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The Redevelopment of International Tourism in Cuba

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Introduction

Classic cars, cigars, and Communism are some of the things that come to mind when thinking about Cuba. To many U.S. citizens, Cuba is a mysterious island nation just 90 miles from Florida. It has an appeal both as a tropical Caribbean island but also as one of the few remaining communist countries in the world. Until recently, there were countless restrictions on U.S. and Cuban American travel to the island. While many restrictions still exist, international travel to Cuba by people from the United States and around the world has been increasing.

Cuba was once a major destination for international tourism. Soon after the end of the Cuban Revolution in 1959, however, the tourism industry in Cuba greatly declined. During the era of the Soviet Union, the Cuban economy was closely intertwined with the economies of the Soviet Bloc and other socialist countries. When the Soviet Union collapsed during the late 1980s and into the early 1990s, the Cuban economy was decimated. Between 1989 and 1993, the gross domestic product (GDP) of Cuba decreased by nearly 35 percent, exports decreased by almost 80 percent, and imports decreased by over 75 percent. The budget deficit and international debt swelled (Pérez-López, 2002, pp. 508-9). This period of economic crisis in Cuba following the fall of the Soviet Union was known as the Special Period. During this time of economic crisis and uncertainty, the Cuban government began to turn to tourism as a way to improve the country's economy.

International tourism has been an essential economic development tool for Cuba since the Special Period, but it has also created serious social problems for the country. This paper examines how Cuba redeveloped its international tourism industry during the Special Period. Following the description of how Cuba redeveloped its tourism industry, there is a discussion of

the impact of tourism on the Cuban economy. Then, this paper discusses some of the social problems that have emerged due to international tourism.

Redevelopment of International Tourism in Cuba

Before the Revolution, tourism was Cuba's second largest export (Simon, 1995, p. 28). Under the control of the U.S. mafia, international tourism in Cuba was often accompanied by prostitution and drugs. Tourism attracted visitors from the United States and around the world (Taylor Jr. & McGlynn, 2009, p. 405). After the triumph of the Revolution in 1959, international tourism in Cuba nearly disappeared as the revolutionary government associated international tourism with "the capitalist evils of corruption, drugs, social inequality, and racism" (Taylor Jr. & McGlynn, 2009, p. 406). A year before the end of the Revolution, the number of international tourists to Cuba was over 270,000; in 1959 after the Revolution, the number of tourists plummeted to 4,000 (Taylor Jr. & McGlynn, 2009, p. 406).

From 1959 into the 1970s, there were no international development policies in Cuba, and most of the tourists to the island came from other countries in the Soviet bloc (Colantonio & Potter, 2006, p. 24). The revolutionary government in Cuba did encourage domestic tourism as a way for Cubans to vacation and learn about the country. In the 1976 by creating the National Institute of Tourism (INTUR), the government began to take a more active approach to developing the better infrastructure and policies for tourism (Colantonio & Potter, 2006, p. 25). The number of tourists to Cuba began to increase steadily from the 1970s to 1990, when about 300,000 people visited Cuba (Taylor Jr. & McGlynn, 2009, p. 406).

Despite the efforts by the government to develop the island's domestic tourist infrastructure, there were still several concerns about the state of overall tourism in Cuba, especially international tourism. Before the Special Period, Cuba had been isolated from most of the global economy. This isolation prevented it from developing the necessary infrastructure, personnel, and expertise in tourism needed to compete successfully with the more experienced and advanced tourist industries in other Caribbean countries. Throughout the 1990s, the government increased the promotion of tourism through several new strategies. It created the Ministry of Tourism in 1994 and the Ministry of Environment, Science, and Technology, as well as established a regulatory framework to assess the environmental impact of new tourism activities. The government also began to encourage foreign direct investment (FDI) in the tourism sector, created state tourism companies and operators to deal with issues such as tourist healthcare and transportation, and established several tourist zones around the country (Colantonio & Potter, 2006, pp. 24-6).

By 2002, there were over 30 institutions in Cuba involved in the development of the tourism sector in Cuba (Colantonio & Potter, 2006, p. 25). Through the Special Period, Cuba further developed its tourism industry by increasing the supply of hotels for the growing number of visitors to the island. In 1990, the number of hotel rooms was about 18,500, and ten years later, the amount of rooms had doubled to just over 37,000 (Taylor Jr. & McGlynn, 2009, p. 406). By the late 1990s, 25 joint venture companies were involved in the construction of many of those new hotel rooms and were assisting with the funding and technical expertise needed to further develop the tourism industry in Cuba (Jayawardena, 2003, p. 55).

Havana, with its international and domestic transportation networks, was the best entry point to receive international tourists and to allow them to travel across the island to other tourist

locations. In addition to being a transportation hub, Havana itself served as a center of tourism. The city had beaches nearby and some pre-existing tourist attractions and accommodations. In order to make Havana an even desirable destination, the government still needed to do a lot of development of tourist infrastructure (Taylor Jr. & McGlynn, 2009, p. 408).

The city was fortunate to already have the foundation of colonial architecture and historical sites, especially in the Old Havana area, which had been named a UNESCO World Heritage Site in 1982. The government engaged in the redevelopment of Old Havana to renovate old buildings and transform them into hotels, restaurants, bars, and shops. In Old Havana and throughout the city, the government started to develop locations for entertainment as well. Most of the bars and restaurants in Old Havana and several around the city offer live musical performance to attract visitors (Taylor Jr. & McGlynn, 2009, p. 409).

Another popular destination in Cuba is the tourist enclave of Varadero located east of Havana on a peninsula on Cuba's north coast. Varadero had been a tourist destination prior to the Revolution, but between 1959 and 1990, the revolutionary government developed and promoted the city as resort for Cubans. In 1989 as development of tourism in Varadero was increasing, the Varadero Airport was built to connect Varadero to international and domestic locations. Today the Varadero Airport is the second busiest airport in the country receiving about 30% of all tourist flights. The Central Road, which connects Varadero to Havana allows for an hour-and-a-half trip between the two cities. In the 1990s, Varadero received large amounts of investment. The number of hotel rooms tripled, and the quality of several of the hotels was improved to 4- and 5-star levels (Gonzalez, et al., 2014).

As of 2005, Havana and Varadero generated 70 percent of Cuba's tourist revenue. The government has made efforts in the last two decades to develop other parts of the island to attract

tourists. The other development areas are Santiago de Cuba in the Southeast; Jardines del Rey, Santa Lucia, and Guardalavaca on the northeast coast; Cienfuegos in the Central South; and the islands of Cayo Largo and the Isle of Youth. Several of these development zones are home to UNESCO World Heritage sites as well as international airports, cruise line ports, or both (Cerviño & Cubillo, 2005).

In an effort to promote its tourism internationally, by 2005, the Cuban Ministry of Tourism had established offices in Argentina, Brazil, Mexico, Canada, and several European countries (Cerviño & Cubillo, 2005, p. 8). Over 2 million tourists traveled to Cuba in 2004 (Taylor Jr. & McGlynn, 2009, p. 406), and in 2010, Cuba received 2.5 million tourists, making it the second most popular tourist destination among the Caribbean islands behind the Dominican Republic (Gonzalez, et al., 2014, p. 213). The Cuban Ministry of Tourism has predicted that there will be 3 million tourists visiting Cuba in 2014 (Cuba's Tourist Arrivals, 2014). Canadians and Europeans (Germans, Italians, and Spaniards) make up a large proportion of the international tourists to Cuba (McElroy, 2007, p. 250).

Tourism as an Economic Development Tool

Opening Up

In the early 1990s while other Caribbean economies were shifting from agricultural production to manufacturing and service industries, the Cuban economy still relied on sugar. In 1990, 75 percent of Cuba's exports was sugar, and still in 1994, 50 percent of the Cuban GDP was sugar (Simon, 1995, pp. 27-8). In terms of exports, however, 1994 was the year that the export revenues from tourism exceeded those of sugar (Cerviño & Cubillo, 2005, p. 9). Tourism

has become an essential sector of the Cuban economy; by 2003, the Cuban economy overall became more reliant on tourism than on sugar (Taylor Jr. & McGlynn, 2009, p. 406).

When the Soviet Union collapsed, Cuba lost most of its trading partners and was in need of hard foreign currency. Fidel Castro and the Cuban government reluctantly accepted the economic reality that one way to obtain hard currency was by developing international tourism. In the early 1990s, the government implemented economic reforms that affected tourism and several other sectors of the economy. One reform was a controlled opening of the economy to foreign investment, and another set of reforms was the legalization of the use of the U.S. dollar, the permission for Cubans abroad to send remittances to families in Cuba, and the approval of some forms of self-employment (Taylor Jr. & McGlynn, 2009, pp. 406-7).

A unique feature of the Cuban economy that emerged during the Special Period was the establishment of a dual currency system. In 1994, the government introduced the Convertible peso (CUC) to be used alongside the pre-existing national Cuban peso (CUP). One CUC is worth about 25 CUPs. The government has generally kept the CUC around a one-to-one exchange rate with the U.S. dollar, but the rate has fluctuated. Additionally, there is a fee attached to the conversion of U.S. dollars to CUCs, which can only be done in Cuba (Mesa-Lago & Perez-Lopez, 2013, pp. 90-1). The dual currency has created several problems and divisions in Cuban society. These problems are discussed in more detail in a later section.

Foreign Investment in Tourism

The promotion of international tourism since the Special Period has led to an increase of foreign direct investment (FDI) into Cuba. Early on, much of this investment took the form of joint ventures between a foreign company and the Cuban government. Spain, in 1990, was the

first country to get involved in joint ventures in the Cuban tourism sector. The joint ventures with Spanish companies in the 1990s were for the construction of 4- and 5-star hotels as well as for management agreements for pre-existing hotels (Simon, 1995, p. 33). A few years later, major European tourist companies were engaged in joint ventures in Cuba and provided technical assistance to help further development of the island's international tourism industry (Taylor Jr. & McGlynn, 2009, pp. 406-7).

Today, most of the joint ventures are between foreign investors and a Cuban company for hotel management, and while the Cuban company always owns the land, either the foreign or domestic company can be engaged in the management. As Cuba's international tourism industry has developed over the last two decades, Cuban companies often manage the hotels and foreign investors provide the capital (Gonzalez, et al., 2014, p. 215).

Cuba's gross income from tourism was \$168 million in 1989, and reached \$2.4 billion in 2005. It briefly declined a few years later then increased again to \$2.5 billion in 2011, which was still below the target of \$2.6 billion that the government had set for 2002. Investment in, development of, and revenue from tourism sharply increased from the end of the 1980s to the early 2000s but slowed soon after for several reasons. While competition from other Caribbean tourist destinations increased, the quality of Cuba's tourism facilities and services began to decrease. There was inadequate investment in improving the quality of poorly maintained hotels that were built either before the Revolution or in the 1990s; at the same time, however, the price of vacation packages remained high. Additionally, there were problems with poor service from hotel staff, bland food, and reports of thefts in hotels. During this time, the CUC was also over-valued. All of these factors contributed to the decline in the competitiveness of Cuba's international tourism industry (Mesa-Lago & Perez-Lopez, 2013, pp. 93-4).

Recognizing some of the shortfalls of its tourism sector, the Cuban government has been working to make improvements. The government announced plans to increase its investment in tourism and to reform some sectors of the economy to facilitate further development. Some of the announced reforms involve privatization. The government has allowed the opening of private restaurants in hopes that the food will be better the food that was provided by the state-run restaurants. Individuals are now allowed to rent rooms to tourists, and private taxis are permitted. Additionally, the government has allowed foreigners to lease land for 99 years for tourism development. As of 2012, there were also plans to allow foreign investment to construct golf courses and marinas also with 99-year leases (Mesa-Lago & Perez-Lopez, 2013, p. 96).

In spite of the embargo, U.S. companies and citizens have had increased opportunities to engage economically and as tourists with Cuba. In 2010, 463,000 U.S. tourists and Cuban Americans traveled to Cuba, making up 18 percent of the total number of tourists visiting the island that year. Those visitors generated about \$400 million in revenue for Cuba, bringing much-needed foreign currency into the economy (Mesa-Lago & Perez-Lopez, 2013, p. 109).

Problems Arising from Tourism

In spite of the support that tourism has provided for the Cuban economy following the collapse of the Soviet Union, several social problems have emerged because of the development of this industry. Many of them have the common feature of a division in Cuban society between Cubans who interact with the sphere of international tourism on one hand and the rest of the Cuban population that does not.

Employment in Tourism

In 2007, almost 600,000 Cubans (about 11% of total employment) were employed in the tourism sector (Taylor Jr. & McGlynn, 2009, p. 408). As tourism has become an important component of the Cuban economy and has been growing, there is also a lot of demand from Cubans to work in tourism.

One problem faced by several Caribbean countries whose economies rely on tourism is the difficulty of having a supply of well-educated staff to work in the tourism industry. Cuba, with its highly educated population, does not have this problem. Not only does Cuba have a large university-educated population, it also has a national tourism and hospitality training agency, which has a one-year program to train managers from other fields to become assistant managers in hotels (Jayawardena, 2003, pp. 55,57).

Despite the benefits to the tourism industry in Cuba for having highly educated employees, there could be negative effects to other sectors of the Cuban economy. The dual currency system in Cuba also complicates the issue of employment in the tourism industry. Foreign visitors to Cuba have to use the CUC. Working in tourism, especially as a bartender, waiter, or taxi driver is very appealing because of the potential to receive tips in CUCs from tourists. Professionals in Cuba such as doctors, lawyers, and professors are state employees and are therefore paid in CUPs. The difference in value between the CUC and the CUP creates an incentive for educated professionals to consider working in tourism to earn more money. In fact, this does happen. While in Cuba, I met a book salesman in Old Havana. He had been educated as a lawyer and worked as one for a while, but he ultimately decided to start selling books to foreign tourists. He could earn more money in a few days selling books than he could in a month as a lawyer.

Cuba boasts that it has eliminated racism and racial discrimination since the Revolution. When looking at tourism and many other aspects of Cuban society, this assertion does not appear to be true. During the Special Period as Cuba was redeveloping its tourism industry, Afro-Cubans were not incorporated into the growing industry. Once they were, several took jobs in the informal sector. Being at the margins of the tourism industry prevents many Afro-Cubans from accessing the CUC and foreign currency, which is one of the factors contributing to their higher levels of poverty compared to their lighter-skinned compatriots (Taylor Jr. & McGlynn, 2009, p. 102).

Apartheid Tourism

The Cuban government has tried to keep the Cuban population separated from foreign tourists. Because systematic government policy attempts to separate Cubans from tourists, it is called apartheid (Mazzei, 2012). On one side, the government hopes to protect its people from the effects of tourism such as prostitution, drugs, and the influx of capitalist consumerist ideas. On the other side, the Cuban government wants to protect tourists from crime. The Cuban government does not want any tourists returning to their home countries with horror stories of crime and danger in Cuba, which could damage the island's image as an ideal vacation destination. The Cuban police are notorious for stopping Cubans, usually black males that are seen with people who appear to be tourists; they ask for their identification and sometimes arrest them (Taylor Jr. & McGlynn, 2009, p. 409). In my brief time in Cuba, I heard about this happening and actually saw it happen at least once. The situation was not too serious and did not go beyond the police asking for a young black Cuban male's identification. This incident was a sign that despite failing efforts, the Cuban government is still leery of too much interaction between Cubans and foreign tourists.

The Cuban government also limits its citizens' visits to hotels frequented by foreign tourists. There are tourist hotels, which often have hot water, toilet paper, sometime internet, and other common amenities in hotels in the capitalist world. There are Cuban hotels, which are much cheaper but lack those amenities. The same thing happens with transportation. There are tourist buses and trains and Cuban buses and trains. The tourist modes of transportation are of better quality and are more comfortable (Mazzei, 2012). Inevitably, Cubans and foreign visitors find ways to interact. These interactions can lead to profound, enriching exchanges for both the Cubans and the foreigners.

Prostitution and Sex Tourism

Tourism has contributed a resurgence of prostitution in Cuba. After the Revolution, Fidel Castro's government worked hard to eliminate prostitution from the island. While Cuba may not promote itself as a sex tourist's destination, there are magazines and websites that do (Trumbull, 2001, pp. 358-9). With the resurgence tourism, working in prostitution became alluring once again. Much like the incentive for professionals to work in the tourism industry to obtain hard currency tips, there is an incentive for people to become prostitutes for foreign customers who pay in CUCs or some other valuable currency. Cuban female prostitutes, *jineteras*, often target foreign tourists. Many migrate to Havana from other parts of the island because of the high concentration of foreigners in the city. Those who travel to Havana to work as prostitutes often send money back home. Being a prostitute can be quite lucrative especially if the clients are foreigners. There are reports of professional women who turn to prostitution as a way to supplement the low incomes they receive from their career salaries (Trumbull, 2001, p. 360).

Race is also an issue in tourism-related prostitution. A disproportionate number of Cuban prostitutes are Afro-Cuban women. The overrepresentation of Afro-Cuban women as prostitutes

is not entirely because of poverty or discrimination. It is because of the demand of foreign tourists looking for black women (Trumbull, 2001, p. 361). This phenomenon has racialized the perception of prostitution in Cuba. Afro-Cubans and mulattos have become victims of police harassment. They are automatically assumed to be prostitutes when seen in certain contexts. For example, if a black person (Cuban or foreigner) is with a white person who appears to be a tourist, then Cubans often assume the black person is a prostitute (Berg, 2004, p. 50).

Conclusion: What Does Tourism Mean for Cuban Socialism?

Tourism is just one piece of the several economic and social reforms Cuba has been making during the last few decades. Redeveloping tourism after the fall of the Soviet Union was an economic necessity for Cuba. It was an industry that Cuba was already familiar with, and it did not require huge amounts of capital investment, sophisticated equipment, or skilled labor. In spite of the economic support that tourism has provided for Cuba, as the government has feared, it has created or exacerbated several social problems in the country.

Cuba has been trying to find a way to incorporate tourism into its economy while simultaneously maintaining most of its core socialist principles. It does not want the influx of tourists from capitalist countries to spread their capitalist and consumerist ideals to the Cuban population. The Cuban government has been unable to isolate its citizens from some of the side effects of tourism and from the tourists themselves. Perhaps most important for Cuba is to ensure that further development of tourism or any other reforms do not take away the government and the population's continued commitment to high quality healthcare and education, two of the most important advances of the revolutionary government.

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