

CUBA'S TOURISM: CRITIQUE OF THREE PAPERS

Nicolás Crespo¹

Three papers have been presented to the panel on Cuban Tourism on diverse topics:

1. **The Cuban Tourism Industry and *Perfeccionamiento Empresarial*** by Artimus Keiffer.

The “entrepreneurial perfectionism,” a series of rules designed to regulate the administration of the Cuban enterprises that are the backbone of the economic recovery strategy after the demise of the Soviet Union, and the drying out of the highly dependent and subsidized economy.

2. **Condemned to Informality: The Self-employed Operators of Cuba's New Bed and Breakfasts** by Ted Henken.

Bed and Breakfasts, the self-employment issue and the “love-hate” attitude of the government towards this “dangerous” activity that could undermine the basic principles of practical socialism.

3. **Prostitution and Sex Tourism in Cuba** by Charles Trumbull.

Activities related to sex exploitation. A universal activity that has increased in Cuba since the government reversed its policy and began promoting and developing foreign tourism.

In my role as discussant of the papers presented to this Tourism Panel, I have attempted to maintain an

equilibrium between my own personal reaction and the impartial professionalism which is due this distinguished panel and audience. My critique regarding these presentations follows:

THE TOURISM INDUSTRY AND PERFECCIONAMIENTO EMPRESARIAL

Mr. Keiffer's paper reflects a fair and balanced evaluation of the efforts that the Cuban government is making doing to improve the business effectiveness of their enterprises by using recognized capitalistic methods while denying a trend toward a mixture of socialism and capitalism.

“Entrepreneurial Perfectionism” (*perfeccionamiento empresarial*) is an adaptation by the Cuban socialist system of Total Quality Management (TQM), an entrepreneurial management system utilized by most of the modern business organizations in the free enterprise world.

While the Cuban version recognizes the basic principles of TQM, such as process improvements, accountability, performance measures, etc., the fact that they are trying to implement it by “ordenar,” “fiscalizar,” and “aprobar,” controlling the whole program as if it were an imposed law, makes its goals less achievable. However, they will probably attain making labor more aware of the importance of productivity and perhaps use it as a showcase for attracting foreign investors. TQM requires empowering the worker and lots of training. The latter is mentioned in the Cuban application, but it does not seem to be

1. I want to thank Ms. Ciela Bexon and Mariel L. Dexter for their assistance and generous contribution of ideas.

given much importance. Controls and more controls are what this system is about. The danger exists that some of the members of the control boards may not even know what they are supposed to control.

Regarding the tourism industry sector that is managed by foreign operating companies, the favorable results are evident since those companies have already implemented TQM in the day-to-day business of their Cuban operations. However they adapted their own system to the local labor laws or have relied on quasi illegal—but tolerated—measures to improve employee satisfaction. Overlapping layers of controls are designed to regulate issues that are beyond business and incorporate politics within the socialist doctrine. To illustrate, “enriquecimiento excesivo” is an example of inconsistency with the program. Profit distribution is mentioned but there is not a single suggestion on how and to whom profits are to be distributed.

During the last week of February, 2001, General Raúl Castro presided over a meeting at the MICONS theater in Cuba to evaluate the progress of the process of *perfeccionamiento empresarial*. At the conclusion of the event, Vice President Carlos Lage said:

Regarding the social objectives of the enterprises, they are one of the key elements to guarantee the order, expressing that its definition should not be so inflexible that it does not cover the functions that may be achieved that could hurt its effectiveness nor so relaxed that it could lead to indiscipline, mercantilism, the search for money at any cost and irregularities that also could lead to economic inefficiencies, ... With regard to quality and materials that we are not able to manufacture and deliver, we cannot commit or contract. If we need to repair the roof of a school and it is programmed with materials that would last ten years, it has to last 10 years, not 5 or 8. If the materials available are insufficient, it is preferable not to make the repairs or to repair a portion of the roof and determine what part will leak and what part will not. We cannot use materials for 50 square meters in 100 square meters. We have to adapt ourselves to the material available.

The article did not indicate if anybody suggested acquiring the rest of the material and repairing the whole roof.

The newspaper *Granma* of July 23, 2001, published a story regarding Caridad Sabó. Caridad is a trained lawyer who is slated to become the director of “fiscales de la Fiscalía General de la República.” The article describes Caridad as an “essentially happy woman, intelligent and energetic. ... She is *santiaguera* and her first priority is to watch that there is compliance with the law.” When asked if the *verificaciones fiscales* were audits, she responded: “No. They are essentially a mechanism to monitor compliance with the law. These verifications may be applied to any entity either economic or social, state owned or private and are addressed to corroborate compliance with the Constitution, laws and other legal instruments, becoming an efficient tool for the compliance with the social objective of the entity and the use, disposition and preservation of resources. It also targets the causes and circumstances that generate violations and promote corruption.”

She went on to say:

The inspections are directed to activities in agriculture, public health, tourism, and other significant activities. An annual plan targets enterprises that will be inspected the following year. [There are about 392 enterprises covered.] ... 706 inspections were conducted last year and a substantial number of infractions were detected in agriculture, housing, and distribution of medications, tourism, commerce and gastronomy in the order of illegal activities. ... The principal types of infractions were: lack of control of economic resources, severe deficiencies in accounting records, lack of training and of proficiency to occupy the administrative job assigned. ... Who are the principal culprits of these infractions? The intermediate management and the entrepreneurial segment (sector empresarial.) ... The Cuban government has declared war on corruption, illegal enrichment, and a behavior that evidences the existence of corruption. Decree Law 149 was enacted to eliminate those enemies of the State but it is also the responsibility of each honest individual and all the revolutionaries.

She continues: “This is today a very important front in the defense of the Revolution.” And she concludes

as follows: "I am optimistic. In fact there are indications that demonstrate a decrease in illegal activities, improvement in the controls, discipline and compliance. At the same time our inspectors are gaining in experience and professionalism." Ms. Sabó's words convey the government position on this issue. Is she for real?

CUBA'S NEW BED AND BREAKFAST

My first involvement on the subject of private entrepreneurial activities in Cuba was in 1996 while doing research in preparation for commenting on an excellent paper presented by Joseph L. Scarpaci, Professor of Urban Affairs and Planning at Virginia Tech's College of Architecture and Urban Studies. His paper focused on the *paladares*, a relatively new activity that had just been regulated and taxed by the regime in a desperate act of resignation or impotence regarding an activity they could not stop. The clandestine *paladares* had been in operation for several years.

However, an evaluation of the different elements involved in the activities of *paladares*, including limited number of seats, hours of operation, pricing, costs and taxation resulted in negative results or losses. No matter how it was enhanced, the results were the same. I concluded that the only way of managing a *paladar* at a profit was by engaging in illegal activities that included stolen and black market supplies, clandestine activities, illegal take-out food and cantinas services, additional tables and chairs, paying off inspectors, etc.

Mr. Henken's paper is a well-organized analysis of the situation facing "bed and breakfast" entrepreneurs, from the perspective of local persons involved in this kind of business, that supports the above conclusions. Taxation is not intended to provide any benefit to the taxpayer, such as improvement of the sector, education, training, networking, wholesale market, credit, etc. Taxation pays for the salaries of the inspectors and restricts new entrants into the community of self-employed *cuentapropistas*.

Regarding the room renting activity, there is no way that it could be profitable under the present "system." Taxes are three times higher than the usual taxation of bed and breakfasts in other comparable des-

tinuation of the Caribbean. In addition, commissions to taxi drivers are compounded by additional commissions on referrals. From a practical point, operators may skip paying the taxes but they cannot afford not to pay commissions, the suppliers of person who demand their services. Avoiding both may lead one out of business completely. Renting rooms to foreigners in a clandestine fashion is a risky business (although commonly practiced) due to the high fines that could be imposed. It may result in the confiscation of accumulated assets. Taxes during the low season are unaffordable and abusive.

Parodying David Letterman's "Ten Reasons for..." segment of his popular late night show, here are "Ten Reasons Why the Cuban Regime Does Not Wish to Promote Private Entrepreneurial Activity":

10. The state wants to continue to act as party and judge.
9. *Cuentapropistas* represent an unfair competition to the State.
8. *Cuentapropistas* may cause political upheaval if proven successful.
7. The State did not think that there would be so many *cuentapropistas* at the initial stage.
6. Most of the original *cuentapropistas* were operating in the clandestine and black-market culture (hardly friendly to the State).
5. Supplies and raw materials come from thefts and misappropriation at government enterprises and from the black market (most probably from the same source).
4. The strategy of hiring layers of inspectors to oversee inspectors has become very cost inefficient and ineffective.
3. Many of the successful *cuentapropistas* are government-connected individuals or their relatives that may operate with immunity or impunity.
2. Hotel employees have become brokers who get commissions from *cuentapropistas*: they screen prospects and "smell-out" fiscal inspectors and

members of state security (Seguridad del Estado).

1. While the State creates elaborate rules and taxes to regulate and restrict *cuentapropistas*, these individuals are developing creative means to circumvent and violate them and keeping “ahead of the game.”

While doing research into the bed and breakfast activities in Cuba, and in particular in Santiago de Cuba, I stumbled into a web site named “Canadian Lodging in Cuba.” Among the six guesthouses promoted appears one called “Inalvis Home.” There is a picture of the house’s façade and two smaller ones of a bedroom. The advertisement claims that:

This immaculately-kept, picturesque, licensed “lodging house” is situated on the opposite side of the park on which the massive hotel Santiago de Cuba is situated. As such, it is close to all tourist activities, yet far enough removed for some quick reflection. It is truly a family environment, since Inalvis has just one room in the house to rent. In true Cuban attitude – *mi casa es su casa*—my house is yours, is her motto during your stay. Try not to abuse the privilege. Behind her house is a nicely kept patio ... Inalvis, the owner, works at the local radio station as a journalist (periodista). Her husband works for Prensa Latina and they both work long hours. Needless to say, that they are well educated and known in their community. If you want to know something about Santiago de Cuba, just ask them, you get an excellent education. Inalvis will bend over backwards to cater to your every wish and she has good help from a relative, who does general housework.

The address is:

Sra. Inalvis de la **Caridad Sabó**
Calle 6ta # 660
E (Between) L and M
Reparto Sueé
Santiago de Cuba C.P. 90900
Tel: +53 (226) 51113

It appears that Caridad Sabó, the Director of Inspectors (fiscales) has also diversified into the bed and breakfast business as a true entrepreneur herself!

PROSTITUTION AND SEX TOURISM IN CUBA

When I first read the Introduction to Charles Trumbull’s paper, I became disappointed and was tempted to stop reading further. Regarding prostitution in the pre-revolution era he says: “prostitutes were a common sight all over the country.” He continues: “Prostitution in Cuba is a result of economic reforms initiated in 1993-1994,” giving an undeserved credit to the Central Planning Committee. And he adds: “Furthermore, the absence of tourism reduces the demand for prostitution.” A case of confusion between cause and effect.

Nevertheless, the rest of the paper is an example of a well conceived and organized recount of responses to insightful interviews with representatives from the whole spectrum of characters participating in the ongoing tragedy which is expressed in the title of his paper: Prostitution and Sex Tourism in Cuba.

The author concludes, “Prostitution is the only illegal activity that does not hurt the State financially, but in fact, helps it. Prostitutes encourage tourists to spend more money in drinks, meals, clothing, including dresses, shoes, and lingerie, and cash. These expenditures are made in dollars in government owned dollar stores.” He then quotes *The Miami Herald* indicating that “at least four persons live from a prostitute’s income.” An economic multiplier higher than the one obtained in the rest of the tourism activities ... and this does not include the commissions paid to taxi drivers, room clerks, brokers, owners of Paradores, and room renters.

Charles reports on the current general perception that “the government is not seen as the provider for the people, but is the hand that takes away. Cuban people realize the need to engage in illegal activity to survive. Even the police will often turn a blind eye.”

The author concludes that “Prostitution in Cuba is the result of the transition in society to a capitalist mentality.” However he also concludes that “economic reforms are the only way to confront this social problem and as long as the government limits the economic opportunities of the Cuban people, prostitution will continue.”

On this subject, let me quote some paragraphs regarding prostitution, from the paper I presented during the ASCE meeting of 1999.

Power and politics, as well as economic distress, breed crime and prostitution on normally law abiding and morality conscious members of society. The perception of a hopeless situation due to abuse of power imposed by a dictator such as Hitler in Europe at the time he was withdrawing his troops and loosing the war, and the subsequent arrival of the new allied invader, made prostitution an important choice as a means of family survival in major cities of Europe. We have all heard the stories of a pack of cigarettes or a pair of nylons as a fair price for sexual favors. Promptly after the war was over, democracy began taking place and the economic situation improved, thanks in part to the Marshall Plan and the vision of the leaders of the post-war Europe. Those individuals

that found substitutes to prostitution in legal sources of subsistence, became respectable and honest citizens.

History repeats itself and those that succumbed to crime and prostitution, for whatever reason, once the reason that provoked the distress disappears, usually tend to return to the normal behavior and to a law abiding life, becoming parents, teachers, professionals, leaders, etc. in a more just and civilized society.”

Let us hope that the turn in our history is around the corner.

I thank all the presenters for excellent, thoughtful and informational documents that I consider an invaluable contribution to the objectives of the Eleventh Meeting of the Association for the Study of the Cuban Economy.