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# American Tourist Travel to Cuba: A Case Study

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## Background

The majority of tension experienced between the United States and Cuba began once Fidel Castro seized power by overthrowing the corrupt Batista dictatorship in 1959. Relations deteriorated at a constant rate for approximately two years before diplomatic ties were eventually severed in 1961. Not only was the Cuban government convinced the U.S. was utilizing the embassy as a hub for espionage, but Castro signed a trade treaty with Soviet Union which raised a major red flag. The Eisenhower administration concluded Cuba was anti-America and quickly lost trust in the Cuban government. Uncertain of Cuban loyalty, Eisenhower developed a plan in March 1960 to overthrow Castro and establish a non-communist government in Cuba. Moreover, diplomatic relations with Cuba were officially severed on January 3, 1961. Prior to his inauguration on January 20, 1961, John F. Kennedy was briefed on the plan set in motion by Eisenhower. A group of Cuban exiles were recruited and trained for approximately one year by the CIA in secret camps throughout Guatemala to fulfill the mission. However, what was supposed to be a covert operation became common knowledge among Cuban exiles in Miami. Once this information was intercepted by Cuban intelligence, Castro became cognizant of what was about to transpire in the upcoming months. Consequently, the Bay of Pigs invasion which occurred on April 17, 1961, was a colossal blunder.

Despite the failed attempt to vanquish Castro, continued efforts were made to keep the Cuban government at bay. A full economic embargo restricting trade and travel between Cuba and the U.S. was imposed on February 7, 1962. A few months after the economic embargo was established, President Kennedy discovered nuclear armed Soviet missiles in Cuba which led to a 13-day standoff known as the Cuban Missile Crisis. On Oct 22, 1962, President Kennedy announced the decision to create a naval blockade or "quarantine" around the island to prevent further military supplies from being imported in from the Soviet Union. Kennedy demanded the missiles to be removed and the missile sites destroyed. With the strong possibility of a nuclear war looming, Soviet leader Khrushchev and President Kennedy publicly agreed to an arrangement that would deter such a catastrophic occurrence. The Soviets consented to the dismantlement of the weapon sites and, in

exchange, the U.S. affirmed an invasion on Cuba would not ensue.

For more than five decades, the U.S. and Cuba have had a tumultuous relationship with seemingly no reconciliation in sight. Once diplomatic ties were cut and a full economic embargo was imposed in 1961, all tourism and business transactions between the two countries came to a screeching halt. However, for the first time since relations were severed more than fifty years ago, it was announced in December 2014 that the U.S. and Cuba "would seek to normalize relations" ("U.S., Cuba Announce Embassy Openings", 2015). Moreover, since negotiations to re-establish embassies in both countries began, a continued effort has been made by both the Obama administration and Castro to see the plan through. On July 1, 2015, President Obama announced that an agreement has been reached by the U.S. and Cuba to open embassies in Havana and Washington, effective July 20 ("Obama: U.S. and Cuba will resume relations", 2015). This declaration was proof that great strides towards mending relations between the two adversaries are being made. However, with the embargo still in place, barriers remain at the forefront of the travel and tourism industry.

While Americans are still unable to travel to Cuba for leisure, the possibility is within reach. However, it is important to note that Cuba lacks credible dispute resolution entities (Thomas, Kitterlin, & Lorenzo Del Valle, 2015). This is problematic in the event an American tourist or business has a mishap while in Cuba. The purpose of this case study is to provide an overview of U.S. and Cuban relations, address potential tourism problems, and highlight the importance of dispute resolution.

## The Canadian Hot Spot

Even though Americans have been unable to visit Cuba for leisure purposes since 1961, there has been a steady stream of annual Canadian tourists to the island for over fifty years. Cuba's proximity, affordability, and exotic landscape appeal to Canadians seeking refuge from the brutal winter months. Cuba ranks third most popular international destination for Canadians; \$748 million in Canadian tourist expenditures contributed to the local Cuban economy in 2012 according to Statistics Canada (McQuigge, 2014). Moreover, Canada is the leading source of visitors over any other nation and 1.1 million Canadians accounted for 40 percent of all Cuba's tourists in 2013 (Ossowski, 2014). It is important to note that the number of visitors from Canada may not truly reflect the amount of actual Canadians; the number of Americans routing themselves to Cuba via Canada is on the rise (Fieser & Gayol, 2015). Table

1 illustrates the top 10 visitors to Cuba by country of origin from 2010 to 2014. By 2014, the number of Canadian tourists increased nearly 2 percent to 1.2 million shown in Figure 1 (Oficina Nacional de Estadística e Información de Cuba, 2014). However, these numbers may eventually decrease as more Americans pour into the island. According to McQuigge (2014), Canadians are likely to encounter an entirely different vacation experience once Americans have full access to Cuba.

Even with the proper clearance, getting to Cuba is not an easy task. Flights must be booked through third-party charter companies and long delays at the airport are unavoidable. However, more transportation options are slowly becoming available. While traditional cruises operated by American companies are currently prohibited, Cuba is quickly becoming a leading cruise destination in the Caribbean. Non-American owned cruise companies have been traveling to Cuba for years, but the passenger count has been under a thousand per ship (Faust, 2015).

Travel opportunities are quickly becoming more available and there is a growing interest to cruise to Cuba in lieu of the recent transition to less constrictive travel regulations for Americans. On July 7, 2015, the prominent U.S. - based cruise line Carnival Corp. revealed Cuba has been added to their sailing itinerary in a recent deal (Sloan, 2015). The company's new Fathom brand, focused on social impact trips, will offer voyages from Miami to the Dominican Republic and Cuba aboard the 710-passenger ship "Adonia" (Sloan, 2015). Pending Cuban approval, these "people-to-people" sailings will allow Americans to visit Cuba solely for cultural or humanitarian exchanges and are forecasted to launch in May 2016 (Sloan, 2015). Havana's close proximity to the ports of Miami, Key West, and the Gulf Coast make it easily accessible from the U.S.; an influx of mainstream cruise lines can be expected if and when the travel embargo is lifted.

It is important to note that although there is currently no dollar limit on authorized expenses, but travelers are only allowed to return to the U.S. with up to \$400 of Cuban goods for personal use, including \$100 of alcohol and tobacco products (U.S. Department of the Treasury, 2015). Moreover, Cuba is quite expensive for tourists and currently has a rather complex and confusing dual currency system in place. While the elimination of this complicated system is expected, a quick and seamless transition back to a simplified, single currency is highly improbable (Frank, 2015). Both the Cuban convertible peso (CUC) and Cuban peso (CUP) are not internationally supported currencies and the exchange rate is quite high for the U.S. dollar ("Money", 2015). Most U.S. banks won't process credit and debit card transactions, especially since the cardholder needs to have an authorized reason to be in Cuba which is burdensome to authenticate (Friedman, 2015).

### What to expect?

A thriving relationship with the Soviet Union kept Cuba afloat for nearly 30 years after the full economic embargo was imposed. As a result, tourism was not a major contributor to the Cuban economy; therefore, emphasis was not placed on keeping the tourism sector in pristine condition. Since Cuba was heavily dependent on the Soviet Union, the collapse of the Soviet Union in 1991 decimated the Cuban economy. In an instant, 85 percent of imports and 75 percent of trade, finance, and credit quickly unraveled (Nayeri & Lopez-Pardo, 2005). Moreover, as Cuba's Gross Domestic Product dropped by 35%, the quality of living deteriorated and unemployment skyrocketed (LeoGrande, 2005). This economic crisis led to an aggressive tourism campaign in the hopes tourism would become a major contributor to the economy's revival. Despite this, Agarwal (as cited in Elliott & Neirotti, 2008) noted Cuba's tourism sector currently lacks any

**Table 1**

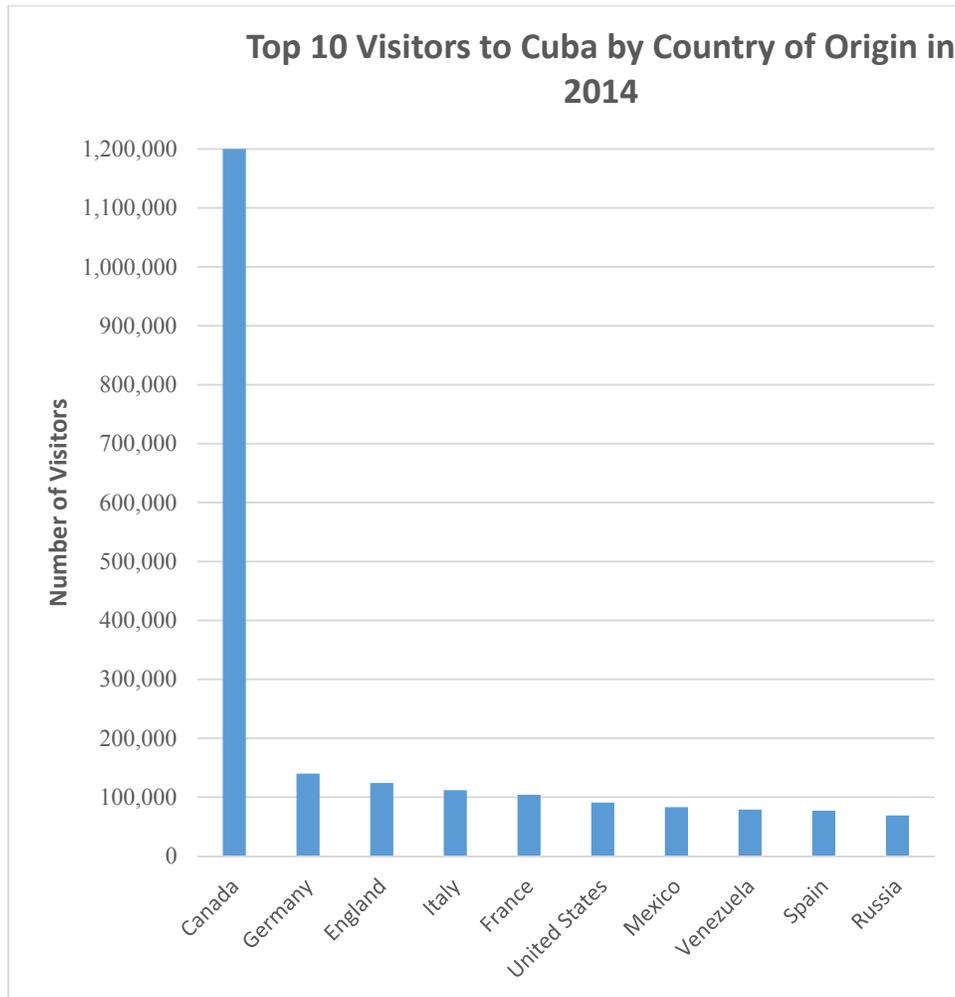
**Top 10 Visitors to Cuba by Country of Origin, 2010-2014**

	2010	2011	2012	2013	2014
Canada	945,000	1,000,000	1,005,000	1,100,000	1,200,000
Germany	93,000	95,000	109,000	116,000	140,000
England	174,000	176,000	154,000	150,000	124,000
Italy	112,000	110,000	103,000	96,000	112,000
France	81,000	94,000	102,000	97,000	104,000
United States	63,000	74,000	98,000	92,000	91,000
Mexico	67,000	76,000	78,000	85,000	83,000
Venezuela	31,000	34,000	36,000	46,000	79,000
Spain	105,000	101,000	81,000	73,000	77,000
Russia	56,000	78,000	87,000	70,000	69,000

Source: Oficina Nacional de Estadística e Información de Cuba

**Figure 1**

**Current U.S. Market (Who can travel?)**



*Source: Oficina Nacional de Estadística e Información de Cuba.*

New rules have been established by the U.S. Customs Office of Foreign Assets Control (OFAC) on January 16, 2015 regarding legal travel to Cuba. While strictly leisure travel is still prohibited, an American citizen is authorized to travel to Cuba without a specific license or paperwork as long as the purpose of travel falls under one of the twelve following categories:

- family visits
- official business of the U.S. government, foreign governments, and certain intergovernmental organizations
- journalistic activity
- professional research and professional meetings
- educational activities
- religious activities
- public performances, clinics, workshops, athletic and other competitions, and exhibitions
- support for the Cuban people
- humanitarian projects
- activities of private foundations or research or educational institutes
- exportation, importation, or transmission of information or information materials
- certain authorized export transactions (i.e. agricultural or medical products, tools)

*Source: Oficina Nacional de Estadística e Información de Cuba.*

long-term plans for transition or development and remains among the slowest in making any real progress.

Even though Cuba prides itself as being the largest island in the Caribbean with abundant diversity, Miller, Henthorne, and George (2008) found Cuba to be simultaneously pursuing multiple tourism strategies, instead of having one major focus. Consequently, an overall low quality tourism product has been generated with no clear goal or strategy in place. Although Cuba has much more to offer tourists than other islands in the Caribbean due to its size and topography, sun and sand tourism centered around Havana remains the only clear objective. The Ministry of Tourism maintains an aggressive focus on high-end hotel development on the basis of differentiation such as unique period architecture or music (Miller, et al., 2008). This strategy discriminates against the budget traveler since four and five-star resorts only cater to those willing to pay a premium for a specialized product. Moreover, with all tourism efforts concentrated towards beefing up high-end resorts surrounding the nation's capital Cuba's overall infrastructure, tourist attractions and smaller towns located ubiquitously around the island have been neglected.

Cuba's exotic, tropical location and historical richness help increase its' tourism potential. Elliott and Neirotti (2008) found the beautiful beaches, music, culture, friendliness of the locals, a highly educated work force, the development of joint venture hotels, and prospective niche tourism confections, such as ecotourism and adventure tourism, to be appealing attributes. Drawbacks and unresolved issues that hinder the tourism sector from flourishing were exposed which, unfortunately, overshadowed the island's strengths. While American tourists may be drawn to the unprecedented beauty and culture of Cuba, one must bear in mind that it does not currently offer many of the local luxuries Americans may take for granted. Non-potable water, unreliable power, scarce and unstable internet services, and a multitude of transportation deficiencies such as imprecise maps, poor road signage, poorly lit and perilous roads, and insufficient service stations are among Cuba's fundamental weaknesses (Elliott & Neirotti, 2008). Moreover, Cuba's infrastructure, including historical buildings and sites, is in shambles and in dire need of a face lift.

Communist ideologies remain prominent throughout Cuba; self-employment licenses are difficult to obtain and private property ownership is not allowed which further complicates matters (Elliott & Neirotti, 2008). Limited opportunities make it more difficult for the local population to earn a decent living. Since poverty runs rampant throughout Cuba, the locals have turned to alternate means of making money. Young men and women migrate to tourist areas specifically to engage in sex and partake in assorted liaisons with tourists (Cabezas, 2004). Additionally, a surge of international travelers visit Cuba for the sole purpose of pursuing sex with the locals (Clancy, 2002). As a result, it is not uncommon for local sex workers to have repeat clientele they see throughout the year. These illicit trysts not only provide supplemental income, but may also serve as a catalyst for better opportunities. Hotel and resort workers are notorious for engag-

ing in sex tourism (Cabezas, 2004); not only is it convenient, but the steady stream of tourists offers an array of prospective clientele. Even though prostitution is illegal in Cuba, it still flourishes making it a notorious sexual playground in the Caribbean. Moreover, Clift and Carter (as cited in Elliott & Neirotti, 2008) classified Cuba as a top seven destination for sexual tourism. With that in mind, potential American tourists need to realize that the streets are riddled with conspicuous sex workers and the probability of being propositioned is very high.

Babb (2010) asserts that hustling thrives on the streets of Cuba, which not only is a safety concern for tourists, but it fuels a lucrative black market. Cuban tourism helps facilitate this silent economy due to the ease and accessibility of hard currency obtained. Moreover, Elliott & Neirotti (2008) emphasize that stealing goods from the workplace with intent to sell on the black market is common practice among employees and management of Cuban businesses. Tourists traveling to Cuba need to be aware that petty theft and corruption are tolerated and therefore, are likely to occur. Cash, credit cards, valuables such as jewelry and electronic devices, and important documents such as passports and driver's licenses, are highly coveted and need to be safeguarded. The Cuban tourism industry has become a breeding ground for crime and transgressions. Oddly enough, Cuban professionals highly educated in medicine, engineering, and education have abandoned their trades in pursuit of work in the tourism sector (Elliott & Neirotti, 2008). Consequently, tourism jobs are in high demand and are sought after by the majority of the Cuban population.

Topnotch hospitality is quintessential to the tourism industry and is expected by all those who travel. The overwhelming popularity of tourism jobs in Cuba has adversely affected quality and service. Little emphasis is placed on employee satisfaction in Cuba; not only are incentives virtually nonexistent, but hospitality employees have developed disdain and resentment towards tourists and the industry as a whole (Elliott & Neirotti, 2008). As a result, service and quality suffer and have fallen to the wayside. Coupled with disgruntled employees, the lack of standards in accommodations and restaurants across the island create tricky and hazardous circumstances unfit for tourists. For example, Elliott and Neirotti (2008) found substandard sanitation practices throughout public restrooms, swimming pools, and restaurants. The ability to implement a meticulous action plan in the event of an emergency was also questioned and miscommunication between tour groups and tour operators was observed. These key findings are important to note when considering travel to Cuba.

## Dispute Resolution

As exciting as travel to a foreign country may be, the traveler assumes some sort of risk when venturing beyond the comforts of home. Cuba is riddled with problems, crime, and neglect; legal action may be required depending on the severity of a situation or crime. As the number of American tourists and companies doing business in Cuba increase,

the need for business-consumer dispute resolution becomes increasingly significant. According to Roberts (2003), the primary role of dispute resolution is legitimately managing disputes in a cost effective and timely manner. Successful dispute resolution also reduces international tension. Thomas et al.(2015) affirm there are currently no resolution of dispute mechanisms between the U.S. and Cuba, which means court judgments within the others' jurisdiction are not recognized. However, given that the lack of dispute resolution disrupts commercial relationships, "Cuba has signed and ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, a development which does offer a substantial inducement to foreign investment in Cuba" (Thomas et al., 2015, p.11). Cuban laws require state agencies, generally protected from liability by sovereign immunity, to form a joint-venture partnership with any hospitality or tourism business (Thomas et al., 2015). Many tourism facilities are controlled by the Cuban military; if a tourist (consumer) experiences a problem while in Cuba, the opportunity to resolve the dispute in court does not exist. Moreover, private practice is not allowed; lawyers work directly for the government (Adams, 2015). Disputes between a private person and the state are resolved through dubious arbitration measures (Thomas, et al., 2015).

Businesses need to have contractual agreements that include international commercial arbitration to protect the contracting party if something goes awry. As relations between the U.S. and Cuba improve, more opportunities for international companies to do business in Cuba will become available. Cuba has already welcomed the American company Airbnb, a website which allows people to rent unique accommodations from local hosts around the world, to the island in April 2015 (Helft, 2015). A Cuban local can now list their home through Airbnb which provides tourists with an alternative lodging option. However, without credible dispute resolution, if the host's house is damaged or destroyed the manner in which the case gets resolved is unknown. Foreign companies, particularly those associated with hospitality and tourism, may be reluctant to pursue potential business opportunities in Cuba without a reliable dispute resolution system in place. Thomas et al. (2015) note a few years ago Italy's government alleged that Italian companies conducting business in Cuba were not being equally or fairly treated and, therefore, brought an arbitration claim against the Cuban government which was ultimately dismissed. Not only is dispute resolution important for businesses looking to establish a base in Cuba, the aforementioned challenges American tourists may encounter highlight the importance of having dispute resolution in place, especially between a business and the consumer.

## Final Thought

Although Cuba has been off-limits to American tourists for half a century, it continues to pique the interest of would-be travelers as the opportunity to visit becomes increasingly viable. However, numerous

pitfalls and challenges prevail across the island. These shortcomings are of particular interest to the American tourist interested in visiting Cuba since leisure travel to the island may soon be possible. While the future looks relatively bright for the U.S. and Cuba, the once tattered relationship certainly faces a long road to recovery.

## Discussion Questions

- If you manage a hospitality business in Cuba, what would be your strategy for targeting American tourists?
- How would you market your business to American tourists?
- According to trends, what problems may develop if the U.S. travel embargo is lifted?
- What are the benefits to the U.S. if the travel embargo is lifted? What are the drawbacks?
- What types of tour packages / shore excursions would appeal to the American tourist?
- As an American tourist, how can you prepare for a trip to Cuba?
- If the opportunity to travel to Cuba arises, would you want to visit? Why or why not?
- Why would an American tourist choose to travel to Cuba over another Caribbean destination?
- Do you think Americans would prefer a cruise to Cuba over flying?
- In what ways could the Cuban black market be controlled?
- How would you improve employee motivation among hospitality employees?
- How would you fine tune quality and service for consumers?
- Provide examples of previous dispute resolution cases involving Cuba.
- Do you think sex tourism will increase/decrease if the travel embargo is lifted? How will the sex tourism industry be affected?
- Cuba is a leading sex tourism destination- What can we learn from other prominent markets such as The Netherlands and Thailand?

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