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Small business takes root in the new Cuba

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Illustrations: Katie Derosa ,Times Colonist / In Havana, one of the many murals depicting the iconic revolutionary Che Guevara reads "Rational love is not love."; Katie Derosa ,Times Colonist / Above: Francisco Yoslay shows off a box of Cohiba cigars, sold on the black market for a fraction of the price in the governmentrun cigar shops.; Katie Derosa ,Times Colonist / Left: Patrons sit in a tiny 12-seat eatery, one of the last in Havana to comply with the now-repealed 12-seat limit on private restaurants.;

In central Havana, not far from Revolutionary Square, a teal mural sports the words "Defend Socialism" in white capital letters. Just steps from the square, a sign says "53 years since our victory," referring to the communist revolution.

Despite the trappings, there are subtle fissures in the social fabric that Fidel Castro fought so hard to keep seamless during his reign. His younger brother, President Raul Castro, is making major concessions, allowing more Cubans to open up small businesses and make a living outside a meagre state-issued paycheque. They are concessions experts say are needed for the country to survive.

Before the economic reforms in late 2010, only 140,000 people in Cuba's workforce of four million- less than three per cent - were self-employed.

Approximately 350,000 Cubans have now been granted smallbusiness licences and that number is likely to grow.

Some ferry tourists across the cobblestone streets of Havana on three-wheeled bikes. Others have set up stands selling books, handmade jewelry, wooden trinkets and artwork, most of which immortalizes

celebrated revolutionary figure Che Guevara.

Ernesto Estrada, 33, takes a taxi 20 kilometres every day from his home in Matanzas City to Varadero, the tourism heart of this tiny island, to work at his uncle's stand in a popular market. It costs him \$2, but he quickly notes that's the fare for him, not tourists - most taxi drivers will charge \$10 for tourists heading a few kilometres.

Estrada is encouraged by the new self-employment policy touted by Raul Castro.

"The government start to open the life for Cuban people," he said, pausing from his work to talk to me during a trip to the country in late February. "It's better for us," he added. "The pay [in Cuba] is very bad."

If his uncle sells \$100 worth of portable wooden chess sets, carved wooden turtles or maps of Cuba painted on pieces of leather, Estrada will make \$10 that day. That's not bad, considering most Cubans make \$20 a month.

Estrada is trying to save money to open a stand of his own.

When the self-employment policy was announced in September 2010, Raul Castro promised to eliminate up to one million publicsector jobs by 2015, laying off 500,000 people by March 2011.

Archibald Ritter, an economist at the Norman Paterson School of International Affairs at Carleton University who specializes in the Cuban economy, said the roll-out of the plan was a disaster. Layoffs had to be drastically scaled back, because the government had yet to liberalize the private sector or lift the debilitating restrictions on small business.

While some of the limitations on small businesses have been lifted, Ritter said they don't go far enough.

Up until November 2010, a private restaurant could only have 12 chairs. Now, restaurants can have 50 chairs.

Small businesses can employ a maximum of five people - an improvement from banning employees altogether.

The government still prohibits professional activities from being sold in a small-business enterprise. Businesses like accounting services, engineering consultancies and private law offices, which fill phone books in North America, are not allowed in Cuba.

The government is allowing many state-run businesses to shift to private enterprises selling the exact same service.

Ritter said this will make the economy more efficient, eliminating the complex and bureaucratic hierarchy that regulates state-run services.

"You have to have a big bureaucracy to organize everything. If they're just operated by little family firms, then each one is independent - they rise or fall depending on the demand they produce. So it's a direct relationship between the entrepreneur and the customer."

Francisco Yoslay, a charming, fashionably dressed 30-year-old, paced outside a cigar shop popular with tourists, briskly asking if they wanted fine Cuban cigars.

"Cohibas, I have Cohibas, very good price," he said with a smile.

Yoslay insists he gets them from family members who work in the state-run factory. Without having to pay the store commission, he can sell them at a better rate.

I asked if he considers himself a businessman and he replied: "Always."

"It's better than working for the government," he said, before leading me down a secluded alleyway to show off his wares.

Most people will tell you cigars not sold from behind a store counter are black market, but Yoslay's pitch was convincing. He rolled the thick Cohiba in his palms to show that the tobacco wouldn't fall out. He let customers smell the pungent aroma and showed off the engraved, cedar wood Cohiba box. One Canadian tourist took him up on the offer and bought 10 for 60 convertible pesos (\$60).

Some of the government's draconian restrictions have led Cubans to cheat the system by stealing or selling services under

the table.

Ritter said during a trip to Cuba last year, he was walking by a state-run cigar factory when he struck up a conversation with a night watchman.

The security guard asked Ritter if he wanted some cigars and led him to a cache of stolen cigars that he was selling out of the security booth.

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Most Cubans live on a monthly income of \$20 US, even though their country has a large professional workforce. The government provides people with housing, food rations, education and medical care.

As much as the ideology of socialism demands that there be no class divisions among the people, two distinct classes have emerged. There are those who work in the tourism business and those who don't.

More than two million tourists a year visit the Caribbean nation, providing the country with one of its main sources of revenue.

Waiters, bartenders, taxi drivers, tour guides and housekeepers are in the enviable position of making tips in Cuban convertible pesos, which are worth 25 times more than the Cuban peso.

Ismary Castillo, a waitress at a resort buffet in Varadero, is an engineer by profession. She took the job waiting tables to support her extended family. In addition to tips, tourists also shower her with a host of North American consumer goods - things like shampoo, makeup and brand-name clothes. Most of the coveted items go to her 17-year-old daughter, who is studying to

get into a university architecture program.

Castillo said her daughter, Isis, sometimes gets frustrated studying and working so hard for what will be little pay in the future.

"My daughter, she say, 'Mom, why I study here? There is nothing.' I say, 'It's your future. If you do go to another country, you have to be a professional.' She says, 'But you're an engineer and you're waitressing.' But I'm always an engineer. I have that."

Hamet Manson Guerra, 42-year-old, is a taxi driver, barman and mechanic. He has two sons, ages 15 and seven, whom he's encouraging to learn English fluently in the hopes that when they are older, they'll be able to leave the country for opportunities abroad.

Cubans are not allowed to leave the country unless they marry a non-Cuban, are artists or intellectuals or are sponsored by someone outside the country. Those who leave rarely come back for fear of reprisals.

"The people want to see a difference, they want to feel more freedom, you know what I mean?" said Guerra, wearing a crisp white shirt and perspiring in the hot Havana sun while taking a break from his taxi service. "The people can buy house, can sell it, can buy car, can buy the engines."

Guerra said the move to allow more small businesses is evident on the bustling streets of Havana.

"You can see - everybody have a small cafeteria, people open some restaurants, they drive the three-wheeled taxis," he said.

Santiago Pons said he makes good money running a taxi service in Varadero.

"It's a good business now - it's good money, driving taxi," he said from behind the wheel of a shiny white 1955 Cadillac Eldorado with a red interior and a loud engine.

"This is the only one in Cuba," he said with pride.

Pons also makes money repairing cars, a steady business given that most Cuban cars are decades old, thanks to the ban on foreign imports. "You [meet] many people, it's a nice job," he said.

Ritter doesn't see Cuba's economic reforms as a major shift in ideology so much as a necessary move to keep the economy afloat.

"It means that the regime is trying to save itself," he said. "The Castro brothers have been the dominating force for more than half a century. They want to get the economy working well, but with themselves in power."

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