

C U B A

# To Have and Have Not

Foreign investors—and ordinary Cubans—can just keep dreaming of making easy money

BY PETER KATEL

**F**ILIP HOFFMANN SPEAKS OF HIS Cuban “partner” with more than a hint of sarcasm. The Belgian businessman, an employee of the Spanish tourism firm Iberostar, manages the Hotel Neptuno in Havana—but practically every important decision is made by the international hotel’s owner, the Cuban government. The government built the place only four years ago, but Hoffmann says it’s already falling apart. The government hired the staff, including a bartender who didn’t know what a martini is and chambermaids who emphatically don’t care where they’re supposed to place the toiletry kits. Anything Hoffmann buys, including food, has to be obtained from the government, which often means either doing without or paying more than one third extra in duties for imported goods. “My partner is doing very well, thank you,” says Hoffmann, “maximum income for minimum effort.”

Foreign investors can just keep dreaming of making easy money in Cuba. The potential is certainly there: the finest beaches in the Caribbean, at least one third of the world’s known nickel reserves, a literate work force that never goes on strike. And the government clearly wants to attract foreign money. On his visit to New York last month, Fidel Castro even wore a banker’s pinstripe suit instead of his trademark military fatigues and talked up Cuban investment at every opportunity. Since 1988 Havana has allowed some 250 foreign companies to invest an estimated \$737 million in the country, and deals worth an additional



How can I serve you? Saleswoman in a virtually barren, pesos-only clothing store

\$4.3 billion are under negotiation. But Cuba is no China; it’s not even Vietnam. The government’s commitment to a state-planned, centrally controlled economy remains as inflexible as ever.

**Sign here:** Every detail of doing business in Cuba is minutely regulated. One leading Western businessman was obliged to cool his heels two months before the Cuban government granted him permission to buy a company car. His application slowly climbed the bureaucratic ladder all the way to Carlos Lage, vice president of the Council of Ministers and operational director of the economy, who finally affixed his signature. Now the foreign executive is seeking permission to buy a dish antenna. He wants to watch soccer games and news from

home. “This is a communist country that doesn’t want to stop being one,” he grumbles. As Castro himself confidently declared in September, “we will not only save socialism, but we will perfect it.” The president was hailing the National Assembly’s passage of a bill that supposedly liberalized Cuba’s foreign-investment laws.

The most galling restrictions on overseas businesses may be Cuba’s labor laws. Havana makes sure foreign bosses don’t reward Cuban workers too generously. Almost all hiring is done by the state, and the law says employees must be paid in pesos, not dollars. The government, in its capacity as partner and paymaster, reserves any hard-currency earnings for its own use. Companies are allowed to offer *estimulos*

(bonuses)—subject to government approval on a case-by-case basis. But the government bars joint ventures from paying any Cuban worker a bonus of more than \$50 a month in convertible pesos. “This is to avoid the introduction of privileged classes, privileged groups of workers,” explains Octavio Castilla, vice minister of foreign investment. A bonus of \$50 can still be good money in a country where the average wage is the equivalent of \$7.20 a month. Yet many workers resent the government for exploiting them. “I got tired of knowing that my salary was being paid to the state in dollars,” says an engineer who quit a relatively high-



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