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ADVANCES IN GLOBAL SERVICES AND RETAIL MANAGEMENT

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The Impact of U.S. Cuba Policies on Cuban Tourism Industry: Focus on the Obama and Trump Administration

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Abstract

The difficult United States - Cuba foreign relations have shaped the Cuban tourism industry from pre-revolution times when Cuba was the most popular Caribbean destination for American tourists, to the post-revolution events including the economic blockade established by President Kennedy. American presidents have used the U.S. Cuba policies to control American tourists' access to Cuba. This study investigates the impact of U.S. Cuba policies on the Cuban tourism industry with a focus on the Obama and Trump administrations. It estimates the impact of Obama and Trump Cuba policies based on the number of U.S. tourist arrivals between 2014 and 2019. The study addresses these impacts in the context of the growth of the Cuban tourism industry between 1990 and 2019 in terms of tourist arrivals from key source markets. This study concludes that the Cuban tourism industry has been strongly influenced by the U.S. Cuba policy during the Obama and Trump administration. Starting in 2009 President Obama improved the U.S. - Cuba relations and in 2017 the U.S. became the largest source market with 1,228,680 Americans visiting Cuba. This growth reversed to a drastic decline in 2019 as President Trump's travel restrictions started to have a major impact.

Keywords: U.S. Cuba policy, Cuban tourism industry

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Introduction

The purpose of this research is to identify the impact of the U.S. Cuba policies on the Cuban tourism industry. The study addresses an important research problem, namely, how do changes in the source country's foreign policy influence the host country's tourism industry. These changes can be positive which could increase the demand or they can be negative resulting in a decline in demand. This research will address the above research problem by answering the following research question: How have the U.S. Cuba policies influenced the Cuban tourism industry in terms of the number of U.S. tourist arrivals to Cuba? The objective of this research is to link specific foreign policy changes in the source country (USA) to changes in the host country (Cuba) tourism industry as measured in the source country (USA) tourist arrivals. The focus of this research is on the Obama and Trump administration Cuba policies and their

possible impact on the number of U.S. tourist arrivals to Cuba. The comparative literature review provides the context for the U.S. Cuba policies from the President Kennedy administration era (1961-63) to the Obama (2009-2017) and Trump (2017-21) administrations. The literature review concludes that in general Republican presidents have used U.S. Cuba policies to constrain U.S. tourist arrivals to Cuba, while Democratic Presidents have eased them.

Literature Review

The U.S. Cuba relations have a long history since the sinking of the USS. Maine in the Havana harbor in February 1898 contributed to the start of the Spanish-American war in April 1898. The following literature review will highlight major changes in the U.S. Cuba policies since President John F. Kennedy imposed the trade embargo on February 3rd, 1962. The focus of this literature review is on the Obama and Trump administration Cuba policies as the foundation for understanding their impact on U.S. tourist arrivals to Cuba. The literature review concludes that in general Republican presidents have favored tighter Cuba travel restrictions while Democratic presidents have tended to loosen restrictions, especially during the Obama era.

President John F. Kennedy Term Policies 1961-63

February 3rd, 1962, President Kennedy imposed a trade embargo on Cuba due to the Castro government's ties to the Soviet Union, and the Office of Foreign Assets Control (OFAC) issued the Cuban Import Regulations. July 9th, 1963, OFAC issued the Cuban Assets Control Regulations, which effectively banned travel by prohibiting any transactions with Cuba. Since then, there have been numerous policy changes to restrictions on travel to Cuba. It is important to note that the embargo regulations do not ban travel itself but place restrictions on any financial transactions related to travel to Cuba, which effectively results in a travel ban (<https://fas.org/sgp/crs/row/RL31139.pdf>). Since the Kennedy administration, a pattern for these changes has emerged. Democratic presidents Carter, Clinton, and Obama have relaxed Cuba policies, while Republican presidents Reagan, George W. Bush, and Trump have tightened them. The next sections summarize key U.S. Cuba travel policy changes under various U.S. presidents as well as some important developments in the U.S. Cuba relations that influenced these changes.

President Barack Obama Term Policies 2009-17

During his 2008 presidential campaign, Mr. Barack Obama said that “If the Cuban leadership begins opening Cuba to meaningful democratic change, the United States must be prepared to begin taking steps to normalize relations and to ease the embargo of the last five decades” (<https://www.cfr.org/backgrounders/us-cuba-relations>). He thought that it was time for the United States to pursue direct diplomacy with Cuba. After taking office he eased restrictions on remittances and travel, allowing Cuban Americans to send unlimited funds to Cuba and permitting U.S. citizens to visit Cuba for religious and educational purposes. These restrictions were set in 2004 by president George W. Bush who redefined the Cuban family as not including uncles/aunts, cousins, and any other relatives beyond parents, children, and siblings. This policy change reduced the number of passengers on nonstop flights between the two countries in August 2004 to a mere 10% of passengers in August 2003 (<https://www.cfr.org/backgrounders/us-cuba-relations>).

The new Cuban leadership under Raul Castro also signaled an openness to reform. Facing an aging population, a heavy foreign debt load, and economic hardship amid the global downturn, he began in 2009 to liberalize parts of Cuba's state-controlled economy (<https://www.cfr.org/background/usa-cuba-relations>). Reforms included decentralizing the agricultural sector, relaxing restrictions on small businesses, liberalizing real estate markets, easing Cubans' ability to obtain permission to travel abroad, and expanding access to consumer goods. As a result, Cuba's private sector grew and in 2014 it was about 20 percent of the country's workforce. The Cuban government estimated that the number of self-employed workers nearly tripled between 2009 and 2013. Still, state companies accounted for roughly seventy percent of the island's economic activity (<https://www.cfr.org/background/usa-cuba-relations>).

March 11th, 2009, President Obama signed into law the Omnibus Appropriations Act, 2009 (P.L. 111-8), with two provisions easing restrictions on travel to Cuba under a general license and reinstating a general license for family travel as it existed before the Bush Administration tightened restrictions in June 2004 (Federal Register, September 8, 2009, pp. 46000-46007). April 13th, 2009, President Obama lifted all restrictions on family travel and remittances to family members in Cuba. September 3rd, 2009, OFAC amended the Cuban Assets Control Regulations by implementing President Obama's policy changes concerning family travel, remittances, and greater telecommunications links with Cuba. These amendments included new categories of travel under general licenses, including travel for the marketing and sale of agricultural and medical goods, and travel for telecommunications providers and those attending professional meetings for commercial telecommunications transactions (Federal Register, September 8, 2009, pp. 46000-46007). January 14th, 2011, President Obama directed the Secretaries of State, Treasury, and Homeland Security to make changes to regulations and policies to (1) increase purposeful travel to Cuba related to religious, educational, and journalistic activities; (2) allow any U.S. person to send remittances to non-family members in Cuba and make it easier for religious institutions to send remittances for religious activities; and (3) allow all U.S. international airports to provide services to licensed charter flights to and from Cuba (Federal Register, September 8, 2009, pp. 46000-46007).

July 25th, 2011, OFAC clarified that people-to-people travel groups licensed for travel to Cuba must "certify that all participants will have a full-time schedule of educational exchange activities that will result in meaningful interaction between the travelers and individuals in Cuba" (U.S. Department of the Treasury OFAC. Cuba Travel Advisory. July 25, 2011). March 9th, 2012, OFAC announced that advertising for people-to-people travel must state the name of the licensed organization conducting the travel and that the organization must use the name under which their OFAC travel was licensed unless the group requests and receives a license amendment from OFAC to use an alternative name. The announcement stated that advertising suggesting that the people-to-people trips were focused on activities that travelers may undertake off hours (after their daily full-time schedule of people-to-people activities) may be misleading and may result in OFAC conducting an investigation. It maintained that people-to-people organizations that failed to meet the requirements of their licenses may have their licenses revoked or be issued a civil penalty of up to \$65,000 per violation (U.S. Department of the Treasury OFAC. Cuba Travel Advisory. July 25, 2011).

On January 28th and 29th, 2014 Cuba was hosting first time the Community of Latin American and Caribbean States (CELAC) summit focusing on trade, peace, and human rights. CELAC is considered an alternative to the U.S.-dominated Organization of American States (OAS), from which Cuba was ousted in 1962. Cuba's OAS rights were restored in June 2009, but the Cuban government said it would not return to the institution, calling it "an organization with a role and a trajectory that Cuba repudiates" (<https://www.cfr.org/background/US-Cuba-Relations>).

December 17th, 2014, President Obama and President Castro announced that they will restore full diplomatic relations. The announcement happened after the exchange of a jailed U.S. intelligence officer and U.S. subcontractor Allan Gross for the three remaining Cuban Five prisoners. The prisoner swap was a result of eighteen months of secret talks between the U.S. and Cuba that were brokered, in part, by Pope Francis. President Obama said that the United States planned to reopen the embassy in Havana, while members of the Republican-controlled Congress condemned the move and vowed to uphold the economic embargo (<https://www.cfr.org/background/US-Cuba-Relations>).

January 16th, 2015 OFAC amended the embargo regulations easing restrictions on travel and remittances. OFAC authorized to travel under general licenses for all 12 categories outlined in the CACR; allowed travelers to use U.S. credit and debit cards; eliminated traveler per diem limits; increased dollar limits for so-called nonfamily remittances and the number of remittances that could be carried to Cuba; and created a general license for humanitarian projects, support for the Cuban people, and support for the development of private businesses (Federal Register, January 26, 2015, pp. 2291-2302). On March 15th, 2015, President Obama authorized educational travel to Cuba based on a full-time schedule and interaction with Cuban people, and on March 17th, Sun Country Airlines became the first US charter airline flying from New York JFK to Havana for a roundtrip fare of \$847 (<https://www.cfr.org/background/US-Cuba-Relations>).

On April 11th, 2015, President Obama and President Castro met during the Summit of the Americas making it the first face-to-face meeting between U.S. and Cuban presidents in more than half a century. On April 14th, 2015, President Obama announced that the U.S. will remove Cuba from its list of states sponsoring terrorism which came into effect on May 29th. The designation, imposed in 1982, prevented Cuba from accessing international finance and was a sticking point in U.S.-Cuba talks on normalizing relations. May 5th, 2015, four US companies were given licenses to operate charter flights to Cuba and five US companies received licenses to operate ferry services to Cuba from Key West, Miami, Port Everglades, and Tampa ports (<https://www.cfr.org/background/US-Cuba-Relations>). July 20th, 2015, the United States and Cuban embassies opened first time since they closed in 1961. However, the U.S. trade embargo, which cannot be lifted without congressional approval, remained in place. The top U.S. diplomat in Havana was the charge d'affaires, Jeffrey DeLaurentis, and Cuba's foreign minister, Bruno Rodriguez, reopened the Cuban embassy in Washington.

On December 16th, 2015, U.S. and Cuba signed an agreement allowing U.S. commercial flights to Cuba. January 27th, 2016, OFAC eased travel restrictions related to professional media or artistic production and to the organization of professional meetings and public performances, clinics, workshops, athletic and other competitions, and exhibitions (Federal Register, January

27, 2016, pp. 4583-4586). On March 16th, 2016, OFAC allowed individuals to travel to Cuba for individual people-to-people educational travel (Federal Register, March 16, 2016, pp. 13989-13994). March 20th, 2016, Starwood Hotels signed hotel management agreements for Four Points by Sheraton and Inghaterra hotels in Havana.

On March 21st, 2016, President Obama became the first sitting U.S. president to visit Cuba since President Calvin Coolidge visited in 1928. President Obama met with President Castro, as well as dissidents. In a live broadcast with President Castro, President Obama urged both countries to press on with reforms. He said that “The Cuban government should continue political and economic liberalization, and the U.S. Congress should lift the trade embargo.” (<https://www.cfr.org/background/under/us-cuba-relations>).

April 22nd, 2016, OFAC lifted restrictions on commercial vessels sailing to Cuba, and on May 1st Carnival Cruise Line’s Adonia became the first US cruise ship to sail to Cuba and Havana. July 20th, 2016, Airbnb and Netflix received permission to operate in Cuba. August 31st, 2016, the U.S. Department of Transportation allowed 20 daily non-stop flights from the U.S. to Havana of which 14 were from Miami, Fort Lauderdale, Tampa, and Orlando. The remaining six flights were from Atlanta, Charlotte, Houston, Los Angeles, Newark, and New York. Ten U.S. airlines had regular daily and weekly service to ten Cuban cities and together Alaska Airlines, American, Delta, JetBlue, Frontier, Silver Airways, Spirit, Southwest, Sun Country, and United operated a combined 155 flights, which were rolled out between August 2016 and January 2017. The first flight took place August 31st from Fort Lauderdale to Santa Clara by Jet Blue, and the flight to Havana from Miami happened November 28th, 2016, with a round trip fare of \$278 (<https://www.cfr.org/background/under/us-cuba-relations>).

Starting August 31st, 2016, all U.S. travel agencies and tour operators were able to organize travel to Cuba. Before this date, OFAC required special licenses for travel agents and tour operators selling trips to Cuba which resulted in that a small group of agencies mainly from South Florida controlling the market. Now the market was open for big OTAs (online travel agencies) such as Expedia and Airbnb which resulted in the exponential growth of travel to Cuba from the U.S. October 17th, 2016, OFAC removed the value limit for Cuban products, including alcohol and tobacco, that U.S. travelers could bring to the U.S. from Cuba or third countries for personal use.

November 25th, 2016, Fidel Castro died at the age of ninety and thousands of Cubans gathered at Havana’s Revolution Square to mark the first day of an official week of mourning. The country’s most prominent dissident group, Ladies in White, called off its regular weekend protest for the first time in thirteen years. Thousands of Cuban exiles, many of whom regarded Castro as a dictator, celebrated in Miami and other U.S. cities and called for political change in Cuba. In a statement, President Obama said that Cubans should know “they have a friend and partner in the United States of America” (<https://www.cfr.org/background/under/us-cuba-relations>).

January 12th, 2017, President Obama repealed the “wet foot, dry foot” policy, which had since 1995 allowed Cubans who reached U.S. shores without authorization to pursue permanent residency. This decision made the U.S. government’s treatment of Cubans similar to its handling of other undocumented immigrants. The Cuban government welcomed the change and agreed to

allow back into the country all Cubans removed by the United States (<https://www.cfr.org/background/US-Cuba-relations>). The above Obama administration Cuba policies made the USA the second biggest source market in 2016 and the biggest in 2017 with 1228,680 American arrivals.

President Donald Trump Term Policies 2017-21

As a candidate, Mr. Trump was critical of the Obama administration's thaw with Cuba and pledged to reverse course once in office. On June 16th, 2017, President Trump reinstated restrictions on Americans traveling to Cuba and U.S. business dealings with Cuban military-run entities such as Gaviota S.A. which owned and operated several hotels and tourism businesses. The Obama administration's loosened restrictions "do not help the Cuban people—they only enrich the Cuban regime," President Trump said, adding that U.S. sanctions will not be lifted until Cuba frees all of its political prisoners, respects freedoms of assembly and expression, legalizes opposition parties, and schedules free and fair elections (<https://www.cfr.org/background/US-Cuba-relations>). Some U.S. business leaders and members of Congress criticized the move, saying it will further isolate Cuba and worsen the economic and political situation there. Cuban leaders said the changes "contradicted the majority support" of Americans.

On September 29th, 2017, the Trump administration pulled two-thirds of its embassy staff from Havana, after several American and Canadian diplomatic workers suffered unexplained injuries, including hearing loss and cognitive impairment. Most of the U.S. embassy's functions, including visa processing, were suspended. The Cuban government denied any involvement and urged the United States not to cut diplomatic ties. The same day the U.S. State Department placed Cuba under the "do not travel" category, defined as the highest Level 4, due to "high life-threatening risks" (<https://www.cfr.org/background/US-Cuba-relations>). This change was the result of U.S. government allegations against Cuba for alleged "sonic attacks" against its diplomatic personnel in Havana. In January 2018 the advisory was adjusted to Level 3 recommending that U.S. citizens should "reconsider" or "avoid travel because of the risk of being subject to injury." The advisory was set at Level 2 recommending "increased caution" in August 2018 (<https://www.cfr.org/background/US-Cuba-relations>).

November 9th, 2017, OFAC amended the CACR to eliminate individual people-to-people educational travel and to revise the regulations for other educational travel; to prohibit certain financial transactions with entities and sub-entities controlled by the Cuban military, intelligence, or security service or personnel; and broadened the definition of the terms prohibited officials of the Government of Cuba by returning to the definition in place from June 2004 to October 2016 (Federal Register, November 9, 2017, pp. 51998-52008). The State Department published a list of 179 restricted Cuban entities and sub-entities under the control of or acting for or on behalf of, the Cuban military, intelligence, or security services or personnel with which direct financial transactions would disproportionately benefit such services or personnel at the expense of the Cuban people or private enterprise in Cuba (Federal Register, November 9, 2007, pp. 52089-52091). Effective November 15th, 2018, the State Department updated its Cuba restricted list by adding 26 sub-entities, including 16 hotels, bringing the total number of entities on the list to 205 (Federal Register, November 15, 2018, pp. 57523-57525).

April 19th, 2018, President Raul Castro stepped down and the National Assembly unanimously elected fifty-seven-year-old Miguel Diaz-Canel, first vice president and Castro's handpicked successor, as president of Cuba. Castro, who announced in 2013 that he would not seek reelection at the end of his second term, said he will remain the head of the Communist Party until 2021, a move that preserved his political influence. The transition marked the first time in the sixty years since the revolution that Cuba was not ruled by a Castro (<https://www.cfr.org/backgrounders/us-cuba-relations>).

November 1st, 2018, President Trump's National Security Advisor John Bolton gave a speech at Miami Dade College's Freedom Tower calling Cuba, Venezuela, and Nicaragua the Troika of Tyranny. March 4th, 2019, the Trump administration opened up a month-long window in which U.S. citizens could sue dozens of Cuban companies that traffic in the confiscated property. Congress had authorized this in the 1996 Helms-Burton Act, but U.S. presidents had suspended this right ever since. August 6th, 2019, President Trump banned all Cuba cruises from the USA impacting close to 850,000 passengers (<https://www.cfr.org/backgrounders/us-cuba-relations>). December 10th, 2019, the Trump administration banned all U.S. commercial flights to Cuban cities excluding Havana, and January 10th, 2020, banned all U.S. charter flights to Cuban cities excluding Havana effective March 10, 2020.

The Trump administration's Cuba policies had a major impact on American arrivals to Cuba resulting in a de-acceleration of the growth in 2018 to +3.1% followed by a decline of -21.9% in 2019. The next sections will provide context for changes in American arrivals first by addressing the growth of the Cuban tourism industry, followed by a detailed analysis of the impact of the Obama and Trump administration Cuba policies on American arrivals to Cuba relative to other sources markets.

The Growth of the Cuban Tourism Industry

This section addresses the growth of Cuban tourism providing the context for understanding the changes in the U.S. tourist arrivals to Cuba during the Obama and Trump administrations. Tourism is a major economic driver in Cuba where it contributed USD 9,710.2 million or 10.7% of GDP in 2017 and was forecasted to rise by 4.2% annually to USD 15,158.9 million or 12.6% of GDP in 2028. In 2017, the Cuban tourism industry provided 9.9% of total employment (513,000 jobs) with an expected rise by 0.5% annually to 553,000 jobs or 12.0% of total jobs in 2028 (<file:///C:/Users/jl142/Downloads/Cuba2019.pdf>). Since 1990 when Fidel Castro decided to invest in the Cuban tourism industry the number of tourist arrivals has grown from about 300,000 in 1990 to a peak of 4 711,910 in 2018 (ONEI, Mintur). This enormous growth of 1470.63% translated into an average annual growth of 10.18% between 1990 and 2018. The peak growth years were between 1990 and 2000 with an average annual growth of 18.2%. Between 2001 and 2008 the tourist arrivals grew only 3.88% annually. The 9/11 terrorist acts impacted the global tourism industry and Cuba saw only 1% growth in 2001 and a 1% decline in 2002. There were three other years between 2001 and 2008 when tourist arrivals declined including 2004 (-4%), 2006 (-4%), and 2007 (-3%). 2008 was a promising year with a 9% growth in tourist arrivals. However, the Great Recession at the end of 2008 moderated the growth between 7% in 2011 and 0% in 2013 (ONEI, Mintur).

Between 2005 and 2017 the number of international tourist arrivals to Cuba grew 6.8% annually which was more than the world (4.5%), Caribbean (3.1%) and Cuba's key competitors of Dominican Republic (4.5%), Jamaica (4.3%), Puerto Rico (0.2%) and Bahamas (-1.0%) (UNWTO). In 2018 Cuba was the second-largest Caribbean market with 4.68 million international tourist arrivals behind Dominican Republic (6.57 million), and ahead of Puerto Rico (3.07 million), Jamaica (2.47 million), and the Bahamas (1.63 million). The growth between 2005 and 2017 was partly mitigated by the trend of smaller total expenditure per tourist. Between 2005 and 2017 the total expenditure per tourist in Cuba declined from \$1027 to \$685 (UNWTO). In 2005 Cuba was above the world average and just below the Caribbean average in tourist expenditure. In 2017 the declined expenditure of \$685 translated into 67.6% of the world average (\$1013) and only 56.0% of the Caribbean average (\$1222). This smaller expenditure can partly be explained by the trend of shorter length of stay which declined from 8.8 days in 2012 to 7.2 in 2017 (UNWTO). Another factor is the popularity of *casas particulares* (B&B) which charge lower room rates (\$25-50) than hotels (\$100-300) as well as *paladares* (family restaurants) that offer inexpensive meals. The hotel occupancies based on international travelers in 2017 were 60% (January-April), 50% (May-August), and 40% (September-December). In 2018 and 2019 the occupancies declined about 10% across all seasons (ONEI).

During the growth period between 2014 and 2018, the international tourist arrivals grew on average +14.1% per year (ONEI, Statista). Several big (over 177 000 arrivals per market) source markets topped this average annual growth including the USA (+147.7%), Spain (29.0%), Mexico (26.6%), Russia (23.7), France (22.5%), and Italy (+14.6%) (ONEI, Statista). However, several of these source markets started to decline in 2018 including Italy (-22.0%), Germany (-14.4%), UK (-7.7%), France (-5.8%) and Spain (-0.9%) (ONEI, Statista). The declines in these markets were partly explained by increased prices due to the influx of American tourists. However, the continued growth in U.S. arrivals (3.2% to 637,910) in 2018 was able to compensate for these declines, and Cuba finished 2018 with a modest growth of 3.5% in total international arrivals. The other market that compensated for these declines was Russia which grew 30% into 136,613 arrivals (ONEI, Statista).

The Cuban tourism industry had its second-best growth period between 2015 and 2017 with an average annual growth of 16%. 2015 was the peak year for Canadian arrivals totaling 1 300 405 (36.7% of total arrivals). Canada had been Cuba's most important source market between 2000 and 2015 counting up to 40% of total arrivals. However, Canadian arrivals started to see a decline in 2016 by -7.6%, followed by a -6.6% decline in 2017 and a -2.3% decline in 2018. This trend seemed to have reversed in 2019 with a modest growth of 0.9% which helped a little bit to compensate for the decline of -9.3% in international arrivals.

The Impact of Obama and Trump Administration on U.S. Arrivals to Cuba

The growth of American tourists was mainly driven by several of President Obama's Cuba policies as stated earlier. There seems to have been a lag of about six years between Obama's first easing travel restrictions on March 11, 2009, until the number of U.S. tourist arrivals started to increase in 2015. Between 2012 and 2014 the U.S. arrivals declined from 99,000 to 92,330. This decline can partly be explained by the uncertainties regarding easing the travel restrictions (i.e. what is allowed and what is not) and the slow pace at the U.S. travel industry (i.e. tour operators and airlines) was able to increase capacity to Cuba. The number of American tourist

arrivals grew from 92,330 in 2014 to 162,970 (+76.5%) in 2015 (ONEI, Statista). This growth can partly be explained by the January 16, 2015 decision when President Obama introduced a new Cuba policy that significantly eased travel restrictions (Federal Register, January 26, 2015, pp. 2291-2302). On December 16, 2015, President Obama signed an agreement allowing commercial flights to Cuba which increased the airline capacity significantly in 2016. Earlier that year he signed an agreement allowing expansion of U.S. charter flights to Havana and other Cuban cities. These decisions to ease U.S. travel to Cuba resulted in a growth of +74.6% producing 284,550 U.S. arrivals to 2016 (ONEI, Statista). On March 21, 2016, President Obama became the first sitting U.S. President to visit Cuba since Calvin Coolidge in 1928. This historical event together with significant increases in flights and cruises to Cuba resulted in record-breaking growth (+117.3%) in U.S. arrivals totaling 618,350 in 2017 (ONEI, Statista). Together US tourists (618,350), Cuban Americans (432,603), and US cruise passengers (177,727) became a larger source market than Canada with the total number of U.S. arrivals reaching 1 228,680 against 1 121,556 Canadian arrivals (ONEI, Statista). The U.S. growth continued moderately (+3.1%) in 2018 with 637,910 U.S. arrivals at the time when total international tourist arrivals grew only 1%. This meager growth was partly explained by President Trump's messages and decisions to limit travel to Cuba in 2017. These decisions included the U.S. State Department decision to place Cuba under the "do not travel" category due to the "sonic attacks" at the U.S. Embassy on September 29, 2017, the elimination of individual people-to-people travel, and a list of 179 restricted Cuban entities that the U.S. citizens could not transact with (issued November 9th, 2017).

Effective November 15th, 2018, the State Department expanded the restricted list with 26 new Cuban entities. These policy changes were amplified on August 6th, 2019 when the Trump administration banned all cruises to Cuba followed by a ban for U.S. commercial flights to airports outside of Havana effective December 10th, 2019. The total number of international arrivals declined in 2019 by -9.3% while the U.S. arrivals declined significantly by -21.9% (ONEI).

What made the situation worse for the Cuban tourism industry was that the 2018 declines had accelerated in the key European source markets led by UK (-34.9%), Italy (-25.0%), Germany (-16.1%), France (-14.3%), and Spain (-12.9%) (ONEI). Mexico saw a modest decline of -2.8% and it became a larger source market than Spain and Italy in 2019. The largest market, Canada, reversed the decline that started in 2016 and showed modest growth of +0.9%. The only major growth market in 2019 was Russia with a +29.5% growth resulting in 176,964 Russian arrivals. This growth made Russia the third-largest source market behind Canada and the USA, ahead of Germany, France, Mexico, Spain, Italy, and the UK. Cuban ex-pats showed a small growth of 3.9% in 2019 (ONEI).

In 2020 these declines accelerated given the fact that the Trump administration banned U.S. charter flights to airports outside Havana starting March 10th, 2020. The Corona Virus pandemic had a devastating negative impact due to the airline service disruptions and the restrictions on international tourist arrivals which started March 24th, 2020. In April 2020 the decline reached 99.8% and in December it was still 82.9% below December 2019. In 2020 the number of international tourist arrivals declined to 1,085,920 from 4,275,558 in 2019. This was an overall decline of 74.6% with the three biggest markets of Canada declining -63.1%, Russia -58.1%, and the USA -88.3%. In 2020 Russia became the second largest source market with 74,018 tourist

arrivals after Canada with 413,409 arrivals. The United States declined to the third position with 58, 147 tourist arrivals. The Cuban Minister of Tourism announced on March 16th, 2021 that Russian charters will return to Varadero starting on April 1st, 2021 with a capacity between 2500 to 3500 tourists per week. On March 18th, 2021 Cuban Ministry of Tourism signed a memorandum of understanding with the Academy of Tourism of China addressing academic programs, research, and training, which will allow the exchange and development of products, marketing, and research. between both countries. As of May 3rd, 2021 there had not been any Cuban tourism-related announcements by President Biden and his cabinet but he had indicated the goal to return to the Obama era Cuba policies.

Conclusions

Since 2014, the Cuban tourism industry has been impacted significantly by the U.S. Cuba policies. The U.S. – Cuba relations improved during the Obama administration which resulted in the U.S. tourist arrivals becoming the second largest source market in 2016 after Canada. This growth continued and in 2017 U.S. tourists (618,350), U.S. cruise passengers (177,727), and Cuban Americans (432,603) became the largest group of international arrivals reaching 1 228,680 against 1121,556 Canadian arrivals (ONEI, Statista). This remarkable growth changed to a meager +3.2% in 2018 when President Trump's Cuba travel restrictions started to have an impact. The ban on Cuba cruises and commercial flights to airports outside Havana accelerated the trend resulting in a decline of -21.9% in 2019. Based on this study President Trump's Cuba policies have accelerated this decline which had already started in 2018 with several European largest source markets showing double-digit declines in arrivals to Cuba.

April 2016 Cuban government published the 2030 Vision Plan with extensive projects to construct new hotels and resorts with a prediction that the number of international visitors could rise from 3.5 million in 2015 to over 10 million in 2030 plus 5 million cruise passengers. In 2030 Cuban tourism industry would generate over \$10 billion in foreign exchange revenues, as compared to about \$3 billion in 2015, and twice the amount generated by all of Cuba's merchandise exports in 2015. The 2030 Vision Plan is facing some major challenges given the declining number of international tourist arrivals, declining tourist expenditure, and shorter length of stay.

Future studies could address the competitiveness of Cuban tourism products in terms of airline services, transportation, lodging, activities, attractions, food, and beverage services. This type of study may find reasons why several key European source markets started to decline in 2018. Future studies could also address Cuban international tourist arrivals in the context of global and Caribbean trends as well as against Cuba's key competitors of the Dominican Republic, Jamaica, and Puerto Rico. Finally, future studies could address policies and actions that the Cuban Minister of Tourism and the Cuban tourism industry could take to alleviate the negative impact of Trump administration policies on the Cuban tourism industry. The Cuban tourism industry has shown resilience by targeting new source markets such as Russia and Chile which saw growth in 2019 despite the overall decline of 9.3% in tourist arrivals. However, new policies and actions are needed to make the 2030 Vision Plan a reality.

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