



In Havana, Tourism Development Before the US Tsunami

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The easing of Cuban–US relations will likely bring a new wave of tourists to Cuba. Although the Cuban government needs the foreign investment, it is wary about the all-too-common ills of tourism. Cubans talk about growing inequality and corruption. Lily Hoffman considers the difficult choices facing the country and their likely impact on Havana.

In the wake of President Obama’s visit this week (March 21–22, 2016) to Cuba, Cuba is poised to become the next hot tourist destination. Cuban officials, who expect that further “normalization” will unleash a flood of visitors, cite an International Monetary Fund projection of 10 million visitors once the US embargo ends. And as one official pointed out, along with the fish come the sharks: delegations of visiting politicians, commercial attachés, and tourism executives from Europe, Latin America and the US, seemingly ready to exploit Cuba for international tourism.

How will Cuba handle this influx of visitors and investment? The Cuban government has been ambivalent about tourism and foreign investment, reluctantly opening to both after the collapse of the Soviet Bloc in the 1980s. Cubans, while acknowledging the necessity of tourism, talk about its contribution to growing inequality. This article examines the social and spatial impacts of tourism on Havana—*before* the tsunami—and explores the choices that face decision-makers in the near future.

Havana in the tourist imaginary

The Havana beloved by visitors today, with its fleets of old American cars, Hemingway cocktails and Meyer Lansky aura, was the enemy of the revolution. During the 1950s, Havana’s large hotels and gambling casinos were symbols of the corrupt Batista regime. “Cuba for Cubans” referred not only to the expropriation of foreign corporations, but to the end of a Caribbean economy supported by visitors and built on prostitution, drugs and organized crime. It is telling that during the early days of the revolution, supporters sacked the casinos and burned the furnishings on the city streets (Coyula 2016).

During the “Special Period,” the severe economic crisis brought on by the fall of the Soviet bloc in 1989, the Cuban government had to turn to tourism development as an economic engine. Cuba partially opened to the global marketplace to initiate joint ventures with foreign partners for capital, know-how, and visitors.

Fidel Castro was cautious about reintroducing international tourism and often spoke of its dangers. Early joint ventures with European and Latin American hotel chains focused on resort locales along deserted beaches like Varadero. Government regulations prohibited Cubans from using these resorts and phrases such as “tourism apartheid” (Roland 2011, pp. 67–71) convey the segregationist thrust of tourism in this period. Raúl Castro abolished these regulations in 2008, but he too has been wary of a sector known for corruption and has referred to the industry as “a tree born twisted that must be uprooted and planted anew” (*The Economist* 2004).

Today, Cuba's tourism imaginary reflects a wide and disparate mix of representations packaged into guided tours. Since the guides are government-trained state employees, this implies official approval of content, which includes colonial history, the pre-revolutionary 1950s, the 1959 revolution, socialist achievements, Cuba's natural environment, and examples of post-Castro capitalism. Although some find this "Janus-faced" and contradictory (Sanchez and Adams 2008), or overly nostalgic—a "Buena Vista" view (Babb 2010)—Babb argues that it is the mix itself, presented with affection as well as irony, that successfully attracts a variety of travelers, "conveying a sense that we are getting an inside story" (*ibid.*, p. 58).

Tourism development, preservation and space

In Havana, the national focus on tourism has meant that tourism development has been complexly intertwined with the preservation of Old Havana (La Habana Vieja). Plans for restoring La Habana Vieja, Havana's historic center, were drawn up by Eusebio Leal Spengler, Historian of the City, in 1981 and the area received international recognition by UNESCO as a World Heritage Site in 1982. However, it wasn't until the fall of the Soviet bloc that Leal's project received significant state support. The vision of a restored colonial city coincided with the immediate need for export income and the growing popularity of urban cultural tourism (Hoffman, Fainstein and Judd 2003).

To fund the project, the government devised a radically new model which gave the Office of the Historian of the City (OHC) total authority for planning and restoration in Old Havana—an area of 242 blocks with 4,000 buildings (Scarpaci 2000; Peters 2001). OHC created a tourism infrastructure under the rubric of Habaguanex SA, which now has 20 hotels, 50 restaurants, bars, museums, transportation firms and construction companies. Leal can initiate joint ventures with foreign partners and allocate the incoming money stream.

OHC also produced a master plan for the area that includes housing, communal services and jobs, as well as tourism development. For the socialist government, the rationale for combining planning and preservation with tourism development has been that, in contrast to the capitalist model, profits would be directed at the social needs of the area's 74,000 residents as well as towards restoration and tourism infrastructure.

As of 2016, OHC has pumped about \$500 million into the restoration of La Habana Vieja. OHC asserts that one third of tourism profits have been put to social and communal needs in the form of cultural centers, programs for the elderly, schools, and training programs (Peters 2001). Yet the agency has been criticized for negative impacts on local residents and not giving sufficient attention to social goals:

- Many of the residents displaced by renovation have been relocated far from Havana in housing estates like Alamar, which lack adequate services and transportation. Since OHC argues that Habana Vieja is overcrowded and its population must be halved, more displacement is expected.
- OHC has focused on restoring residential and commercial buildings for their revenue potential, turning them into "cash cows" rented out to foreigners and tourists for hard currency.
- Although OHC employs many thousands in Havana, salaries and pay scales disadvantage Cubans. State companies charge foreign partners and visitors in CUC (convertible pesos—the equivalent of the dollar) but pay their workers in the peso economy (24 to the dollar). This means that if a foreign company pays the state employment agency 500 CUC, and the agency pays the worker 500 pesos, the worker gets less than one tenth of the wage (Feinberg 2012).

- Given the existing overcrowding, building disrepair, and constant stream of migrants into the city for economic opportunity, there is enormous pressure on housing in Havana. Inner-city residents want to stay in place but lack money, supplies and, in the Habana Vieja zone, the authority to self-renovate.
- OHC has been criticized for its lack of grassroots input and participation in tourism planning.¹

Overall, the restoration has heightened social and spatial inequality in La Habana Vieja. As one walks the cobbled streets of the restored section, one envisions the port city of the great Spanish colony—the pearl of the Antilles—where rich merchants built their grand houses and commercial activity filled the squares. Nowadays, it is crowded with large groups of tourists following guides, snapping photos of mimes and “kissing ladies”, and picking over Che Guevara buttons. The cafés and stores that have begun to fill the ground floors are too expensive for local residents.

But immediately off the tourist track, we encounter the crumbling residential half of the zone, dense and lively, but literally falling apart: balconies hung with the day’s laundry and supported by crudely placed beams; streets with jagged potholes and heaps of rubble that make walking, let alone riding, difficult; and everywhere, dilapidated buildings which fall at a rate of two to three each week. Some suggest that now that Cubans are legally allowed to buy and sell their apartments, the future for the entire zone will be gentrification.

Cubans readily acknowledge that the Old Town restoration is for tourists. As of now, there is solidarity: one hears that “tourism is a fact of life” and that “we need the hard currency.” However, one suspects that, with the growth of a free market economy, more private appropriation, and a contracting social welfare system (which is on the agenda), there will be more open resentment.

Pimping the *clasico*: haves and have-nots in the tourism economy

What eases present tensions are the opportunities—legal and illegal—to benefit from the tourism economy. The most common way of getting CUC, the hard currency that divides present-day Cuba into a land of haves and have-nots, is by participating in the tourism sector either as state employees who share tips (taxi drivers, tour guides, hotel workers) or as self-employed individuals (*cuenta propistas*) who rent out a room (*casa particular*) or open a restaurant (*paladar*) with or without a license.

The state is widely criticized for holding on to most tourism sector jobs. Tour guides, for example, want to be self-employed; they complain of difficult-to-get-into state training programs and blackmail by administrators. A group of car owners who have joined together to broker with hotels would like to become a cooperative but must wait until the government decides to allow this. The state is also criticized for taxing entrepreneurs too heavily. If you rent a room in your apartment (*casa particular*), you pay a monthly fee per room plus an annual income tax on profit.

The growth of the tourism sector impacts life beyond the economic divide. The famed Cuban *clasicos*—American cars from the ’40s and ’50s—were formerly a mainstream form of transportation, the “peso” taxi. But as the tourist economy has boomed, these cars have become a livelihood for those who own them. Licensed by a state company to taxi tourists around Havana, a *clasico* convertible can make 45 CUC per hour, exacerbating the transportation crisis for local residents who now wait forever for an affordable ride (Fernandes 2016).

The tourism economy also encourages what Scarpaci (2000) has called an “‘internal’ brain drain”. Physicians, who recently struck for a higher wage, earn on average \$45 per month. A tour

¹ A 2003 survey of residents’ perceptions of tourism activities in Havana with 160 respondents reported that over two thirds said they were not consulted or informed about tourism planning; two thirds perceived the tourism industry as displacing their daily activities; and 80% said local residents were not benefitting from the newly built tourism facilities (Colantonio and Potter 2008, pp. 182–185).

guide employed by the state can earn perhaps ten times more in tips. Over a two-week period, I met English teachers, engineers, an economics professor, and several social-service administrators who had made the shift.

Along with economic inequality, there are claims of increased racism as advantages accrue to those with lighter skin (Roland 2011, de la Fuente 2014). This includes jobs in the tourism sector, as well as remittances from the Cuban-American diaspora, themselves disproportionately lighter-skinned, middle- and upper-class Cubans. Since remittances (estimated at over \$2 billion a year) as well as tourism jobs constitute the capital used to open a *casa particular* or *paladar*, the net result is that blacks are left behind in the new economy, “underrepresented in tourism—probably the economy’s most lucrative sector—and far less likely than whites to own their own businesses” (Zurbano 2013).

Tourism has also been linked to the return of prostitution and other forms of hustling (*jineterismo*), which have a racialized identity (Fernandes 2011). The revolution made prostitution illegal. Sex tourism and *jineterismo* became visible again with the return of international tourism during the economic crisis and are discussed in terms of survival—*La Lucha* and *resolver*. A journalist who has lived in Havana for over 20 years commented: “Prostitution is a good barometer of how in-control the government really is” (Frank 2016).

Looking ahead

In a system where decision-making has been historically non-transparent and bureaucracy slow-moving, rumors proliferate. Speculation about new hotels, golf courses, a proposed cruise-ship terminal and development along the bay of Havana seem to augur a worst-case scenario for tourism.

At present, the Cuban government, the Cuban people, and international tourist chains have differing views as to how to move forward to meet the coming flood of visitors.

The state, which has a virtual monopoly on tourism and is said to “take the best opportunities for itself” (Feinberg 2015), needs significant foreign investment to meet present and increasing tourism demand. Theoretically, it could privatize the state-run tourism conglomerates like Habaguanex and Gaviota by selling them to international chains, but no one expects this trajectory. The state wants to control tourism as a profitable industrial sector, both to control inequality and to maintain its revolutionary identity. What matters is the regulatory matrix and institutional structure within which tourism will operate. Policy experts agree that Cuba will require a strong foreign investment policy so as to keep its unique social and cultural character (Ritter 2015).

Foreign investors are demanding better terms and more assurance. Cuba courted foreign investment in the past and pulled back when it was able to substitute economic support from Venezuela under Chávez. Tensions will have to be resolved. A tour-company director who organizes trips for businesspeople commented that a Marriott in Havana might be willing to accept terms such as doing repairs within a three-block radius, with no signage and no Starbucks. And a Reuters journalist, who lives in Cuba and meets with US chains like Marriott and jetBlue is optimistic in this regard. He argues: “We grossly underestimate the Cubans. This is still a policy-heavy situation. No one will do what they want here; no one at the top will let it happen” (Frank 2016).

Cubans want to share in the booming tourism sector, which in many transitioning economies provides a relatively easy entrepreneurial start-up and can distribute hard currency geographically and socially (Hoffman and Musil 1999). Although a rationale for state control of tourism has been to minimize inequality, the actuality is that inequality and corruption are increasing and state services have dwindled. Facing the loss of aging charismatic leaders such as the Castro brothers and the popular City Historian, Leal, it is clear to all that the next generation of leaders must deliver a better economy, a better quality of life.

Looking ahead, there should be a bigger place for Cubans in a more dynamic tourism sector. Cubans want the state to open up opportunities in tourism for the self-employed, to prioritize small and medium-sized private businesses (provide credit for start-ups) and to turn state companies into cooperatives. Such an approach would make for a more sustainable tourism and one in keeping with Cuba's socialist principles and history (Hingtgen 2015).

The literature on tourism as a development strategy typically underlines the standardizing tendencies of globalization. The real danger from tourism in present-day Cuba is its contribution to economic inequality. In moving forward to accommodate the expected influx of visitors, not only must the Cuban state regulate foreign investment, it must make it possible for more Cubans to participate in tourism planning and in the tourism economy; it has a chance to make tourism a more inclusive economic development strategy.

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