

Number 6, July 1994

# **Dollars, Darkness, and Diplomacy: Three Perspectives on Cuba**

---

In December 1993, the authors of these three essays spent nine days pursuing their respective research interests in Cuba. Their travel was sponsored by the Georgetown University U.S.-Cuba Women's Program, which is designed to facilitate research endeavors by U.S. and Cuban women. The Program is funded by the MacArthur Foundation.

You may scroll through the document to read the entire text, or click on the titles below to read a particular essay.

[Cuba's Deal with the Dollar, by Joan M. Caivano](#)

[Socialism at the Crossroads: A View of Everyday Life in Cuba Today, by Lisa García](#)

[Cuba's New Diplomacy, by Janet Hall](#)

---

## **Cuba's Deal with the Dollar**

By Joan M. Caivano

President Castro has made a bargain with his devil. True to such infernal deals, he will become more enmeshed with time, and eventually unable to buy back his soul. His devil, of course, is capitalism. The particulars of the bargain include the legalization of the holding of U.S. dollars by Cubans, the licensing of self-employment in over 100 service occupations, and the institution of some semi-private cooperative farms. While these changes seem small compared to what has happened in Eastern Europe and Russia, the deal has been struck. Despite Castro's protestations that capitalism is "repugnant ... filthy ... gross [and] alienating," and that the economic reforms "would never have been approved in normal conditions," Castro may be on a course he cannot reverse. When economic crisis hit Cuba in the early 1990s upon the dissolution of the Soviet bloc - Cuba's main source of subsidies and trade - the Cuban government began to actively

encourage direct foreign investment, particularly in tourism. The success of those investments, and the ubiquitous contradictions they have engendered, suggest that this latest wave of economic reforms is likely to penetrate so deeply into Cuba's social fabric that Castro cannot root them out.

This conclusion is founded on several observations: the ripeness of Cuba's investment climate, particularly in tourism, the optimism expressed by those who have invested in the tourist industry; Cuba's desperate need for foreign currency; the fundamental, if timid, nature of the reforms already initiated; and the language used by high-level officials in private conversation. In addition, there is the inexorable impact of money on all facets of a society, including its values and politics.

### **Cuba's Investment Climate**

The most dynamic sectors of Cuba's economy are oil and tourism. According to Cuba's Minister President of the State Committee for Finance, José Luis Rodríguez, oil production in Cuba has doubled over the past ten years (crude oil output rose from 273.6 metric tons in 1980 to 938 metric tons in 1986, fell in the late 1980s, and surpassed its 1986 level in 1993). Rodríguez judges that this success is linked to Cuba's decision to open oil exploration to foreign investment. Cuba could neither maintain current production nor explore offshore without foreign investment. (All Cuban government structures are referred to by their titles as of December 1993. Some have since been changed.)

Tourism has experienced more than thirty percent annual average growth over the past six years: from \$100 million gross income in 1986 to approximately \$530 million in 1993. The number of tourists visiting the island rose from 500,000 in 1992 to 600,000 in 1993, and both government officials and foreign hoteliers claim that the number will reach one million in 1995. Most importantly, the foreign investor in the tourist sector enjoys a rapid return on investment- an average recovery rate of more than twenty-five percent per year was reported by Rodríguez and several hotel managers.

Foreign investors in the tourist industry enter into joint operations with Cubans, either as managers of a fully Cuban-owned operation or as part owners (usually up to fifty percent ownership share). The Cuban partner can be either a government-owned entity or a *Sociedad Anónima* (S.A.), a "private" company indirectly controlled by the state which devolves its shares in trust to a group of Cuban board members with autonomous decision making capabilities.

**Cuban managers are now demanding the same flexibility enjoyed by foreign managers to hire and fire at will.**