

Exclusive Reports

Business eyes a non-embargoed Cuba

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HAVANA - Boarding one of the small taxis that dart out of Jose Marti International Airport to Cuba's colorful, colonial-style capital, a businessman would find plenty to suggest that the island's communist-style economy is still in favor.

A handful of old billboards tout the death of imperialism. Che Guevara's rugged, matinee-idol face still towers over the Plaza de Revolution.

But these days, Che's visage overlooks dozens of Jineteros, or street hustlers, capitalizing on another revolution that has nothing to do with the CIA: the invasion of the tourists and the subsequent Cuban business opportunities.

In the plaza, enterprising Jineteros sell everything from 30-second sketches of individuals in tour groups to \$2 fake Cohibas - offered cheaply because grandma supposedly works in the factory. Cuba's Minister of Basic Industry Marcos Portal is fond of handing out copies of "In Search of Excellence" to his managers.

And state-owned enterprises are looking at ways of increasing productivity. Some 1.3 million workers - about one third of the country's workforce - are starting to receive non-cash bonuses, such as clothing, for greater output. New hotels are on the horizon. Construction cranes frame skeletons of coming tourist attractions.

An even bigger boom is expected in Fidel Castro's Cuba if and when the U.S. trade embargo is lifted - some of it at Florida's expense.

A losing game?

More than four decades old, the embargo is increasingly regarded in many circles as an anachronism of U.S. foreign policy.

Although sanctions against trading with Cuba continue to hold political sway, the embargo appears to have had little impact. According to a recent report released by the U.S. International Trade Commission, Cuba "has emerged as a small global market relative to other Latin American countries ... foregone U.S. trade opportunities were minimal."

To be sure, there have been financial repercussions. Were it not for the embargo, the United States would have spent an estimated \$69 million to \$146 million on Cuban goods since the Helms-Burton Act of 1996, congressional legislation that further strengthened U.S. prohibitions against trade with Cuba.

But the International Trade Commission also estimates that the United States has lost roughly \$5 billion in potential sales to the island nation in the same five-year period.

Thus, the federal report sums up, "Some U.S. industries may be likely to benefit from removal of these sanctions."

"Cuba these days needs everything from apples to X-ray machines," agrees Teo Babun, a South Florida resident whose company, Cuba-Caribbean Development, is a business consulting firm. "It's literally an economic aircraft carrier pointed right at us."

Likely partners

Indeed, in a little-publicized report called the Cuba Plan, Enterprise Florida writes that opening trade would "most likely generate formidable business opportunities for Florida-based companies" - and that no other state is positioned better than Florida to take immediate advantage of the lifting of the embargo, according to the agency, a public/private partnership that replaced Florida's Department of Commerce.

In 1959, the last year before Fidel Castro took power, 85 percent of all Cuba's exports were marketed in the United States. This country was Cuba's principal trading partner - and Florida was Cuba's largest U.S. trade partner.

With an estimated 11 million people living on the largest island in the Caribbean - about the size of Pennsylvania - Cuba is "an ideal target market for Florida trade and investment," according to the Cuba Plan.

Further, the country could open for U.S. business investment within two or three years, predicts Abe Pizam, dean of the School of Hospitality Management at the University of Central Florida.

When it does happen, there are predictions that anywhere from 1 million to 5 million American tourists will flock to the island. "Hotels and tourism will probably be the two major areas of impact to Florida business," says Claudio Milman, a professor of international business at Rollins College's Crummer Graduate School of Business. It wouldn't materialize overnight. "It will take some time for positive word-of-mouth encouragement because basically, Cuba's a developing country," Pizam says. Service in the tourist industry will have to improve, hotels will have to get more sophisticated and bilingual interpreters also will be needed.

Trading tourists

Yet tourism has grown by 20 percent a year since the welcome mat came out in the late 1980s. Shrewdly positioned as a low cost exotic locale, the Cuban tourism industry is being developed in areas familiar to Florida: nature-based attractions, heritage tourism, water sports, excursion travel, nostalgia and cruises.

Almost 2 million tourists visited Cuba last year. Five million are expected by the end of 2010, according to H. E. Carlos Gomez, vice minister of tourism, prompting an estimated \$6 billion construction boom in hotels and such hotel-based activities as golf courses and theme parks.

The impact of access to an exotic Cuba that also offers attractive beaches could affect tourism negatively in general in Florida, according to some observers.

"Why would anyone go to Florida when Cuba is only 90 miles offshore?" asks Douglas R. Casey, publisher of a travel newsletter.

Visit Florida concludes that Cuba is already luring Canadians, Britons and Germans who would otherwise have vacationed in Florida. The loss, reports the group, adds up to 160,000 tourists a year lost to Cuba.

Whichever way the tourist traffic flows, those providing the transportation win. According to some estimates, there could be 50 flights a day serving South Florida and Cuba soon after the normalization of relations.

Pleasure boats are another promising possibility for joint ventures, according to a Visit Florida report that says, "Cuba is developing the docking capacity to handle an influx of American pleasure craft."

Indeed, the Visit Florida report on Cuban tourism reads like a travel brochure: "Cuba will be an exciting trip for American 'boatmen' with craft of 40 feet in length or greater," says the report.

Or they can borrow a boat. Prior to Castro's takeover, ferryboats hauled vehicles from Key West to Cuba.

Then there are the big boats. The worst kept secret in the cruise industry is those companies' contingency plans for adding Havana or other Cuban cities to itineraries. It's a sign of sensitivity to the powerful Cuban-American community that none of the lines confirm such plans.

However, says one cruise official who declined to be named, "The opening up of Cuba would be very interesting and exciting for us. It would open up a whole new destination in the Caribbean that has been off limits."

Building bridges

Less glamorous, but more immediate opportunities for Florida businesses center on Cuba's crumbling infrastructure. Many of the faded pink and yellow pastel buildings have rusted wrought iron railings, boarded-up windows and missing wooden shutters.

Apartment dwellers living in ornate Spanish Colonial buildings use pulleys to hoist water buckets up from the street. Ornate entryways are festooned with spider webs of loose wires.

The U.S.-Cuba Business Council estimates nearly \$400 million will be needed in the near future to bring telecommunications up to speed. Another \$500 million will be required for mass transit, \$540 million for railroads and \$575 million in airports. There's a pressing need for 500,000 new housing units.

Spain and Canada investors have already hopped on the bandwagon, partnering with Cubans on construction of new hotels. There are about 34,000 hotel rooms of admittedly varying quality - primarily one-star and two-star - but demand is expected to reach 78,000 rooms by 2010.

Still, there are hurdles.

"It's easy to sell here. It's hard to get paid," says Peter Goodwin, VP of Canadian Bearings Ltd., a Canadian company that helps keep Cuba's aging industrial machines in service.

Another high-level Canadian businessman - whose company is backing out of a proposed manufacturing project near Havana - adds, "It's definitely not a place where it's easy to do business."

One problem is having the Cuban government as a business partner.

"The standard deal is that a foreigner puts up 100 percent of the capital for his 50 percent," Casey says. "The Cubans put up the property for theirs."

But the worst part of dealing here, businessmen say, is not getting paid at all. The tendency in cash-poor Cuba is to barter whenever possible.

"Getting money is a huge issue, and we can only take so much sugar," the businessman says.
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