

CUBA: Tourism Thriving Despite the U.S. Trade Embargo
By Stanley Turkel, MHS, ISHC

Fidel Castro's recent surgery put Cuba back in the news. For me, it was a sharp recollection of our trip in April 2000. My wife and I visited Cuba immediately after the Elian Gonzalez controversy with a group of educators.

During the height of the Gonzalez action, Havana appeared quiet and normal. There was one large peaceful demonstration but no soldiers, no police, no pictures of Fidel. In some of the schools my wife and I visited (elementary, secondary, vocational, university), there were posters of Elian. Vehicle traffic was light as usual, a consequence of few new cars and a shortage of fuel. But there were lots of people on foot and bicycles and public transportation, such as it is: double bus bodies pulled by a tractor-trailer cabs (called Camels).

The streets are apparently safe and relatively free of crime: no beggars, no homeless, but long lines of people waiting patiently to buy the famous Coppelia ice cream. Of course, there is no opposition press, no anti-government political parties, no free elections. There is rationing and what appears to be a benevolent government dictatorship. With the shortages of building supplies, the monumental city of Havana has derelict buildings everywhere in need of repair, replastering and repainting. Despite these severe shortages, Cuba has devoted its limited resources to education, with 98 percent literacy and universal health care for all. Cuba has one of the best medical systems in the world, with twice as many physicians per capita as the U.S. Its infant mortality rate and life expectancy are about the same as in the U.S. and its HIV/AIDS prevalence is almost nonexistent.

The U.S. and Cuba are natural trading partners and the anachronistic U.S. embargo has deprived U.S. companies of numerous opportunities to do business in Cuba. Washington's travel restrictions have cost U.S. tour companies, travel agencies, airline, hotel and catering chains billions of dollars per year in lost tourism revenues. The number of visitors from other countries (including Canada, Mexico and those in Europe, the Middle East and South America) grew from 340,300 in 1990 to 1.4 million in 1998. The island hosted 1.9 million visitors in 1999 and 2.5

million in 2005. The number of hotel rooms has more than doubled since 1990 and reached 50,000 by the end of 2005.

Tourism in Cuba has grown an average of 19.3 percent for the past five years, while all of the Caribbean, including Cuba, has experienced growth rates of only 4.3 percent during the same period.

In order to accommodate the rapid tourism growth, the hotel sector has more than doubled the available rooms in the last decade. At the end of 1999, there were 189 properties having over 30,000 rooms. Hotel construction has continued unabated, and 22 four star hotels opened in the past four years including Sol Melia's 429-room Paradisus Varadero Beach Resort.

The hotel sector in Cuba is dominated by four main companies – Gran Caribe, Cubanacan, Gaviota and Habaguanex. The exponential growth in room availability over the past decade has been made possible through joint ventures primarily with Gran Caribe, Cubanacan and a number of non-American international partners. There are currently 24 joint venture companies which have 11,900 rooms under development, and 3,700 currently in operation. Currently Sol Melia (Spain), Super Clubs (Jamaica), Accor (France), Barcelo (Spain) are the main international companies in joint venture agreements to manage properties in Cuba.

Cuba is 12.5 times bigger than Puerto Rico and offers great opportunities for development because it is the least commercialized Caribbean country. For nearly 400 years, Cuba was the main gateway to Spain's vast American empire. Beautiful cities like Havana, Matanzas, Trinidad, Sancti Spiritus, Camaguey, Bayamo, Baracoa and Santiago de Cuba await visits from Americans. With 2.1 million inhabitants, Havana is the largest city in the Caribbean. Founded on its present site in 1519, its picturesque old town is a designated UNESCO World Heritage site.

Cuba is the largest and most westerly island in the Caribbean, located at the mouth of the Gulf of Mexico, 145 km south of the Florida Keys. The Cuban archipelago consists of the island of

Cuba, the Isla de la Juventud (Isle of Youth) and 4,195 cays and islets. Cuba is home to over 11 million people, two million whom reside in the capital city Havana.

Like many of its Caribbean neighbors, Cuba developed a monocrop dependence on the sugar industry. African slaves were introduced to the island in the 17th century, imported to work in the copper mines and on the sugar plantations. By the end of the 18th century, Cuba was the world's largest sugar producer. Into the next century as the sugar industry boomed, increasing numbers of slaves were imported every year to work on the plantations and in the refineries. By the mid-nineteenth century, slaves comprised one-quarter of the Cuban population, with an additional 20 percent of the population freed slaves. At a time which saw the emancipation of slaves in many sugar-based economies, Cuba's slave population continued to multiply.

In 1868, a revolt against Spanish rule was sparked by a member of the plantocracy, and led to the Ten Years' War, and the eventual cessation of slavery in 1886. In 1895, the populace's bid for independence led to all-out war with Spain. The eventual success of this bid came after intervention by the United States and at a hefty price, with the Americans assuming military control of the newly independent nation. The American occupation of Cuba which began in 1898, brought with it an 'Americanization' of the Cuban people – the construction of bridges, roads and sanitation systems by the military, the construction of schools and hospitals, the training of Cuban teachers in America, and the importation of American goods, religions and tourists.

Political corruption, economic uncertainty and US- backed leadership led to increased dissatisfaction in the Cuban population following the 1952 military coup by Fulgencio Batista y Zaldívar. In 1953, Fidel Castro, a political activist and young lawyer began to gather a following of young people opposed to the Batista dictatorship. Arrested, tried and sentenced to 15 years in prison, Castro was released in 1954 and fled to Mexico where he formed the 26th of July Movement. In 1956, Castro returned with a band of guerillas in a failed attempt to invade Cuba, but remained on the island building his band of revolutionaries, eliciting the peoples' support and conducting raids on Batista's military installations. On New Years Eve 1958, Batista fled the country, and Fidel Castro assumed power.

Economic reforms implemented almost immediately were aimed at redistributing the wealth in the country and closing the gap between the rich and the poor. Limits to land ownership were enforced, rents were reduced, standardized wages and price controls were introduced, and some land holdings were nationalized. These policies did not sit well with the Americans who in 1958 owned 75 percent of Cuba's fertile land, 40 percent of their sugar industry and 90 percent of their public services, especially when Castro was forging economic ties with the Union of Soviet Socialist Republics (USSR). In 1961, the Americans severed diplomatic ties with Cuba. It is estimated that Castro confiscated over US\$8 billion of land, businesses. The travel and trade embargo implemented by the U.S. still exists to this day.

In the 1950s, Americans flocked to Cuba, accounting for 89 percent of the total number of visitors to the island, and 32 percent of total American arrivals to the Caribbean region. At its peak in 1957, Cuba attracted 272,265 American tourists, by 1960, a year after the revolution, this number dropped to 61,098 and dwindled to almost zero over the next two decades.

Tourism's economic potential diminished in importance in the years after the revolution, as the country's focus turned once more to its sugar, tobacco and mineral exports. Favorable barter arrangements with the USSR saw Cuba's sugar being purchased at a market premium, in exchange for agricultural machinery, crude oil and technology. By 1970 over 85 percent of Cuban trade was with the USSR and its Eastern Europe allies amounting to an estimated US\$6 billion per year. The 1990 collapse of the Soviet Union signaled an end to the economic subsidies and barter arrangements between the two countries, and tourism was embraced as an economic lifeline and means of generating much needed foreign currency.

Sun, sea and sand is the main product offering with health, diving, historic and nature hikes also prominent. Many visitors combine beach and city holidays, opting to divide their time between one of the many resorts, and some of Cuba's historic cities. The Ministry of Tourism is actively promoting this 'destination' product, and eventually aims to include visits to other Caribbean islands as part of the entire Cuban vacation experience.

The richness of Cuban culture is well reflected in its many museums, several dozen of which are in Havana. To quote from “Cuba: A Lonely Planet Travel Survival Kit” (1997): “This is one of the last truly unspoiled countries in the world, free of the surly locals and drug trade present on some other Caribbean islands. The hotels are numerous and inexpensive and visitors can also stay in private homes. For the tourist who wants only a week or two in the sun, Cuba provides various smart resorts plus glimpses of history in the making.”

Despite the U.S. ban on tourism, Cuba had become a hot destination for American tourists. It is estimated that 150,000 Americans visited Cuba in 2000. However, the Bush administration has been tightening restrictions on U.S. travel to Cuba, allowing Cuban-Americans to visit only once every three years and clamping down on trips by U.S. academics.

It seems absurd that while the U.S. House of Representatives has granted permanent normal trading privileges to giant China, it continues the trade embargo on tiny Cuba. The Alexandria, Va.-based American Society of Travel Agents long has backed freedom of travel to Cuba and elsewhere as a basic human right. ASTA has always supported open access to all destinations because travel, they say, leads to understanding, communication and peace.

In 2000, Paula Stern, the former chairwoman of the U.S. International Trade Commission, calculated that without the embargo, the United States could sell \$444 million of food and medicine a year in Cuba, generating 6000 jobs.

Our weeklong trip included beaches, sun, live music, farms, schools, reforestation projects, hospitals, historic forts and old Havana complete with a display of restored classic automobiles. The relative scarcity of automobiles and combustion engines offers clear vistas and easy breathing. Cuba’s per capita CO² output is one-tenth that of the U.S.

We even attended a Passover seder at a Havana synagogue. We stayed at the Hotel Nacional de Cuba, a five-star hotel built in 1930, and toured in new Volvo air-conditioned busses, complete with a bathroom at the rear.

In Cuba, professionals are linked with colleagues throughout the world via the Internet, entrepreneurial businesses are increasing, U.S. dollars are legal tender, and foreign investors are making profits. All signs point to the tourism industry continuing its vigorous growth with European and Canadian tourists.

“There’s a growing sense in the business community that if we’re going to trade with North Korea, Vietnam, Russia and some countries in the Middle East, why aren’t we trading with Cuba?” ‘said Thomas J. Donahue, president of the U.S. Chamber of Commerce. “People are asking fundamental questions about a policy that’s clearly illogical”.*

*Much of the historic information in this article comes from Cuba: A Market Profile by Lisa Jebod Singh, Market Analyst, Arthur Andersen.

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