



CUBA LIBRE?

The appointment of a new president in April hasn't yet ushered in a new era of liberal policies for the colourful Caribbean country. But there is some cause for optimism...

Summer in Cuba, and as the fire-red flame trees cascade into bloom on suburban streets in Havana, a humid, brain-fogging heat kicks in. Seen from Havana's Malecón seawall, the sky is a perfect cornflower blue. Lean on the wall and gaze across the ocean that stretches to the horizon, and there seems to be hardly a ripple on it.

But, under the surface of Cuba's easy tropicalia, there has been suffering of late. A brief détente with the US under President Obama saw Havana flooded with American visitors for a few years, but that more convivial phase was hastily torpedoed by Donald Trump. The Trump Administration's restrictions have vetoed US citizens from staying in any military-run hotel, resulting in a tourism lull that has been a sucker-punch for the sector. Tourism has suffered a seven per cent drop in the first quarter of this year, the first fall in a decade. The allegations of "sonic attacks" on US Embassy staff in 2016 – still an unsolved mystery – resulted in 60 per cent of the American diplomatic staff being dramatically evacuated, and Cuban diplomats expelled from Washington. Cuba is now back in the old, familiar position of being bullied by its bigger neighbour. (Indeed, it's a comfort zone of sorts. Some Cuban officials found Barack Obama's overt friendliness disquieting.)

Then there are the natural disasters, such as Hurricane Irma in autumn last year, which battered the island furiously and caused many million pounds worth of damage. Recent flash flooding in Cuba's centre destroyed yet more homes; and there was a horrific plane crash in May 2018, which took 112 lives, highlighting Cuba's dilemma with renting ageing planes from other

airlines to meet increasing tourist demand, and putting off foreign travellers from flying domestically. Perhaps it's no surprise then that the economy is in the doldrums, too.

In part the economic problems have been induced by the far greater problems of Venezuela, which had been providing a sweet oil deal in exchange for the provision of Cuban healthcare and financial services since 2000. With Venezuela's implosion in recent years, and the drop in oil prices, Venezuela's ability to continue to service Cuba's crude oil needs is now in question. But there remains no other country with whom to forge a mutually beneficial relationship. Domestic production in Cuba is at a low. Cuba's gap between rich and poor, a result of wealth generated by private businesses since 2011, is deepening. (The haves created start-ups with family remittances; the have-nots had no such luck.) State wages still sit at around US\$20 per month, and welfare is being chipped away at through lack of funding. In the last three years, imports have plummeted by one-third, which could explain why there doesn't seem to be anything in the shops. Revenue from exports has dropped about 23 per cent since 2014.

Famously, the state provides free universal health care and education since the revolution in 1959, and the subsidised economy includes monthly food-ration allowances, amenities such as electricity and, bizarrely, ice cream (important for Cubans). But Cubans fear these provisions are already under threat, as quality has been diminishing over many years due to lack of funds. "The whole economy is suffering from lack of investment; investing yearly around 10 per cent of GDP is not enough," says Dr Oscar Fernández, professor of the

Hurricane Irma battered the island furiously in autumn last year, causing extensive damage

University of Havana's Department of Economics. And the cursed US trade embargo remains.

Still, the possible winds – or gentle breezes, perhaps – of change are again stirring. For there is a new president. For the first time since 1959, someone who doesn't have the name Castro is at the top. Raúl Castro, the late Fidel's younger brother (aged 87) and president from 2008, has handed the reins to Miguel Díaz-Canel, the former vice-president, who is nearly three decades his junior (Raúl will be staying on as head of party until 2021). Observers are not clear on whether Mr Díaz-Canel, an engineer, is going to be more progressive economically. The current message is one of continuity, ostensibly to warn off external threats. But, while the new president remains surrounded by old-generation officials, his relative youth is a "source of hope", according to Ricardo Torres of the Centro de Estudios de la Economía Cubana. Will Díaz-Canel follow in the wake of Vietnam and China's elites – socialist brethren who prioritised political over economic control, thereby presiding over the generation of wealth? It's hard to know. The government, so far, says not. "They do not [even] like to label the changes in Cuba under 'reforms' to avoid linking Cuba with its Asian peers," explains Torres.

NEW PRESIDENT, NEW ERA?

Díaz-Canel certainly has a job on his hands. A sprightly 58, he was 29 when the Berlin Wall came down. This signalled the start of Cuba's Special Period, when subsidised petroleum and other products from the former Soviet Union dried up. A sudden and huge drop in GDP, black-outs, economic privations and hardships defined life after the collapse of the Soviet benefactor. The task of continuing the revolution became harder; the generation below Díaz-Canel is consumer and not politically oriented – some might say, conveniently politically apathetic. The current generation seem more focused on social media than social welfare, and that's despite the paucity of wifi.

Since Díaz-Canel hit middle age, Cuban society has moved through a series of waiting rooms, as if on the verge of something just about to happen. Yet the one-party system and quasi-Soviet outlook, the curtailed freedoms in regards to political opposition or expression, these all remain.

Díaz-Canel's appointment as president does, however, mark the end of an era that began with the death of Fidel in 2015. The Castros dominated Latin American politics for six decades. Resistance to US hegemony and lauding of the socialist populist revolutions in Latin America defined their outlook. Education and social services, free healthcare and near-universal literacy



FROM TOP: An old Cuban peso; the country is famed for its cigars; the ubiquitous classic cars in front of the Capitol building in Havana



were their achievements, and these factors remain unparalleled in Latin America.

Officially president from 2008, Raúl Castro was a quieter president than his brother, not as charismatic, intellectual or dashing. But Raúl acquiesced to global reality more than unyielding Fidel, allowing the development of around 200 small (and legal) types of businesses, from nail technicians to children's party entertainers, burger-bar owners to professional photocopiers. This unleashed a privatised economy that now occupies around 12 per cent of working Cubans. But those changes did not induce major growth, according to Torres. "The underlying philosophy of the economic

model has not changed enough," he says, "because of central planning, and majority state ownership, which has reduced the pace and the scope of reforms."

Cash cows of the economy have been ring-fenced for the state. In tourism, private activity has only been allowed around its edges – for example in transfers, Airbnb-style rentals (known as *casas particulares*), and *paladares*, which are small private restaurants. In the middle of last year, spooked by the lust for mobility taking root on the island, the state froze new licences for *paladares* and *casas*. At the end of the year, they then curtailed the amount of activities per business. The official reason was tax evasion, certainly a problem for business owners in a country where people

routinely steal from the state to make a living. But that's not the whole story. "It's more a matter of the party [not] accepting new concepts," argues Fernández. "The last two party congresses cleared the path for the private sector, but certain [parts of officialdom] are unconvinced, and are delaying implementation."

To avoid the creation of an economic elite, the government is seeking foreign, not domestic capital, preferring to extend a huge levy on the lives of Cubans rather than risking home-turf big business developing, which could threaten economic equality and state power. Cubans, though, have had a taster of self-improvement – the genie is already out of the



bottle. Action, the government is devastatingly aware, needs to be taken.

Thorny issues surround foreign investment in Cuba. Focuses include tourism (hotel projects), infrastructure (ports, airports and marinas), energy (renewables and conventional, including oil and gas exploration), and biotech. Over the last two years Cuba has sought foreign deals and has signed off about US\$3.5bn of public spending, including airport and railways upgrades, a gas power plant and multiple hotel projects. Projects, however, tend to get passed with alacrity, and are then curdled by cold feet and bureaucracy. Four green-lit golf projects going back a few years for a budget of \$2bn have still not broken ground.

The dramatic Gran Parque Natural Topes de Collantes



Díaz-Canel is tasked with speeding up these projects, and Cuba's national assembly has just voted to alter the constitution to back the opening up of the economy within the "irrevocable nature of socialism". The new constitution will endorse private property, self-employment, and other new realities for Cuba. It will also affirm that presidents will be elected for five years, and can only be re-elected for five more.

CURRENCY EXCHANGE

Díaz-Canel will also be the man to handle the unification of the country's bizarre dual-currency system of two official currencies, in which the Cuban peso is worth 25

times less than the convertible peso. The latter was created in 1994 to erase the circulation of US dollars, but allow a currency for spending the sizeable remittances that flow in from the Cuban diaspora. Switching to a single currency and exchange rate, and ditching the convertible peso, is imminent; but again, no one knows when. Inefficient state firms currently propped up by the inflated exchange rate will go under. There will be inevitable redundancies, hopefully saved in part by the private sector.

"In the short term, there could be inflationary pressures, affecting

purchasing power in households already under stress. That's why the government is proceeding very carefully," says Torres.

"Currency unification is going to be the most transcendental process of Cuba's current history," says Fernández. "It is an urgent task to eliminate huge distortions in the accountancy of Cuban enterprises, though in my view, now is not the right moment. In the medium to long term, it will be hard to avoid negative inflation and social impacts. I would increase foreign investment as a direct priority, instead."

On the home capitalism front, when business licences will be reissued is anybody's guess. This is not a state known for its transparency, and could be a factor in the tendency of Cubans to opine on subjects they know nothing about, growing up in a culture in which information is disseminated through hearsay and rumour.

The lack of openness remains a disappointment for many. "Any government needs to ensure wealth creation and progress to remain in power," argues Torres. "Everything that Cuba needs to be more prosperous is within the country, and so Cuba needs to find a way to fully use its educated labour force and natural resources, and stop looking for external solutions to domestic problems. Neither foreign capital nor the next saviour can substitute tapping into our own talents and resources."

TOURIST DELIGHT

The current holy grail of redemption is tourism. Despite the recent drop, over the last decade tourism figures have doubled, and the Cubans are investing in the presumption of a solid future. There are four new five-star hotels under construction in Havana – all owned by military-run Gaviota (the state tourism group), but to be managed by foreigners.

Paradoxically, for foreigners, Donald Trump rampaging on the other side of the Florida Strait makes now a pleasant time to visit. The Americans are no longer block-booking all the hotel rooms, and those who still come are reminiscent of the post-revolution generation of US visitors: intelligent, curious, educated. The disappointing aspects of tourism in Cuba, which include appalling wifi, dramatically hit-or-miss food and annoyingly persistent taxi drivers, are more than compensated for by unspoiled nature, an open-hearted and bright population, and a refined culture that excels no matter what: these things are eternally Cuban.

If you step outside Havana, there are delights to be had. As state tourism ever shifts to more luxury hotels, city tourism, and golf courses, there is quieter magic off the beaten track. A recent launch is Wild Cuba, which specialises in the less explored Cuba, "far beyond the narrow tourist footprint of Havana, the colonial towns along the island's spine and the keys", according to its Irish-born creator, Johnny Considine, of Cuba Private Travel,

cubapivatetravel.com. The idea, he says, is to explore the rustic beauty of Cuba's national parks, and the expertise of Cuba's myriad naturalists. "The government's much more open to the idea of nature tourism these days," he says, "so we're promoting wild camping, long-range horse trips, farm stays, remote diving and out-there beaches." And over the next few months, that's where I intend to be. **BT**

WHERE TO STAY IN HAVANA



Paseo 206
A old senator's house has been converted into a ten-suite bolthole by an Italian and his Cuban wife. Paseo 206 is one of the Small Luxury Hotels of the World, and boasts a tiny Italian restaurant and a great central position in Vedado, Havana's commercial, Republican-era

heart. From around £165 for bed and breakfast. paseo206.com

Malecón 663
The creation of a chic Frenchwoman and her Cuban musician husband, Malecón 663 is a quirky seawall-facing townhouse with just four characterful bedrooms designed by young Cubans using the artisan skills and materials of the island. The best suite is at the top of the building, with its own bar and terrace. Doubles with bed and breakfast start from 180



convertible pesos (around £135). casasdecuba-en.net

Loma del Angel
A tiny, two-bedroom jewel box of a hotel tucked away in Old Havana, Loma del Angel is friendly, wifi-pumped, aromatic and pretty. I like the top room with its bougainvillea-drenched terrace. From around £35 a night. lomadelangel.com

La Reserva Vedado
A five-room diamond carved out of a 1914 neoclassical house by a motley crew of Cuban and expatriate architects with bedrooms and bathrooms inspired by recycled materials. The garden is the soul of the

place, with its al fresco kitchen-bar. Doubles from around £95 a night. lareservavedado.com

Gran Hotel Kempinski Manzana La Habana
Kempinski's arrival on the scene in 2017 upped the hotel game in Havana. The 246 room five-star hotel has a gorgeous rooftop pool terrace and al fresco restaurant, a Spa Albear by Resense, and mall with a Mont Blanc shop. Bed and breakfast in a patio room costs 400 convertible pesos (around £300). kempinski.com

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