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The Story of Defeat – Havana

Pleasure Island

Cuba is an intriguing island which, since the day it was discovered by Christopher Columbus, has been fighting for independence and freedom and has never quite succeeded in achieving this aim to this day. Almost all of the native Cubans whom Columbus would have encountered in 1492 were either killed by Spanish colonialists or passed away infected with European diseases such as measles and smallpox, to which their bodies were not immune. People who today call themselves Cuban are, in most cases, decedents of Hispanic colonialists or of African slaves brought across the Atlantic on Spanish galleons to cultivate sugar cane farms.

A series of rebellions throughout the 19th century failed to end the Spanish rule. However, in 1898 the Spanish – American War resulted in Spain withdrawing from the island and, following three-and-a-half years of subsequent US military rule, Cuba gained formal independence in 1902. The US helped to revive the ravaged island's infrastructure and economy, though not without considerable self-interest (Perur, 2015). For many decades the Cuban economy depended heavily on sugar cane which was exported first to Spain and later to the US. Together with the socio-cultural changes of the twentieth century, another industry started playing a key role; this was tourism. Thanks to a relaxed approach to alcohol, gambling and other leisure pursuits, Cuba turned into a convenient backyard playground for US tourists, especially during the prohibition of the 1920s, carrying this reputation well into the 1950s.

This position was fostered by geographical proximity and close political ties between Havana and Washington DC. Many travellers would stay for

a week or longer, but some would also visit only for an extended weekend, or even a night, as transportation to Cuba was very convenient. American citizens did not require visas and they could use one of regularly scheduled flights from New York, Houston or Miami (as many as 80 flights a week from Miami alone). A lot of people would also take ferries from Key West, which operated as often as three times a week. Americans could freely transport their own automobiles and drive them in Cuba without any additional licences. Many of the vintage Oldsmobiles, Chevrolets and Buicks, which now decorate postcards and souvenirs from Cuba were imported by Americans in the golden decade of the 1950s.

Havana became notorious for behaviour which would not necessarily be appropriate back home. Rosalie Schwartz in her book titled *Pleasure Island* (1999: 121) describes:

“Consider an ordinary young adult celebrating a twenty-first birthday in 1957, the high point of the tourist boom. A recent entry into the responsibilities of the workplace and the burdens of family, he or she began life during the Great Depression, attended elementary school accompanied by war bulletins, and graduated high school to a world of atomic threats, loyalty oaths, red tides, and yellow perils. Why wouldn’t such a person translate lascivious La Habana as Spanish for ‘letting go’ and regard a visit to Cuba as well-deserved relaxation?”.

Americans travelled to Cuba to enjoy the tropical weather, abundance of alcohol and nightclubs but, most importantly, unlimited gambling. During the boom in the 1950s, Havana’s casinos offered employment to hundreds of young Cubans at wages high enough to persuade some professionals to switch to the gaming rooms (Schwartz, 1999: 126).

With Cuba depending so heavily on American visitors, American organized crime came to dominate the leisure and tourist industries, and with that came the US-backed dictator, Fulgencio Batista (Perur, 2015). President Batista, who initially rose to power as part of the 1933 Revolt of the Sergeants, now received financial, military, and logistical support from the US government. He aligned with the wealthiest landowners who controlled the largest sugar plantations and presided over a stagnating economy that widened the gap between rich and poor Cubans. Eventually, Cuba reached the point where most of the sugar industry was in US hands, and foreigners owned 70% of the arable land. Johnson (1965) estimates that the value of US

enterprise in Cuba was over three times the value of the investment in the rest of Latin America as a whole.

Batista's repressive government began to systematically profit from the exploitation of Cuba's commercial interests, by negotiating lucrative relationships with both the American Mafia, who controlled the drug, gambling, and prostitution businesses in Havana, and with large US-based multinational companies who were awarded lucrative contracts (English, 2008). To repress the growing discontent amongst the citizens, which was increasingly displayed through frequent student riots and demonstrations, Batista established tighter censorship of the media, while also utilizing his Bureau for the Repression of Communist Activities secret police to carry out wide-scale violence, torture and public executions. He is accused of killing anywhere from hundreds to 20,000 people (Shapiro, 1963). Many historians including Pat Minarcin, Eric Dezenhall and Peter Dale Scott agree that the relationship between the mob and Batista was thoroughly corrupt. The *New York Times* openly wrote about Santo Trafficante and Jack Lansky (brother of the famous gangster, Meyer Lansky) as operators of numerous casinos in Havana (Phillips, 1958). Batista made a fortune out of the mob's presence in Havana as he got a skim from every contract, licence and agreement. Most influential mobsters including Lansky and Trafficante would pay millions to Batista for keeping the Cuban officials away from their narcotics trafficking. Drugs, prostitution, unregulated gambling and alcohol, Havana was simply the sin capital of the western hemisphere (Schwartz, 1999).

The Habana Hilton

Despite its mobster reputation, Cuba was a promise of a lucrative investment, with income from tourism exceeding that from tobacco industry (Santamarina, 2000). It was only natural that Conrad, who by this time had built a coast-to-coast hotel empire in the US and opened a number of international properties in Puerto Rico, Madrid and Istanbul, would like to have a slice of this flourishing tourism industry and mark his presence in Havana. In fact, Hilton had held talks about opening a hotel in Cuba many years before it eventually came to fruition. There are letters dating back to 1949 in which Conrad Hilton and John Houser¹ speak about potential

1 John Houser to Conrad Hilton on 5th November 1949; Conrad Hilton to John Houser on 27th December 1949.

financing of \$5,000,000 negotiated from the Cuban government through the Sugar Fund. It is not exactly clear why those early negotiations came to no avail but what we know is that in 1953 Hilton Hotels de Cuba Inc, a wholly owned subsidiary of Hilton International, and Caja de Retiro y Asistencia Social Trabajadores Gastronomicos (The Gastronomic Workers' Retirement and Social Assistance Fund) signed an agreement for a \$13 million hotel to be constructed in downtown Havana, with financial help from the Bank of Industrial and Social Development and the Cuban Bank of Foreign Commerce.

Setting up a local subsidiary to deal with foreign direct investment on behalf of the parent company was a standard procedure in post-war America. Such structure provided much more control in terms of risk management, if the investment did not go to plan, the company would only risk its small subsidiary rather than the entire operation. The lease agreement signed on 24th November 1953 stated that the building, funded by the Caja, together with all its premises and properties (i.e. recreational grounds, fittings and furnishings) was to be leased to Hilton for the period of 20 years, counted from 31st December of the year when Hilton takes residence in the hotel (which was to be 1958). Hilton would pay just over 66% of the hotel's gross operating profit (but no less than \$250,000) as form of annual rent to the Caja and committed to employing local personnel (no more than 20 American citizens at any point in time). Hilton's capital involvement in the construction of the Habana was modest, just over \$1 million (Schwartz, 1999). The real value of Hilton's engagement was its invaluable capability to direct guests to the new hotel, and therefore the Island.

Under the terms of the agreement, the Caja appointed their own general manager, José Menéndez, although the opening and operations were closely supervised by Arthur Elmiger, Senior Vice President of Hilton International. The press called this collaboration 'unique' and Conrad claimed that this arrangement perfectly reflected an ideal teamwork between capital and labour. He joked about the fact that his company operated the hotel on behalf of the Workers' Union by saying: "Imagine, me working for the Union. Oh, how I wish Joseph Stalin had lived to see this" (*When Castro Seized the Hilton*, 2009). Indeed, having the American hotel tycoon 'work for' a Cuban trade union was a precedent and Conrad's comment is a perfect reflection of his good sense of humour and the positive outlook on life which he maintained despite numerous challenges.