

COUNTRY PROFILE:**REPUBLIC OF CUBA****DATED:****OCTOBER 2007****CREDIT GUARANTEE:**

| | <i>Country Rating</i> | <i>U/W Method</i> |
|-------------------|-----------------------|-------------------|
| <i>Short-term</i> | ZZ | Off Cover |

Recent Political Highlights

- ❑ Chief of state since 1976 has been President Fidel Castro Ruz. Since he handed over power to his brother and Vice President Raul Castro in July 2006, the process of succession has taken place. It seems unlikely that Fidel Castro will return to office;
- ❑ Cuba survived more than forty years of US sanctions intended to topple the Government of Fidel Castro. It also defied predictions that it would not withstand the collapse of one-time supporter, the Soviet Union;
- ❑ The United Nations General Assembly overwhelmingly condemned the US economic, financial and commercial blockade of Cuba, after voting in favour of the island's resolution against the US's unilateral measure. This is the 16th conservative year in which the UN condemned the US measure imposed on the island.

Recent Economic Highlights

- ❑ Cuba has a population of 11.4m that is estimated to grow at a rate of 0.3% in 2007;
- ❑ The Cuban Government continues to balance the need for economic reform against a desire for political control. The 2006 high metal prices boosted earnings from nickel and cobalt output and Havana continues to invest in the country's energy sector to alleviate electrical blackouts that have plagued the country since 2004;
- ❑ Cuba expects GDP growth of 10% this year, but The Economist expects economic growth to decelerate to 7% in 2007 and 5.4% in 2008. Investment is said to drive growth supported by rising household spending. Construction, infrastructure, manufacturing and some recovery in agriculture will support growth this year. Government expects an increase in exports and energy saving to boost growth. The Economist expects significant reforms to take place, but believes that a quick transition is unlikely;
- ❑ Heavy rainfall has damaged over 3m seedlings that were ready for the beginning of the tobacco sowing season this month, which has now been delayed by forty days. Optimistic agricultural experts hope this year's crop campaign plans can be fulfilled with an increase of the yield of 1.480 hectares of land that should be planted to be able to harvest more than 1.500 tonnes of dry tobacco leaves;
- ❑ Cuba is expecting 2m tourists for the fourth consecutive year. Between 2007 and 2010, there will be an investment of 170m Cuban convertible pesos in the tourist sector that will benefit more than 200 facilities and will contribute to the modernisation and revitalisation of tourist products.

Latest Trade Developments

- ❑ Major exports: sugar, nickel, tobacco, fish, medical products, citrus and coffee;
- ❑ Major imports: petroleum, food, machinery and equipment and chemicals;
- ❑ Main trading partners: Canada, Netherlands, China, Bermuda, Spain, Venezuela, Germany, Italy and US;
- ❑ Twenty-one new economic accords were signed between Raul Castro and Venezuela's Hugo Chavez. Among many others, they included joint ventures to build and operate cement plants in both nations. Two plants were planned for dry and additive added mortars, petrochemical studies and facilities for the regasification of liquid natural gas and a plant to process heavy crude oil in Cuba. Two letters of intent were penned in regard to two joint ventures, one to develop the state run fishing industry of Venezuela and another to develop Cuba's fishing fleet in national and international waters;
- ❑ Seychelles and Cuba boosted their traditional ties of friendship and cooperation with a visit from Seychelles' foreign affairs minister. Both countries are keen to strengthen and widen their bilateral relations;
- ❑ Bilateral trade between Cuba and Russia increased 60% so far in 2007 compared to the same period in 2006. A substantial increase in trade is yet expected by the end of 2007. The Cuba-Russia Business Committee was established in 2005 to promote the interests of Cuban foreign trade enterprises, their constant up-dating and to provide a forum for discussing weaknesses, strengths and threats faced within today's global economy;
- ❑ Cuba and Vietnam boosted economic cooperation, highlighting the opportunities that existed in the Cuban market and Vietnam hoped to further develop its bilateral links with Cuba based on its existing potential.
- ❑ SA exports to Cuba totaled R1.7m in 2006 from R3.5m in 2005 and R1.6m in the year to July 2007.