Cuba’s economic transition began formally on 23 June 1990 when the Political Bureau of the Cuban Communist Party issued the following statement: ‘The solid stability of the country, together with intelligent policies, attract the confidence of foreign investors and open the way for cooperation in the form of joint ventures. This does not clash with our socialist system; rather it means speedier use of potential resources.’ Days earlier, on Cuba’s premier beach, Varadero, President Fidel Castro publicly inaugurated the first hotel built jointly between a foreign investor and a Cuban state enterprise since the Cuban government seized all foreign-owned tourist enterprises in 1960. The foreign partners had the funds, management expertise, and marketing skills that Cuban enterprises lacked, he said. Somewhat hesitantly, he added: ‘We do not know how to run a hotel, how to handle tourism and – I don’t know if I should use the word or not – how to make the most money from tourism, how to exploit tourism.’

The decision to welcome foreign direct investment casts aside one of the foundation stones of the political economy of Cuban socialism, built on the expropriation of foreign property. The promotion of tourism was another shift. Although some tourism had persisted in the intervening decades, in 1959 and 1960 part of the moral claim of revolutionaries in power was the extirpation of the image that Cuba was the whorehouse of the Caribbean. In the decades that followed, tourism plummeted.

The 1990 economic reform decisions were smart and necessary. They were the prelude to other economic reforms that the Cuban government enacted in the years that followed. They responded to the vast changes already under way in the Soviet Union and the collapse of hitherto communist Eastern Europe; they anticipated the disintegration of the Soviet Union itself 18 months later. They signalled a public change in economic strategy while reaffirming fidelity to the socialist political system and to a set of values associated with it – the public ownership and operation of most of the means of production, centralized planning and decision making, single-party rule, the public provision of education and health care.
Map 1  Cuba