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Cuba: Investors Bet On Demise Of Castro Government

by Barbara Khol

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Numerous investors are reportedly betting on the rapid demise of Fidel Castro's government. According to the New York Times, the best "deals" seem to be loans contracted by the government in Havana with banks in Canada, Germany, Japan and Spain. Debt service arrears on these loans have been accumulating for some time. Secondary market quotations on such debt instruments has increased from 5% to 10% of face value since January. If a new government would accept debt cancellation in exchange for new bonds, bond value could increase by a factor of five or six. Such an arrangement would be similar to the 1990 debt reduction accord between Mexico City and foreign commercial banks. Because of the US embargo, US companies cannot purchase the Cuban government's debt paper in secondary markets. They are limited to stocks and other financial instruments issued by private companies and the government before 1960. Included is a bond offering dating from 1937, which is still listed on the New York Stock Exchange (NYSE). In 1990, 722 pre-revolutionary Cuban bonds exchanged hands, or nearly 2% of the total. Thus far in 1991, another 1,068 were negotiated. Since Jan. 1, the price on these bonds has increased from 20% to 40% of face value. On Oct. 7, the Agence France-Presse cited an executive of the Miami-based Deltec-Panamerica firm as saying that "everyone believes it's only a matter of time for Cuba to experience phenomenal economic recovery." The company specializes in Latin American bonds. (Basic data from EFE, 10/06/91; Agence France-Presse, 10/07/91)

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