



Import Companies (Cont'd)

<u>Company</u>	<u>Mailing Address</u>	<u>Cable Address &amp; Telephone Number</u>
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MAPRINTER (Empresa Cubana Importadora de Materias Primas y Productos Intermedios)	Infanta No. 16, Vedado P.O. Box 2110 Havana, Cuba	MAPRINTER 7-4981
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- Pulp and paper, lumber, products of animal and vegetable origin for industrial nonalimentary use, nonmetallic minerals, refractory materials, plastics, compounds, malt

MAQUIMPORT (Empresa Cubana Importadora de Maquinarias y Equipos)	Calle 23 No. 55, Vedado P.O. Box 6062 Havana, Cuba	MAQUIMPORT 70-2546 70-3137
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- Electrical equipment for industry, electronic equipment, radio and telecommunications equipment, industrial machinery and equipment, measuring instruments, wire and cable, gears, speed reducers, machine tools

MEDICUBA (Empresa Cubana Importadora de Productos Médicos)	Calle 23 No. 201, esquina a "N" P.O. Box 6772, Vedado Havana, Cuba	MEDICUBA 32-5913 32-2561 32-3914
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- Medical, dental, veterinarian, hospital and laboratory equipment, raw materials, and end products for medical, pharmaceutical, dental and veterinarian use

QUIMIMPORT (Empresa Cubana Importadora de Productos Quimicos)	Calle 23 No. 55, Vedado P.O. Box 6088 Havana, Cuba	QUIMIMPORT 70-8066
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- Organic and inorganic chemical products, fertilizers and pesticides, chemical products for the rubber industry, essences and flavours

TRACTOIMPORT (Empresa Cubana Importadora de Maquinaria Agricola y Equipos)	Ave. Rancho Boyeros y Calle 100 P.O. Box 6301 Havana, Cuba	TT-CUTRAC 44-2411
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- Agricultural machinery, pest control equipment, rock pickers, cultivators, replacement parts and accessories, tobacco equipment, citrus equipment

Import Companies (Cont'd)

<u>Company</u>	<u>Mailing Address</u>	<u>Cable Address &amp; Telephone Number</u>
U.S.I.E. (Empresa Importadora de la Industria Extractiva)	Aguiar No. 207 Havana, Cuba	U.S.I.E. 6-6945 62-3525 70-0170 80-0232

- Mining machinery, equipment and spare parts for use in the mining and oil drilling industries

Export Companies

CUBAEXPORT (Empresa Cubana Exportadora de Alimentos y Productos Varios)	Calle 23 No. 55, Vedado P.O. Box 6719 Havana, Cuba	CUBAEXPORT 70-4521
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- Lime, essential oil, cement, chemicals, fibre, textiles, leather and hides, consumer items, pharmaceuticals, medical and veterinary equipment and supplies, rum, citrus

CUBANIQUEL (Empresa Cubana Exportadora de Minerales y Metales)	Calle 23 No. 55, Vedado P.O. Box 6719 Havana, Cuba	CUBANIQUEL 70-4521
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- Nickel oxide and sinter and all other solid metals and minerals produced in Cuba

CUBATABACO (Empresa Cubana del Tabaco)	Aguiar No. 360 P.O. Box 6557 Havana, Cuba	CUBATABACO 61-9971
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- Cigars, cigarettes, leaf tobacco and semiprocessed tobacco

CUBAZUCAR (Empresa Cubana Exportadora de Azucar y sus Derivados)	Calle 23 No. 55, Vedado P.O. Box 6647 Havana, Cuba	CUBAZUCAR 70-3526
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- Crude and refined sugar, sugar for animal feeds, final molasses, high test molasses, syrups, anhydrous ethyl, butyl and amyl alcohols

Export Companies Cont'd

<u>Company</u>	<u>Mailing Address</u>	<u>Cable Address &amp; Telephone Number</u>
CARIBEX - EXPORTADORA DEL CARIBE (Empresa Cubana Exportadora de Pescados y Mariscos)	Puerto Pesquero Ensenada de Pote y Atarés P.O. Box 138 Havana, Cuba	CARIBEX 99-1805

- Fresh, frozen and canned fish and shellfish, shrimp, lobster, sponges and other sea products, frogs' legs

Import - Export Companies

ECOFIL (Empresa Comercial Filatélica)	O'Reilly No. 624 P.O. Box 1000 Havana, Cuba	ECOFIL 61-3384
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- Postage stamps for collectors, first-day envelopes

EGREM (Empresa de Grabaciones y Ediciones Musicales)	San Miguel No. 410 P.O. Box 2217 Havana, Cuba	EGREM 61-5939
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- Musical recordings (tapes) sheet music, phonograph records, musical instruments

Other Agencies

CUBACONTROL (Empresa Cubana de Control)	Calle 23 y "P", Vedado P.O. Box 35 Havana, Cuba	CUBACONTROL 70-6501
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- This agency undertakes the supervision and control of import and export shipments; it also performs all manner of inspection assignments in ports, factories or warehouses as required by the Cuban Trading Company concerned or at the request of foreign clients.

CUFLET (Empresa Cubana de Fletes)	Infanto No. 14, Vedado P.O. Box 6755 Havana, Cuba	CUFLET 70-4541
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- This agency leases foreign vessels as required for handling Cuba's commercial traffic and programs all maritime transport operations. It acts both as commission agent and shipping agent.

Other Agencies Cont'd

<u>Company</u>	<u>Mailing Address</u>	<u>Cable Address &amp; Telephone Number</u>
EMPRESA CONSOLIDADA CUBANA DE AVIACION	Calle 23, y Rampa, Vedado P.O. Box 6215 Havana, Cuba	7-4911

- CUBANA, the state airline, provides passenger and cargo service on its international flights which connect with the world's principal airlines.

Responsibilities of Trade Representatives in  
Cuban Trade Commission, Montreal

Manuel Gutierrez Casanova

Maquimport  
U.S.I.E.  
Cubana de Aviacion  
Aviaimport

Eddy Luis Hernandez

Consumimport

Jose Amores

Ferrimport  
Tractoimport  
Tecnoimport

Raul Hernandez

Medicuba  
Quimimport

Carlos Dantin

Maprinter  
Cubahidraulica  
Construimport

Armando Gonzales Pla

Alimport  
Cubazucar  
Cubaniquel  
Ecofil  
Marport (Dept. of Merchant Marine)

Manuel Marzoa

Cubaexport  
Cubatabaco  
Egrem

Manolo Rodriguez

Cuflet  
Cubacontrol

Alejandro Suarez

Caribex  
Cubapesca

Carlos Herrera

Desarrollo Industrial  
Cubatex  
Cubametales  
Educuba

APPENDIX "C"

The Cuban Economy

The revolution was followed by a massive restructuring of the Cuban economy to a socialist pattern. Growing pains were intense, and up to 1966, national income had not increased over the 1962 level. 1967 and 1968 saw little improvement. In 1969, investment was interrupted in nearly all fields except those relating to the objective of achieving a record sugar harvest in 1970. Recognition of the difficulties this caused for the economy resulted in policy changes which produced the beginnings of a recovery and in 1971, the gross material product rose 2.5 per cent over 1970. 1972 and 1973 increases are estimated at 5% and 6% respectively. The official target for growth announced in 1973 was 6% per annum over the next 10 years, but this was very likely exceeded in 1974 as a result of vastly increased sugar prices.

Agricultural policy centers on instituting state farms under the Agrarian Reform Institute (INRA) in the interests of a more rapid increase in production to make Cuba as self-sufficient as possible in food and agricultural raw materials. State farms under INRA direction now control 70% of Cuban agriculture. Total value of agricultural production in 1969/70 was 1.2 billion pesos, of which 468 million were from sugar cane, 252 million from non-cane agriculture, 314 million from livestock and 44 million from fishing.

Cuba vies with Brazil as the world's largest producer of cane sugar and its major exporter. The main problems in the sugar harvest have

been shortage of manpower, poor transport, industrial stoppages through mill machinery faults, and the low level of mechanization of the harvest. By far the largest non-Communist market for Cuban sugar is Japan. Tobacco is the second farm export. Citrus production for export was 165,300 tons in 1972, but as a major sector in Cuba's development plans can be expected to expand rapidly.

Nickel reserves of 19 million tons of ore with 0.8 - 1.4% nickel content make Cuba the world's fourth biggest nickel producer, and the country is estimated to have around 24% of total world nickel reserves. Iron reserves are estimated at 7 billion tons of laterite and 110 million tons of magnetite. There are also chrome mines, and zinc concentrate has been produced. The Matahambre copper mine resumed production in 1971.

In 1972, output from the 20 oil wells in production was 3500 barrels a day, with total reserves estimated at 9 million barrels.

Through the expropriation of most private industry, the government controls 90% of industrial production, and its share is increasing as investment is made in new plants. Under the industrial development program initiated in 1963, many new industries were founded, including manufacturing facilities for glass, newsprint, tires, chemicals, acetate yarns, copper wire and cable, steel products, fertilizers, sacks and textiles. Few industrial statistics are published.

The National Bank, is now the sole banking authority in Cuba. It has complete responsibility for short-term and long-term credits, financing of capital investment, overseas payments and monetary reserves.



Sugar customarily brings in about 75% of Cuba's export earnings. The figure for 1974 is likely a good deal higher because of increased sugar prices. The high level of imports has consistently produced a substantial trading deficit, and imports continue to grow. However, Cuba is currently enjoying a favourable balance of trade, again the result of sugar prices.

## APPENDIX "D"

### Cuban Economic Prospects

#### General

There have been major improvements in Cuba's international terms of trade recently, particularly for sugar. Conversion to a planned economy has been completed, and the Cuban Government now has in hand its First Five-Year Plan (1976-80). There is an extensive program of education and technical training, geared to producing specialists to fill the needs of the economy. Production in many industries has increased, foreign exchange receipts are substantial, and the short and medium potential of Cuba as a Canadian market are good.

#### Sugar

Sugar is Cuba's single most important industry and export, providing 80 per cent of the country's foreign exchange receipts. The Government is giving high priority to the expansion and increased efficiency of this key industry. Annual production recently has been about 5 to 6 million metric tons annually. The 1974-75 sugar harvest is believed to have been about 5.5 million tons, a substantial reduction below potential because of drought conditions. However, the recent very high world market price for sugar, the probability that prices will remain considerably above historical levels, and prospects for gradually increasing domestic production as the result of better organization and methods, particularly through mechanization which also releases scarce labour, all point to increased returns from sugar

exports.

In 1974, Canada imported 110,000 tons of sugar from Cuba in comparison with 49,000 tons in 1973.

#### Agriculture

Cuba's wealth has traditionally been her agriculture, with sugar, of course, the most important product. When the revolution occurred, Cuba was producing exportable quantities of tobacco and beef and was largely self-sufficient in most vegetables and tropical fruits.

The Revolutionary Government instituted strict rationing of all foodstuffs and moved quickly to vastly increase food production by application of both labour and technology. Livestock efforts shifted to dairy production, and large numbers of registered stock were imported to establish basic herds, upgrade domestic cattle, and underpin a rapidly expanding artificial breeding program. Similar upgrading and expansion have taken place in swine and poultry. In each case, most of the breeding stock was imported from Eastern Canada. Production of eggs is many times higher than the planners had hoped they could achieve when they began their program.

Vegetable production was changed from small market gardeners to huge open field operations. Distribution problems and the lack of adequate canning or freezing facilities has meant that so far Cuba has been unable to offer its consumers the year-round variety and quantity they would like. These problems should be eliminated within the Five-Year Plan. Tropical fruit production has likewise been reorganized with similar problems. Cuba seeks by 1980 to be a major exporter of fresh citrus fruits, especially

grapefruit.

### The Five Year Plan

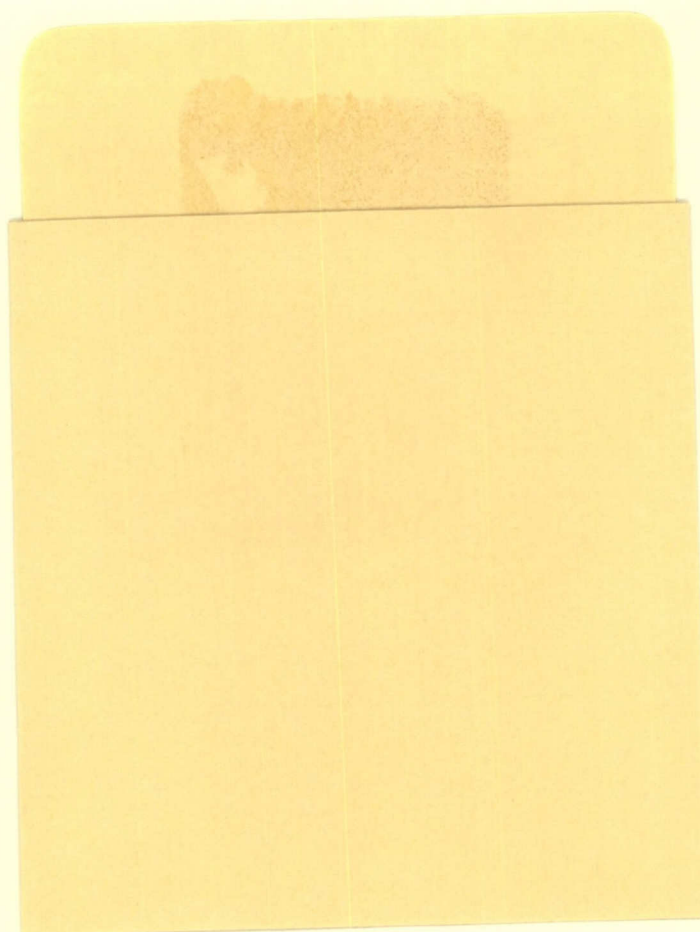
Cuba's first formal Five Year Plan is the one currently being undertaken for the period 1976 - 80. Planning is on a sectoral basis, each part of the economy being planned, administered and controlled separately through the setting of goals and the allocation of resources to achieve these goals. "Juceplan" must thus set priorities and goals between and within the various sectors.

Cuba hopes by 1980 to have essentially mechanized the sugar harvest and to have its agricultural sector highly developed. Education and public health facilities will be expanded to offer complete service to all. Housing and factories will be constructed at a much faster rate. To accomplish these goals, the sectors of concentration in the plan are basic industry, especially construction and construction materials, transportation, communications and energy. By 1980, most agricultural and social programs should be completed and the following Five Year Plan will have much greater emphasis on industrialization than the present one.

Juceplan works in close co-operation with all the various industries and the Banco Nacional de Cuba in planning Cuban imports and exports, establishing trading protocols and patterns, and allocating Cuba's limited supply of hard currency where it will have the greatest return. Many of the projects proposed for the Five Year Plan will probably have to be purchased abroad on a turn-key basis. These turn-keys cover a multitude of industrial

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sectors and any Canadian firm prepared to bid on any of them can expect a good reception from the Cubans and a good deal of competition from Western Europe and Japan.



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