THE DIASPORA AND CUBA'S TOURISM SECTOR

Jorge Pérez-López and Sergio Díaz-Briquets

Since the early 1990s, Cuba's development strategy has given place of pride to the tourism sector. After neglecting the tourism industry for three decades, Cuba has more recently built a massive tourism infrastructure, capable of accommodating a very large flow of tourists. Cuban "sun and sand" tourism tends to be highly seasonal so that tourism infrastructure is unevenly utilized during the year. During time periods of low tourist arrivals, there is severe underutilization of capacity, underemployment and loss of potential revenue flows. Provided the evolution of a political context that sanctioned it, diaspora tourism could be an important strategy to smooth out tourism demand throughout the year with attendant positive economic impacts.

PROMOTING DIASPORA TOURISM

The Cuban diaspora could be targeted as a source of visitors during the time periods when the flow of foreign tourists ebbs, thereby raising the capacity utilization of infrastructure and maintaining year-around employment for tourism workers and steady revenue streams. Cubans living abroad returning to the island to visit relatives or as tourists for cultural or family reasons may be more flexible with respect to the time within the year when they travel to the island. The ability to travel to Cuba bringing a personal automobile (e.g., by reestablishing auto ferry services from two or three Florida locations or from Mexico and locations in Cuba) might also be an incentive to stimulate diaspora travel.

In fact, even in the absence of a post-Castro political transition, Cuba is already taking advantage of an increasingly larger flow of diaspora visitors. To a great extent policymakers in Havana have played a relatively passive role in this development as events beyond their control are disproportionately contributing to the increasing number of Cuban-American visitors to the island. Policy prescriptions adopted by Cuba have not been inconsequential, however, in laying the ground for this development. Of particular note were late 1980s and 1990s Havana policy decisions.

Laying the foundation for the increase in the number of Cuban born (and their descendants) visitors was the reversal of a long-standing policy to neglect the development of the country's tourism sector, a policy pursued with renewed vigor since the early 1990s as the country had to adopt emergency measures to address a profound economic crisis following the Soviet Bloc collapse. Adoption of this policy was tacit recognition of the importance of tourism as a driver of economic growth and the benefit that would accrue to the country from the hosting of foreign and diaspora visitors.

A set of policy decisions has resulted in massive emigration, thereby building a much larger base of potential native-born visitors. One of these produced the 1994 U.S.-Cuba Migration Accord. As a result, we have witnessed the greatest emigration outflow from Cuba to the United States since the revolutionary government assumed power in the island: as many Cubans entered the United States between 1994 and 2011 as during all previous years since 1959. This development was accompanied by the parallel adoption of procedures that eased conditions whereby Cuban nationals could emigrate, either temporarily or permanently, to other destination countries. Another related event was the increase in Cuban internationalist missions abroad. These foreign missions have unwittingly contributed to emigration by providing a steady and significant number of defectors. The combined effect of these recent emigration flows has greatly magnified the already considerable number of latent potential diaspora visitors already in established Cuban ethnic communities abroad, primarily in the United States but to a lesser extent in other countries as well.

Recent estimates suggest that the number of U.S. residents of Cuban origin visiting the country has been booming under the more relaxed travel regulations implemented by President Obama's administration since 2009. A recent news article cites informal estimates by economists and travel agents that Cuba in 2011 may receive as many as 400,000 such visitors,[1] a number several-fold higher than indicated by official Cuban tourist statistics (discussed below), but consistent with the surge noted following the Obama administration's policy change.

Whether or not this level of visits is sustainable hinges on many factors, among them political developments in Washington. A lively debate is ongoing in the U.S. Congress on whether to maintain more open travel and monetary remittance policies regarding Cuba as a way to support positive change or to impose more restrictions arguing that they buttress an authoritarian regime facing considerable internal economic and political tensions. Of long standing, this debate is likely to linger and not be finally resolved until an economic (and perhaps political) transition in the island occurs. Once the transition takes place and U.S.-Cuba relations are reset, a fuller set of policy tools will be available to encourage the flow of ethnic tourism to Cuba.

CUBA'S TOURISM INDUSTRY

Cuba's aggressive development of tourism has relied heavily on participation by foreign firms. In 1987, Cuba established the corporation Cubanacán, S.A., to promote joint ventures (JV) with foreign investors in the tourism sector. The first significant tourism JV, established in 1990, was Cubacan, an association between Cubanacán S.A. and Spain's CIHSA (Corporación Interinsular Hispana S.A.). Cubacan built three hotels at Varadero beach—Sol Palmeras Varadero, Meliá Varadero, and Meliá Las Américas—whose management was turned over to Spanish hospitality chain Grupo Sol Meliá. Spanish, Canadian, Dutch, French, British, and German companies, among others, have also been involved in joint venturing in the tourism sector, typically as 50–50 partners with Cubanacán or some other Cuban hotel entity,[2] with the foreign partner covering the hard currency cost of construction and the Cuban partner providing land, labor, and some domestic raw materials. The tourism sector is under the direction of the Ministry of Tourism (Ministerio del Turismo, MINTUR), created in 1994.[3]

As the tourism industry grew and consolidated, Cuba shifted to a strategy of building tourism facilities with domestic resources and turning over management of the properties to foreign tourism companies through management contracts. Scores of hotel management contracts have been concluded with hospitality companies from Spain, Canada, France, Germany, Italy,

1. Victoria Burnett, "An airlift, family by family, bolster Cuba's economy," *The New York Times* (June 11, 2011).

2. Other Cuban hotel entities operating under the aegis of the Ministry of Tourism include Gran Caribe, Horizontes, Gaviota, Islazul, and Habaguanex, and two smaller entities focusing on camping and ecotourism, Comunidad de las Terrazas and Grupo Empresarial Campismo Popular. See http://www.cubagob.cu/des_eco/turismo.htm

3. MINTUR was created by Decree-Law 147 of April 21, 1994, which modified central state administrative bodies. Its purpose is to provide policy direction, regulate and control the tourism sector as well as business activities within it. MINTUR develops policies to promote the sector and ensure their implementation by the entities that directly operate in the sector. Its strategic objectives (set out in 2004) included: (1) designing and developing more efficient marketing of the tourism product; (2) Increasing and diversifying tourism options, making them more competitive; (3) remodeling and increasing room capacity; (4) increasing the tourism system's economic efficiency; (5) bringing computer and communications systems to the most advanced levels; (5) incorporating more foreign capital into the sector; and (7) broadening the perspectives of tourism development through the year 2010, as well as adjusting the organizational structures to the pace of that development. See http://www.cubaminrex.cu/english/LookCuba/Articles/Economy/Informations/MinTourism.html.

Table 1. Number of Tourism Lodging Establishments, Rooms and Lodging Capacity

	2005	2006	2007	2008	2009	2010
Total Number of Establishments	618	594	580	539	548	559
Hotels and motels	450	437	435	414	425	434
Tourism villas	80	70	65	60	60	60
Houses and tourism cabins	39	38	38	33	32	38
Tourism apartments	1	1	1	1	1	1
Other	48	49	41	31	30	26
Total Number of Rooms	56196	55229	55656	56970	60606	64933
Hotels and motels	45999	46197	46862	48638	52294	56432
Tourism villas	6306	5518	5224	3886	3892	4006
Houses and tourism cabins	2615	2291	2472	3190	3154	3218
Tourism apartments	140	140	100	83	103	103
Other	1136	1083	998	1173	1163	1174
Total Lodging Capacity	107532	107344	107349	109703	116077	117526
Hotels and motels	86106	88168	88796	91285	98238	99376
Tourism villas	13230	11686	10658	8098	8112	8166
Houses and tourism cabins	5386	5231	5834	7755	7685	7924
Tourism apartments	270	270	196	101	136	136
Other	2540	1989	1865	1924	1906	1924

Source: Oficina Nacional de Estadísticas, *Turismo en Cifras: Cuba 2010* (June 2011).

Jamaica, Mexico, and the Netherlands, among others. Spain's Grupo Sol Meliá reportedly opened the 25th hotel property it manages in the island, in Cayo Santa María, Villa Clara province, in August 2010.[4]

Tourism Infrastructure

Table 1 shows the number of tourism establishments, number of rooms, and lodging capacity of the Cuban tourism industry for each of the years 2005–2010. Continuing a consolidation trend observable during the last decade, the number of tourism lodging establishments declined, while the number of rooms and lodging capacity increased. In 2010, the tourism infrastructure consisted of 559 lodging establishments for international and domestic tourists, with over 64,900 rooms and lodging capacity of over 117,500. In that year, nearly 78% of tourism lodging establishments were hotels and motels; hotels and motels comprised nearly 87% of rooms and 85% of lodging capacity. Approximately two-thirds of hotel rooms (or about 37,400 rooms in 2004) were of quality suitable for international tourism.[5]

Cuba's authorities have concentrated tourism investment and infrastructure development in eight geographic regions or "poles," namely Ciudad la Habana and Varadero, two traditional tourism-attracting regions, plus six non-traditional regions: (1) Jardines del Rey, consisting of keys along the northern central coast of the island; (2) Playa Santa Lucía and keys along the northern coast of Camagüey province; (3) the northern coast of Holguín province; (4) Santiago de Cuba; (5) the central southern coast, including the cities of Trinidad and Cienfuegos; and (6) the Canarreos archipelago, including Cayo Largo del Sur.[6] Table 2 shows official Cuban statistics on the number of tourism establishments, rooms and lodging capacity in the so-called tourism poles for the period 2005–2010. The most significant tourism poles in terms of hotel rooms and lodging capacity in 2010 were Varadero (36% of hotel rooms and 32% of lodging capacity) and Ciudad de la Habana (23% and 24%, respectively). Comparing data in Tables 1

4. http://www.hosteltur.com/69663_sol-melia-abrira-su-hotel-numero-25–cuba.html. Interestingly, the corporate webpage for Sol Meliá, www. solmelia.com, does not provide information on Cuban hotels managed by the Spanish hospitality chain.

5. This share (for 2003) is cited in Rogelio Quintana, Manuel Figuerola, Mariano Chirivelia, Damarys Lima, Miguel Alejandro Figueras, and Alfredo García, *Efectos y futuro del turismo en la economía cubana* (La Habana: Instituto Nacional de Investigaciones Económicas, 2004), p. 144.

6. Quintana, et al., *Efectos y futuro del turismo en la economía cubana*, p. 141.

Table 2. Lodging Establishments, Rooms, and Lodging Capacity in Tourism Poles

	2005	2006	2007	2008	2009	2010
All Tourism Poles						
Establishments	266	267	276	284	308	311
Rooms	47054	45607	48093	50348	53945	56705
Lodging Capacity	93790	92113	98489	104147	109959	111041
Ciudad de la Habana						
Establishments	64	64	66	70	78	78
Rooms	12551	10450	11655	12301	12331	13066
Lodging Capacity	25781	22180	23417	25525	26471	27124
Varadero						
Establishments	51	51	52	52	54	54
Rooms	14283	14608	15161	16196	18123	20105
Lodging Capacity	27417	28587	30464	32414	34986	35250
Ciego de Avila						
Establishments	18	18	18	18	20	22
Rooms	4114	3822	4099	4146	4698	4719
Lodging Capacity	8395	7661	7843	8117	8316	8438
Holguín						
Establishments	17	17	18	19	23	24
Rooms	4477	4789	4585	4817	4912	4936
Lodging Capacity	8942	9663	9260	9472	10358	10396
Santiago de Cuba						
Establishments	23	23	23	24	24	24
Rooms	2244	2110	1950	1969	1974	1972
Lodging Capacity	4657	4240	3949	4506	4597	4602
Cayo Largo del Sur						
Establishments	7	8	11	11	11	11
Rooms	862	975	1245	1245	1264	1264
Lodging Capacity	1740	2066	2526	2526	2706	2706
Other poles						
Establishments	86	86	88	90	98	98
Rooms	8523	8853	9398	9674	10643	10643
Lodging Capacity	16858	17716	21030	21587	22525	22525

Source: Oficina Nacional de Estadísticas, *Anuario Estadístico de Cuba 2010.*

and 2 obtains that 56% of tourism lodging establishments, 87% of rooms and 94% of lodging capacity in 2010 were located in tourism poles.

The Cuban tourism industry offers a variety of tourism products: "sun and sand," urban/historical, nautical, environmental, and health tourism, among others. Current data on the distribution of tourism facilities with respect to each tourism modality are not available, but reportedly in 2003, 68.3% of rooms suitable for international tourism were aimed at "sun and sand" tourism, 24.5% at urban/historical tourism, 2.7% at environmental tourism, 2.0% at health tourism, and 1.8% at nautical tourism.[7] Based on MINTUR statistics, it has been reported that at the close of 2001, 93% of international tourism rooms were destined for "sun and sand" and city tourism, with these two modalities of tourism generating 95% of hotel revenues.[8]

Table 3 shows the distribution of Cuban hotels, rooms, and lodging capacity in 2005–2010 following the "stars" system widely used in the tourism industry to rate the quality of lodging facilities. It is evident from the data that Cuba upgraded the quality of its tourism offerings over the period, with the num-

7. Quintana et al., *Efectos y futuro del turismo en la economía cubana*, p. 145.

8. "El Turismo de Sol y Playa en el Siglo XXI," paper presented at the Convención de Turismo Cuba 2003, http://www2.egi.ua.pt/cursos_2005/files/TAM/el%20turismo%20de%20sol%20y%20playa%20en%20el%20siglo%2021.pdf

Table 3. Tourism Hotels, Rooms and Lodging Capacity, by Quality Rating

	2005	2006	2007	2008	2009	2010
Hotels	371	374	371	360	371	380
5 Stars	24	28	26	27	29	29
4 Stars	70	79	83	78	81	86
3 Stars	70	79	83	78	81	86
2 Stars	80	89	92	95	97	108
1 Star	127	111	105	98	96	89
Rooms	43562	44932	45947	48110	51734	55872
5 Stars	8458	10602	10803	10889	13380	12801
4 Stars	19601	19686	19783	20982	21380	23775
3 Stars	8674	9358	9980	10897	11057	12001
2 Stars	4110	3254	3366	3452	4093	4852
1 Star	3259	2032	2015	1890	1824	2443
Lodging Capacity	81390	84978	86946	91065	97336	98468
5 Stars	17825	20294	21688	24458	26120	26386
4 Stars	33249	36162	37569	38830	40778	40918
3 Stars	16263	17431	17482	17539	19796	20314
2 Stars	8242	6127	6247	7281	7594	7594
1 Star	5811	4964	3960	2957	3048	3256

Source: Oficina Nacional de Estadísticas, *Turismo en Cifras: Cuba 2010 (June 2011).*

ber of 5–, 4–, and 3–stars hotels, rooms, and lodging capacity rising, at the same time that 2– and 1–star facilities declined. The majority of 5– and 4–stars hotels in the island are located in beach areas and are aimed at "sun and sand" tourists.

Cuba's strategy of upgrading the quality of its tourism offerings and locating them in "sun and sand" locations seems to have had some success. Although overall occupancy rates of hotel rooms during 2005–2010 has remained below 64% and actually has been declining in recent years (from nearly 64% in 2005 to 58% in 2010), the occupancy rate of 5– and 4–stars hotels consistently exceeded that of the lower quality hotel offerings (see Table 4).

Tourist Arrivals

International tourist arrivals grew by leaps and bounds since the early 1990s. For most years since the early 1990s, tourist arrivals grew at double-digit rates; Cuba achieved 1 million foreign visitors in 1996 and was poised to attract 2 million visitors by 2001. However, the global economic slowdown of 2001, compounded by the collapse of international tourism in the aftermath of the September 11, 2001, terrorist attacks on the United States, put this goal out of reach. The 2 million tourist level mark was first reached in 2004. Although growth has slowed down, tourist arrivals have continued to grow, exceeding 2.5 million in 2010.

Table 4. Average Annual Occupancy Rate of Tourism Hotels, by Quality Rating (%)

	2005	2006	2007	2008	2009	2010
Hotels	63.5	61.3	60.9	60.2	58.8	58.2
5 Stars	66.0	64.0	64.1	64.5	62.6	60.6
4 Stars	64.3	63.0	62.5	62.5	61.2	61.1
3 Stars	60.2	57.0	56.3	55.0	53.7	53.6
2 Stars	61.3	55.2	53.2	54.2	50.7	50.9
1 Star	68.0	49.6	48.2	52.5	50.0	48.6
Not classified	63.3	48.7	46.7	51.3	50.2	50.0

Source: Oficina Nacional de Estadísticas, *Anuario Estadístico de Cuba 2010.*

Table 5. Tourist Arrivals: Total and Top-Ten Sending Countries *(thousands)*

	2005	2006	2007	2008	2009	2010
Total	2319.3	2220.6	2152.2	2348.3	2429.8	2531.8
Canada	602.4	604.3	660.4	818.3	914.9	945.3
United Kingdom	199.4	211.14	208.1	194.0	172.3	174.3
Italy	169.3	144.2	134.3	126.0	118.3	112.3
Spain	194.1	185.5	133.2	121.2	129.2	105.0
Germany	124.5	114.3	103.1	101.0	93.4	93.1
France	107.5	103.5	92.3	90.7	83.5	80.5
Mexico	89.2	98.0	92.1	84.1	61.5	66.7
United States	37.2	36.8	40.5	41.9	52.5	63.1
Argentina	24.9	30.4	37.9	47.4	48.5	58.6
Russia	20.7	27.9	29.1	40.6	37.4	56.3

Source: Oficina Nacional de Estadísticas, *Anuario Estadístico de Cuba 2010.*

In 2010, Canada was far away the largest source of tourists traveling to Cuba, with nearly 950,000 Canadians traveling to the island in that year, and accounting for 37% of visitors (Table 5). Rounding up the top-five emitters of tourists to Cuba in 2010 were the United Kingdom, Italy, Spain, and Germany; these five countries together accounted for nearly

57% of the total number of tourist arrivals in that year. The top 10 sources of tourists to Cuba accounted for nearly 70% of all tourists received in 2010.

Despite U.S. Government travel restrictions, the United States has been consistently one of the top ten sources of tourism to the island. In 2010, visitors from the United States represented 2.5% of total tourists. These figures most likely underestimate the number of U.S.-based tourists traveling to Cuba, as it is well established that many U.S.-based individuals who would not be able to travel to the island legally do so through third countries and—with the connivance of the Cuban Government—do not have their passports stamped by Cuban immigration officials in order to avoid U.S. sanctions. In addition, there is also a flow of persons of Cuban heritage who reside in the United States who travel to the island legally for family visits; this flow appears not to be included in Cuban tourism statistics (more on this below).

SEASONALITY OF CUBAN TOURISM

Seasonal variation or seasonality is a characteristic of a time series in which observations experience regular and predictable changes which recur every calendar year.[9] Seasonal demand variations and their economic impact are well studied in the tourism literature.[10]

Generally speaking, seasonality in the tourism industry refers to a temporal imbalance in the demand for tourism services and is expressed in terms of the number of tourists, their expenditures, or the utilization of bed-nights capacity in a given region or country. Seasonality is perceived as a major problem for the economies of tourism destinations because of the loss of potential business: during the time periods when tourists do not come, or come only in small numbers, there are surpluses in accommodations and other infrastructure capacity, representing a financial drain on operators. Such demand patterns can also create challenges for the retention or rehiring of workers laid off during the slow season, low returns on investments associated with underuse of capacity, difficulty in securing financing for investments that operate only part of the year, peaking and overuse of facilities at busy times leading to overcrowding and congestion, and overall dissatisfaction with an industry that does not provide stability throughout the year.[11]

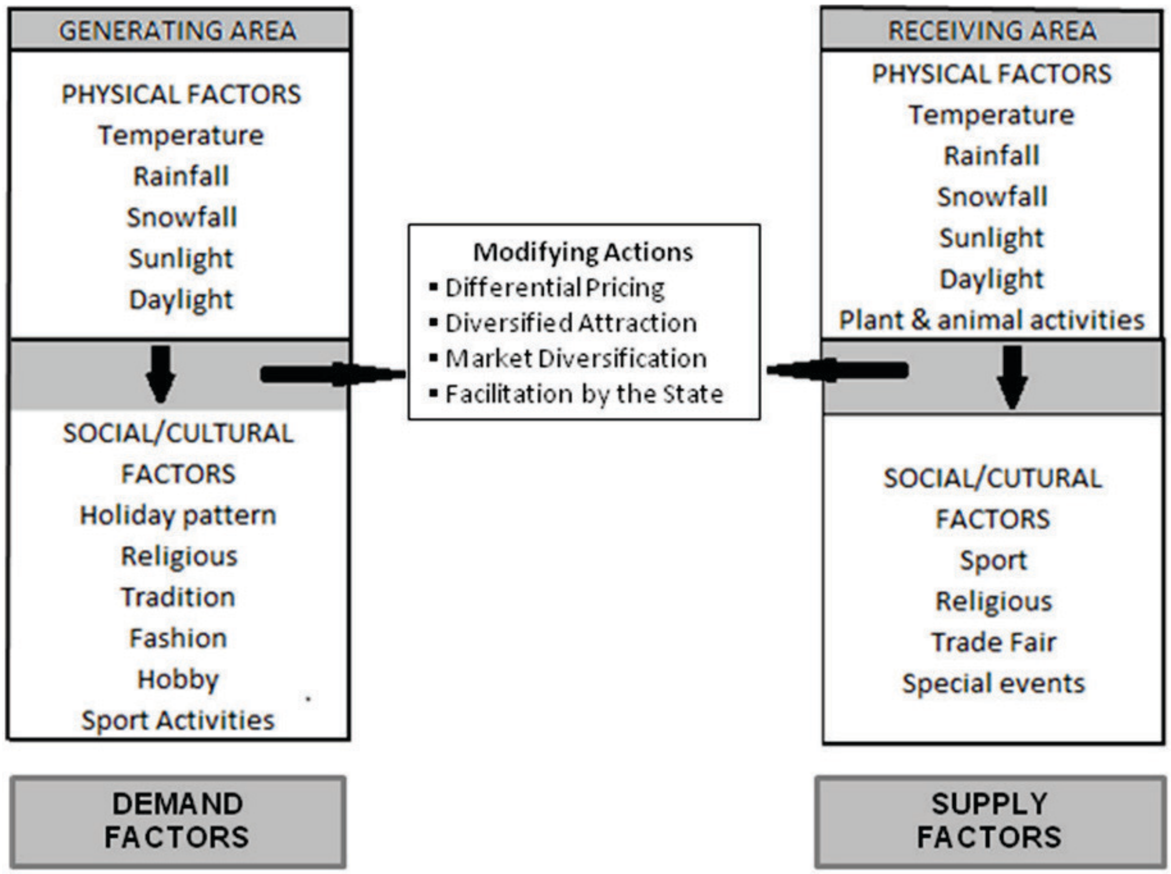
The literature on tourism identifies two dimensions of seasonality: natural (physical) and institutional (social and cultural), affecting both the origin and destination regions (see Figure 1). Natural seasonality is related to variations in natural phenomena such as rainfall, sunlight, temperature, snowfall) which determine the form of tourism demand. For example, beach tourism requires warm weather and sunshine, while skiing requires cold weather and snow. Institutionalized seasonality is more complex, and is based on human behavior and consumer decision-making (e.g., the time when vacations are scheduled) in both the tourism generating and tourism destination areas. For example, institutional factors are vacation periods determined by work and school schedules in tourism-originating countries (usually summer vacations) and/or religious holidays in both regions (e.g., pilgrimages). Similarly, major sports and cultural events in destination countries can generate large numbers of fans. Generally speaking, urban destinations—which draw business and cultural visitors in addition to tourists attending sports events—

9. See also Pietro Balestra, "Seasonal Variation," *The New Palgrave: A Dictionary of Economics*, edited by John Eatwell, Murray Milgate and Peter Newman (London: Palgrave-Macmillan, 2000), vol. 4, pp. 279–280.

10. Two useful literature surveys are Nicole Koenig and Eberhard F. Bischoff, *Seasonality Research: The State of the Art*, Swansea European Business Management School, LBMS Working Paper EBMS/2004/3 (2004) and Christine Lee, Sue Bergin-Seers, Graeme Holloway, Barry O'Mahony and Adela McMurray, *Seasonality in the Tourism Industry: Impacts and Strategies* (Australia: Sustainable Tourism Cooperative Research Centre, 2004).

11. The preceding discussion draws from Richard Butler, "Seasonality in Tourism: Issues and Implications," *The Tourist Review* 53:3 (1998) SooCheong Jang, "Mitigating Tourism Seasonality: A Quantitative Approach," *Annals of Tourism Research* 31:4 (2004).

Figure 1. Factors of Seasonality in Tourism



Source: Lee, et al., *Seasonality in the Tourism Industry*, p. 3

are less vulnerable to seasonality than areas that cater to outdoor recreation.[12]

With its heavy reliance on "sun and sand" tourism, seasonality is an important factor affecting Cuba's tourism industry. Thus, analysts Gutiérrez Castillo and Gancedo Gaspar attribute the seasonality of Cuba's tourism to the very high dependence on the Canadian and Western European markets, with a decided preference by these vacationers to travel to tropical regions during their harsh winters, concerns about vacationing during the period of most intense hurricane activity in the Caribbean, and the very high temperatures in the island during the summer months.[13] The combination of the above factors results in Cuban tourism facing peak demand during approximately 100 days from the end of December to the beginning of April, medium demand in July and August, and low demand from May to June and from September to December.[14]

Table 6 shows monthly Cuban tourist arrival statistics for 2005–2010; also included in the table are the calculated mean number of visitors each year, the standard deviation of the monthly data and the range. Figure 2 plots monthly arrivals for each of the

12. Lee, et al., *Seasonality in the Tourism Industry*, pp. 2–3.

13. Orlando Gutiérrez Castillo and Nélida Gancedo Gaspar, "Una década de desarrollo del turismo en Cuba (1990–2000)," *Economía y Desarrollo* 2:131 (July-December 2002), p. 81.

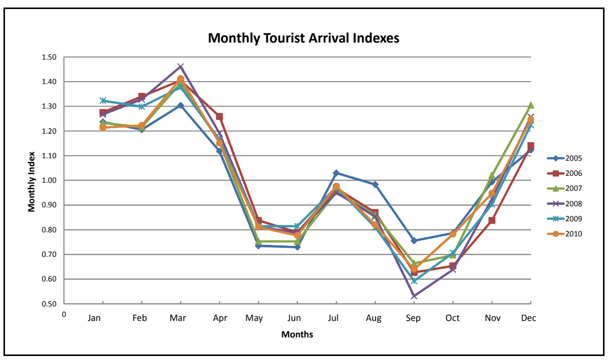
14. Quintana et al., *Efectos y futuro del turismo en la economía cubana*, p. 122.

Table 6. Tourist Arrivals by Month, Mean, Standard Deviation and Range (thousands)

	2005	2006	2007	2008	2009	2010
January	239	236	221	248	268	256
February	233	248	218	260	263	258
March	252	260	250	286	279	298
April	216	233	207	233	236	243
May	142	155	135	159	165	171
June	141	146	135	154	165	164
July	199	179	171	186	197	206
August	190	161	154	167	164	173
September	146	116	119	104	120	135
October	152	121	125	125	143	165
November	192	155	183	181	183	200
December	217	211	234	246	248	263
Mean	193.25	185.08	179.33	195.75	202.58	211.00
Standard deviation	33.93	50.42	45.95	57.66	53.98	51.19
Range	111	144	131	182	159	163

Source: Oficina Nacional de Estadísticas, *Anuario Estadístico de Cuba 2010.*

Figure 2. Seasonality in Cuban Tourist Arrivals



years on the basis of a seasonality index, with the annual mean =100.

The statistics in Table 6 and Figure 2 illustrate the seasonality of Cuban tourist arrivals: a peak in the first quarter of the year, with arrivals 20%-30% higher than the annual mean; a relative peak in July and August when tourist arrivals approximate the annual mean; and troughs in May-June and September-October. With respect to the period covered in Table 6, 2008 showed the greatest degree of seasonality, with the standard deviation of the mean at over 57,000 and the range (difference between the highest and lowest monthly number of visitors) reaching its largest value (182,000 tourists) in that year; data for 2009 and 2010 indicate that seasonality was somewhat lower than in 2008 but still quite significant.

The economic implications of seasonality of the Cuban tourism industry are quite significant. Sufficient capacity—physical infrastructure, communications and reservations systems, international and local transportation, trained staff—must be in place to meet peak demand, but are underutilized during the off-peak demand periods. Detailed information is not available to permit estimation of the costs associated with underutilization of capacity, but the stock of investment in hotel rooms alone in 2010 can be estimated at some \$5.2 billion.[15]

MAXIMIZING THE FLOWS AND BENEFITS OF DIASPORA TOURISM

We next discuss some potential methodological approaches that a future Cuban government and the private sector may utilize to maximize the benefits of increasing number of co-national visitors in smoothing out seasonal fluctuations, maximizing visitor expenditures and providing further employment opportunities in the tourism industry. In doing so, we examine methodological toolkits formulated to assist mature tourist markets in developed countries maximize tourist visits and smooth out seasonality effects.

15. This very rough estimate is based on a stock of 64,930 hotel rooms in 2010 (see Table 1) and an estimated cost of development of a new hotel room in the four- and five-star category of \$80,000 used by MINTUR in the late 1990s. See Nicolás Crespo and Santos Negrón Díaz, "Cuban Tourism in 2007: Economic Impact," *Cuba in Transition—Volume 7* (Washington: Association for the Study of the Cuban Economy, 1997), p. 160. Crespo and Negrón Díaz state that this cost estimate is a moderate figure by international standards, particularly in resort locations. Elsewhere, Crespo has also given the asset cost of a hotel room in Cuba at \$75,000. In this latter work he has clarified that "the cost of a hotel from the Cuban Corporation's point of view is a fictitious figure that comprises: (1) the labor and materials originating in Cuba, valued in dollars at standard world prices; and (2) the imported materials and equipment, valued at actual dollar cost. This total cost is used to calculate the amortization at the time of calculating profits shared by the Foreign Operator and the Cuban Corporation." Crespo, "Comments on 'The Tourism Industry in the Caribbean After Castro' by Padilla," *Cuba in Transition—Volume 13* (Washington: Association for the Study of the Cuban Economy, 2003), p. 100.

Principal attention is assigned to the issue of market segmentation and how it can be used to attract a larger, wider and more diversified visitor profile by taking advantage of market niches, consumer preferences, differentiated pricing, and existing co-ethnic organizations abroad.

Bolstering diaspora visits to encourage economic growth and employment is becoming an increasingly important issue in the international economic development agenda. Many international development agencies are focusing attention on the issue although thus far they have not gone much beyond the identification of broad themes and the discussion of some specific country experiences.[16] We begin with an exposition of a potential implementation vehicle capable of enhancing the economic growth and employment creation potential of diaspora tourism through reliance on market segmentation methods[17] when applied in collaboration with formal ethnic organizations embedded within the Cuban diaspora population. The paper concludes with a discussion of how these policy interventions could be applied in the Cuban case.

Institutional Mechanism

Promoting diaspora tourism would likely require establishment of formal institutional mechanisms to enhance the country's appeal to potential visitors from its native-born population and their descendants residing overseas. As in other major tourist destination countries, the backbone for such efforts should be located within Cuba's own Ministry of Tourism (MINTUR). Encouraging diaspora tourism is not among MINTUR's current focus, in part due to political tensions with the United States—home to the vast majority of the émigré community—and the relatively small, although growing, size of the diaspora in other countries. MINTUR's current mandates include promoting the national tourism brand in overseas markets, training tourism staff, supporting development of the tourist infrastructure and other tasks, such as managing state-owned tourist facilities, responsibilities not generally assumed by state entities in market economies. As it expands its focus to appeal to diaspora tourists, MINTUR could well model its approach on that developed by Israel, a country known for its sophisticated approach in maximizing the benefits accruing from promoting closer social and economic ties with its diaspora.

As a leading driver of the tourist industry, the Israeli Ministry of Tourism operates not only in Israel but also in overseas locations. Its Marketing Department identifies and cultivates new market segments and promotes their growth, while it consolidates existing ones, through close working relationships with leading industry partners abroad such as ethnic and religious organizations, travel agencies and airlines. These efforts are supported by a Tourism Promotion Department tasked with public relations and advertising functions to encourage travelers to select Israel as a travel destination. The Israeli Ministry of Tourism's Tourism Services Department is responsible for publicizing, organizing and coordinating "events throughout the year and throughout the country … aimed at making the tourist's stay … more pleasant," [18] and obviously to attract visitors regardless of season.

Tourist Market Segmentation

The essential notion behind tourist market segmentation is a focus on the visitor rather than the destination. The implicit assumption is that the universe of potential visitors consists of persons with different motivations and interests. Thus, all potential tourists are not the same or would want to travel for the same reason or to engage in the same type of activity. The idea is to break the overall universe of potential tourists into segments of like-minded consumers and of-

16. Recent examples include Kathleen Newland and Carylanna Taylor, *Heritage Tourism and Nostalgia Trade: A Diaspora Niche in the Development Landscape* (Washington, D.C.: Migration Policy Institute, 2010); and Kathleen Newland, *Diaspora Tourism* (Washington, D.C.: Migration Policy Institute, 2011).

17. For a broad treatment of tourist market segmentation see World Tourism Organization and European Travel Commission, *Handbook on Tourism Market Segmentation: Maximizing Marketing Effectiveness* (Madrid, 2007).

18. http://www.jewishvirtuallibrary.org/jsource/Politics/tourism.html

fer each segment the amenities it demands. Market segmentation techniques in the tourism industry have traditionally relied on geographic, demographic, psychographic, and behavioral markers. The first two are self explanatory, while the third considers the prospective tourists' personality or lifestyle, whereas the fourth focuses on how tourists perceive particular destinations in terms of expectations, consumption patterns, trends and degree of loyalty.[19] Many refinements are possible by combining various consumer traits.

With multivariate segmentation, for example, it is possible to cluster potential travelers into groups along selected dimensions. It must be determined that a group is "effective and distinctive,"[20] that is, that in fact it identifies a homogeneous group of potential travelers. In addition, the group's size should be measurable, it must be established that the target segment could be reached with a marketing message, and resources must be available to the marketing organization (e.g., the government and/or private institution in charge of tourism promotion) to effectively and profitability target the identified market opportunity. Further refinements across identified attributes include the isolation of particular behavioral and economic characteristics that could be utilized to promote repeat, seasonal, or high expenditure tourism. These tools could permit tourism promotion institutions to develop strategies to more effectively encourage diaspora tourism in support of the further development of the national tourism industry.

The most obvious segmentation dimension for the Cuban diaspora would appear to be migrant period of arrival. This dimension would allow targeting of the most desirable Cuban-American tourists in terms of capacity to spend, positively affecting the level of revenue and profitability. The highest concentration of high income Cuban-Americans, either by birth or parentage, is within the first migration waves of the late 1950s, 1960s and now including up to the early 1980s. Well established in the United States and with above average incomes, many have the financial wherewithal to afford the priciest 4– and 5–star hotels, for example through weekend package deals from Miami designed to correspond with both ends of the tourist season. Other off-season offers for longer periods could be offered to these cohorts of Cuban-Americans to visit the island. Their children could be similarly enticed simply for nostalgic reasons. Differentiated marketing approaches could also be used for more recent migrants, as they have far closer family attachments and thus a stronger interest in visiting Cuba often but may not have the resources to spend as freely as higher income Cuban-Americans.

Cultural, Religious, and Historical Events

Cuba could market to the diaspora travel and tourism to the island related to cultural, religious, and historical events.[21] While it may be appropriate to promote this type of travel through broad-based marketing campaigns as the themes (e.g., national religious and patriotic holidays) may appeal to all diaspora segments, it may be more effective to do so for some events with specific diaspora market segments. Examples of the latter are the *carnavales* (traditionally held at different times in different towns) and patron saint day celebrations (also specific to towns).

In addition to *carnavales*, other cultural events that could attract diaspora travel and tourism include music and dance festivals, plastic arts exhibits, book fairs, literary contests, and sports competitions. Cultural or religious festivals could be organized at the municipal level to encourage emigrant tourism building on the network already established by *Municipios de Cuba en el Exilio*,[22] an organization based in Miami that coalesces individual associations of residents and friends of each of the 126 municipalities that existed in pre-revolutionary Cuba. This organization

19. Paul Williams, "Segmenting the tourist market," 2008, www.insights.org.uk.

20. Ibid., p. 7

21. Mexico's *Paisano* program, a program that facilitates the return of Mexicans abroad and makes the overseas community aware of events that are going on in the country might be an interesting model to evaluate. See http://www.paisano.gob.mx/

22. www.municipiosdecuba.com.

brings together residents and friends of the various Cuban geographic regions but additionally its structure provides promotional vehicles to augment tourist flows and pinpoint their timing. Because cultural, religious, and historical events marketed to diaspora tourists would be held throughout the island rather than in La Habana or Varadero—the two locations most frequently visited by sun and sand-oriented foreign tourists—they would have the added advantage of promoting tourism in the interior of the nation.

Aside from the regional concerns and their focus on religious, community, and patriotic activities, the municipal association includes sections that focus on women's, youth, labor and social assistance issues. These sections are comprised of individuals who could be receptive to differentiated marketing approaches based on their specific interests.

Professional Association Tourism

Professional associations based abroad that deal exclusively or importantly with the study of Cuba and Latin America could be encouraged, particularly by their members in the diaspora community, to hold meetings and conventions in the island. Cuba has considerable experience in holding international meetings and conventions and an infrastructure in place that could support convention-related tourism, including a significant number of high- and good-quality hotels with the capacity to accommodate solely or jointly the simultaneous presence of convention visitors. In addition, Cuba has numerous venues that can accommodate conventions.[23] One of the venues, the *Palacio de Convenciones* (Palco) in La Habana, built in the mid-1980s, features an auditorium capable of seating 1,500 persons and a dozen meeting rooms with capacity from 25 to 400 persons, translation, word processing, and reproduction services, and a four-star hotel.[24] Professional associations that hold their annual meetings during the low-occupancy periods for Cuban tourism facilities would be particularly good targets in order to smooth seasonal travel patterns.

Senior and Youth Tourism

Particularly attractive tourism targets would be diaspora senior citizens and retirees who have a great deal of time flexibility in arranging their schedules. An attractively-priced vacation package that might include the option of renting additional rooms for relatives in the island to also enjoy the facilities[25] would induce members of the diaspora travelling to the island to use tourism facilities rather than to crowd the overtaxed private housing stock and domestic transportation infrastructure. Such visits also could be sponsored in conjunction with municipal associations as part of the social and entertainment services they are organized to provide and as part of a strategy to guarantee the financial viability of these not-for-profit organizations.

Elderly tourists consider their medical needs when making tourism decisions since many suffer from chronic conditions and want to be reassured that they will have easy access to adequate health care facilities that could address their medical needs at reasonable cost. Cuba, of course, has a large medical services infrastructure and has developed some tourism facilities that cater to health tourism, but diaspora pensioners may not have the financial capacity to cover expensive medical interventions. A policy initiative that the diaspora might undertake is to lobby within their settlement countries to have their health care plans cover potential services they might demand while touristing in the island. For example, the Cuban-American community could lobby the U.S. Congress to grant a waiver for Medicare services to be provided in Cuba, perhaps through existing South

23. The webpage of Cuba's Buró de Convenciones, http://www.cubameeting.travel/, lists convention venues throughout the island.

24. See www.cpalco.com.

25. Recall that tourism facilities were off limits to Cuban citizens under the government's tourism "apartheid" policy. The relaxation of this policy in March 2008 now permits Cuban citizens to patronize tourism hotels provided they pay for services in convertible currency. As very few Cuban citizens are able to afford to pay for tourism hotels in convertible currency, the fact still remains that the average Cuban citizen has not been able to enjoy the services offered by tourism hotels and an invitation by a relative or friend would be a novel experience.

Florida-based health maintenance organizations.[26] This would be an incentive for the more than 220,000 Cuban-American senior citizens—the majority of whom are Medicare and Social Security recipients—to visit Cuba as tourists.

Youth tourism is another niche opportunity with significant counter-seasonal advantage. Most schools in the United States end their regular school year in the May-June time frame, a time when demand for Cuban tourism services is low. Higher education institutions have shorter school calendars and long breaks at certain times of the year. Municipal associations could also help promote youth tourism. A potentially significant option would be the eventual establishment of partner associations between Cuban municipalities (and their related U.S.-based associations) and U.S. cities and counties.[27] Through their joint efforts, it might be possible to promote educational cultural visits that may not only include children and youth of Cuban parentage but also their American classmates.

IMPLICATIONS

Irrespective of looming and unpredictable political developments, it is apparent that the surge in Cuban emigration since the mid-1990s—as well as policy decisions by the Havana government regarding the ability of Cuban citizens to emigrate permanently or visit abroad for brief periods of time and open the country to the tourist trade—is having and will continue to change the physiognomy of the country's relationship with its diaspora. This is quite evident in the major increase in number of return visits recorded since the Obama administration relaxed U.S. travel regulations for Cuban-Americans to visit the island. Geographical proximity, the growing Cuban-American population, and eventual change in Cuba portend an ever increasing two-way flow. Economic benefits to the island from ethnic tourism will remain far below their optimal level as long as relations between the two countries remain strained. Were this situation to change, as noted in this paper, numerous levers will be at the disposal of policy makers in Cuba not only to increase the diaspora tourist flow but to manage its timing in such a manner that it contributes to smoothing out the seasonality that characterizes the island's tourism.

26. Sergio Díaz-Briquets, "Medicare: A Potential Income-Generating Activity for Cuba in the Future," *Cuba in Transition—Volume 11* (Washington: Association for the Study of the Cuban Economy, 2001), pp. 185–194.

27. There exist already some links between Cuban and foreign cities, mostly in the United States. For example, under the aegis of U.S. non-governmental organization Sister Cities International (http://www.sister-cities.org/), there are already sister city relationships between Caibarién and Bloomington, IL; Camagüey and Madison, WI; Cienfuegos and Cambridge, MA and Cienfuegos and Tacoma, WA; La Habana and Mobile, AL; Holguín and Santa Fe, NM; Remedios and Bloomington, IL; Santa Clara and Bloomington, IL; Santiago de Cuba and Oakland, CA; and Yateras and Boulder, CO. According to the Wikipedia entry on sister cities, the following Cuban cities also a sister city in the United States: Banes and Las Vegas, NM; Cárdenas and Philadelphia, PA; Matanzas and Pittsburgh, PA, and Regla and Richmond, CA. Finally, the latter source also reports sister relationship between Cienfuegos and Kingston, Canada; Santa Clara and Oviedo, Spain; and La Habana and the following cities: Glasgow, Scotland, United Kingdom; Isfahan, Iran; Caracas, Venezuela, and Cusco, Peru.