The Information Revolution in Cuba



Although our team was officially listed as the "Caribbean" group, Cuba has been the focus of our research.

Findings:

The development of the Internet in Cuba is a fascinating topic because the setting is unique.

The combination of government and economic forces in Cuba is truly unlike any other nation in the world. Although Cuba is in many ways similar to other Latin American countries (on an economic and technological scale, for example), the political system and foreign policy separate Cuba from the rest of Latin America.

There are many obstacles to the development of the Internet in Cuba.

By far, the greatest obstacle is the restriction imposed by the government. In addition, economic reality limits the extent to which the Internet can penetrate Cuban society. The weak telecommunications infrastructure also prevents full realization of the potential of the Internet. Cuba also faces unique obstacles, such as the efforts of angry exiled "hackers" who attack Cuba's computer systems.

Despite these obstacles, the Internet in Cuba will continue to grow and may someday flourish.

The political climate in Cuba has changed noticeably in the recent past, and we anticipate further opening in the future. Certainly, the efforts of non-governmental organizations to advance the rights of freedom and expression will have an impact on Cuban society. Our final presentation includes a discussion of why, beyond the political ramifications, the future of the Internet in Cuba may be bright.

First Presentation

- Slides
 - o Educational Opportunities and Technical Capacity
 - Access and Labor Markets
- Links to data

Second Presentation

- Slides
- Links to data

Final Presentation

- Slides
 - Overview, NGOs, Obstacles & Opportunities
 - o Commercial Venture Case Study; Conclusion
- Links to data

Links

Course-related:

• For general information about the class, and to find links for other countries, visit the <u>course</u> homepage for CS377C/CLAS194.

The Caribbean & the Internet:

- The Network Startup Resource Center (NSRC), a non-profit organization, has been involved for the past decade with the deployment and integration of appropriate networking technology in various projects throughout Asia, Africa, Latin America and the Caribbean, the Middle East, and Oceania. Visit NSRC's Cuba page for some information about internet access in Cuba.
- The <u>Caribbean University Network</u> was launched in 1991 with the goal of helping Caribbean educational and scientific institutions access the internet. CUNet recently gained support from the OAS for implementation of its Phase II plan.

The Internet in Cuba:

- Steve Kettmann's article in Wired News (4/30/99) discusses the use of e-mail at the University of Havana.
- Vito Echevarria's article in Wired News (9/7/99) discusses <u>internet infrastructure and the future of WebTV in Cuba</u>.

Cuba in general:

- <u>The CIA Factbook</u> provides basic geopraphic and statistical information about Cuba.
- <u>Cubaweb</u> covers all major issues in Cuba today. Topics include news, business, politics, culture, tourism, and technology.
- <u>CubaNet</u> is a non-profit organization that supports freedom of the press and attempts to inform the world about Cuba.
- Visit Latinworld's Cuba page for some information and directories.

• The University of Texas offers a wealth of information about Latin America online through LANIC - Latin American Network Information Center. Check out LANIC's Cuba page

The Caribbean in general:

• Visit <u>The Georgetown University Caribbean Project</u> for information a variety of policy issues in the Caribbean.

We would like to extend special thanks to Taylor C. Boas for the guidance of his thesis, "www.cubalibre.cu? - Transnational Networking and the Impact of the Internet on Non-Democratic Rule" (1999).

Brought to you by <u>Matt Light-Oglander</u> and <u>Martin Gavrilov</u>. Please send us your questions, comments, and suggestions for improving our site.



Opportunities

Unique level of Control

 Lack of US presence in market leaves Cuba uniquely able to control how the Internet will be used.

Goals other than money

 Lack of market competition allows the Internet to serve social rather than financial interests.

Cuba as an Island

- Desire for connection to other societies

Education key

Cuban government strongly promotes computer-education.

State control over workers

- makes the "seed corn" problem less harmful.

Slide 7 of 7



Overview - Cuba

- Island nation 90 mi. south of Florida in the Caribbean Sea.
- Total population is approximately 11 million.
- Since 1959, Cuba's government has been dominated by Fidel Castro's Communist regime, which has exercised strict control over the economy as well as the media.
- The U.S. has maintained a trade embargo against Cuba Since the 1960s.
- Despite efforts to modernize the telecom infrastructure, it remains a weak point.
- Roughly 20,000 Cubans have an email address. (less than 0.2%)
- Monthly charges range from \$15 for six hours of low-speed connection to as much as \$560 for unlimited high-speed access
- Average wage is approximately \$20 a month.
- Tourism industry leading the way for internet development and economic growth in general.

Slide 1 of 7



NGOs - Conflict of Ideas

- Cuba's government restricts NGO operation
- U.S. Policy regardingNG0s --
 - 1992 Cuban Democracy Act (TorriceIlAct)
 - to "provide assistance, through appropriate NGOs, for the support of individuals and organization to promote nonviolent democratic change in Cuba."
- Concepts of "civil society"
 - "bottom-up" (grassroots)
 - "top-down" (state control)

Slide 2 of 7



NGOs - CubaNet

- Cubanet -- http://www.ubanet.org/
- Uses the internet to transmit news about Cuba around the world.
- Stated goals are to:
 - foster free press in Cuba
 - assists its independent sector to develop a civil society
 - inform the world about Cuba's reality
- Typical of the approach of US-based NGOs toward Cuba
- Receives funding from the United States Agency for International Development (USAID)

Slide 3 of 7















NGOs - Hermanos al Rescate

- HermanosAl Rescate- www.hermanos.org
- Organization devoted to
 - rescue those who flee Cuba
 - advocate human rights and national solidarity; support dissidents within the island
 - promote nonviolent National Civic Defiance to bring democracy and sovereignty to Cuba.
- Famous for the February 24, 1996 incident in which two of their planes were shot down by Cuban planes, killing 4.
- According to their "Plan For National Civic Defiance"
 - success depends on communication networks
 - assistance in communication most likely to come from exiles

Slide 4 of 7















NGOs - Directorio

- Directorio Revolucionario Democratico Cubanoww. directorio.org
 - believes that the fight against dictatorship to restore democracy must come from inside of Cuba.
 - has supported the dissident and opposition movement inside of Cuba
 - has acted as a vehicle for reporting human rights violations and denouncing the Cuban government from within.
- DRDC has 3 main goals:
 - To rescue the Cuban national culture
 - To promote freedom and democracy in Cuba in the face of the current dictatorship.
 - To get the Cuban youth, both inside and outside of Cuba, actively involved in the process of eliminating the dictatorship and establishing a new system of government in Cuba.

Slide 5 of 7

Overview - Cuba

12/4/99

Click here to start

Table of Contents

Overview - Cuba

NGOs - Conflict of Ideas

NGOs - CubaNet

NGOs - Hermanos al Rescate

NGOs - Directorio

Obstacles

Opportunities

Author: Matt Oglander

Email: mlo@stanford.edu

Home Page:

www.stanford.edu/~mlo/carib/caribmain.html

NGOs - Hermanos al Rescate

- Hermanos Al Rescate -- www.hermanos.org
- Organization devoted to
 - o rescue those who flee Cuba
 - o advocate human rights and national solidarity; support dissidents within the island
 - o promote nonviolent National Civic Defiance to bring democracy and sovereignty to Cuba.
- Famous for the February 24, 1996 incident in which two of their planes were shot down by Cuban planes, killing 4.
- According to their "Plan For National Civic Defiance"
 - o success depends on communication networks
 - o assistance in communication most likely to come from exiles

<u>Previous slide</u> <u>Next slide</u> <u>Back to first slide</u> <u>View graphic version</u>



Obstacles

- Poor Infrastructure:
 - especially weak telephone system
- Income:
 - most Cubans simply cannot afford internet access
- Government policies
 - restrict internet access and use
- Unique Opposition: anti-Castro exiles
 - Exiles hack CubaWeb (1996)
 - Targeted Virii

Slide 6 of 7

Opportunities

Unique level of Control

 Lack of US presence in market leaves Cuba uniquely able to control how the Internet will be used.

Goals other than money

O Lack of market competition allows the Internet to serve social rather than financial interests.

Cuba as an Island

O Desire for connection to other societies

Education key

O Cuban government strongly promotes computer-education.

State control over workers

o makes the "seed corn" problem less harmful.

Previous slide

Back to first slide

View graphic version

NGOs - CubaNet

- Cubanet -- http://www.cubanet.org/
- Uses the internet to transmit news about Cuba around the world.
- Stated goals are to:
 - o foster free press in Cuba
 - o assists its independent sector to develop a civil society
 - o inform the world about Cuba's reality
- Typical of the approach of US-based NGOs toward Cuba
- Receives funding from the United States Agency for International Development (USAID)

Previous slide Next slide Back to first slide View graphic version

NGOs - Conflict of Ideas

- Cuba's government restricts NGO operation
- U.S. Policy regarding NGOs -
 - o 1992 Cuban Democracy Act (Torricelli Act)
 - o to "provide assistance, through appropriate NGOs, for the support of individuals and organization to promote nonviolent democratic change in Cuba."

Concepts of "civil society"

- o ìbottom-upî (grassroots)
- o ìtop-downî (state control)

Previous slide Next slide Back to first slide View graphic version

Overview - Cuba

- Island nation 90 mi. south of Florida in the Caribbean Sea.
- Total population is approximately 11 million.
- Since 1959, Cuba's government has been dominated by Fidel Castro's Communist regime, which has exercised strict control over the economy as well as the media.
- The U.S. has maintained a trade embargo against Cuba Since the 1960s.
- Despite efforts to modernize the telecom infrastructure, it remains a weak point.
- Roughly 20,000 Cubans have an email address. (less than 0.2%)
- Monthly charges range from \$15 for six hours of low-speed connection to as much as \$560 for unlimited high-speed access
- Average wage is approximately \$20 a month.
- Tourism industry leading the way for internet development and economic growth in general.

Next slide

Back to first slide

View graphic version

Obstacles

- Poor Infrastructure:

o especially weak telephone system

• - Income:

o most Cubans simply cannot afford internet access

Government policies

o restrict internet access and use

Unique Opposition: anti-Castro exiles

- o Exiles hack CubaWeb (1996)
- Targeted Virii

Previous slide Next slide Back to first slide View graphic version

NGOs - Directorio

Directorio Revolucionario Democratico Cubano -- www.directorio.org

- o believes that the fight against dictatorship to restore democracy must come from inside of Cuba.
- o has supported the dissident and opposition movement inside of Cuba
- o has acted as a vehicle for reporting human rights violations and denouncing the Cuban government from within.

DRDC has 3 main goals:

- o To rescue the Cuban national culture
- o To promote freedom and democracy in Cuba in the face of the current dictatorship.
- O To get the Cuban youth, both inside and outside of Cuba, actively involved in the process of eliminating the dictatorship and establishing a new system of government in Cuba.

Previous slide Next slide Back to first slide View graphic version

Technical Capacity, I

10/26/99

Click here to start

Table of Contents

Technical Capacity, I

Technical Capacity, II

Technical Capacity, III

Educational Opportunities, I

Educational Opportunities, II

Educational Opportunities, III

Author: Academic Computing

Email: martin.gavrilov@stanford.edu

Download presentation source



Technical Capacity, I

- Arguably the worst telecommunication infrastructure in Latin America and the Caribbean
- Concentrated on internal development rather than international connectivity
- Connectivity based on the UUCP and X.25 protocols -- outdated and poorly suited to IP traffic

Slide 1 of 6



Technical Capacity, II

- The only IP link to the Internet is 64kb/s connection to Sprint in the US
- Traffic has outgrown the connection's capacity. Hoping for an upgrade the Sprint link to 256 kb/s.
- Partnership with US companies impeded by the US embargo

Slide 2 of 6



Technical Capacity, III

- Four network providers (ISPs):
 - CENIAI
 - RENACYT
 - Teledatos
 - Infomed
- Small IP connectivity -- around 100 users
- UUCP-email relatively common and accessible: health sector, government, YCC

Slide 3 of 6



Educational Opportunities, I

- Traditional emphasis on education at all levels
- General education
 - compulsory education through the 9th grade
 - illiteracy rate of 3-6%
 - 7% of the population has graduated from college and 11% from technical schools

Slide 4 of 6



Educational Opportunities, II

Strong technical education

- 1.8 scientists and engineers per 1,000 population
- 40 universities and other centers of higher education
- over 200 research and development centers
- 1.17% of GDP devoted to technological research and development.

Slide 5 of 6



Educational Opportunities, III

Training the Support Personnel

- Classes provided by some of the ISPs
- Most is learned on the job

Training the Users

Nationwide organization of Youth Computer
 Clubs in 164 municipalities (out of 169 total)
 providing free and unstructured Net access.
 Email access available to everyone, everywhere

Slide 6 of 6

Educational Opportunities, I

Traditional emphasis on education at all levels

General education

- o compulsory education through the 9th grade
- o illiteracy rate of 3-6%
- o 7% of the population has graduated from college and 11% from technical schools

Previous slide Next slide Back to first slide View graphic version

Educational Opportunities, III

Training the Support Personnel

- O Classes provided by some of the ISPs
- Most is learned on the job

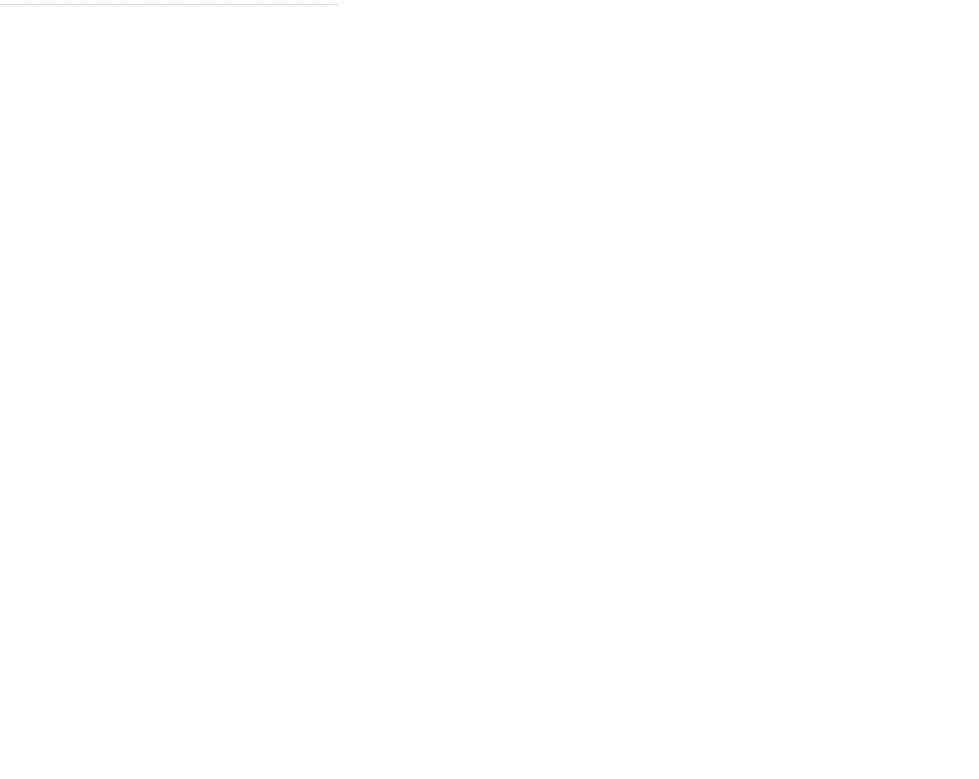
Training the Users

O Natio nwide organization of Youth Computer Clubs in 164 municipalities (out of 169 total) providing free and unstructured Net access. Email access available to everyone, everywhere

Previous slide

Back to first slide

View graphic version



http://www.stanford.edu/~mlo/carib/slides/ed-tech/ole



http://www.stanford.edu/~mlo/carib/slides/ed-tech/ole



http://www.stanford.edu/~mlo/carib/slides/ed-tech/ole

of the control of the





















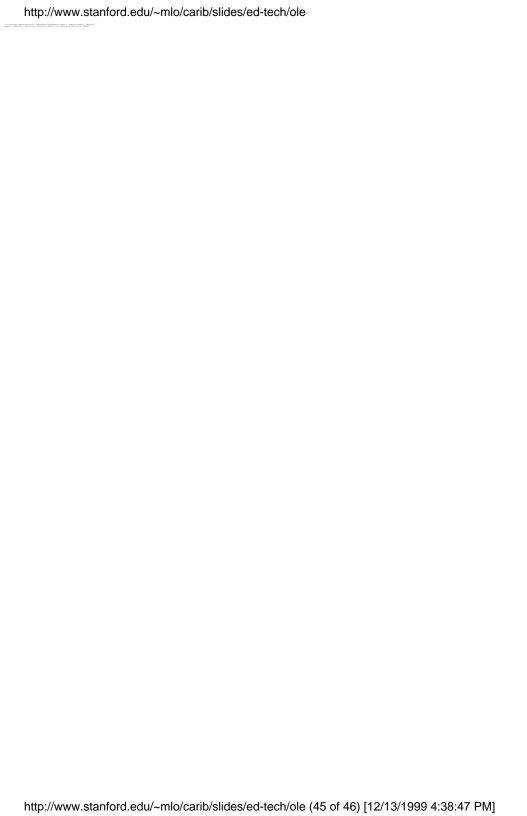












Technical Capacity, III

- Four network providers (ISPs):
 - o CENIAI
 - o RENACYT
 - Teledatos
 - Infomed
- Small IP connectivity -- around 100 users
- UUCP-email relatively common and accessible: health sector, government, YCC

Previous slide Next slide Back to first slide View graphic version

Technical Capacity, II

- The only IP link to the Internet is 64kb/s connection to Sprint in the US
- Traffic has outgrown the connection is capacity.
 Hoping for an upgrade the Sprint link to 256 kb/s.
- Partnership with US companies impeded by the US embargo

<u>Previous slide</u> <u>Next slide</u> <u>Back to first slide</u> <u>View graphic version</u>

Technical Capacity, I

- Arguably the worst telecommunication infrastructure in Latin America and the Caribbean
- Concentrated on internal development rather than international connectivity
- Connectivity based on the UUCP and X.25 protocols -- outdated and poorly suited to IP traffic

Next slide Back to first slide View graphic version

Educational Opportunities, II

Strong technical education

- o 1.8 scientists and engineers per 1,000 population
- o 40 universities and other centers of higher education
- o over 200 research and development centers
- o 1.17% of GDP devoted to technological research and development.

Previous slide Next slide Back to first slide View graphic version

Cuba and the Information Revolution

10/30/99

Click here to start

Table of Contents

Cuba and the Information Revolution

Access

Access

Censorship vs. Restricted Access

Access: Political control vs. economic

benefit

Access: Dictatorís dilemma

Labor Markets

Author: Matt Oglander

Email: mlo@leland.stanford.edu

Home Page:

http://www.stanford.edu/~mlo/carib/caribmain.html

Download presentation source















Cuba and the Information Revolution

 $Obstacles {\scriptstyle \mathsf{and} \; \mathsf{Opportunities}}$

Slide 1 of 7















Access

- Usual pattern of access growth is:
 - 1. early research/experimentation in networking among academic/scientific communities
 - 2. emergence of commercial ISPs
 - 3. explosive growth of infrastructure guided by "invisible hand" of market

Slide 2 of 7



Access

- Steps 2 and 3 can't occur in Cuba!
 - process depends on existence of a market
 - example. China has a huge emerging market, Cuba's is small, unsteady, highly restricted

Slide 3 of 7















Censorship vs. Restricted Access

- · Cuba's strategy is constrained
 - Resistance to political reform via strict control of all media
 - Concerns over subversive potential of internet are strengthened by goals of US policy
 - View of globalization drawn from Marxist/Leninist philosophy
 - Technological limitations prevent Cuba from implementing censorship on a scale similar to China

Slide 4 of 7















Access: Political control vs. economic benefit

• China

- Cuba
- Encourage widespread access
- Shouldn't be expected to promote widespread access
- Let market direct pattern of growth
- Won't let market direct growth

Slide 5 of 7



Labor Markets

- Brain Drain
- "El Duque"
- Absence of information/service sector
- Gov't control: possible advantage?

Slide 7 of 7

0

0

Censorship vs. Restricted Access

Cubaís strategy is constrained

- Resistance to political reform via strict control of all media
 - O Concerns over subversive potential of internet are strengthened by goals of US policy
 - O View of globalization drawn from Marxist/Leninist philosophy
 - Technological limitations prevent Cuba from implementing censorship on a scale similar to China

<u>Previous slide</u> <u>Next slide</u> <u>Back to first slide</u> <u>View graphic version</u>















Access: Dictator's dilemma

- · Conflict of interest:
 - Exploit internet for economic gain, risk political effects
 » or
 - Clamp down while foregoing economic gain
- · 3 choices
 - Laissez-faire
 - Regulation (content)
 - Regulation (access)

Slide 6 of 7

Labor Markets

- Brain Drain
- ìEl Duqueî
- Absence of information/service sector
- Govít control: possible advantage?

Previous slide Back to first slide View graphic version

0Empgy: dd0gg1gggggg

69° Whuba and the Information Revolution9°

:P*
05"Access:*bb6"cUsual pattern of access growth

3. explosive growth of infrastructure guided by 'invisible hand' of market ;~4V L4PVPp pbT hoceas;() pf witeps 2 and 3 can't occur in Cuba!

þ09° Censorship vs. Restricted Access;(∣ þþ49 [Cuba s strategy is constrained

Annual control of the control of the

T'Access Folitical entrei vs. semente besefit['/ 47"Mih.
Romunege videspread access
tes maries direct paterns d' growth
(DAT "Cohe
Bondin t he seperied to promie videspread access
Non t les maries direct growth/5555
T decesses Director of disease; Primedire d'interest'
T decesses Director of disease; Primedire d'interest'
con de la commanda de la co

Clamp dome milit foregoing secondar gain

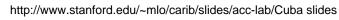
J. dissions

S. dissions

S.

59-9-9-9-9-9-9-9-9-555 50-56-Ekwit-f₂Äg Se*BPAÄk STP Click to edit Master title stylet!*





500-0004-7/A0 0"-005A

881 8 CONSINIZAÇÇBEP•• SÂN

0 foots[62.fgApon0] ONFObstacles and Opportunities; (2 P01 0 COc.[6290 A



881 8 C001)6298698988 8

http://www.stanford.edu/~mlo/carib/slides/acc-lab/Cuba slides	
http://www.atanford.adu/_mlo/corib/olidos/oco.lab/Cuba.alidos/10.af 47\ [12/12/1000 4:41:26 DM]	

http://www.stanford.edu/~mlo/carib/slides/acc-lab/Cuba slides	
http://www.atanford.adu/_mlo/corib/olidos/oog.lab/Cuba alidos/22 of 47\[12/42/1000.4:41:26 DM]	

aşaı aş cae≃ve_şae≎ışa⊼ b 0(01 0(C5EDys∠90€°E90% %

SCubs and the Information RevolutionMatt OglandernfMatt Oglandernf

http://www.stanford.edu/~mlo/carib/slides/acc-lab/Cuba slides



On-acreen ShowtOCs (4:TimesGenevaTechnoDefault DesignQCubs and the Information RevolutionAccessAccess(Censorship

UsedDesign Template Slide Titles 6>

Access

Steps 2 and 3 can't occur in Cuba!

o process depends on existence of a market

Э

o example: China has a huge emerging market, Cuba's is small, unsteady, highly restricted

Previous slide Next slide Back to first slide View graphic version

Access

• Usual pattern of access growth is:

- 1. early research/experimentation in networking among academic/scientific communities
- 2. emergence of commercial ISPs
 - o 3. explosive growth of infrastructure guided by "invisible hand" of market

<u>Previous slide</u> <u>Next slide</u> <u>Back to first slide</u> <u>View graphic version</u>

Cuba and the Information Revolution

Obstacles and Opportunities

Next slide Back to first slide View graphic version

Access: Dictatorís dilemma

Conflict of interest:

- O Exploit internet for economic gain, risk political effects
 - Or
- O Clamp down while foregoing economic gain

0

3 choices

- o Laissez-faire
- Regulation (content)
- o Regulation (access)

Previous slide Next slide Back to first slide View graphic version

Access: Political control vs. economic benefit

• China

- o Encourage widespread access
- O Let market direct pattern of growth

• Cuba

- O Shouldnít be expected to promote widespread access
- 0
- O Wonít let market direct growth

Previous slide Next slide Back to first slide View graphic version

Sources for first presentation:

- http://som.csudh.edu/cis/lpress/devnat/nations/cuba/index.htm
- http://som.csudh.edu/cis/lpress/ieee.htm
- http://www.link.no/IPS/eng/cat/ED.html (full text at http://burn.ucsd.edu/archives/chiapas-1/1998.12/msg00412.html)
- http://www.latinolink.com/news/news98/0403ncub.htm
- http://library.advanced.org/18355/education_in_cuba.html
- http://www.worldwide.edu/ci/cuba/
- http://www.unesco.org/iau/educcu.html
- http://www.georgetown.edu/sfs/programs/clas/Caribe/bp13.htm
- http://www.hotwired.com/collections/censorship/6.02_cuba_internet1.html
- http://www.ciponline.org/articles.htm

Presentation #2

11/10/99

Click here to start

Table of Contents

Cuban Legislature

Cuban Politics

Cuban Labor and Environment Regulations

Effect of Government Policies: US

Sources of Financing

Investment Infrastructure

Private Sector

Author: Matt Oglander

Email: mlo@stanford.edu

Download presentation source



Cuban Legislature

- Joint ventures permitted since 1982 (max 49% share)
- 1992 Cuban constitution modified, to recognize new forms of property
- 1992 foreign corporations allowed to repatriate profits
- 1993 telecommunications privatized through joint venture (29.9% owned by the Italian STET)
- 1995 investment permitted up to 100%
- Investors guaranteed full protection, allowed to remove profits in hard currency
- · 1996 law passed reducing tariffs on imported goods
- 1996 law established free trade zones, industrial parks, with associated tax breaks

Slide 1 of 7



Cuban Politics

- Cuba's emphasis remains on internal development
- Curbing the network access of NGOs (fear of subversion)
- Imposing control over Internet content like France, China, Germany (through regulatory agencies) and Vietnam and Singapore (through centralizing traffic)
- Imposing control over Internet access and content by setting up a local copy of the Net
- In 1996 Decree-Law 209 issued creating a Inter-Ministerial Commission to regulate access and manage networking (compare with big capital in rest of Latin America)

Slide 2 of 7



Cuban Labor and Environment Regulations

- Typically, investments in Third World countries are sought because of fewer environmental restrictions and labor protection
- This is not the case in Cuba:
 - Investors required to provide for waste disposal and sound land use
 - Workers are hired through the state. They can challenge a dismissal as unfair or discriminatory.
 - Discrimination on basis of race, sex or ethnicity is prohibited in Cuban and foreign companies

Slide 3 of 7



Effect of Government Policies: US

- Embargo since early 1960s
- Cuban Democracy Act of 1992
- Helms-Burton Act ("Cuban Liberty and Democratic Solidarity Act" of 1996)
 - Title III suspension -- to "expedite a transition to democracy in Cuba"
 - **Title IV**enforcement -- based on "the principle of respect for the property rights of U.S. citizens."

Slide 4 of 7



Sources of Financing

Government

- No access to credit from int'l financial institutions like the World Bank.
- Because of its poor credit rating, an \$11 billion hard currency debt, and the risks associated with Cuban investment, interest rates are high.

Foreign Investment

- Big foreign investors are Canada, Mexico, Spain, UK, Italy, France
- Many major trading partners -- Canada is a prime example -- reject
 US attempts to regulate their business and ignore Helms-Burton.
- telecommunications is the #1 industry

NGOs

- Foreign NGOs providing basis for funding networks
- CIDA provides funding
- USAID could help fund NGOs!

Slide 5 of 7



Private Sector

- Havana in 1993 legalized self-employment for some 150 occupations, in order to:
 - provide jobs for workers laid off due to the economic crisis
 - furnish services the government was having difficulty providing
 - try to bring some forms of black market activity into legal--and therefore controllable--channels
- The government tightly controls the private sector by regulating and taxing it
 - Monthly fees (regardless of income)
 - Service restrictions
 - Strict inspections (stiff fines)

Slide 7 of 7

Effect of Government Policies: US

- Embargo since early 1960s
- Cuban Democracy Act of 1992
- Helms-Burton Act (ìCuban Liberty and Democratic Solidarity Actî of 1996)
 - o Title III suspension -- to "expedite a transition to democracy in Cuba"
 - Title IV enforcement -- based on ithe principle of respect for the property rights of U.S. citizens.î

<u>Previous slide</u> <u>Next slide</u> <u>Back to first slide</u> <u>View graphic version</u>













Investment Infrastructure

- Cuba's internet investment infrastructure is weak, but growing.
 - Two promising groups have yet to establish a web presence:
 - "Silicon Calle"
 - · coming soon: "www. siliconcalle.com"
 - "CUBA Investments Securities Corp.": New Web Site in 2000
- · Cuba Economic News
 - reports on Cuba's economy
 - investment information for potential investors.

Slide 6 of 7

Private Sector

- Havana in 1993 legalized self-employment for some 150 occupations, in order to:
 - o provide jobs for workers laid off due to the economic crisis
 - o furnish services the government was having difficulty providing
 - o try to bring some forms of black market activity into legal--and therefore controllable--channels
- The government tightly controls the private sector by regulating and taxing it
 - o Monthly fees (regardless of income)
 - Service restrictions
 - Strict inspections (stiff fines)

Previous slide

Back to first slide

View graphic version

http://www.stanford.edu/~mlo/carib/slides/secondpres/slides	
	annananananananananananananananananana



provided sizer SHE (see SHE sheet)
1900 Chart manifestion smallfully in recognize our forms of property
1900 Chart manifestions smallfully in recognized surface (SHE-N) would by the Painland SHE-N
1900 Chart manifestion of the SHE-N
1900 Chart ma

The control of the co

The main day fast that

Opposition (1994) and that

Opposition (1994) and opposition (19

1833 legalized util-regiones for one 1855 energations, in order to precise jobs for workers taid of date to the remember origin founds services the government was hering difficulty providing tyre to being earn offers of files hands activity into legal-read therefore nontralishin-visuousla mentions and the contraction of the contract of the contraction o

he government tightly nomincis the private menter by regulating and taming is inship from (reporting of insorting the private menter by regulating and taming is nowine restrictions are restrictions. (In the control of time) and the control of the

ApplySylvySylvySylvySolv Abb AbcolderfyDy Acrosoll ACT Click to main Heater title stylvest* \$700-000*fyDe Salvall, \$700-0





t coer--Toesanay tag





esc (coerre_personi esc





CORDUST-CORPUSED.



control Control





t coeste coesteat st



a_9sca+*+**0s*



http://www.stanford.edu/~mlo/carib/slides/secondpres/slides









Cuban Labor and Environment Regulations

- Typically, investments in Third World countries are sought because of fewer environmental restrictions and labor protection
- This is not the case in Cuba:
 - o Investors required to provide for waste disposal and sound land use
 - O Workers are hired through the state. They can challenge a dismissal as unfair or discriminatory.
 - O Discrimination on basis of race, sex or ethnicity is prohibited in Cuban and foreign companies

Cuban Politics

- Cubaís emphasis remains on internal development
- Curbing the network access of NGOs (fear of subversion)
- Imposing control over Internet content like France, China, Germany (through regulatory agencies) and Vietnam and Singapore (through centralizing traffic)
- Imposing control over Internet access and content by setting up a local copy of the Net
- In 1996 Decree-Law 209 issued creating a Inter-Ministerial Commission to regulate access and manage networking (compare with big capital in rest of Latin America)

Cuban Legislature

- Joint ventures permitted since 1982 (max 49% share)
- 1992 Cuban constitution modified, to recognize new forms of property
- 1992 foreign corporations allowed to repatriate profits
- 1993 telecommunications privatized through joint venture (29.9% owned by the Italian STET)
- 1995 investment permitted up to 100%
- Investors guaranteed full protection, allowed to remove profits in hard currency
- 1996 law passed reducing tariffs on imported goods
- 1996 law established free trade zones, industrial parks, with associated tax breaks

Next slide

Back to first slide

View graphic version

Investment Infrastructure

- Cuba's internet investment infrastructure is weak, but growing. Two promising groups have yet to establish a web presence:
 - o ìSilicon Calleî
 - coming soon: "www.siliconcalle.com"
- ìCUBA Investments Securities Corp.î : New Web Site in 2000
- Cuba Economic News
 - o reports on Cuba's economy
 - o investment information for potential investors.

Sources of Financing

Government

- O No access to credit from intil financial institutions like the World Bank.
- O Because of its poor credit rating, an \$11 billion hard currency debt, and the risks associated with Cuban investment, interest rates are high.

Foreign Investment

- O Big foreign investors are Canada, Mexico, Spain, UK, Italy, France
- O Many major trading partners -- Canada is a prime example -- reject US attempts to regulate their business and ignore Helms-Burton.
- o telecommunications is the #1 industry

NGOs

- o Foreign NGOs providing basis for funding networks
- o CIDA provides funding
- O USAID could help fund NGOs!

0

Sources for second presentation:

- Internet CUBA http://www.cybercuba.com/InternetCUBA.html
- <u>US State Department Cuba Site http://www.state.gov/www/regions/wha/cuba/index.html</u>
- Text of Helms-Burton Act http://www.state.gov/www/regions/wha/cuba/helms-burton-act.html
- Foreign Investment in Cuba by Country http://www.cubatrade.org/foreign.html
- Compilation of news and info relating to Cuban business http://www.cubabiz.com/
- <u>US and international trade policy toward Cuba</u> http://www.dfait-maeci.gc.ca/english/foreignp/dfait/policy_papers/1993/93_04_e/s8.html
- <u>Cuban Trade and Economic Overview -</u>
 http://www.dfait-maeci.gc.ca/geo/html_documents/cubatrad-e.htm
- One example of an NGO active in Cuba http://www.canurb.com/ipo/cuba_5.htm
- Press, Larry. "Cuban Telecommunication Infrastructure and Investment.", presented at the Conference of the Association for the Study of the Cuban Economy, Miami, FL, August, 1996. http://som.csudh.edu/cis/lpress/devnat/nations/cuba/asce.htm
- Press, Larry, "Cuba," in The MOSAIC Group, The Global Diffusion of the Internet Project, An Initial Inductive Study, March 1998.
 http://som.csudh.edu/cis/lpress/devnat/nations/cuba/cubasy.htm
- Valdés, Nelson P. "Cuba, the Internet, and U.S. Policy", The Cuba Briefing Paper Series, Number 13, March 1997
 http://www.georgetown.edu/sfs/programs/clas/Caribe/bp13.htm
- "Cuba in Transition" Proceedings of the Annual Meetings of the Association for the Study of the Cuban Economy (ASCE)
 http://www.lanic.utexas.edu/la/cb/cuba/asce/
- Gordon, Joy. "Cuba's Entrepreneurial Socialism" The Atlantic Monthly, Jan 1997. http://www.theatlantic.com//issues/97jan/cuba/cuba.htm
- Cuba Reference Desk. Economy section. http://lanic.utexas.edu/la/cb/cuba/

Cuba specifics, Internal

12/2/99

Click here to start

Table of Contents

Cuba specifics, Internal

Cuba specifics, External

Telecom Industry Background, I

Telecom Industry Background, II

Telecom Industry History, I

Telecom Industry History, II

Telecom Industry History, III

Cuba Today

Conclusion

Author: Academic Computing

Email: martinga@cs.stanford.edu

Download presentation source



Cuba specifics, Internal

- On technical as well as political levels: concentration on internal development, rather than external connections
- The best educational system in Latin America
- Strong technical education (40 universities, over 200 R&D centers)
- Good labor and environmental protection
- Telecommunications seen as national priority. The beneficiaries are the hard-currency generating industries (tourism and biotechnology).

Slide 1 of 9



Cuba specifics, External

- Lost economic partners in the Socialist Block and the USSR
- Political tensions between Cuba and the U.S.
 - The Cuban Democracy Act of 1992 calls for improving info exchanges.
 Authorizes US-based communications companies to share revenues with Cuba's national phone company ETECSA.
 - The Cuban Liberty and Democratic Solidarity Act of 1996 amends the Cuban Democracy Act in restricting communication investment.
 - The Helms-Burton Act of 1996. EU brings an action against U.S. before the WTO and introduces retaliatory legislation. Canada and Mexico passed retaliatory legislation as well.
 - The effect of the embargo for Cuba is devastating while the U.S. looses an estimated \$1-\$2 billion in export.

Slide 2 of 9



Telecom Industry Background, I

- Considered the worst telecom infrastructure in Latin America (no data backbone, telephone infrastructure obsolete and deteriorating)
 - Info revolution constrained more by the internal infrastructure than the not-fully adequate international connectivity.
 - Almost all of the national data traffic is using UUCP and X.25 marking a difficult transition to TCP/IP.
 - Unmanageable mixture of different equipment base (France, U.S., Canada, Scandinavia, East Germany, Hungary).
 Interruption of supplies of spare parts from Eastern Europe.

Slide 3 of 9



Telecom Industry Background, II

- Current demand for calls is around \$250 million per year.
 Dramatic increase expected if the US trade embargo is revoked.
- Potential that Cuba becomes a center for cable communications between the U.S. and the Caribbean, and later the hub of a U.S./Caribbean/Central America/South America loop.
- The Cuban national phone company Empresa de
 Telecomunicaciones del Cuba, S. A. (ETECSA) has inherited
 assets of the nationalized Cuban Telephone Company, an ITT
 subsidiary. The US-based ITT has an outstanding claim for
 \$131 million against the Cuban Government.

Slide 4 of 9











A)

Telecom Industry History, I

- In 1993, Cuba decides to privatize its telecom industry (after the 1992 constitution changes).
- 6/94, Mexico holding company Grupo Domos Internacional (Domos), agrees to purchase a 49% of ETECSA for \$1.5 billion. As a joint venture, ETECSA has a concession for 25 years with two possible 12-year extensions to provide:
 - Basic national, domestic long distance, and international telecom services
 - Data transmission
 - Telex
 - · Public telephones
 - Trunked radio communication
 - Subscription TV
 - Paging
 - · Other value-added services (except for cellular telephony)

Slide 5 of 9



Conclusion

- Cuba is one of the most promising countries in Latin America
- Cuba's networking is not that different from much of Latin America, where networking has been centralized by private capital (due the Net's commercialization and the presence of foreign capital).
- Market globalization makes possible the emergence of few big players which will control the future of Latin America.

Slide 9 of 9

Telecom Industry Background, II

- Current demand for calls is around \$250 million per year. Dramatic increase expected if the US trade embargo is revoked.
- Potential that Cuba becomes a center for cable communications between the U.S. and the Caribbean, and later the hub of a U.S./Caribbean/Central America/South America loop.
- The Cuban national phone company Empresa de Telecomunicaciones del Cuba, S. A. (ETECSA) has inherited assets of the nationalized Cuban Telephone Company, an ITT subsidiary. The US-based ITT has an outstanding claim for \$131 million against the Cuban Government.



Cuba Today

- Cuba plans to invest US\$900 millions through 2004 for telecom upgrades (digitalization, phone lines increase, public phones)
- Two national telecom systems
 - U.S. Dollar-only-use digitized system and analog cellular telephone system which used mainly by foreigners.
 - Peso-only-use system for Cuban nationals. Investments of over US\$100 millions which move toward digitizing of existing lines and improved service
- European technology used to produce fiber-optic cables for internal use and export
- Plans to eliminate subsidies to government-operated companies by 2003 in compliance with the rules of the WTO.

Slide 8 of 9

Conclusion

- Cuba is one of the most promising countries in Latin America
- Cubals networking is not that different from much of Latin America, where networking has been centralized by private capital (due the Netls commercialization and the presence of foreign capital).
- Market globalization makes possible the emergence of few big players which will control the future of Latin America.

<u>Previous slide</u> <u>Back to first slide</u> <u>View graphic version</u>



Telecom Industry History, II

- 5/95, Domos sells 25% of their interest to STET International Netherlands, N. V., a subsidiary of the Italian State Telecommunication Company Telecom Italia for \$291.2 million.
- STET, the world's fifth largest telecom company in terms of revenues, owns significant equity interests in the national telecom companies of the Republic of Cuba, Argentina, Bolivia, Chile, Venezuela.
- 2/97, Domos defaults on the required investment and looses their equity. STET now controls 29.29%, the Cuban government 49%, and a coalition of banks the remainder.

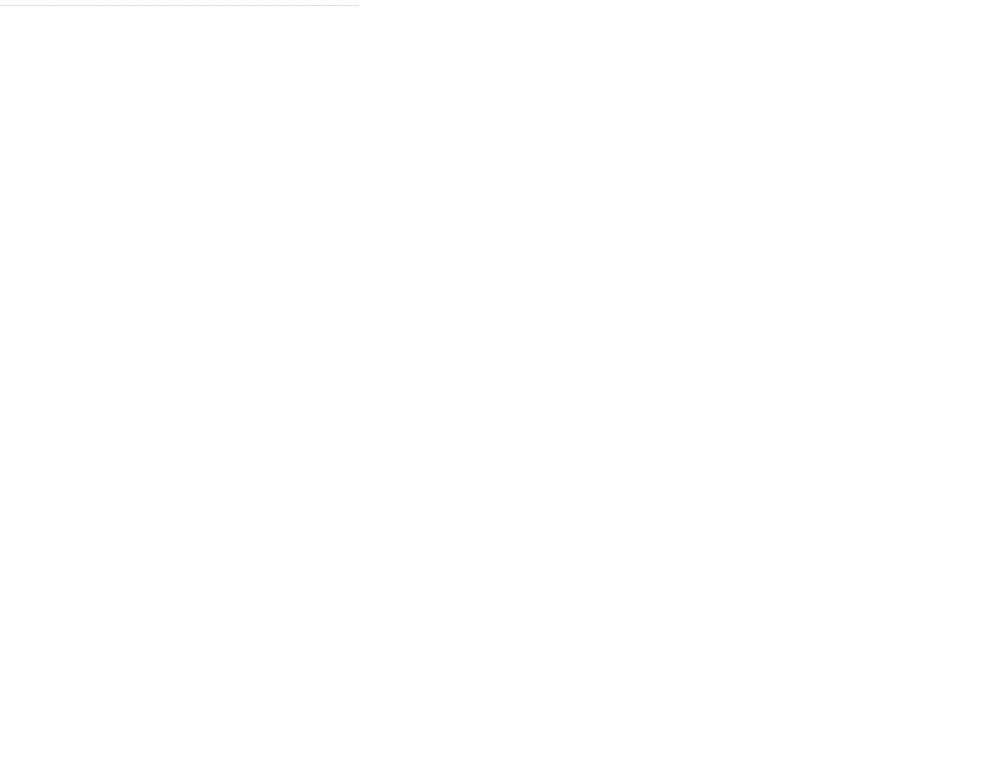
Slide 6 of 9



Telecom Industry History, III

- 7/97, STET and AT&T form a joint venture to develop the Latin American telecom market, expected to increase 70% during the next 4 years (Cuba excluded of the deal).
- 7/97, STET and ITT reach agreement where STET will pay US\$25 million to ITT Corporation for a ten-year right to use assets within the Republic of Cuba.
- 6/98, EXCITE establishes a partnership with Telecom Italia (whose subsidiary is STET) to develop enhanced search, E-mail, and online communication capabilities.

Slide 7 of 9



http://www.stanford.edu/~mlo/carib/slides/comc/present3

http://www.stanford.edu/~mlo/carib/slides/comc/present3

with an published valued consecuted to an indicated absorption, order than artistical associations of the consecution of the co

An experimental of the property of the control of the property of the property

We will not be a second of the control of the contr

A measurement of the contract of the contract

Underline prime in travel IMERE actions libraryh tills for fahorin opprates (Asprainacion), plane time a skell plane; or mel nest (also sprime or mel nest (also sprime). The second operate sprime and a second outsides (also second operate should be prosent outside of the second operate operate outside to the library libraries which was based disprimely controlly time and approved actions. http://www.stanford.edu/~mlo/carib/slides/comc/present3

or "

The definition of the "W

The definiti



desides of the second s





































































A CONTRACTOR OF THE CONTRACTOR











Telecom Industry Background, I

- Considered the worst telecom infrastructure in Latin America (no data backbone, telephone infrastructure obsolete and deteriorating)
 - Info revolution constrained more by the internal infrastructure than the not-fully adequate international connectivity.
 - Almost all of the national data traffic is using UUCP and X.25 marking a difficult transition to TCP/IP.
 - O Unmanageable mixture of different equipment base (France, U.S., Canada, Scandinavia, East Germany, Hungary). Interruption of supplies of spare parts from Eastern Europe.

Cuba specifics, External

Lost economic partners in the Socialist Block and the USSR

Political tensions between Cuba and the U.S.

- O The Cuban Democracy Act of 1992 calls for improving info exchanges. Authorizes US-based communications companies to share revenues with Cubals national phone company ETECSA.
- The Cuban Liberty and Democratic Solidarity Act of 1996 amends the Cuban Democracy Act in restricting communication investment.
- The Helms-Burton Act of 1996. EU brings an action against U.S. before the WTO and introduces retaliatory legislation. Canada and Mexico passed retaliatory legislation as well.
- The effect of the embargo for Cuba is devastating while the U.S. looses an estimated \$1-\$2 billion in export.

Cuba specifics, Internal

- On technical as well as political levels: concentration on internal development, rather than external connections
- The best educational system in Latin America
- Strong technical education (40 universities, over 200 R&D centers)
- Good labor and environmental protection
- Telecommunications seen as national priority.
 The beneficiaries are the hard-currency generating industries (tourism and biotechnology).

Next slide Back to first slide View graphic version

Telecom Industry History, II

- 5/95, Domos sells 25% of their interest to STET International Netherlands, N. V., a subsidiary of the Italian State Telecommunication Company Telecom Italia for \$291.2 million.
- STET, the world's fifth largest telecom company in terms of revenues, owns significant equity interests in the national telecom companies of the Republic of Cuba, Argentina, Bolivia, Chile, Venezuela.
- 2/97, Domos defaults on the required investment and looses their equity. STET now controls 29.29%, the Cuban government 49%, and a coalition of banks the remainder.

Telecom Industry History, I

- In 1993, Cuba decides to privatize its telecom industry (after the 1992 constitution changes).
- 6/94, Mexico holding company Grupo Domos Internacional (Domos), agrees to purchase a 49% of ETECSA for \$1.5 billion. As a joint venture, ETECSA has a concession for 25 years with two possible 12-year extensions to provide:
 - o Basic national, domestic long distance, and international telecom services
 - Data transmission
 - o Telex
 - Public telephones
 - Trunked radio communication
 - o Subscription TV
 - o Paging
 - Other value-added services (except for cellular telephony)

Cuba Today

- Cuba plans to invest US\$900 millions through 2004 for telecom upgrades (digitalization, phone lines increase, public phones)
- Two national telecom systems
 - O U.S. Dollar-only-use digitized system and analog cellular telephone system which used mainly by foreigners.
 - O Peso-only-use system for Cuban nationals. Investments of over US\$100 millions which move toward digitizing of existing lines and improved service
- European technology used to produce fiber-optic cables for internal use and export
- Plans to eliminate subsidies to government-operated companies by 2003 in compliance with the rules of the WTO.

Telecom Industry History, III

- 7/97, STET and AT&T form a joint venture to develop the Latin American telecom market, expected to increase 70% during the next 4 years (Cuba excluded of the deal).
- 7/97, STET and ITT reach agreement where STET will pay US\$25 million to ITT Corporation for a ten-year right to use assets within the Republic of Cuba.
- 6/98, EXCITE establishes a partnership with Telecom Italia (whose subsidiary is STET) to develop enhanced search, E-mail, and online communication capabilities.

Additional sources for final presentation:

- CIA World Factbook, Cuba http://www.odci.gov/cia/publications/factbook/cu.html
- CubaNet http://www.cubanet.org/
- Hermanos al Rescate (Brothers to the Rescue) http://www.hermanos.org/
- Directorio Revolucionario Democratico Cubano http://www.directorio.org
- Another example of an NGO active in Cuba http://www.canurb.com/ipo/cuba_5.htm