A Correlational Study of U.S. Tourism Travel Restriction Impacts on Cuba's Gross National Income

Dissertation Proposal

Submitted to Northcentral University

School of School of Business and Technology Management

in Partial Fulfillment of the

Requirements for the Degree of

DOCTOR OF PHILOSOPHY

by

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April 2018

Approval Page

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Abstract

Income inequality and the impacts that tourism generated revenue has on the alleviation of poverty is an important issue facing developing countries such as Cuba and China. This researcher conducted a quantitative correlational examination on the level of impact U.S. travel restrictions had on Cuba's Gross National Income (GNI) per capita. The study design was a comparison of U.S. inbound tourism impacts on Cuba's GNI per capita and how it compared to U.S. inbound tourism influence on China's GNI per capita. The variables of U.S. tourism inflows and GNI per capita by year were analyzed using IBM SPSS 24.0. The years examined for the correlation comparison of U.S tourism inflows into Cuba and China were 1995 through 2015. Analysis of the date showed (1) a moderate positive correlation between the number of U.S. tourism inflows and Cuba's GNI per capita and (2) a strong positive correlation between the number of U.S. tourism inflows and China's GNI per capita. To determine the potential tourism demand of Cuba and China, the researcher utilized a tourism gravity model with and without tourism related policy factors incorporated into the model. A range of 46 years from 1970 through 2015 was used for Gross Domestic Product (GDP) per capita inputs into the tourism gravity model. The results of the tourism gravity model without policy factors incorporated showed that tourism demand for Cuba was significantly greater than for China in the years from 1980 through 2015 with core tourism demand years from 1990 to 2000. Results with factored policy impacts showed greater tourism demand for China than Cuba. Tourism is a growing economy globally and is becoming an important economic driver for the economy of developing countries. The restructuring of tourism gravity models may help future researchers to contribute to the theoretical background for better empirical models. More research is needed to understand the impacts that tourism policy has on income inequalities and poverty.

Acknowledgments

It is not enough to simply say thanks to all that contributed to my journey. I began this journey with the hopes and aspirations to contribute to the betterment of society. Expressing thanks seems trivial to the support I received from fellow NCU students, my academic and financial advisor Michael Cahill, my subject matter expert Dr. Gary White, and my chairperson, Dr. Leila Sopko. A quote attributed to Lao Tzu exemplifies my feelings: “A journey of a thousand miles begins with one step.” The steps to follow were encapsulated in the guidance I received from NCU staff and faculty to complete the journey. Putting one foot in front of the other was the unwavering emotional support and words of encouragement from my wife, Dr. Maria Menconi.

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Chapter 1: Introduction

The focus of this paper is to examine the level of impact U.S. travel restrictions on inbound U.S. tourism had on Cuba's Gross National Income (GNI) per capita and how it compares to U.S. inbound tourism influence on China's GNI per capita. There have been studies on the international flow of tourism between borders, and the impact tourism has on the economy of destination countries (Bowen, 2015; Zaei, 2013). Bowman's study (2015) demonstrates how policy choices and the social structure in Latin American cities help to determine the infrastructures and economic growth of tourism. Destination countries can benefit through improved infrastructures that sustain tourism and lead to better opportunities and incomes (Zaei, 2013). A significant difference between China and Cuba in the tourism industry is the U.S. imposed trade embargo on Cuba. However, both Cuba and China operate centralized government systems that regulate tourism policy that impacts GNI per capita. China historically has supported Cuba due to similar political ideologies and is a key trading partner (Ortiz, 2015).

The generally accepted view of tourism as an economic driver should also include the environmental and sociocultural impacts (Ajagunna, 2014). Policies on tourism in developing countries can create economic, technological, and social policy objectives from tourism revenues (Ajagunna, 2014). The lack of tourism policy also impacts economies. At the end of the Cold War, when the Romanian government left a communist state and started building a democracy, the tourist industry was stagnated due to the ineffective legislative government framework that was in place (Coros & Lupu, 2015).

This research looked for a correlation between U.S. tourism inflows and GNI per capita to understand how U.S. tourism restrictions have fluctuated Cuba's GNI per capita and, to understand how U.S. and Cuban policy affects the economic well-being for Cuban citizens. The

comparison with U.S inflows into China and U.S. inflows into Cuba using the tourism gravity model helps to highlight the tourism policies that China and Cuba have implemented and the relationship with each country's GNI per capita. Even though Cuba and the United States are reestablishing relations, understanding the factors that U.S. travel restrictions had on Cuba's GNI per capita during the embargo is important. The impact of tourism on host nations and their local economies is significant.

As Cuba evolves politically, it is important to note the role of global citizens in recognizing tourism and the ability to help to alleviate impoverishment. In understanding network society and network state, the main stakeholders are global financial, industrial, and media corporations, national governance, and the social movements of nation-states that advocate for social reform (Huckle, 2015). It is the lack of democracy at the local and global levels that precludes most of a nation's citizens from realizing their shared welfares in sustainability and social justice (Bennis, 2014). Tourism has been and is utilized as a poverty reduction strategy and helps to increase the host country's standard of living (Dedu, 2013). Proponents of lifting travel restrictions argue that the U.S. economy would benefit from the economic output through increased demand in the airline and cruise industries (Sullivan, 2014). However, the state of Cuba's relations with the United States holds in balance since the Republican win for the White House in 2016. The Republican president-elect could delay or reverse the decisions on Cuban relations because President Obama's actions relied on executive authority (LeoGrande, 2015).

Background

In the early 1960s, Fidel Castro seized U.S. hotel properties and nationalized the hotel properties under his regime without monetary compensation to U.S property owners. Since

Castro's takeover in 1959, Cuba's economy was able to sustain their economy through many decades of Soviet Union trade relations, despite the Soviet Union's economic decline in the early 1990s (Totten, 2014). However, the collapse of the Soviet Union created an increased deficit of 35 percent of Cuba's Gross Domestic Product (GDP), an increase of unemployment by eight percent, and 78 percent decrease in per capita social expenditures (Mesa & Vidal, 2010). With communism, still the Cuban model of government, the United States reinforced the Cuban trade embargo by adopting the Cuban Democracy Act, Title 22, and Chapter 69 of 1993 that required the Cuban government to recognize international human rights standards and the democratic values before the trade embargo would be lifted.

If the U.S. trade embargo is lifted, the standard of living for the average Cuban may improve. However, under communist rule, Cubans may be subjected to the economic practices of China's paltry wages, such as the village of Yuhu, China, which was below the poverty line in 2003 with an average income of RMB 970 ($160 U.S.) (Zhang, 2009: Yang & Hung, 2014). The low wages China pays laborers incite international fears that Cuba will become a so-called Caribbean China (Totten, 2014). However, with the embargo in place, and throughout Cuba's economic struggles, the importance of tourism remains an essential source for Cuba's foreign exchange (Villanueva, 2016).

In 2015 there was an estimated 40 percent increase in U.S. tourism inflows into Cuba, with an expected additional 10 million Americans visiting Cuba in years following once the trade embargo is lifted (Guardian, 2016). Tourism in Cuba is one of the main service industries that sustain Cuba's government structure. In 2008 alone, Cuban economist Pérez Villanueva revealed that Cuban joint ventures in FDI accounted for $1.9 billion dollars in exports of goods and services with tourism as one of the major industries (Feinberg, 2013). Approximately 75 percent

of Cuba's GDP, are oil production, mining, remittances, and tourism revenues (Trading Economics, 2016). In addition, Cuba has vast mineral deposits, a developed biotech industry, ports close to the United States, and gorgeous beaches for resort development that are comparable to other Latin American host countries in size, such as Costa Rica (Trading Economics, 2016). Tourist arrivals in Cuba increased from 382,145 in December 2015 to 417,764 in January 2016, according to Cuba's National Office of Statistics, (Trading Economics, 2016).

Cuba is second only to the Dominican Republic as a Caribbean tourist destination, with an estimated 2.5 million tourists in 2010 (González et al., 2014). An example of the benefits of tourism in Cuba is the Viñales Valley (Pinar del Rio), a tourist destination with a mission to improve the living standards of Cuban citizens and sustain tourism (Albert & Endreu, 2013). Implementation of policies surrounding the development of a tourist market is associated with social and economic development that stimulates the alleviation of poverty, the creation of jobs, and entrepreneurship (Fourie & Santana-Gallego, 2013). U.S. economic sanctions on countries such as Cuba have the potential to exacerbate both the occurrence and the depth of impoverishment (Neuenkirch & Neumeier, 2016).

Statement of the Problem

Income inequality and the impacts that tourism generated revenue has on the alleviation of poverty is an important issue facing developing countries such as Cuba and China. Even though there has been a significant amount of research on tourism, the lack of understanding the economic impact tourism has on the poor in developing countries is an important issue (Croes, 2014). The U.S. travel restrictions under the U.S. trade embargo against Cuba raises questions about what level of impact U.S travel restrictions have on the income levels of the Cuban

population as it compares to U.S. tourism inflows into China, a similar centralized economy. A study by Alam and Paramati (2016) studied the impacts between income inequalities and tourism revenue and their findings show that from existing levels of income inequality, as tourism doubles, income inequities will be reduced significantly in developing countries. A research study on Cuba's GNI per capita as it compares to U.S. inbound tourism into China, another centralized economy, gives insight to the degree of income inequities and impoverishment the Cuban population experiences from the U.S. enforced travel restriction policy.

Conducting a nonexperimental correlational study between U.S. tourism inflows into Cuba and China could reveal how policies that restrict tourism inflows into Cuba impact the income levels of developing countries. In addition, understanding the impact of U.S. travel restrictions on Cuba's GNI per capita may not only give insight into U.S. policy structure as it applies to the Cuban travel restrictions, but Cuban and Chinese tourism policy issues as well. Utilization of a tourism gravity model aids in evaluating U.S. tourism inflow demand potential in the centralized government structures of Cuba and China. Assessment of tourism effects on economic growth and poverty relief is a way for government authorities to propose policies that align with a tourism development strategy for poverty relief (Croes, 2014).

Purpose of the Study

In order to address the issue of income inequality and the impacts that tourism generated revenue has on the alleviation of poverty, the purpose of this quantitative study is to examine if there is a correlation between U.S. tourism inflows into Cuba and Cuba's GNI per capita and how it compares to U.S. inbound tourism influence on China's GNI per capita. By applying a comparison approach, the results could expose important issues surrounding the impact of the U.S. travel restrictions on Cuba's GNI per capita. Understanding U.S. inflows of tourism into

China's socialistic controlled economy will help to highlight Cuban tourism policies that impact both the U.S. and Cuban tourism economies. Many nations experience negative economic impacts due to decreases in tourism inflows. This study uses data sources obtained from multiple sites, such as the United Nations Statistics Division, the Organization for Economic Co-operation and Development, the Maddison Project, the World Bank, the World Trade Organization, the Index of Economic Freedom, the United Nations, and the World Tourism Organization web sites, along with data obtained from scholarly reviewed articles. G* power analysis is used to calculate a sample group of 55 years, for comparison of U.S. tourism inflows to Cuba and China. Furthermore, a literature review is conducted to examine how the growth in China's tourist market compares to the Cuban government's shifts in economic policy toward tourism. Implementation of policies surrounding the development of a tourist market is associated with social and economic development that stimulates the alleviation of poverty, the creation of jobs, and entrepreneurship (Fourie & Santana-Gallego, 2013). Using a gravity model in tourism flows helps to understand how U.S. tourist expansion into China and Cuba is impacted by geographical distances. Measurements in China's U.S. tourism flows and GNI per capita help to determine if China's communist government system compares to U.S. tourism inflows in Cuba's tourist market that may or may not increase the host country's GNI per capita.

Theoretical/Conceptual Framework

Since the beginning of economics as a discipline, economists have been grappling with an answer to what influences trade between countries (Stay & Kulkarni, 2016). Over time, economists began to examine trade and developed theories to explain the factors that influence trade between different political and geographical regions. Theorists have contributed concepts such as Adam Smith's absolute advantage theory (out producing competitors with the same

resource number of products or services) and more current theories, such as the Heckscher-Ohlin theory developed in the 20th century take comparative advantage as the foundation for countries needing either labor or capital to fulfill trade requirements (Stay & Kulkarni, 2016). Expanding on trade theory concepts, the growing industry of tourism prompts attention to tourism and how tourism flows between countries contribute to trade theories.

As of 2012, the economic growth of tourism accounted for approximately 9.2 percent of the world's GDP (World Travel & Tourism Council, 2012). The travel patterns of tourism vary by regions with warm costal environments being the most popular destinations (Priego, Rossello & Santana Gallego, 2015). To understand the demand of tourism, Gravity models are used to study tourism flows. Gravity models were introduced during the 1960s and are analogous to the Newtonian laws of gravitation. Gravity models consider bilateral flows between two countries to be directly proportional to a country's economic masses and inversely proportional to the distance between them, therefore, a method to explain international trade (Morley, Rossello & Santana-Gallego, 2014). In 2010, a study conducted by Hanafiah and Harun (2010) used a gravity model to understand tourism demand through economic factors such as, income, CPI, price, exchange rates, and distance of inbound travelers to Malaysia (Moorthy, 2014). The study result indicated that the selected economic factors and the decision to travel to Malaysia had a strong correlation with the economic variable of income, the most important factor impacting tourism flow (Moorthy, 2014).

The study conducted by Hanafiah and Harun (2010) emphasizes the need to understand the factors that contribute to tourism flows. A gravity model approach takes into account many different variables to explain tourism flows and, as reflected in tourism literature, has been widely used to examine the role of tourism internationally (Moorthy, 2014).

Cuba's proximity to the United States gives credence to gravity models. The inflow of U.S. tourism into Cuba's tourism industry is an example that will either support or challenge gravity models due to the nature of Cuba's government policies toward tourism development (Morley et al., 2014). Since tourism is a special type of trade in services, the measurement of tourist flows between countries can be analyzed through gravity models (Morley et al., 2014). Therefore, trade services between the United States and Cuba are proportional to their GDP per capita and inversely proportional to the geographical distance of approximately 90 miles between the United States and Cuba.

Empirical evidence supports that international tourism promotes international trade. However, tourist impact on trade and its relationship to gravity models has been neglected (Santana-Gallego, Ledesma-Rodríguez & Pérez-Rodríguez, 2016). Therefore, examining inflows of U.S. tourism into the Cuban tourist economy gives this study an opportunity to apply gravity models in terms of how U.S. tourism inflows will impact GNI per capita levels in Cuba.

Restructuring gravity equations help to understand bilateral movements of tourism by using population density and geographical distances to measure the degree of interaction between two geographical locations, such as the United States and Cuba (Morley et al., 2014). Arguably, with an impending relaxation of U.S. sanctions on tourist flow between Cuba and the United States, FDI flows may be filling a need for infrastructure to accommodate the inflow of tourism into Cuba. Using a gravity model to compare U.S. inflows of tourism to Cuba's GNI with U.S. inflows of tourism to China's GNI gives opportunity for this study to understand U.S. tourism's impact on the standard of living of Cubans. An increasing number of tourist arrivals can be influenced by the distance traveled and population growth that can influence tourism demand (Moorthy, 2014).

Nature of the Study

This quantitative study will examine whether there is a correlation between travel restrictions enforced by the United States and Cuba's GNI per capita during a specified period of 21 years from 1995 to 2015. This study will examine if there is a correlation of U.S. tourism inflows into China compare to the U.S. tourism inflows into Cuba's tourist market. By applying a comparison approach, the results could expose important issues surrounding the impact of the U.S. travel restrictions on Cuba's GNI per capita such as increased poverty and restrictive tourism polices and policies initiated by the Cuban government. Important studies conducted by (Hanafiah & Harun 2010; Moorthy, 2014) emphasize the need to understand the factors that contribute to tourism flow and the strong correlation with income variance.

Data Collection

Data is obtained from using resources such as United Nations Statistics Division, The World Bank, The World Trade Organization, Maddison database, Caribbean Tourism Organization, and the World Tourism Organization web sites along with data obtained from scholarly reviewed articles for data collection and validation. Excel is used to create a table for data collection of the U.S. tourism inflows, GNI, GDP, years, distances between countries, and tourism demand. Policy issues obtained from literature review related to tourism impacts will be listed by the year of implementation.

Data Analysis

This study is using a two-tailed test with a significance level of 0.05 for "α." Therefore, a .25 statistical significance is in one direction, and a .25 statistical significance is in the other direction of the distribution for a possible relationship in both directions. The tourism gravity model used in this study measures the distance between China and Cuba as it relates to each

country's GDP per capita. The tourism gravity model used in this study for determining tourism demand was derived from the consumer economic theory presented by Morley et al. (2014) and is supported by empirical evidence to be valid in explaining general patterns of international tourism flows.

Research Questions

Research Question 1

What is the correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba?

Research question 2

What is the correlation between U.S. tourism inflows into China and the GNI per capita of China?

Hypotheses (Quantitative Studies Only)

$H1_0$. There is no correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba.

$H1_a$. There is a positive correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba.

$H2_0$. There is no correlation between U.S. tourism inflows into China and the GNI per capita of China.

$H2_a$. There is a positive correlation between U.S. tourism inflows into China and the GNI per capita of China.

Significance of the Study

Travel restrictions under the U.S. trade embargo against Cuba raises questions about what level of impact did the travel restrictions have on Cuba's GNI per capita compared to China's

GNI per capita. Since the United States has implemented travel restrictions through the U.S. Cuba trade embargo, Cuba has not been able to fully gain U.S. economic advantages through the tourism industry. In 2015, tourism continued to be a significant economic driver for job creations, environmental protection, global peace through cultural understanding, and the alleviation of poverty (World Tourism Organization UNWTO, 2016). Throughout the economic struggles caused from the U.S. trade embargo, the importance of tourism remains an essential source for Cuba's foreign exchange (Villanueva, 2016).

In a 2016 study by Alam & Paramati (2016) using the Kuznets curve hypothesis and tourism revenue data from 49 developing economies confirmed the existence between income inequalities and tourism revenue. The findings show that from current levels of income inequality, as tourism doubles, income inequities will be reduced significantly (Alam & Paramati, 2016). Totten (2014) envisioned Cuba without an enforced U.S. embargo and predicted that Havana would be the jewel of the Caribbean and would experience an extraordinary boom in tourism. By applying a comparison approach between China and Cuba, the results could expose important issues surrounding the impact of the U.S. travel restrictions on Cuba's GNI per capita.

Applying tourism flows to a gravity model highlights the importance of location and the influence of tourism policy. Tourism's impact on trade and its relationship to gravity models have been neglected (Santana-Gallego et al., 2016). Conducting a study between China and Cuba's economies offers significant value to the framework of knowledge on the role of geographical location, influence of tourism policy, income inequality, and the level of impact U.S. travel restrictions had on Cuba's GNI. As Cuba evolves politically, it is important to note

the role of global citizens in recognizing tourism and the ability to help to alleviate impoverishment.

Definitions of Key Terms

Gross Domestic Product (GDP). GDP is a broad indicator of how a government's economy is performing. GDP is an index that measures total government expenditures for goods and services without distinguishing between good and bad spending (Horton, 2002). Part of the GDP calculation involves international trade. International trade is calculated from the net of imports and exports. GDP measures total market activity. However, GDP does not measure long-term effects that the exchange of money/assets has on society (Breuer, 2003).

Gross National Income (GNI). Per capita income measures the income a country receives from international communities and domestically. GNI is comparable to Gross National Product (GNP), which measures product output of citizens and companies, whether it is domestic or international. GNP is used by the World Bank to measure country economies. However, using GNI as a tool for analytical and operational purposes of country economies, the World Bank now uses GNI per capita to classify economies by lower, middle, and higher income levels (Jalal & Khan, 2014).

World Trade Organization (WTO). The WTO is a global organization made up of country members dedicated to opening trade between all countries by reducing barriers to trade. The organization established a forum for governments to negotiate their differences and create mutually accepted trade agreements. Dispute arbitration is a mechanism to solve differences. The WTO stores documented negotiated agreements as legal ground policy for international exchange (World Trade Organization, 2014).

Trade embargo. A trade embargo is a policy that prohibits/restricts imports and exports of goods between two or more countries. A trade embargo is enacted on political grounds. However, different motivations can drive trade embargos, such as moral, economic sanctions, and environment issues as a form of protest of another country's actions (Berkheimer, Cargile, Richards, Palsson & Shem-Tov, 1998).

Tourism. Tourism is defined by the World Tourism Organization (WTO) as "the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business, and other purposes" (Hofer, Honegger, & Hubeli, 2012, para. 3).

Tariff. A tariff is the original mechanism for trade protection on imports of goods and services across borders. In some cases, revenue is gained by the levied tax (tariff) that affects trading partners economically. Tariffs are part of the negotiation process of World Trade Organization (WTO) member countries. The goal of the WTO is to eliminate unfair tariffs through country policy changes to foster liberalized trade (Thorstensen, Marçal & Ferraz, 2012).

Tourism Gravity Model. A tourism gravity model is a mathematical tool to measure bilateral tourism flows between two countries. The two countries are directly proportional to a country's economic masses and inversely proportional to the distance between them; therefore, it is a method to explain international trade (Morley et al., 2014).

Communism. Karl Marx visualized a communist economy as a market allocation of resources through two primary phases. In phase one, citizens received goods proportional to the labor performed and second, while workers received payment through allocated labor tokens that did not retain value after usage (Cockshott, Cottrell, Devine, & Laibman, 2002).

Foreign Direct Investment (FDI). FDI is a mechanism for many countries to attract investors to their economic environment/country through assurance of an established political state with a predictable viewpoint, social stability, and a prosperous economic future. FDI typically brings new jobs and advanced technology to developing countries. However, the FDI benefits can be offset by political costs (Al-Halalmeh & Sayah, 2010).

Summary

Cuba's proximity to the United States is an opportunity for major increases in tourism to establish better relations and improve the incomes of Cuban workers. Conducting this study helps to understand the impact of a tourism economy on the living wages of workers in Cuba and China that operate within centralized governments. By applying a comparison approach, this study expects that the results will expose important issues surrounding the impact of the U.S. travel restrictions on Cuba's GNI per capita. In addition, understanding U.S. inflows of tourism into China's socialistic controlled economy will help to highlight Cuban tourism policies that impact both the U.S. and Cuban tourism economies.

Chapter 2: Literature Review

To understand the influence of U.S. travel restrictions on Cuba's GNI per capita, it is important to examine if there is a correlation between U.S. tourism and Cuba's GNI per capita and how it compares to U.S. inbound tourism influence on China's GNI per capita. Many countries experience negative economic impacts due to decreases in tourism inflows. A quantitative study to examine if there is a correlation between U.S. tourism and Cuba's GNI per capita and how it compares to U.S. inbound tourism influence on China's GNI per capita could expose important issues surrounding the impact of the U.S. travel restrictions on Cuba's GNI per capita. An understanding of U.S. inflows of tourism into China's socialistic controlled economy will help to highlight Cuban tourism policies that impact both the U.S. and Cuban tourism economies. Since the United States has implemented travel restrictions through the Cuba trade embargo, Cuba has not been able to fully gain U.S. economic advantages through the tourism industry. In 2015, tourism continued to be a significant economic driver for job creation, environmental protection, global peace through cultural understanding, and the alleviation of poverty (World Tourism Organization UNWTO, 2016). As Cuba evolves politically, it is important to note the role of global citizens in recognizing tourism and the ability to help to alleviate impoverishment.

The literature review section begins with the search criterion used to locate articles, books, and newspaper accounts of issues surrounding Cuba's history, the U.S. trade embargo, economic impacts, and policy related to tourism and income levels. The literature search strategy is discussed in the documentation section. The following literature review sections encompass, the history of Cuba through four important time periods, the history and impact of the U.S. trade embargo on the Cuba, Cuba's GNI, the impact of dual currency in Cuba, the impact of Cuban

policy related to tourism, and how it compares to China's policy on tourism. Focus on China's communistic controlled economy helps to highlight tourism policies that impact both Cuba and the United States to demonstrate how tourism flows impact international tourism economies. In addition, a literature review is conducted to examine how the growth in China's tourist market compares to the Cuban government's shifts in economic policy toward tourism. Therefore, this study includes literature review sections on China and the impact of tourism and how decreases in tourism inflows impact the international tourism industry and international economies.

Theoretical/Conceptual Framework

The theoretical framework is based on early methods for tourism forecasting demand, which include the Delphi method, the time sequence method, and the space gravity model (Wang & Yang, 2010). The Delphi method is a qualitative approach that uses opinions of experts within a specific structure that does not allow influence through personalities and opinions of other experts participating in the study in order to establish a group consensus (Kaynak & Ali, 2012). As it relates to tourism, a Delphi method uses a convergence of expert opinions in order to predict future events using criterion such as the tourism inflows and outflows of a country. A Delphi method incorporates uncontrollable variables such as socioeconomic factors, political influences, and the current, along with future cultural behavior tendencies toward the tourism market (Kaynak & Ali, 2012). Another technique for forecasting tourism demand is the quantitative time sequence method.

The time sequence is an accepted practical method to forecast international tourism (Wang & Yang, 2010). Time sequence models can often attain respectable forecasting outcomes (Huang & Lin, 2011). Time sequence is enhanced by utilizing spatial modeling, such as the Autoregressive Integrated Moving Average (ARIMA), which is proven to be a superior

methodology (Huang & Lin, 2011). However, a problem with time sequence modeling is that time sequence models measures only increases and decreases of tourism data flows and not causation (Wang & Yang, 2010). However, the gravity model can be derived from both, a partial equilibrium framework or an international expenditure system, and has value in in both traditional Hecksher-Ohlin trade theory as well as theories of increasing returns (Sandberg, Seale & Taylor, 2006).

Gravity models were introduced during the 1960s and are analogous to the Newtonian laws of gravitation. Tourism gravity models consider bilateral flows between two countries to be directly proportional to a country's economic masses and inversely proportional to the distance between them, therefore, a method to explain international trade (Morley et al., 2014). The gravity model has evolved over the decades. Since 1960, few papers on tourism demand forecasting were written until the 1980s, when 90 percent of the essays were written on the subject (Wang & Yang, 2010). The concepts of international trade theory are the roots for gravity models.

The concept of the international trade is that bilateral between countries have the factors of a country's potential to export goods and services, to import goods and services, and therefore the propensity to either attract or deter bilateral trade (Sandberg et al., 2006). In economics, Isard (1954) introduced the concept of a gravity model for trade with Isard's treatise on location and trade (Keum, 2010). However, the origin of the gravity model is largely credited to the independent and concurrent works of Tinbergen and Po Yho Nen (Sandberg et al., 2006). The international trade gravity model is widely used in international economics and over past decades' changes made to the gravity model has had abundant empirical success in analyzing bilateral trade flows and evaluating regional trade agreements due to the refinements of the

model by Pulliainen, Linnemann, and Aitken (Sandberg et al., 2006). However, tourism impact on trade and its relationship to gravity models has been neglected (Santana-Gallego et al., 2016).

Past correlational research on tourism inflows has been established through the studies of Romeu (2014), with focus on the tourism industry's economic impact to Caribbean nations, and Dimoska and Petrevska's (2012) study on the economic impacts of tourism as an important factor for creating economic improvement strategies in Macedonia. In 2010, a study conducted by Hanafiah and Harun (2010) used a gravity model to understand tourism demand through economic factors such as, income, CPI (Consumer Price Index), exchange rates, and distance of inbound travelers to Malaysia (Moorthy, 2014). The study result indicated that the selected economic factors and the decision to travel to Malaysia had a strong correlation with the economic variable of income, the most important factor impacting tourism flow (Moorthy, 2014).

Restructuring gravity equations help to understand bilateral movements of tourism by using population density and geographical distances to measure the degree of interaction between two geographical locations, such as the United States and Cuba (Morley et al., 2014). The proposed quantitative study will use a correlational research design to measure U.S. tourism inflows into Cuba and China and tourism demand of Cuba and China using a tourism gravity model. Using a gravity model to compare U.S. inflows of tourism to Cuba's GNI per capita with U.S. inflows of tourism into China's GNI gives opportunity for this study to understand U.S. tourism's impact on the standard of living of Cubans. An increasing number of tourist arrivals can be influenced by the distance traveled and population growth that can influence tourism demand (Moorthy, 2014).

History of Politics, the Economy, and Tourism in Cuba

In the early 1960s, Castro seized U.S. hotel properties and nationalized the hotel properties under his regime without monetary compensation to U.S property owners. Later, in 1990, the collapse of the Soviet Union created an increased deficit of 35 percent of Cuba's Gross Domestic Product (GDP), an increase of unemployment by eight percent, and 78 percent decrease in per capita social expenditures (Mesa & Vidal, 2010). With communism, still the Cuban model of government, the United States reinforced the Cuban trade embargo by adopting the Cuban Democracy Act, Title 22, and Chapter 69 of 1993 that required the Cuban government to recognize international human rights standards and the democratic values before the trade embargo would be lifted (Totten, 2014).

Fidel Castro came to power with a philosophical concept of government that considered tourism as a hedonistic vice that clashed with his socialistic views (Padilla & McElroy, 2007). With the 1962 U.S. trade embargo in place, Cuba's dependency on Soviet Union was evident in the number of Cuban trade agreements with the Soviet Union amounting to 68 percent of all Cuban trade (Ortiz, 2015). However, the collapse of the Soviet Union in 1990, Cuba's main trading partner, and the great depression of the 1990s that followed, forced change in Cuban government policy toward mass tourism (Anderson, 2016). In 2008 alone, Cuban economist Pérez Villanueva revealed that Cuban joint ventures in FDI accounted for $1.9 billion in exports of goods and services with tourism as one of the major industries (Feinberg, 2013).

Owing to decades of economic turmoil, in 2010, Fidel Castro acknowledged that the Cuban economic model was not working, which empowered Raúl Castro to proceed with economic reform (Sohn & Trigo, 2012). Cuba's proximity to the United States is an opportunity for major increases in tourism to establish better relations and improve the incomes of Cuban workers. Cuba is beginning to address their economic battles with poverty through sustainable

development policies through democratic reformations at the local levels in Cuba (Martin & Pimentel, 2011). Conducting this study helps to understand the impact of a tourism economy on the living wages of workers in Cuba and China that operate within centralized governments.

The Cuban government's intervention in the development of tourism in Cuba as a travel destination reflects Cuba's governmental sociopolitical ideologies (Telfer, 2002). Nevertheless, a Fidel Castro–led revolution created a new centralized economy in Cuba, one that continues to nurture and maintain a significant tourist economy (Sharpley & Knight, 2009). Cuba continues to undergo economic changes that focus on tourism as a vital part of their economic development. Four phases of political-economic change range from the periods of 1898–1958, 1959–1990, 1991–2007, and 2008–2017. The four periods of prominent economic changes reveal a relationship between changing centralized governmental policies and the development of tourism within Cuban borders.

The U.S. trade embargo suppressed economic development between Cuba and the southeastern United States (Copeland, Jolly & Thompson, 2011). With the lifting of the trade embargo, Cuba's proximity to the United States favors investment, tourism, and trade (Copeland et al., 2011). Totten (2014) envisioned Cuba without an enforced U.S. embargo and predicted that Havana would be the jewel of the Caribbean and would experience an extraordinary boom in tourism, in part, at the expense of Mexico and Florida.

The Cuban revolution of 1959 eventually led to the sweeping reduction of international tourism on the island of Cuba. The seizing of United States owned investment properties by the new Castro government signaled the start of the United States trade embargo in 1961. In 1992 Congress reinstated the United States position on the Cuban embargo by passing the Torricelli-Graham Act (Cuban Democracy Act), followed by the Helms-Burton Law in 1996 (Wilson &

Latkova, 2016). The Helms-Burton Law had economic reaches beyond Cuba. The law had provisions that enforced the embargo on any foreign countries that continued trade with Cuba (Flores, 2015).

Politics, the Economy, and Tourism in Cuba from 1898 to 1958

The island of Cuba underwent political and economic changes that influenced the Cuban government to consider tourism as a potential alternative to their sugar plantations. After the United States overthrew the Spanish occupiers of Cuba in the Spanish-American War of 1898, the United States supported Cuba economically. During this period, Cuba was under the influence of Washington, D.C., through the Treaty of Paris in 1898 to end Spanish occupation and the 1901 Platt Amendment that established the new Cuban Republic (Azicri, 1988). To protect sugar beet farmers' interests in the United States, Congress passed the Teller Amendment in 1898 to prohibit the United States from the annexation Cuba but did not limit the amount of U.S. control on future Cuban government structures (Carson, 2003). However, foreign investment from the United States soon declined due to the Foraker Act of 1900 that disallowed U.S. investments in Cuban plantations, except for the Cuban citrus and sugar industries (Copeland et al., 2011). Cuba soon became an independence country by defeating Spanish colonial occupation in May of 1902. Soon after, the U.S. presence in Cuba drove economic initiatives by liberalizing land, introducing a land tenure system, expanding communications, developing railroad systems, and reducing trade tariffs by 52 percent (Copeland et al., 2011). In the decades to follow, tourism soon became Cuba's prominent source of revenue.

Starting in the 1920s, Cuba, the largest island in the Caribbean, became a popular American tourist destination for the middle class, and tourism began to flourish from 1945 until 1959 (Wilson & Latkova, 2016). In the 1930s the United States accounted for approximately 30

percent of Cuban imports and 75 percent of all Cuban export revenues (Messina, Brown, Ross & Alvarez, 2007). Complicating matters for U.S. investors, military factions struggled for power in Cuba during the 1930s, which lead to U.S. military intervention to protect U.S. agricultural investments in Cuba (Copeland et al., 2011). Toward the end of the 1950s, Cuba became the center of international tourism throughout the Caribbean with a growing tourist economy that placed second only to the sugar industry in foreign currency earnings (Espino, 1993). During the 1950s, American tourists were a positive impact to the Cuban economy. In 1957 alone, American tourists accounted for 87 percent of international tourists entering Cuba (Schwartz, 1997).

Politics, the Economy, and Tourism in Cuba from 1959 to 1990

In 1959, when Fidel Castro overthrew Batista and took over the Cuban government, FDI began to diminish for U.S. investors (Copeland et al., 2011). Castro's changes to the economy of Cuba included a 30 percent labor share toward the government, along with the nationalization of electric utilities and the telephone industry (Johnson, 1965). U.S. investments in Cuba in 1959, including the hotel, railway, sugar, tobacco, banking, and mining industries, amounted to $355 million US, or approximately three times the capital investments for all of the Latin American countries combined (Copeland et al., 2011).

After the Cuban revolution, Fidel Castro's philosophical concept of government considered tourism as a hedonistic vice that clashed with his socialistic views (Padilla & McElroy, 2007). In October 1959, all major international hotels were nationalized with a new socialistic government focus on social equality and domestic tourism (Cerviño & Cubillo, 2005).) The nationalization of major hotels in Cuba amounted to over four billion dollars of assets seized by Castro (Copeland et al., 2011).

The embargo trade restrictions with Cuba discouraged U.S. investment in Cuban markets. To help offset the loss of FDI from the United States, Cuba looked to foreign investments from other countries to boost their mining, communication, and tourism industries (Copeland et al., 2011). One of Cuba's main industries, the sugar industry, became dependent on the Soviet Union financial support. To help compensate for the economic impact of the U.S. trade embargo, the Soviet Union paid 54 cents per pound of sugar when the global market price was 6 cents per pound (Kost, 1998). Cuba's continued political isolation from the United States led to the Cuban government's decision to increased trade with the Soviet Union, which ultimately accounted for approximately one-quarter of Cuba's revenue (Copeland et al., 2011). In 1978, and many years to follow, Cuba's dependency on the Soviet Union was evident in the number of Cuban trade agreements with the Soviet Union amounting to 68 percent of all Cuban trade (Ortiz, 2015).

Even with the financial support of the Soviet Union, Cuba still needed to expand their financial sustainability further by increasing foreign relations and the Cuban tourist market. Cuba's first investment law, Legislative Decree Number 50 on Economic Associations between Cuba and Foreign Entities Law, was enacted in 1982 (Ortiz, 2015). Legislative Decree Number 50 helped revitalize the Cuban tourist industry. From the late 1980s on, Cuba's tourist industry increased by an annual average of 17.5 percent, or three times the growth rate of tourism of the surrounding Caribbean countries (Cerviño & Cubillo, 2005). However, the law came too late to save Cuba from going into a harsh economic depression.

The Soviet Union and Cuban government shared revolutionary goals that challenged the United States. Therefore, to show commitment to the Cuban government, the Soviet Union absolved Cuba's enormous debt (Ortiz, 2015). However, the debt forgiveness didn't absolve

Cuba's financial turmoil. The collapse of the Soviet Union in 1990, Cuba's major trading partner, negatively impacted Cuban international trade relations and revenues from tourism.

Politics, the Economy, and Tourism in Cuba from 1991 to 2007

When the Soviet Union collapsed, subsidies from Cuba's communist supporter stopped, and Cuba entered a progressively more severe economic phase labeled the Special Period (*Período Especial*; Brotherton, 2008). Cuba had one of the worst economies in the Western Hemisphere, with only 10 percent of the per capita income level of developed countries (Copeland et al., 2011). Cuba needed financial assistance to emerge from this Special Period.

To combat Cuba's financial hardships, a more liberal approach to drawing foreign investment prompted the passing of the Foreign Investment Law Number 77 by Cuba's National Assembly in 1995 (Ortiz, 2015). In just one year the law increased foreign investment from approximately $5,400,000 to $19,270,000, and in the years, that followed, a total of near 540 new enterprises were created (Ortiz, 2015). In the early 1990s, to mitigate economic concerns among the Cuban population, Fidel Castro presented his three-economic-pillar speech (Wilson & Latkova, 2016). The three economic pillars included biotechnology, a sustainable food program that integrated organic urban gardens, and the expansion of the tourist policy to incorporate more international tourism (Babb, 2011). By 2005, the annual arrival rate of tourists in Cuba rose to 2.3 million, contributing approximately $1.9 billion U.S. to the Cuban economy (Grihault, 2007). However, tourist arrivals declined by 3.6 percent in 2006 and soon after in the beginning of 2007 by 7 percent in January, followed by 13 percent in February 2007 (Sharpley & Knight, 2009). Eventually the Cuban government reforms implemented in the 1990s resulted in positive developments in international tourism and yielded $3 million in tourism receipts per year by 2014 (Feinberg, 2016).

Politics, the Economy, and Tourism in Cuba from 2008 to 2017

From 2008 to 2010 the Cuban tourism industry, now Cuba's second most important market, decreased by 11 percent (Perez, 2012). To stimulate the economy, Cuba increased trade with countries such as Russia, Angola, Algeria, and China. In addition, Cuba cultivated relations with Latin American markets that accounted for 40 percent of Cuba's international trade in 2009 (Perez, 2012). Cuban diplomats and many Cuban nationals believed that changes in the country should meet their economic needs. Therefore, normalization of relations with the United States with the help of financial institutions is important for Cuba's economic growth and socialization (Perez, 2012).

Cuba's tourism industry became a major economic component and stabilized the Cuban economy by replacing the economic dependency from former Soviet subsidies (Totten, 2014). Cuban FDI inflows contributed favorably to the Cuban economy from 1990 to 2009 with an influx of approximately $3.5 billion in FDI ventures (Feinberg, 2013). Tourism is a major source of FDI in Cuba. Within the Cuban tourism economy, the economic benefits of tourists are apparent. Some Cubans increased their monthly income levels through the tourism industry. Connecting to the global economy are occupations such as servers, housekeepers, and taxi drivers that benefit from tourist tips they are allowed to keep, increasing their monthly income levels (Totten, 2014). However, remittances and some occupational benefits are not enough to substantially increase Cuban income levels.

In April 2011, President Raúl Castro proposed 313 guidelines to jump-start Cuba's suppressed economy (Forero-Niño, 2011). In December 2014, President Obama announced that the United States will end a "failing outdated policy" toward Cuba and reestablish a U.S. Embassy in Havana to advance shared interests with Cuba (White House Office of the Press

Secretary, 2014). President Obama emphasized that the change to normalize the Cuban/United States relationship will create new opportunities for the citizens of Cuba and the United States (White House Office of the Press Secretary, 2014). In addition, President Obama emphasized that the U.S. embargo of Cuba that impoverished the Cuban citizens for more than a half a century had failed (Jourdane, 2015). Cuban's look forward to hosting the return of Americans, the purchase of American products, and sales of Cuban cigars and rum in the United States to share in Cuba's growing economy (Jourdane, 2015).

In March 2014, Cuba's National Assembly voted unanimously to pass a new law that drastically reduced taxes to encourage FDI and create an atmosphere of investment security. The law reduced Cuban taxation by 15 to 30 percent for eight years for joint business ventures with Cuba and did not benefit investors that have 100 percent control of their FDI (Trotta, 2014). In addition, the law created three investment opportunities in partnerships with Cuba for joint ventures, commercial contracts, and foreign-owned companies on Cuban soil that help to facilitate the investment in the expansion of hotel and resort infrastructures to accommodate a boom in tourism (Wharton Business School, University of Pennsylvania, 2016).

In 2015 there was an estimated 40 percent increase in U.S. tourism inflows, with an expected additional 10 million Americans visiting Cuba in years following once the trade embargo is lifted (Guardian, 2016). Tourism in Cuba is one of the main service industries that sustain Cuba's government structure. For example, in 2008 alone, Cuban economist Pérez Villanueva revealed that Cuban joint ventures in FDI accounted for $1.9 billion in exports of goods and services, with tourism as one of the major industries (Feinberg, 2013). Approximately 75 percent of Cuba's GDP derives from oil production, mining, remittances, and tourism revenues (Trading Economics, 2016). In addition, Cuba has vast mineral deposits, a developed

biotech industry, ports close to the United States, and gorgeous beaches for resort development that are comparable to other Latin American host countries in size, such as Costa Rica Trading Economics, 2016). Tourist arrivals in Cuba increased from 382,145 in December 2015 to 417,764 in January 2016, according to Cuba's National Office of Statistics, Trading Econonics, 2016).

To accommodate the potential growth of Cuba's tourist market, private enterprise permits issued by the Cuban government are on the rise (Carty, 2009). Cuba's decline in state jobs, the increase in private enterprise permits, and changing demographics in the Cuban population, may merit opportunity for United States investors, but not without an understanding of Cuba's economic state.

Impact of the U.S. Embargo on Cuba

In 1961, President Eisenhower ceased relations with Cuba and initiated economic sanctions against Cuba under the Trading with the Enemy Act (TWEA) (Gordon, 2012). President Eisenhower's actions influenced Congress to pass the Foreign Assistance Act that bans U.S. aid to countries that had established communist governments (Gordon, 2012). The official framework of the U.S. Cuban embargo was drafted by President Kennedy in 1962 and included a sweeping prohibition of any imported products directly and indirectly from Cuba (Gordon, 2012). In addition, the U.S. Cuban trade embargo prevents the U.S. export of products and services with the exceptions of food and medicine (Frank, 2012). In 1963 the Cuban Assets Controls Regulations (CACR) was issued under TWEA of 1917, which authorized the Treasury Department to regulate commercial business transactions between the United States and Cuba while implementation of the trade embargo regulations is the responsibility of the Treasury

Department's Office of Foreign Assets Control (OFAC) (Gordon, 2012). The sanctions against Cuba were intended to impact the Cuban government's ability to grow economically.

All U.S.-based corporations, including multinational corporations (MNC) and their foreign subsidiaries, are mandated by U.S. Cuban trade embargo laws to deny U.S. business relationships until the Cuban government establishes a democratized society and recognizes the human rights of Cuban citizens (LeoGrande 2015). The economic cost of the sanctions on Cuba over the past five decades has been high, however, without the effects of totally dissolving the Cuban government's political posture. Advocates for lifting the Cuban trade embargo believe that Cuba is no longer a threat to U.S. national security and that international markets will dictate the economic future of Cuba, while those opposed to lifting the embargo imply that such a move will reward and further fortify the Cuban regime (LeoGrande 2015). Any changes in policy depend on future acts of Congress, and any regulatory changes depend on the standing administration's viewpoint toward Cuban diplomacy.

The current administration's ability to make changes in regulations toward Cuban diplomacy is limited due to the passing of the Cuba Democracy Act of 1992 and the Helms–Burton Act of 1996 (Gordon, 2012). However, some provisional changes to Cuban trade-embargo regulations create opportunities for the United States and Cuba. In 2000, Congress passed the Trade Sanctions Reform and Export Enhancement Act, which allowed U.S. companies within defined limitations to trade with Cuba (Gordon, 2012).

The impact of the U.S. embargo restrictions on U.S. tourism travel into Cuba is evident to cruise companies. Information from cruise companies provided by the World Tourism Organization, estimate that, if permitted, approximately one million of the seven million tourists traveling in the Caribbean region would purchase cruises to Cuba (UN Secretary-General, 2013).

In addition, the enforcement of the U.S. trade embargo on Cuba impacts other countries and their economic interests as well. Spadoni (2010) notes the time when the U.S. State Department threatened U.S. litigation and penalties if Spanish hotel chains such as Sol Melia and France's Club Med conducted business in Cuba. Another example came in 2004 when the Bush administration threatened to levy visa restrictions on the top executives of Super Clubs, a Jamaican company, if it did not cancel its contracts with Cuba (Gordon, 2015).

In January 2016, the Treasury Department amended the Cuban Assets Control Regulation Policy to authorize U.S. airlines to travel to Cuba (U.S. Department of Commerce, 2016). The result of the amendment also allowed U.S. financial institutions to open accounts in Cuba and relaxed controls on the dollar amount of remittances Cuban Americans can send to their Cuban families (Flores, 2015). However, this change in U.S. policy toward Cuba does not address the embargo and its impact on Cuban citizens. Over the past 22 years the United Nations has repeatedly fought to condemn the U.S embargo, but without success, attributable to a U.S. repeal's literally requiring an act of Congress (Flores, 2015). In addition, one of the fears of U.S. legislators is the possible amendment of the Cuban Adjustment Act (CAA).

After May 29, 2015, Cuba has been removed from the United States terror list. In 1996 the CAA was amended to include a provision that Cuba is required to have a democratically elected government in control before CAA is repealed (Flores, 2015). Amendments of policy related to the embargo and CAA around immigration policy have the potential to instill rigorous debate. U.S. immigration policy toward Cuba originated from the dangerous Caribbean Sea crossings from Cuba to the United States for sanctuary. With travel eased between the United States and Cuba, many politicians foresaw a future where Cuban nationals will travel to the United States claiming persecution to obtain legal U.S. status by remaining over a year and then

returning to Cuba (Flores, 2015). In another scenario, Cuban nationals simply enter the United States for economic opportunity. Since the CAA was amended travel between the United States and Cuba gave Cuban nationals seeking refuge easier access and according to many politicians, possibly created an unfair advantage in the immigration process (Flores, 2015).

In January 2017, one of the last executive orders by President Obama related to the CAA was announced. President Obama repealed immigration policy (wet foot, dry foot policy) that allowed Cubans citizen status after reaching land in the United States (Associated Press, 2017). The wet foot, dry foot policy was originally a CCA amendment in 1995 under the Clinton administration that allowed Cubans caught at sea or on U.S. soil to become U.S. residents after a year (Associated Press, 2017).

The restoration of diplomatic relations between Cuba and the United States is a step in the right direction to help Cubans economically. However, the impact of the U.S. embargo is ancillary external economic factor in Cuba's economic struggles compared to criticism from Cuban citizens over the claimed *auto-bloqueo* (internal embargo) levied through Cuban government policies (Henken & Ritter, 2015). President Obama's open door on possible U.S. investments in Cuba's telecommunication industry exerts pressure on the Cuban government to relinquish control over media services such as internet and Cuban entrepreneurial ingenuity (Henken & Ritter, 2015). However, with the 2016 results of the U.S. presidential election, concerns about relations with Cuba are being revisited. President Trump and former Secretary of State Tillerson have been critical of President Obama's policy toward Cuba and the prospects for meaningful economic and political reform in Cuba (Zerka, 2016). Expectations for the removal of the trade embargo is not likely, with Raúl Castro in office until 2018 and with the Republican Party in control of Congress (Zerka, 2016).

Cuba's GNI

In accordance with the World Bank Organization (2014), GNI is the main criterion for the classification and analysis of economies. Income levels are categorized utilizing GNI per capita as low-income, middle-income (sectioned into a lower middle and an upper middle), and high-income levels (Jalal & Khan, 2015). With a purpose to mitigate the impact of exchange rate fluctuations, GNI per capita is calculated for each income classification by using the World Bank Atlas method, to determine the different levels of dollar amounts. The World Bank Atlas method is a conversion factor of exchange rates, in U.S. dollars, between countries using the current and the previous two years of exchange rate averages with an additional adjustment for the rate of country inflation and international inflation (World Bank, 2017).

Using data through 2014, low income economies have a GNI per capita of $1,045 or less, a GNI per capita of more than $1,045 but less than $12,736 are classified as middle-income economies (lower middle $1,045 to $4,125 and upper middle $4,125 to $12,736), and economies with a GNI per capita of $12,736 or more are classified by the World Bank as high-income economies (ChartsBin, 2017). Using the World Bank Atlas method Cuba's GNI per capita is classified as an upper middle income with income levels ranging from $4,125 to $12,736 (ChartsBin, 2017). Cuba's upper-middle income range of GNI per capita needs regional perspective. Cuba's neighbor Haiti has a lower income classification, while Jamaica, the Dominican Republic, and Mexico, all have upper-middle classifications. Puerto Rico, the Bahamas, and the United States are classified as high-income countries. Using the World Bank Atlas method for measuring Cuba's GNI per capita, Cuba appears to be on par with Jamaica, the Dominican Republic, and Mexico. However, there are different ways of defining a country's middle class.

Feinberg (2016) discusses how "middle class," using the absolute method (an individual's wages, salary, earnings) for measuring per capita income levels, can vary from $2 a day (just above poverty) to $10 to $13 a day, or $3,650 to $4,745 per year respectively. The Cuban government does not release information on the income distribution of the Cuban workforce and therefore, a gross GNI per capita of $7,176 per year was provided by the Cuban government in 2014 (Feinberg, 2016). Since Cuba's social government promulgates income equality throughout the workforce population, Feinberg (2016) asserts that a large portion of the Cuban population falls under the $10 to $13 a day or $3,650 to $4,745 per year middle-class range. The drivers generating the income of Cuban workers vary on the types of industries and Cuba's sociopolitical history.

In past years, industries such as the sugar industry and manufacturing generated income in Cuba while since 2009, the significant factors improving Cuba's external account balance that contributes to Cuba's GNI are international remittances, the export of professional services and tourism revenues (Romero, 2016). However, Romero (2016), argues that the income generated from the exportation of professional services, remittances, and tourism does not compensate for the revenues generated from Cuba's past income-generating industries. Since Raúl Castro was given control of Cuba's government, the efforts of his economic reforms have fallen short of creating sustainable economic growth (Smith & Walter, 2016). Since 2014, Cuba's economy grew only 1.4 percent with an average growth of 2.3 percent in the previous five years (The Economist Intelligence Unit, 2015).

In recent years, the GNI of Cuba is impacted by a very low import substitution ratio, replacing foreign imports with domestic production, and current income revenue streams are not achieving past industry income levels (Romero, 2016). In addition, the amount of Cuba's tourism

revenues had subsided due to increased competition in the tourism market from regional countries (Romero, 2016). Romero (2016) exemplifies how the associated prolongation of Cuban policy creates a national economic landscape that limits productivity, competitiveness, innovation, and economic sustainability of international economic relationships. Feinberg (2016) points out how foreign investors pay wages in hard currency through a state employment agency that in turn pays Cuban workers in a much lower local currency, resulting in over 90 percent of all wages going to the Cuban state treasury. Therefore, lack of financial incentives puts Cuba into a low-wage, low-productivity trap, and diminishes consumer purchasing power to stimulate economic expansion (Feinberg, 2016). The Cuban government's socialist policy and infrastructure of Cuban economic institutions contribute to a backward approach to building the economy.

Smith and Walter (2016) argue that an environment of economic control through the government's state-owned policy on Cuban enterprises does not allow an avenue toward a feasible market for financial credit for a Cuban population without credit cards and few checking accounts. Housing shortages continue to pervade the Cuban population forcing families to combine living accommodations reminiscent of the Soviet experience and, without other recourse, stand in line at banks to pay in cash any household debts (Smith & Walter, 2016). The era of the revolution and economic policy left little expendable cash for the consumers of Cuba.

The consumption level of Cuban citizens Cuba were at 52 percent of the levels of consumption in the year 2000 compared to the level of consumption in 1955 prerevolutionary Cuba (Ward & Devereux, 2012). Noteworthy is the fact that Cuba was still rebounding economically from the collapse of the Soviet Union in early 1990s. Considering growth in the level of Cuban consumption, the Economic Commission for Latin America (ECLA) estimated

that the level of consumption was at 72 percent of 1955 levels (Ward & Devereux, 2012). Between the U.S. trade embargo on Cuba and the impact from the economic demise of the Soviet Union, a major trading partner with Cuba, the economic impact to Cuba's economy is apparent in the Cuban government's implementation of new economic policy.

With Internet services, far below the standards of most developing countries, in March 2015 the Cuban government announced reforms in the use of the Internet (Smith & Walter, 2016). Change in the direction of the Cuban government's policy toward private enterprise has also helped to spur the economy. However, with approximately 35 percent of the Cuban government workforce allocated to the private sector, Cuba's economy is far from reaching the minimal standards of most countries with emerging economies (Smith & Walter, 2016).

Besides the efforts of the Cuban government to implement economic policy to heal the economic woes of Cuban citizens, a cautionary attitude emerges from Raúl Castro's philosophical stance. Three Cuban academic economists active in the updating of Cuban economic policy reported in January 2015 that Raúl Castro and his inner circle were concerned about changes in the socialist model in Cuba being uprooted by a disproportionately capitalistic economic model (Smith & Walter, 2016). Therefore, the socialistic model favored by Raúl Castro and his inner circle is frustrating to Cuban academic economists that are concerned about officials in the Cuban government jeopardizing rapid economic performance due to Cuban government officials' insistence on maintaining their landmark achievement of universal income equality (Smith & Walter, 2016). A question remains: What would the Cuban economy been like and the Cuban per capita income levels be at with or without the revolution led by Fidel Castro (Ward & Devereux, 2012)? Current living standards are lower than prerevolutionary and pre-U.S. embargo periods in Cuba. Any scenario presented other than the revolutionary period, the

path not taken economically easily outperforms the revolutionary period significantly in terms of the standard of living for Cubans (Ward & Devereux, 2012).

The Impact of Dual Currency in Cuba

Contributing to the issues of economic sustainability in tourism is the dual currency system implemented by the Cuban government (Hingtgen, Kline, Fernandes & McGehee, 2015). The Cuban peso (CUP) is used for Cuban wages and prices within the Cuban economy, and the Cuban convertible peso (CUC), or hard currency, is used for retail business establishments. The legalization of the CUC was the Cuban government's response to Cuba's economic crisis due to the economic collapse of the Soviet Union, a major trading partner with Cuba in the early 1990s (Sohn & Trigo, 2012). Eventually, in 1993, restrictions on U.S. dollar remittances from Cuban families living in the United States were relaxed when the U.S. dollar was adopted as Cuban legal tender (Hingtgen, et. al., 2015). The CUC eventually replaced the U.S. dollar for all transactions in retail establishments with an additional 10 percent surcharge in U.S. dollar and CUC exchanges (Sohn & Trigo, 2012). The impact on Cuban society from the established dual currency is evident.

Prior to the establishment of a dual economy, the association of money as a link to professional prestige and an acceptable standard of living was subdued under the Cuban socialist economy (Blue, 2013). For example, the cost of an automobile is approximately $50,000 U.S. for a Chinese import (The Economist, 2017). Typical government employees earn $25 U.S. a month and can afford an automobile only if frequently hired by tourists (The Economist, 2017). Personal transportation, housing, and access to large appliances are obtained through the workplace, which in turn shows loyalty to the Cuban government and good standing in the workplace above wages earned (Blue, 2013). Under a duel economy, individuals with access to

U.S dollars, or CUCs, have a much higher standard of living, with the ability to purchase luxury items, than Cubans without U.S. dollar access (Hingtgen, et. al., 2015). Merchandise in retail outlets such as household appliances, electronic products, and even shampoo is considered a class of luxury items, since the ability to pay in hard currency is prohibitive to many Cubans (Sohn & Trigo, 2012). Therefore, a small number of occupations, such as work in the tourism industry, are advantageous jobs with the ability to obtain hard currency to exchange for CUCs for the purchase of luxury merchandise (Sohn & Trigo, 2012). Tourism is impacting the income inequality of Cubans with opportunities for income increases of Cubans exploiting tourism dollars (Wilson & Latkova, 2016). There are emerging concerns of increased levels of income inequality in Cuba leading to negative impacts to the well-being of Cuban citizens (Wilson & Latkova, 2016).

When the U.S. dollar was legalized in Cuba, two parallel economies and social orders emerged, and Cubans working in the tourism industry had opportunity to seize a financial advantage over Cubans working outside the tourism industry (Carty, 2009). Widespread use of U.S. dollar transactions in Cuba became evident in 2004 when the Cuban government mandated that all U.S. dollar transactions must be conducted in CUCs in order to eliminate U.S. currency from Cuba's mainstream economy (Hingtgen, et. al., 2015). In 2015 the CUC was equivalent to approximately 24 CUPs, and Cubans experienced price inequities since many businesses with essential products accepted only CUCs (Hingtgen, et. al., 2015). Cubans relying on their state jobs and supplemental goods through the workplace to compensate for the lack of a living wage at times resort to theft, which in turn contributes to the black market (Blue, 2013).

Cubans not possessing CUCS to purchase items created a black-market environment which in turn, impeded the complex and difficult task of implementing monetary policy

(Hingtgen, et. al., 2015). For Cuban families with relatives living in countries such as the United States, the sending of remittances from relatives abroad increases Cuban family's standard of living and provides more economic independence from the government and workplace (Blue, 2013). However, Feinberg (2016) argues that although tourism receipts and remittances are part of the Cuban government's income strategy, tourism receipts and remittances alone cannot create the exceptional employment opportunities to complement talents of Cuba's highly developed workforce. Therefore, the workplace is still an essential source for clothing, toiletries, and food for Cuban families without resources for external incomes, such as remittances (Blue, 2013). Adding to the issues of income inequality, the Cuban government policies to improve tourism impacts toward income inequities is lacking. The neighborhoods of Havana are changing due to tourism development projects, prompting diverging socioeconomic state of affairs reminiscent of a prerevolutionary Cuba (Carty, 2009).

Since monetary transactions in the tourism industry are primarily in CUCs and not in the lower-valued CUPs, many Cubans working in the tourism industry have potential to earn more than the typical government workers' salary (Hingtgen, et. al., 2015). The CUC is overvalued, and neither the CUC nor the CUP is traded in global markets (Banerjee, 2017). In addition, the key economic issues of dual currency and exchange rates are deferred for further study under the 313 economic reform guidelines Raul Castro presented in 2011 (Feinberg, 2016). Banerjee (2017) contends that the dual currency in Cuba distorts the measurement and allocation of resources which consequently adversely impacts business efficiencies, profits, and competition in global markets. Knowing the earning potential of workers in the tourism industry, the Cuban government has shown interest in overhauling the monetary system, however, specific objectives and initiatives have not been launched up until now (Hingtgen et al., 2015). Even though the low

value of CUP in wages is insufficient to the basic needs of Cuban families, many Cuban professionals are able to reestablish a higher standard of living not only from the tourism industry but also through foreign remittances received since the introduction of the U.S. dollar into the Cuban economy (Blue, 2013). In addition, by taking advantage of the duel economy and the value of CUCs, professionals, and government workers actively seek tourism opportunities to improve their economic standings (Hingtgen et al., 2015). However, the Cuban government's continuance to maintain an unacceptable dual-currency monetary system has become one of the most blatant irritants of Cuba's unsuccessful economic system (Sohn, & Trigo, 2012). Banerjee (2017), reasons that the unification of the CUC and CUP currencies would help attract foreign direct investments and without a committed timeline to reform duel currency policy, investors are subjected to unnecessary financial risks. An announcement from the Cuban government to devalue the CUC and eventually halt circulation is necessary to attract foreign investment (Banerjee, 2017). Hingtgen et al., (2015), argues that a dual currency makes assessment of business efficiencies impossible in global markets, and distorted values of currencies can be used to show artificial economic growth that is detrimental to Cuba's economic development. In addition, the Cuban population is skeptical about any meaningful reform before 2018, when Raul Castro is expected to pass the baton over to Miguel Díaz-Canel, the current vice president of Cuba (The Economist, 2017). According to economist Juan Triana, Díaz-Canel is reported to be more open to change such as Internet access; however, the true economic reform to abolish the artificial currency rate is detrimental to approximately 70 percent of state positions, and the needed reform could eliminate two million jobs (The Economist, 2017).

Impacts of Cuban Policy on the Tourism Industry

Before the Cuba revolution of 1959, the Cuban government had not introduced and passed any law or policy for foreign investment and instead relied on amicable business relations with foreign nations (Ortiz, 2015). However, even with an ideological grounded economic policy under a central planning board, and disregard of policy on foreign investment, international investments in the tourism market in Cuba contributed approximately $62 million U.S. in 1957 (Sharpley & Knight, 2009). Soon after the successful revolution of 1959, Fidel Castro emerged with an all-encompassing ideology that did not acknowledge negotiations with the United States, which eventually led to the ending of diplomatic relations with Spain, France, Canada, Switzerland, and other nations investing in Cuba (Ortiz, 2015). In addition, Castro considered tourism as a hedonistic vice that clashed with his socialistic views (Padilla & McElroy, 2007). The seizing of foreign investment properties such as hotels and casinos without compensation by the Castro regime amounted to $1.8 billion U.S. in lost assets in the United States and losses of $100 to $350 million U.S. each for the countries of France, Canada, Switzerland, and Spain (Ortiz, 2015). By 1978, Cuba's isolation from the United States and other countries eventually led to an enormous 68 percent trade dependency with the Soviet Union, and even with debt forgiveness of approximately $1 million U.S. a day, Cuba still needed economic stimulus (Ortiz, 2015). Changes in economic policy direction in the tourism industry were initiated due to Cuba's political economic relationship with international entities and a limited domestic economy in need of economic stimulus (Sharpley & Knight, 2009). Cuba without question was dependent on international tourism (Taylor & Zuberi, 2015). Therefore, the emergence of more liberal Cuban tourism policies began to evolve over the decades.

After Legislative Decree Number 50 on Economic Associations between Cuba and Foreign Entities was promulgated in 1982 to increase foreign relations and tourism (Ortiz, 2015),

to further create economic stimulus, the Cubanacán S.A (Sociedad Anónima, or Corporation) was formed through an independent state initiative in 1987. It was the first organization of its kind to work with INTUR (International Inland Tourism Fair) to share the responsibilities of establishing tourism policy in Cuba (Carty, 2009). The first foreign joint venture was with the Spanish tourism conglomerate, Sol-Melia, to develop hotel properties in Varadero, a tourist resort in the province of Matanzas (Carty, 2009). However, these failed to create the needed stimulus, and compounded with the economic collapse of the Soviet Union in 1990, Cuba's main trading partner, they forced change in Cuban government policy toward mass tourism (Anderson, 2016).

To further spur tourism growth, in 1992, the Cuban government amended the Cuban constitution to allow property ownership by diverse enterprises and the transfer of Cuban state property to joint ventures with foreign capital investments creating an explosion of foreign investment in Cuban tourism markets (Carty, 2009). MINTUR (the Ministry of Tourism) was established. The Ministry of Tourism of Cuba, along with other state controlled and pseudo-independent tourism corporations were formed in 1994 to promote foreign direct investment in tourism (Carty, 2009). Ministry of Tourism Decree-Law 147 required the modification of the existing central state administrative organizations to fulfill political direction, regulation, and control of the tourism industry and businesses operating in the tourism industry (Tourism Ministry, 2017).

Structured to be flexible, MINTUR incorporates two levels of management. The first level is composed of a minister and vice ministers and the second level, with a diverse composition of Cuban officials, consists of the government positions related to investments, product quality, negotiations, international relations, legal matters, development, commercial,

information, advertising, economic analysis, administration, and human resources in the tourism industry (Tourism Ministry, 2017). The strategic objectives of MINTUR were to design and develop more efficient marketing of the tourism products, to diversify and increase tourism choices, for competitive advantage, to increasing the number of rooms for tourist though building and remodeling structures, to enhance communication systems through advanced technology, encourage foreign capital in the tourism industry to expand development and adjust the structure of MINTUR to meet industry expansion (Tourism Ministry, 2017).

The formation of MINTUR in Cuba allowed foreign investors 49 percent ownership of hotel properties, while upfront capital expenses were derived mainly from local capital and some front-end capital from foreign investors that also provided the expertise and training for hotel management (Carty, 2009). Changes in the Cuban government tourism policy, created an environment that was economically beneficial through the formation of a private working sector that is strong and sustainable (Hingtgen et al., 2015). Cuba citizens saw opportunity to explore the tourism industry and as state employment declines, Cuban entrepreneurs are interested in the development and expansion of new innovative tourism products (Hingtgen et al., 2015).

In 1995, Cuba's National Assembly passed the Foreign Investment Law Number 77 and within just one year, Cuba's foreign investment increased from approximately $5,400,000 U.S. to $19,270,000 U.S., along with a total of 540 new enterprises (Ortiz, 2015). However, shortly after, in 1996, the U.S. Helms-Burton Law was passed with intent to punish transnational corporations (TNCs) and foreign corporations that conduct business with Cuba (Hirsch, 2012). Carty (2009), indicates that even with new laws to attract foreign investment, the Cuban government continues to control all planning and development through foreign joint ventures. Cuban economist Omar Everleny outlines the differences between Cuba's foreign investment

policies versus Latin American foreign investment policies. Everleny points out that in Cuba, the foreign investments with Cuban state companies are limited to specified periods of time that require approval of the Cuban government before executing any changes, while Latin American countries investors purchase a company, pay little in wages, and have the freedom to sell the property at any time (Carty, 2009). However, the Cuban American population has had an unexpected impact on U.S. policy.

Since the United States imposed a trade embargo on Cuba, Cuban Americans have been able to travel to Cuba and spend U.S. dollars in Cuban markets, with tourism contributing nearly 10 percent to the Cuban economy and Cuban Americans accounting for 80 percent of the Cuban tourism arrivals (Hirsch, 2012). In addition, remittances from Cuban Americans is an important source of U.S. currency in Cuba that totals in excess of one $1 billion U.S. annually (Hirsch, 2012). The sending of remittances from relatives abroad increases Cuban family's standard of living and provides more economic independence from the government and workplace (Blue, 2013). Another twist to the impact of the U.S. economic sanctions is the telecommunications agreement that each country, in this case the United States and Cuba, pays 60 cents in U.S. dollars for every minute from the country of where the communication originated (Hirsch, 2012). The irony is that most of the transnational communications originate in the United States giving Cuba approximately $150 million net from U.S. telecommunication companies (Hirsch, 2012). However, Romero (2016) maintains that the income generated from the exportation of professional services, remittances, and tourism does not compensate for the revenues generated from Cuba's past income-generating industries. To broaden economic sustainability, Cuba negotiated trade agreements with Venezuela that became Cuba's primary stimulus for economic growth from 2005 to 2011, surpassing the tourism industry (Ortiz, 2015). Cuba initially provided

medical services in exchange for oil and finance opportunities that allowed Cuba to capitalize on an increased import capacity and long-term investments (Ortiz, 2015). In 2005, the export of Cuba's professional services to Venezuela amounted to 39 percent of Cuba's entire hard currency revenues (Hirsch, 2012). However, with similarities to the past trade relationship with the Soviet Union Ortiz (2015) points out that the dependency on Venezuela as a primary trading partner, Cuba's economy could expect to experience negative economic impact as shown by Venezuela's increased inflation and political unrest in early 2014.

In 2008, Raúl Castro became president of Cuba following the continued illness of his brother Fidel Castro. Soon after, in 2009, the Cuban government announced agricultural reforms where the government retained ownership of any unused land and allowed Cuban farmers to cultivate, use, and sell their harvests for profit (Banerjee, 2017). As agricultural reformation evolved, Cubans were allowed to cultivate orchards that were previously banned and permitted to use small amounts of state credit that enabled farmers to sell produce to hotels and restaurants that cater to the tourism industry (Banerjee, 2017). Even though foreign investors and Cuban citizens face hurdles in Cuban laws, tourism demand for goods and services has impacted other economic sectors and created tens of thousands of jobs (Carty, 2009). Employment in the Cuban tourism industry doubled from 1995 to 2002 and was the result of products and services indirectly or directly related to the tourism industry such as construction supplies, restaurant furniture, the telephone industry, processed meats, transportation services, soaps, perfume, textiles, and new technology products (Carty, 2009). In 2012, 47 percent of Cuban farmers were permitted to sell to markets which, in 2013, ultimately led to direct sales to the Cuban tourism industry (Banerjee, 2017). The Cuban government nurtured partnerships with emerging market economies, such as China, Mexico, Brazil, and Venezuela, to expand hotel enterprises to support

more than three million international tourist arrivals each year (Feinberg, 2016). However, Cuba continues to experience low investments due to limited foreign investments, low internal savings, and the high cost of capital associated with paltry labor wages (Feinberg, 2016).

In 2010, Raúl Castro declared a five-year economic reformation plan to reduce state control over the Cuban economy, while promoting more privatization to decrease the Cuban government's economic burden (Ueltschy, 2013). Under the new economic reform plan, Cuban citizens have the freedom to rent, buy, and acquire loans for property (Ueltschy, 2013). In April 2011, as noted, President Raul Castro proposed 313 guidelines to jump-start Cuba's suppressed economy (Forero-Niño, 2011). The sixth Cuban Communist Party (CCP) Congress outlined the goals of Raúl Castro's reform that included constraints to changing the current economic model, such as keeping the majority of state planning and authority over non-state-owned property (Banerjee, 2017). The guidelines included economic acceleration measures such as offering benefits to foreign investors in hotels through joint ventures or solely owned establishments predicated on equality shares and the preferential allocation of retail spaces for Cuban entrepreneurs to indirectly build the tourism industry to generate employment (Feinberg, 2016). However, as Taylor and Zuberi (2015), emphasize, when the CCP addressed the growing national economic uncertainties, it was with trepidation that CCP introduced economic reforms to enhance support of Cuban entrepreneurs. Accompanied by support of entrepreneurs, the 2011 reform permitted Cuban citizens to buy and sell houses at market value, instead of swapping properties that propagated deals leading to corruption (Banerjee, 2017). The new housing reform allows sellers to generate capital for the construction of homes and entrepreneurial ventures (Banerjee, 2017). The authors of the guidelines ignored Fidel Castro's rhetoric against globalization and offered a range of opportunities in tourism, including golf courses, ecotourism,

health tourism, and cruise ship tourism (Feinberg, 2016). In addition, Feinberg (2016) points out that the needed 2011 economic reform in a unified currency and exchange rate, polices to insure a living wage, and transparency in policy and statistical data are either deferred or cautiously initiated.

Toward the end of 2012, the 313 guidelines to jump start Cuba's economy prompted the licensing of approximately 380 thousand self-employed Cuban citizens into the Cuban workforce of 5 million (Burbach, 2013). Even though some constraints were put in place, the CCP Congress allowed Cubans different arrangements for property ownership and expanded the scope of economic transactions among Cubans that enabled the creation of new markets in the tourism industry (Banerjee, 2017). Cubans were given access to hotels that, in past decades, were reserved only for foreigners and obtained the ability to own private cars, buy real estate, and own businesses. In 2013, the Cuban government allowed 201 occupations for private licenses, up from the 181 occupations allowed previously (Feinberg, 2016). By 2014, the total number self-employment licenses rose to 496,400, with 30 percent in bed and breakfast establishments and private restaurants to accommodate the Cuban tourism industry (Feinberg, 2016).

To attract more investors into the Cuban markets, Cuba revised the laws regulating foreign direct investments. However, according to The Economist (2017), the Cuban government faces challenges to adding value to tourist dollars spent in Cuba on tourism accommodations and therefore needs to reduce obstacles for private investments in services, supply chains, and hotels to encourage return business in tourism. To attract new investments in foreign capital and technologies for increased production capabilities, Cuba authorized the Foreign Investment Act in 2014 to better position Cuban exports of products and services in international markets (Flores, 2016). The revised foreign investment law extended foreign investment to all categories

of investment excluding foreign ventures in education, health care and the armed forces (Banerjee, 2017). Even with the updated Foreign Investment Act the Cuban government continued its fiscal control over foreign investments and business ventures (Flores, 2016). The law stipulated that tax incentives to foreign investors be established to expand joint business ventures in the real estate, utilities, and tourism industries (Flores, 2016). Under the new law, foreign investors are also exempt from taxes levied on specified imports, labor taxes, and personal income tax (Banerjee, 2017). In addition, the foreign investment law allows new investors a deferment for a year on sales tax and an eight-year grace period before paying the Cuban government taxes on profits received (Banerjee, 2017). However, a cash-poor Cuba in need of foreign investors faces a reluctant foreign investment market due to financial risk from the uncertainty that President Trump will either tighten the trade embargo or simple do nothing at all (The Economist, 2017). Flores (2016) contends that the liberal economic approach is advantageous to the economic growth of Cuba, but the economic reform in a globalized economy will not overcome the difficulties of a nation that plans on remaining communist. The new foreign investment law could potentially include Cubans living abroad; however, Banerjee (2017), argues that a significant drawback is the control the Cuban government has over foreign investors on the hiring and dismissal of workers involved in business ventures. Flores (2016) argues that, along with other economic reforms, the foreign investment law failed to indicate the law's application to the Cuban population, and even with increased successes in the Cuban literacy rate, the Cuban economy continues to decline.

In 2015, according to Smith and Walter (2016), Cuban economists active in updating Cuban economic policy reported that Raúl Castro and his inner circle were concerned about changes in the socialist model in Cuba being uprooted by a disproportionately capitalistic

economic model and the disruption it would have on maintaining their landmark achievement of universal income equality. The socialistic model favored by Castro and his inner circle is frustrating to Cuban academic economists who are concerned about officials in the Cuban government jeopardizing rapid economic performance (Smith & Walter, 2016). Flores (2016) contends that the expansion of private ownership in Cuba is vital to Cuba's entrance into global markets. There is opportunity for the Cuban government to capitalize on their exceedingly educated population to help in the economic development of Cuba. Flores (2016) goes on to argue that the Cuban communist government is wasting the potential of an educated population through controlled wages that creates a diversion of meaningful occupations toward the tourism industry where Cuban workers can make more money. Flores (2016) also contends that the Cuban government's fear of democratic influences in Cuba and sustaining its ideological political system will continue to demean Cuban citizens and inhibit Cuba's economic growth in the global economy. However, the Cuban government is looking at ways to sustain the tourism industry through microenvironments for tourism development.

A treasured tourist destination in rural Cuba is Viñales Valley (Pinar Del Rio) located in the western part of the island nation (Albert & Endreu, 2013). The development of Viñales Valley is based on Cuban government initiatives to protect the natural and cultural landscape and increase the standard of living for local communities (Albert & Endreu, 2013). However, there are many indicators of failed policy. Albert and Endreu (2013) conducted a study to evaluate the sustainability of the tourism industry in Viñales Valley with the recommendations of declaring Viñales Valley a National Park, establishing a communication network to collect tourism data and coordinate tourism related agencies, using tourism companies to meet housing and service demands, sustaining local housing needs while considering the preservation of the environment,

designing and implementing environmental awareness policy, and implementing methods that avoid adverse social impact to incomes. In addition, Cabello, Garcia, Sagastume, Priego, Hens and Vandecasteele (2012) maintain that the lack of environmental policies propagates the continuous contamination of water systems that negatively impacts agriculture, fishing, the tourism industry, and the quality of life for Cubans. The Cuban government's focus on luxury tourism destinations as a major source of revenue creates trepidation within the Cuban government on how to reconcile with domestic policy, entrenched social doctrines, and compromise between communism and capitalism (Taylor & Zuberi, 2015). To expedite economic growth, Cuban policy toward self-employment emerged conditionally with heavily regulated privately owned *paladares* (restaurants) and co-ops (Banerjee, 2017; Taylor & Zuberi, 2015).

Cuban government co-op policies on self-employment stipulate that the Cuban government retains the property and leases the land to co-op members (Banerjee, 2017). Co-op members pay monthly rent to the Cuban government, set prices of their products/services, and keep the profits from business transactions (Banerjee, 2017). However, Taylor and Zuberi, (2015) highlight how private enterprise in Havana, as observed in *paladares*, are subject to double standards and informal regulations through government intervention. The Cuban government initiated co-ops with the expectation that the new businesses and the profits obtained will help to improve the surrounding community (Banerjee, 2017).

Co-ops provide better services to customers and higher wages (Feinberg, 2016). Cuban workers in the co-op could expect five to six times in salary increase compared to prior state positions (Banerjee, 2017). Co-op owners contribute to joint ventures in the tourism industry with government authorization to open bank accounts, hire employees, and obtain limited

amounts of credit (Banerjee, 2017). Feinberg, (2016) estimates that approximately 9,000 new co-ops could be established by 2017. The Cuban government introduced co-ops as a way to generate revenue, increase purchasing power, and enable Cubans a better lifestyle to close the gap in Cuba's inadequate distribution of wealth (Banerjee, 2017). However, as Taylor and Zuberi (2015) emphasize in a study of *paladares*, the free-market nature of the Cuban restaurant industry creates condemnation from Cuban politicians that fervently support the established principles of a socialist ideology.

Taylor and Zuberi (2015) argue that although it is fortunate for workers in the tourism industry, such as *paladares*, to gain additional income, the Cuban government's hypocrisy toward private enterprises significantly puts pressure on its public persona as the guarantor of socialism for Cubans and poses a large threat to its future sovereignty. Hingtgen et al., (2015) also point out that initiatives for private enterprises in other centralized governments, such as China, Singapore, and Bolivia represent models that Cuba could exploit going forward. Banerjee (2017) suggests that although Cuba has a long way to go toward self-employment of Cuban citizens, with the dismissal of Cuban government employees, self-employment is on the rise.

The Cuban government attempted to bring a coexistence of open markets and socialism through socioeconomic experimentation consisting of intensive government regulation of *paladares* (Taylor & Zuberi, 2015). Regardless of the need to spur the Cuban economy through high-end tourism revenues generated by *paladares*, Taylor and Zuberi (2015) maintain the likelihood of exploitation by Cuban authorities to line their pockets within an environment of economic uncertainty and politically motivated taxation policy that stagnates *paladares*. The Cuban government's encouragement of self-employment led to an increase in the number of registered self-employed Cubans from 144,000 in 2009 to 535,000 by 2016 (The Economist,

2017). However, a problem directly related to policy toward self-employment in *paladares* is how Cuba has maintained a policy of over employment, or hidden employment, of government workers that within the long term, negatively impacts overall productivity and wages (Banerjee, 2017). Cuban officials recognized the fiscal loss the overemployment policy creates and changed policy to eliminate labor surpluses (Banerjee, 2017). Banerjee (2017) further indicates that reform in state employment policy drives Cuba toward a market-oriented economy to generate self-employment. To finance Cuban socialist policies, the Cuban government succumbs to both tourism and private enterprise (Taylor & Zuberi, 2015). Besides the Cuban government's ambiguity about direction of policy, *paladar* owners perseverate over the new policy regulating paladares. Taylor and Zuberi (2015) contend that prosperous *paladar* owners in the tourism industry see their commitments to Cuba's socialistic ideologies weaken by increased material assets and social status, while other *paladar* owners are committed to supporting and operating within Cuban government regulations to avoid costly government intercession.

According to the Brookings Institution, changes in Cuban policies could increase the number of tourist arrivals threefold by the year 2030 (The Economist, 2017). The increase in tourist arrivals would generate approximately $10 billion U.S. a year in foreign exchange or twice as much as Cuba earns from commodity exports (The Economist, 2017). However, Feinberg (2016) contends that while Raul's economic reform creates a positive impact on tourism, many structural problems remain, and Cuba's capacity to produce product and services is lacking in purpose to raise Cuba's standard of living. An international economic strategy is needed to transform Cuba into a more efficient and dependable business partner to create a more inviting business environment (Feinberg, 2016).

Impacts of China's Policy on the Tourism Industry

China's 1978 open-door policy improved trade and increased the Chinese tourism industry to one of the fastest-growing economic sectors in China (Zhong, Wu, & Morrison, 2015). China's National Tourism Administration (2012) reported a 36 percent increase in tourism revenues from 2000 to 2011. The increase in tourism revenues also helped to adjust inequalities of income through ancillary businesses benefiting from the increased tourism. Research by Li, Chen, Li and Goh (2016) is consistent with the study results of Proenca and Soukiazis (2008) that tourism can decrease regional wage inequality in China. However, China's tourism policy shapes China's tourism development.

Chinese leadership's change in policy on tourism created an environment for increased income in national and local regions of China. The increase in tourism in the 1980s and the decades to follow proved to be a major source of income for nearly all of China's provinces (Bao & Ma, 2011). For example, in 1998, China had established more than 5,000 travel agencies and 5,200 hotels to accommodate more than 100,000 tourists to emerge as the seventh-highest country in the world in the number of international tourist arrivals, with approximately 25.1 million visitors (Yan & Wall, 2002). To meet the demands of a growing tourism market, both foreign and domestic, China focused on the development of tourist sites to help sustain the increased tourism demand and enhance economic opportunity (Bao & Ma, 2011). Estimates by reported by the WTO show that China increased in annual international tourism receipts to 21.5 percent from the period of 1985 to 1995 and 30.3 percent from the period of 1986 to 1998 (Yan & Wall, 2002). China joined the WTO in December 2001, which resulted in an increase of tourism from a total of 89 million tourist arrivals in 2001 to 132 million tourist arrivals in 2012 (Tsang et al., 2015). The increase in tourist arrivals has an impact on the standard of living of Chinese residents.

Improvement in the standard of living is also a benefit of China's tourism industry. Increasing in population and the need for more cultivated crops and livestock while balancing ecosystem protections, China is using tourism as a viable solution to increase income levels of their pastoral communities (Fan, Li, Wei & Luo, 2015). China's initiative to develop tourism has the benefit of not only motivating residents to increase incomes, but in addition, to focus on residents' pastoral community responsibilities to protect the environment and landscape diversity while capitalizing on tourism as a second industry (Fan et al., 2015). Changes in tourism-related policies, such as initiatives to give an economic boost to pastoral regions while protecting the ecology of the area, are effective in the short term but do not show long-term sustainability due to the influence of external capital investments (Fan et al., 2015).

After China's open-door policy of 1978, the number of policies related to tourism increased significantly (Tang, 2016). An important change in China's tourism policies was a change in focus from an administrative allocation of resources to a market-based concept of resource allocations (Tang, 2016). Promotion of growth in the tourism industry is generally recognized as a positive mechanism for promoting economic development (Chou, 2013). Tourism contributes considerably to the economic growth of developing countries more than the economic advancement of developed economies (Li et al., 2016). To promote tourism, in 1993 China's National Tourism Administration issued a communication from the General Office of the State Council about the active development of the domestic tourism industry (Tang, 2016). However, China's tourism market is also an opportunity for political socialization.

Before the growth of tourism in China, a political connection was evident in China's foreign affair policies (Huang, 2010). Political socialization is used to indoctrinate individuals to "learn about and typically acquire and attitudes necessary to support a given political system"

(Mayer & Schmidt, 2004, 394). Zuo, Huang, and Liu (2016) identified China's tourism industry as an agent to associate China's cultural values and ideologies through political socialization that serves the presiding party's purpose to sustain communism (Zuo et al., 2016). However, social transformation from China's traditional propaganda campaigns through globalization effects minimizes political indoctrination in a contemporary Chinese government (McLeod, 2000). Therefore, tourists are exposed to both the government's political intent of political socialization as an agent for political indoctrination compared to the market determined tourism industry in private sectors (Timothy & Prideaux, 2004; Wall & Xie, 2005). The Chinese government's development of tourism was identified through four periods.

Zhang, Pine, and Lam (2005) determined that tourism in China developed over four distinct periods within the years 1978 to 2001. In the years 1978 to 1985, international tourism curiosity about China catapulted China's tourism industry, and from 1986 through 1991 the Chinese government enacted a 75-year plan to develop economic policy in tourism (Tsang, Lee & Qu, 2015). Tourism growth eventually became an agenda for China's nationwide strategy for social and economic development, and the benefits of promoting tourism doubled tourism revenues within the years of 1991 and 1993 from $3.2 million U.S. to $6.4 million U.S. within the third period of China's tourism development of 1992–1998 (Tsang et al., 2015). During this period, China became a member of the Pacific Asia Travel Association and began targeting countries that could contribute to their tourism growth that resulted in sustainable tourism growth in the fourth period of 1999 to 2001 (Tsang et al., 2015). However, the development of tourism and the disparities of tourism growth among provinces is evident from 1998 to 2012 (Yang & Duan, 2015).

A study conducted by Yang and Duan (2015) examines the Northwest Provinces of China to determine if factors of location and advanced economies influence tourism development in difference regions of China. The findings indicate that provinces, such as the Shaanxi Province, with superior transportation systems and a strong GDP, are able to exploit government tourism resources and therefore, create increasing economic disparities in the tourism industry benefits between provinces in Northwest China (Yang & Duan, 2015). Even if some regions of China gain benefit of an increased economy due to tourism, China overall, faces infrastructure and perception issues that impact China's economic potential for growth in the tourism industry. Despite China's ranking third in tourist arrivals in 2011 with a reported 27.1 million international visitors, China faces the challenges of negative perceptions about China's ability to sustain economic development by addressing polluted natural settings, overcrowded locations, eroded landscapes, and disappearing traditions and customs (Chen, Huang & Cai, 2014). For example, in 2008, environmental negligence accounted for an approximate 25 percent decrease in China's GDP growth according to a Chinese government-sponsored report (McKibben, 2011).

Insufficient regulations and lack of policy reinforcement are influencing travel to China and their economic growth via the international tourism industry. In order to start turning negative perceptions of potential international tourist arrivals, China can use new technologies to mitigate environmental impacts and utilize marketing programs through Destination Marketing Organizations (DMOs) (Chen et al., 2014). However, looming issues surrounding China's centralized economic rule solicit concerns about China's economic growth. According to McKibben (2011), in order for China to ensure social stability under China's communist rule, China would have to grow at a GDP rate of no less than 8 percent a year. Demonstrations over

government land seizures, poor working conditions, and low wages are estimated around 100,000 a year and continue to increase (McKibben, 2011).

Documentation (Methods of Searching)

The search strategy used for retrieving scholarly literature relevant to the problem statement is based on key terms and phases in multiple data bases containing articles, new releases, and books related to Cuba, China, and GNI. Specifically, searches using the key terms of trade embargo, tourism, income inequality, GNI per capita, GDP, communism and policy guided the researcher's understanding on how U.S travel restrictions impacted Cuba's GNI per capita. Multiple sources were obtained using the databases of EBSCOHost Business Source Complete, ProQuest, SAGE Journals Online and ScienceDirect, located on the Northcentral University (NCU) research resource link. In addition, key term searches through Google Scholar helped to identify additional sources of literature pertaining to this research topic. Statistical data sources included the web sites for the United Nations Statistics Division, the Maddison Project, The Organization for Economic Co-operation and Development, the World Bank, the World Trade Organization, the Index of Economic Freedom, the United Nations, Historical U.S. Travel and Tourism Statistics, Statista (NCU Library resource), and the World Tourism Organization.

Summary

The purpose of this literature review is to discuss the policy issues surrounding the impact of the U.S. travel restrictions on Cuba's GNI per capita through comparison of U.S. inbound tourism into China and China's policy impact on China's GNI per capita. A brief discussion of the historical relationship between the United States, the Soviet Union, and Cuba was introduced to capture key issues impacting Cuba's economy. A theoretical framework was presented to understand potential tourism demand through the application of a tourism gravity

model introduced by Morley et al. (2014). The gravity model method considers many different variables to explain tourism flows and, as reflected in tourism literature, has been widely used to examine the role of tourism internationally (Moorthy, 2014). Discussion on the U.S. trade embargo helped to identify the policy impact of U.S. travel restrictions on the income levels (GNI) of Cuban citizens. A significant impact from the U.S. trade embargo on the economy of Cuba was the passing to the Helms Burton Act by U.S. Congress in 1996. The U.S. government punished foreign companies for investing and conducting business with Cuba that further influenced the Cuban economy and its GNI.

To support the relevance of the macroeconomic indices presented in the hypothesis questions, discussion on Cuba's GNI and dual currency polices were discussed for insight to Cuba's economic struggles. The literature review section on GNI focused on the factors of income generating industries that translate to the wage earnings of Cuban workers. In past decades, industries such the processing and export of sugar cane contributed favorable to Cuba's GNI, yet in recent years Cuba's industry sectors shifted toward tourism revenues and a dependency on foreign remittances. The shift consequently was not enough to generate the income levels in Cuba that the previous decades of industries were able to generate (Romero, 2016). Insufficient GNI levels were compounded by a damaging duel currency system.

The literature reviewed exposed that Cuban workers in the tourism industry have a distinct income advantage. The advantage for Cuban workers in the tourism industry was payment in hard currency, the convertible peso or CUC. The Cuban peso, or CUP, is the currency payment Cuban workers receive for payment from the Cuban government. The literature reviewed uncovered that the higher paying CUCs from tourist transactions to Cubans working in the tourism industry had potential to earn more than the typical government workers'

salary (Hingtgen, et. al., 2015). The literature reviewed consistently pointed to the negative impact that a dual currency policy has on the Cuban economy. As encompassed in Banerjee's (2017) remark, the dual currency policy in Cuba creates an environment that allows the distortion of the measurement and allocation of resources which subsequently adversely impacts business efficiencies, profits, and competition in global markets. In 2011 Raúl Castro presented 313 economic reform guidelines to sustain and improve the economy of Cuba. The economic reform prompted the Cuban governments change in policy toward privatization to support entrepreneurial endeavors entrenched in the potential growth of the tourism market.

The literature reviewed on China and Cuba's policies on tourism identified parallels in centralized governmental control over income and issues surrounding income inequality. In China, tourism growth eventually became a nationwide strategy for social and economic development and the benefits of promoting tourism doubled tourism revenues within the years of 1991 and 1993 (Tsang et al., 2015). Research studies found that tourism can decrease regional wage inequality in China and the increase in tourism revenues to adjust inequalities of income through ancillary businesses (Li et al., 2016; Proenca & Soukiazis, 2008). The research findings of Alam and Paramati (2016) show that from current levels of income inequality, as tourism doubles, income inequities will be reduced significantly. Feinberg (2016) conveyed the observation that a senior Chinese diplomat had on the Cuban economic reforms. The Chinese diplomat implied that the Cuban cultures ostensibly irreversible reform with acceptance of more of privatization, focus on efficiency standards, and acceptance of inequalities is similar to China's experience (Feinberg, 2016).

A correlational study of U.S. tourism travel restriction impacts on Cuba's GNI per capita encompasses many variables that impact not only the economy of Cuba, but the U.S. economy as

well. The U.S. trade embargo suppressed the economic development between Cuba and the southeastern United States (Copeland et al., 2011). Receding the trade embargo and Cuba's proximity to the United States favor investment, tourism, and trade (Copeland et al., 2011). U.S. policy change to jump-start the Cuban economy is dependent on changes initiated by the Cuban government and the United State government. There are two embargos impacting the Cuban economy, the U.S. trade embargo and the internal embargo imposed by the Cuban government on its own society (The Economist, 2017).

Chapter 3: Research Method

An important issue facing developing countries such as Cuba and China is how tourism-generated revenue impacts income inequality and the alleviation of poverty. The purpose of this quantitative study was to examine if there was a correlation between U.S. tourism and Cuba's GNI per capita and how it compared to U.S. inbound tourism's influence on China's GNI per capita. This quantitative study examined whether or not there was a correlation between travel restrictions enforced by the United States and Cuba's GNI per capita during a specified time period, from 1995 through 2015. In addition, this study examined if there was a correlation of U.S. tourism inflows into China with U.S. tourism inflows into Cuba's tourist market. By applying a comparison approach, the researcher expects that the results would expose important issues surrounding the impact of the U.S. travel restrictions on Cuba's GNI per capita, such as increased poverty and restrictive tourism polices initiated by the Cuban government.

Understanding U.S. inflows of tourism into China's socialist controlled economy helped to highlight Cuban tourism policies that impacted both the U.S. and Cuban tourism economies. In addition, examining inflows of U.S. tourism into the Cuban tourist economy gave the researcher an opportunity to apply gravity models in terms of how U.S. tourism inflows will impact GNI levels in Cuba. Using a gravity model to compare tourism demand in Cuba with tourism demand in China gave opportunity for this study to understand potential tourism demand and how centralized economic policies of China and Cuba impact the standard of living of Cubans. The components of the research method used is covered in the following topics of research design, the sample population, instrumentation, data collection, analysis, assumptions, limitations, delimitations, and ethical assurances.

Research Methodology and Design

The proposed quantitative study used a correlational research design to measure U.S. tourism inflows into Cuba and China and tourism demand of Cuba and China using a tourism gravity model. A pretest study was not conducted, since correlational research using the variables of GNI, GDP, and tourism inflows has been established through the studies of Romeu (2014), with focus on the tourism industry's economic impact on Caribbean nations, and through Dimoska and Petrevskas's (2012) study on the economic impacts of tourism as an important factor for creating economic improvement strategies in Macedonia. In a quantitative research approach the researcher tests a theory with a narrow and specific hypothesis through the collection of numerical data from the sampling of a population that either supports or refutes the hypothesis with hopes of gaining increased knowledge and understanding to support theory that applies to the general population (Creswell, 2014, p. 19). A correlational design uses statistical data to measure and describe the relationship between two or more variables (Creswell, 2014, p. 12). This study used two independent variables, U.S. tourism inflows into each country and year with the dependent variable of GNI per capita for each research question by applying a Pearson two-tailed correlation test to measure the correlation between U.S. inflows of tourism and the GNI per capita of Cuba and China.

In addition, a tourism gravity model was used to calculate demand and policy impacts. Correlational designs are used for more complex relationships between variables in the techniques applied in structural equation modeling (Creswell, 2014, p. 12). The tourism gravity model used in this study for determining tourism demand was derived from the consumer economic theory presented by Morley et al. (2014) and is supported by empirical evidence to be valid in explaining general patterns of international tourism flows. The independent variables,

GDP, distance, year, policy, and a dependent variable of tourism demand are used in the gravity model.

Population and Sample

A priori power analysis using G*Power 3.1.9.2 was used to calculate the sample size for correlational analysis used in this study. G*Power 3 runs effect-size calculators and supports both distribution-based and design-based input modes (Faul, Erdfelder, Buchner, & Lang, 2009). The sample size is computed as a function of specified values for the significance level of α, error probability for the suitable statistical power 1 – β, error probability and the population effect size (Faul et al., 2009). The G*Power analysis (priori) to calculate the sample size is a linear multiple regression; fixed model, single regression coefficient statistical test. The test family is a two-tailed t test. The independent variable of U.S. tourism inflows into two countries and the dependent variable of GNI per capita for both countries were correlated individually, and then the independent (U.S. tourism inflows) and dependent variables (GNI per capita) of each country were compared. The input values for G*Power are; α error probability = .05, effect size f2 = .15, the power (1 – β error probability) = .8, the predictor is one for a sample value of 55 periods. Due to the availability of data, the study used a sample period in years ranging from 1995 through 2015 for U.S. tourism inflows and a range of 46 years from 1970 through 2015 for the tourism gravity model.

Materials/Instrumentation

Correlation Test. A Pearson two-tailed correlation test was used to measure the correlation between U.S. inflows of tourism and the GNI of Cuba and China. Each country was measured separately: U.S. tourism inflows into Cuba and Cuba's GNI per capita; and U.S. tourism inflows into China's and China's GNI per capita. The numerical values were constructed

on three variables, two independent and one dependent, for each research question utilizing the Pearson two-tailed correlation test. The two independent variables were tourism inflows and year (the number of tourists that travel from the U.S to the destination country of Cuba or China within a calendar year). The inflows of tourists within a calendar year into the destination countries of Cuba and China were measured against the independent variable of GNI per capita. The magnitude of the results of the Pearson two-tailed correlation test on U.S. tourism inflows into Cuba and China were compared to measure the correlational relationship between U.S. inflows of tourism and the GNI per capita of each country.

Tourism Gravity Model. Utilizing a tourism gravity model helped to understand the tourism demand for Cuba during the sample period. The tourism gravity model started from attempts to understand international trade. In economics, Isard (1954) introduced the concept of a gravity model for trade with his treatise on location and trade (Keum, 2010). The foundation of the gravity model was used initially for trade theory and is expressed as follows:

$$Fij = g\ mimj$$

$$d\ 2$$

$$ij$$

In the trade gravity model, *Fij* is the trade flow between two countries *i* and *j*, while *mi* and *mj* are the respective economic sizes (GDP) of the two countries. The letter *g* designates the gravitational constant. The tourism gravity model is a modification of the trade gravity model.

A study conducted by Romeu (2014) utilized a tourism gravity model that measured tourist arrivals throughout the Caribbean and the tourism impact to a liberalized Cuban tourist market. The findings projected an overall increase in the Caribbean region and predicted that a

non–travel restricted U.S. sanction would drive Cuba's tourism industry to full capacity (Romeu, 2014). Along with U.S. restrictions on travel, it is unknown how Cuban policies would have impacted inflows of tourism and tourism FDI. The tourism gravity model used in this study for determining tourism demand was derived from the consumer economic theory presented by Morley et al. (2014) and is supported by empirical evidence to be valid in explaining general patterns of international tourism flows.

$$LnN_{IJt} = \alpha_0 + \sum_{s=1}^{S} \alpha_{Is} \cdot LnZO_{It}^{s} + \sum_{p=1}^{P} \beta_{Jp} \cdot LnZD_{Jt}^{p} + \sum_{r=1}^{R} \xi_{IJr} \cdot LnZOD_{IJt}^{r}$$

Ln is the natural logarithm, *NIJ* is tourist demand between *I* country of origin (U.S. tourist arrivals) and *J* destination country (Cuba or China), and *t* designates the time sequence, which is one year over a 46-year period. *ZO* is a vector of *S* variables, GDP, to determine the push force of *I*, U.S.s tourist entering Cuba or China (*J*), represented by *ZD*, a vector of *P* variables (GDP), the pull force of tourism flow. A key measurement for this model is the *ZOD*, the vector of *r* variables that include geographical distances (using the geographical centers of each country) between the United States and Cuba as well as the United States and China. By comparing tourism demand using the tourism gravity model between U.S. tourism inflows into Cuba and China, the researcher examined policy issues surrounding tourism and living wages through literature review of Cuba and China's centralized economic systems to identify if there were any policy issues that impacted U.S. tourism demand on Cuba and Cuba's GNI per capita over a 46-year period.

Operational Definitions of Variables

This study used three variables, two independent and one dependent for each research question using the Pearson two-tailed correlation test. Additional variables are identified in the

tourism gravity model used in this study. The gravity model used in this study requires a minimum of three independent variables and one dependent variable. This study included additional independent variables such as implementation of travel and/or income-related policies.

Independent Variable (Pearson two-tailed correlation test). Tourism inflows into destination country: This variable's value is the number of tourists that travel from the U.S to the destination country of Cuba or China within a calendar year. The unit of measurement is the number of U.S tourist arrivals into the destination country within a one-year period. An increase in U.S. tourism flows to country destinations was predicted to increase GNI per capita in Cuba and China.

Independent Variable (Pearson two-tailed correlation test). Time period(s): Time periods of United States tourism inflows into Cuba or China were designated by a calendar year of each year within a range of 21 years.

Dependent Variable (Pearson two-tailed correlation test). Country GNI per capita: The value of GNI per capita is obtained by using resources such as the United Nations Statistics Division, the World Bank, the World Trade Organization, the Maddison Project, and the World Tourism Organization web sites, along with data obtained from scholarly reviewed articles for data validation. GNI per capita was measured in U.S. dollars. A larger value of GNI per capita indicates a better living wage for Chinese and Cuban citizens.

Independent Variable (Tourism Gravity Model). Country GDP per capita: GDP per capita, is the variable that determines the push and pull force of U.S. tourists entering Cuba or China in the tourism gravity model used in the study. GDP per capita was measured in U.S. dollars. A large value for GDP indicated a better living wage for Chinese and Cuban citizens.

Independent Variable (Tourism Gravity Model). Distance between designated countries: The distance variable was measured in miles from the geographical centers of each country (Cuba, China, and the United States) to obtain consistent values for the tourism gravity model.

Independent Variable (Tourism Gravity Model). Time period(s): Time periods of U.S. tourism demand into Cuba or China were designated by a calendar year of each year within a range of 46 years.

Independent Variable (Tourism Gravity Model). The year Cuban and Chinese government policies are implemented that may or may not have impacted tourism demand in Cuba or China.

Dependent Variable (Tourism Gravity Model). U.S. Tourism demand: This variable was the potential number of U.S. tourism inflows into China and Cuba and within a calendar year. Tourism is defined by the WTO as activities of persons traveling for business or pleasure to a designated country that do not to exceed their stay for more than a year. The unit of measurement is the number of potential U.S. tourist demand into the destination country within a one-year period. An increase in tourism demand into a country may increase tourism markets of destination countries and their economy.

Study Procedures

No participants were involved in the quantitative research design. Data for the designated variables were collected through selected web sites and literature reviews. The data collected from the research is compiled, categorized, and stored by variable type using a 2013 Microsoft Excel spreadsheet.

Data Collection and Analysis

Data collection. Data is obtained from using resources from the United Nations Statistics Division, the World Bank, the World Trade Organization, the Maddison Project, Historical U.S. Travel and Tourism Statistics, Statista (NCU Library resource), and the World Tourism Organization web sites, along with data obtained from scholarly reviewed articles for data collection and validation. Excel is used to create a table for data collection of U.S. tourism inflows, GNI, GDP, years, distances between countries, and tourism demand. Policy issues obtained from literature review related to tourism impacts will be listed by the year of implementation.

Data analysis. "The goal in data analysis is to summarize or describe accurately what is happening in the data" (Trochim & Donnelly, 2008, 297). Correlation analysis is not applicable to the attributes detected in relationships, but only to the frequency and existence of the relationships (Vukovic, 2013). IBM SPSS 24.0 was the statistical analysis tool utilized in this study. This study used a two-tailed test with a significance level of 0.05 for "α." Therefore, a .25 statistical significance is in one direction, and a .25 statistical significance is in the other direction of the distribution for a possible relationship in both directions.

Hypothesis one and two were a measurement of correlation between two variables, U.S. tourism inflows (x) and GNI per capita (y). Pearson's correlation coefficient was used for testing the hypothesis questions. If the value of p is less than .05, the null hypothesis will be rejected. When the value of p is less than .05, it was determined that the alternative hypothesis is true. There is a positive correlation between U.S. tourism inflows into the Cuban tourism market and the GNI per capita of Cuba, and a p-value greater than .05 results in the conclusion that a correlation does not exist. When the Pearson two-tailed correlation test returns a significant

result, the null hypothesis is rejected and the alternative hypothesis is accepted, and there is a positive correlation between U.S. tourism inflows into China and U.S. tourism inflows into Cuba that predicts an impact on each country's GNI per capita.

The tourism gravity model used in this study measured the distance between China and Cuba as it related to each country's GDP. The tourism gravity model used in this study for determining tourism demand was derived from the consumer economic theory presented by Morley et al. (2014) and is supported by empirical evidence to be valid in explaining general patterns of international tourism flows. Using this model for data analysis helped to determine if the distance and GDP factors influence tourism demand. When conducting a study on the impact of U.S. restrictions on travel, it is unknown how Cuban and Chinese policies would have impacted tourism demand. The implementation of policies that impact international tourism inflows was a factor on the flip side of the coin to understand how policy impacts tourism demand.

Assumptions

The purpose of the correlational study was to measure the relationship between two independent variables, U.S. tourism inflows into Cuba and China, with the dependent variable of GNI per capita for each country over a 21-year period. In addition, a period of 46 years, a tourism gravity model with independent variables, GDP, distance, year, and policy, and a dependent variable of tourism demand were used to measure tourism demand between the United States, China, and Cuba. The researcher assumes the data collected from the United Nations Statistics Division, the World Bank, the World Trade Organization, the Maddison Project, Historical U.S. Travel and Tourism Statistics, Statista (NCU Library resource), and the

World Tourism Organization web sites, along with data obtained from scholarly reviewed articles, are valid sources for data collection on the designated variables in the study.

Limitations

A correlational research design inherently has limitations in a sample size due to the generalization of findings (Lambie, Hayes, Griffith, Limberg & Mullen, 2014). In this study, the data collected over a period of time on country GDP, GNI per capita, and tourism inflows depends on the content validity of data collected from multiple web sites and literature review sources of macroeconomic indicators. The economic indicator on Cuba's GDP prior to 1972 is not recorded on the World Bank GDP per capita, atlas method web site (World Bank, 2017). The Maddison Project was compared to the World Bank web site for validity. The Maddison Project web site had data from 1970 to 2015 on the GDP per capita of the United States, Cuba, and China. The concurrent validity is a measure of how the results correlate with others results (Creswell, 2014). In this study, the utilization of a tourism gravity model as a concurrent validation tool for country tourism demand is subject to limitations due to the current and past travel U.S. restrictions on entrance into Cuba.

Delimitations

The delimitation of this study was focused on U.S travel restrictions to Cuba from a specified time period range of 21 years from 1995 to 2015, and on whether there was a correlation of U.S. tourism inflows into China compared to the U.S. tourism inflows into Cuba's tourist market during the same time period. The scope of the study includes the comparison country of China to introduce the conditions of government policy under communism. The comparison of Cuba with China using the macroeconomic indicators of GDP, GNI per capita, and tourism inflows and outflows narrows the focus to centralized governments that control

civilian economic opportunities. The applied delimitations include years before and after the U.S. trade embargo and U.S. travel restrictions to collection, measurement, and analysis of data.

Ethical Assurances

Collection of data for the study was restricted until the Institutional Review Board (IRB) at Northcentral University approved the research method. Macroeconomic indicators for the research study were obtained from the public domain. Therefore, ethical assurances for human participation were not applicable.

Summary

In more current studies, construct validity, the measurement of hypothetical concepts, is used to validate that the results are useful and serve a purpose in practice (Creswell, 2014). A study on the travel restrictions under the U.S. trade embargo against Cuba and what level of impact the travel restrictions had on Cuba's GNI per capita compared to China's GNI per capita could apply to other countries that are economically impacted by travel sanctions. This quantitative study examined whether or not there was a correlation between travel restrictions enforced by the United States and Cuba's GNI per capita during a specified time period range of 21 years from 1995 through 2015 and a range of 46 years to measure the tourism demand of Cuba and China utilizing the tourism gravity model. By applying a correlational research design and a tourism gravity model, the researcher expected that the results would expose important issues surrounding the impact of U.S. travel restrictions on Cuba's GNI per capita, such as increased poverty and restrictive tourism polices initiated by the U.S. and Cuban governments.

Chapter 4: Findings

The purpose of this nonexperimental quantitative correlational study was to examine if there is a correlation between U.S. tourism and Cuba's GNI per capita and how it compared to U.S. inbound tourism influence on China's GNI per capita. By applying a comparison approach, the results exposed important issues surrounding the impact of the U.S. travel restrictions on Cuba's GNI per capita. This correlational research study focused on two research questions related to the GNI impact of U.S. tourism flows into the centralized government structures of Cuba and China: What is the correlation between U.S. tourism inflows into Cuban tourist market and the GNI per capita of Cuban workers? What is the correlation between the U.S. tourism inflows into China's tourist market and China's GNI per capita compared to the U.S. tourism inflows into Cuba's tourist market and Cuba's GNI per capita?

A Pearson two-tailed correlation test was used to measure the correlation between U.S. inflows of tourism and the GNI of Cuba and China. Each country was measured separately: U.S. tourism inflows into Cuba and Cuba's GNI, and U.S. tourism inflows into China's and China's GNI. The numerical values were constructed on three variables, two independent and one dependent, for each research question utilizing the Pearson two-tailed correlation test; the two independent variables were tourism inflows and year (number of tourists that travel from the U.S to the destination country of Cuba or China within a calendar year). The inflow of tourists within a calendar year into the destination countries of Cuba and China were measured against the independent variable of GNI per capita. The magnitude of the results of the Pearson two-tailed correlation test on U.S. tourism inflows into Cuba and China were compared. To understand a

"what-if" scenario of the possible tourism demand into Cuba and China, a tourism gravity model was utilized.

The four independent variables used in the gravity model for this study were country GDP per capita, the distance in miles between designated countries, year, and year of significant government tourism policy impacts. The dependent variable is the tourism demand calculated using the independent input values to attain the tourism demand of U.S. tourism inflows into China and Cuba within a calendar year. The data was collected through multiple Internet sites available to the public. The statistical correlation tests and use of the tourism gravity model helped to understand the U.S. tourism travel restriction impacts on Cuba's GNI per capita and the associated income inequality that tourism generated revenue had on the alleviation of poverty in developing countries such as Cuba and China. To follow in this chapter are sections on the validity and reliability of the data collected, the validity and reliability of the data used, and the results of the Pearson two-tailed tests and gravity model outcomes. Next, an evaluation of the findings is discussed along with a summary conclusion of the results of the statistical analyses and tourism gravity model application in this research study.

Validity and Reliability of the Data

I conducted a nonexperimental quantitative correlational research study from data collected through multiple websites, institutions, and literature reviews. The macroeconomic variables of country GDP, GNI per capita, and tourism inflows and outflows depended on the content validity of data collected. Construct validity, the measurement of hypothetical concepts, is used to validate that the results were useful and served a purpose in practice in research studies (Creswell, 2014). A correlational research design was utilized to measure U.S. tourism inflows into Cuba and China and tourism demand of Cuba and China using a tourism gravity model.

Each country was measured separately; U.S. tourism inflows into Cuba and Cuba's GNI, and U.S. tourism inflows into China and China's GNI. The results of the correlation for U.S tourism inflows impacts on Cuba and China were compared. Utilizing a tourism gravity model helped to understand the tourism demand for Cuba during the sample period.

G* power analysis used to calculate a sample group of 55 years for comparison of U.S. tourism inflows to Cuba and China. The conducted correlational study measured the correlation between two independent variables, U.S. tourism inflows into Cuba and China, with the dependent variable of GNI per capita for each country of 21-years from 1995 through 2015. The years of 1995 through 2015 was the only data available on U.S. tourism inflows into Cuba and China. The data for GDP per capita used in the gravity model encompassed a 46-year period, from 1970 through 2015. A gravity tourism model with independent variables of GDP, distance, year, and policy and a dependent variable of tourism demand was used to measure the tourism demand of China and Cuba. The macroeconomic measurements of GNI per capita, GDP, U.S. tourism inflows into China and Cuba are directly related to the outcomes. However, the concurrent validity measurement comparison between the measurement of U.S. tourism inflows and GNI per capita and the outcomes had limitations due to sample size compared to the availability of data. Multiple sources were used to triangulate the macroeconomic indices data points. I assume the data collected from the Maddison Project, the United Nations Statistics Division, The World Bank, The World Trade Organization, Historical U.S. Travel and Tourism Statistics, Statista (NCU Library resource), and the World Tourism Organization web sites along with data obtained from institutions and scholarly reviewed articles are valid sources for data collection on the designated variables in the study.

Results

The results of this quantitative correlational study were an assessment from the hypotheses developed from the research questions. The research questions and corresponding hypotheses were reinstated along with a discussion on the results of the Pearson two-tailed analysis on GNI per capita and U.S. tourism inflows into Cuba and China. The correlation statistical analysis results of Cuba and China are compared. The tourism gravity model was used to calculate tourism demand for China and Cuba. The acceptance or rejection of each hypothesis with each corresponding research question is discussed.

Research questions and hypotheses. The two research questions asked in this quantitative research study are framed through the following null and alternative hypotheses.

Research question 1/hypothesis.

Q1. What is the correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba?

$H1_0$. There is no correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba.

$H1_a$. There is a positive correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba.

Research question 2/hypothesis.

Q2. What is the correlation between U.S. tourism inflows into China and the GNI per capita of China?

$H2_0$. There is no correlation between U.S. tourism inflows into China and the GNI per capita of China.

H2a. There is a positive correlation between U.S. tourism inflows into China and the GNI per capita of China.

When $p < .05$, then the null hypothesis is rejected, thus making the alternative hypothesis more likely to be true. The results show for hypotheses one that there is a positive correlation between U.S. tourism inflows into the Cuban tourism market and the GNI per capita of Cuba. The correlation between the inflows of tourism over a 21-year period from 1995 through 2015 and Cuba's GNI was measured by two variables, U.S. tourism inflows, and GNI per capita, using Pearson's correlation coefficient. With a value of *p* less than .05, the null hypothesis is rejected. Therefore, there is a positive correlation between U.S. tourism inflows into the Cuban tourism market and the GNI per capita of Cuba. Table 1 shows the results of the Pearson two-tailed correlation analysis of Hypothesis 1. The relationship of U.S. tourism inflows and Cuba's GNI per capita were positively correlated with a Pearson's r (21) = .584, with p = .005.

Table 1 *Pearson Two-tailed Correlation of U.S. Tourism Inflows and Cuba's GNI Per Capita Correlation (N = 21)*

Variable	U.S. Tourism Inflows	Cuba's GNI Per Capita
U.S Tourism Inflows		
Pearson Correlation	1	.584**
p-value - Sig (Two-tailed)		.005
N	21	21
Cuba's GNI Per Capita		
Pearson Correlation	.584 **	1

p-value - Sig (Two-tailed)	.005	
N	21	21

**. Correlation is significant at the 0.01 level (2-tailed)

To measure hypothesis two, it was necessary to see if there is a correlation of U.S. tourism inflows and China's GNI per capita over a 21-year period. Table 2 reflects the results of a Pearson correlation between in U.S. inflows of tourism into China and China's GNI per capita over a 21-year period from 1995 to 2015. The results of the Pearson two-tailed correlation analysis using two variables, U.S. tourism inflows, and China's GNI per capita, shows the relationship of U.S. tourism inflows and China's GNI were positively correlated with a Pearson's r (21) = .867, with $p < .01$.

Table 2 *Pearson Two-tailed correlation of U.S. Tourism Inflows and China's GNI Per Capita Correlation (N = 21)*

Variable	U.S. Tourism Inflows	China's GNI Per Capita
U.S. Tourism Inflows		
Pearson Correlation	1	.867**
p-value - Sig (Two-tailed)		.000
N	21	21
China's GNI Per Capita		
Pearson Correlation	.867**	1
p-value - Sig (Two-tailed)	.00	
N	21	21

**. Correlation is significant at the 0.01 level (2-tailed)

Table 3 compares the results of both correlations of U.S. tourism inflows and GNI per capita. The Pearson correlation for Cuba is .584 and .867 for China. The *p*-value significance (two-tailed) is .005 (for Cuba is and .000 for China.

Table 3 *Comparison of the Pearson Two-tailed Correlation Results of U.S. Tourism Inflows into China and Cuba with the GNI Per Capita of Cuba and China*

Correlation of China and Cuba (N = 21)

	Cuba's U.S. Tourism Inflows and GNI Per Capita	China's U.S. Tourism Inflows and GNI Per Capita
Pearson Correlation	.584	.867
p-value - Sig (Two-tailed)	.005	.000
N	21	21

The tourism gravity model introduced by Morley et al. (2014) helped to understand the tourism demand based on the primary variables of country GDP, with the United States representing the push force, China and Cuba the pull forces, and the variable of distance between the United States and China as well as the distance between the United States and Cuba from 1970 to 2015.

$$LnN_{IJt} = \alpha_0 + \sum_{s=1}^{S} \alpha_{Is} \cdot LnZO_{It}^{s} + \sum_{p=1}^{P} \beta_{Jp} \cdot LnZD_{Jt}^{p} + \sum_{r=1}^{R} \xi_{IJr} \cdot LnZOD_{IJt}^{r}$$

LnN_{IJt} is tourist demand between *I* country of origin (U.S. tourist arrivals) and *J* destination country (Cuba or China), and *t* designates the time sequence, which is one year over a 46-year period. *ZO* is a vector of *S* variables, GDP per capita, to determine the push force of *I*,

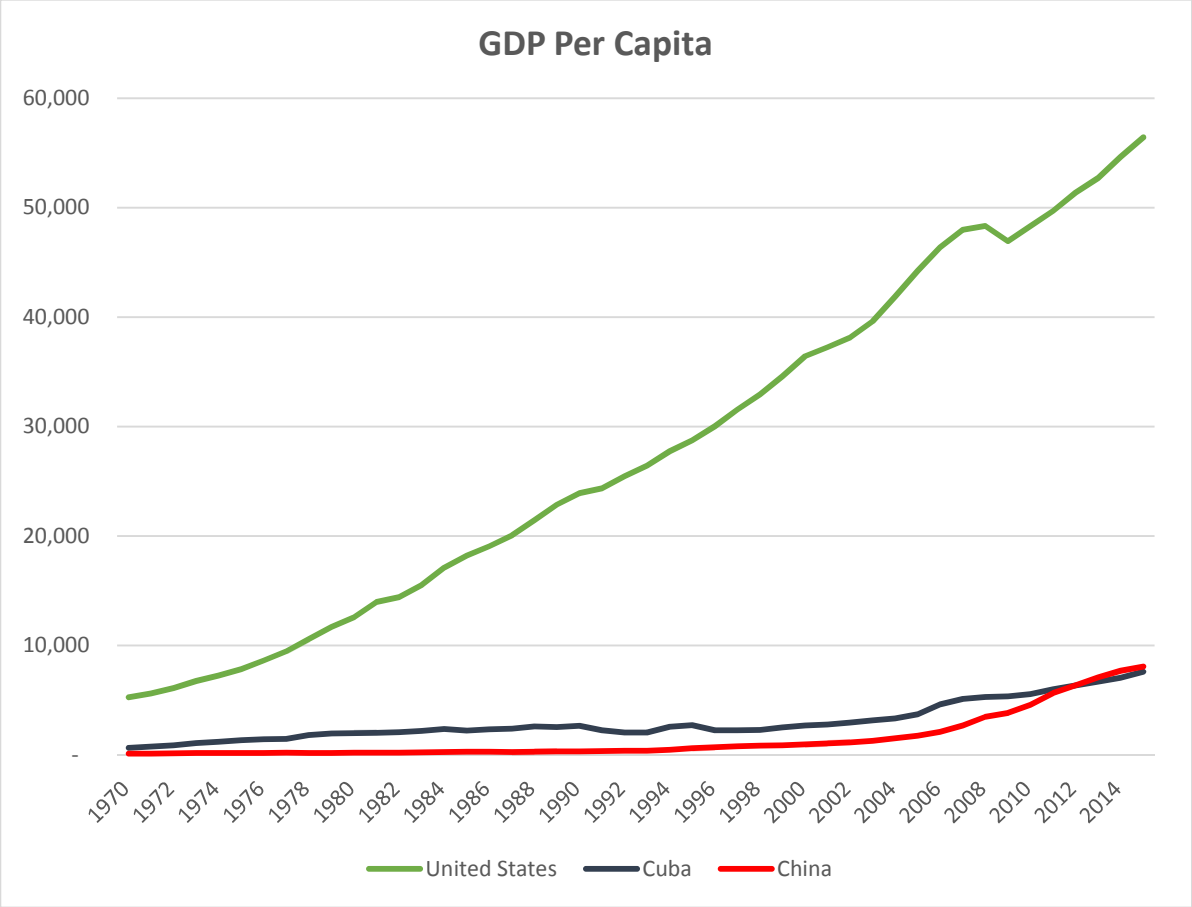
U.S. tourists entering Cuba or China *J*, that is represented by *ZD*, a vector of *P* variables (GDP per capita), the pull force of tourism flow. A key measurement for this model is the ZOD, the vector of *r* variables that include geographical distances (using the geographical centers of each country) between the United States and Cuba as well as the United States and China. The period of years is 1970–2015. Calculating with the natural logarithm function helped to show trends in a linear form. Below are the results in chart form to show the cumulative year over year results of tourism demand between China and Cuba.

Chart 1 (N = 46) Tourism Demand (Cuba and China)

The results of the tourism gravity model show that tourism demand for Cuba is significantly greater than for China in the years from 1980 through 2015, with the core tourism demand years from 1990 to 2000. Comparison of tourism demand using the tourism gravity

model and comparing the results of country GDP per capita pull, and the U.S. GDP Per Capita push are shown in Chart 2 for the years 1970–2015. Distances between the United States and Cuba as well as the United States and China are constant.

Chart 2 (N=46) GDP Per Capita (United States, China, and Cuba)



GDP per capita has grown for all three countries, the United States, Cuba, and China. The GDP per capita growth for the United States from 1970 to 2015 grew faster than for Cuba and China as reflected in the greater slope of the U.S GDP per capita growth represented in the chart. Therefore, the push of the GDP per capita of the United States has significant impact on the

tourism demand for Cuba and China. Additional data was collected on the years of policy changes impacting tourism flows between the United States, Cuba, and China.

Using the tourism gravity model, factors were used for policy year impacts to calculate tourism demand for Cuba and China. Factors were assigned to represent the impact of major U.S., Cuban, and Chinese policies on tourism demand. Years that policy was enacted to increase tourism are added to the tourism gravity model with a positive policy impact factor of 1.1, and policies that have a negative impact on U.S. tourism inflows are assigned a factor of .9. The factors change the parameters of the tourism gravity model. Table 4 represents the major policies and events identified in this study that directly or indirectly impacted U.S. tourism inflows into Cuba and China. Chart 3 depicts the changed demand for each country when the 1.1 and .9 factors are used to represent impact on tourism demand for Cuba and China.

Table 4 Country Policy and Event Factor with the Year of Policy Implementation and Policy Purpose

COUNTRY	POLICY/EVENT	POLICY PURPOSE	YEAR	Factor
Cuba	Cuban Revolution	Tourism was considered a hedonistic vice that clashed with Fidel Cast4ro's socialistic views.	1959	0.9
United States	U.S. Cuban embargo	Prohibition of any imported products directly and indirectly from Cuba and prevents the U.S. export of products and services with the exceptions of food and medicine.	1962	0.9
United States	Cuban Assets Controls Regulations (CACR)	To give the Treasury Department authorization to regulate commercial business transactions between the United States and Cuba.	1963	0.9
China	China's open door policy	To increase trade and tourism.	1978	1.1
China	China's National Tourism Administration	To actively develop the tourism industry.	1993	1.1

United States	Helms-Burton Law	To punish TNCs (Transnational Corporations) and foreign corporations that conduct business with Cuba	1996	0.9
United States	Trade Sanctions Reform and Export Enhancement Act	To allow U.S. companies to trade with Cuba within defined limitations.	2000	1.1
China	Pacific Asia Travel Association	China became a member to target countries that could contribute to their tourism growth.	2007	1.1
United States	President Obama announced that the United States will end a "failing outdated policy" toward Cuba and reestablish a United States Embassy in Havana	To advance shared interests with Cuba to normalize the Cuban/United States relationship will create new opportunities for the citizens of Cuba and the United States	2014	1.1

Chart 3 (N=46) Tourism Demand (Cuba and China), with Tourism Policy Factored into Tourism Demand

Evaluation of the Findings

The findings of this correlational study support the literature on tourism revenues and income inequalities by measuring GNI per capita and U.S. tourism inflows into Cuba as it compared to China and U.S tourism inflows impact on China's GNI per capita. Croes (2014) stated that there is a lack of understanding the economic impact that tourism has on the poor developing countries. A study by Alam and Paramati (2016) studied the impacts between income inequalities and tourism revenue and their findings show that from existing levels of income inequality, as tourism doubles, income inequities will be reduced significantly in developing countries. The level of impact U.S. travel restrictions had on inbound U.S. tourism into Cuba and the possible tourism demand without U.S. travel restrictions were depicted with a tourism gravity model. Tourism is a special type of trade in services and measurement of tourist flows between countries can be analyzed through the tourism gravity model advanced by Morley et al. in 2014. This study gave insight to the degree of income level, GNI per capita, and impoverishment the Cuban population experienced from the U.S. enforced travel restriction policy. Assessment of tourism effects on economic growth and poverty relief is a way for government authorities to propose policies that align with a tourism development strategy for poverty relief (Croes, 2014).

Q1. What is the correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba?

$H1_0$. There is no correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba.

$H1_a$. There is a positive correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba.

Table 1 exhibits a correlation between U.S. tourism inflows and Cuba's GNI per capita. A positive correlation was shown between U.S. tourism inflows and Cuba's GNI per capita; Pearson r (21) = .584, p < .005. There is statistically a significant correlation. This means that changes in the number of U.S. tourist inflows into Cuba's economy are significantly correlated with changes in the GNI per capita of Cuba.

Q2. What is the correlation between U.S. tourism inflows into China and the GNI per capita of China?

$H2_0$. There is no correlation between U.S. tourism inflows into China and the GNI per capita of China.

$H2_a$. There is a positive correlation between U.S. tourism inflows into China and the GNI per capita of China.

Table 2 exhibits a correlation between U.S. tourism inflows and China's GNI per capita. A strong positive correlation was shown between U.S. tourism inflows and China's GNI per capita; Pearson r (21) = .867, p < .000. There is statistically a significant strong correlation. This means that changes in the number of U.S. tourist inflows into China's economy are strongly correlated with changes in the GNI per capita of China.

Table 3 compares the results of U.S. tourism inflows and the impact on each country's GNI. The correlation of U.S. inflows into China is stronger than the correlation of U.S. tourism inflows into Cuba. Pearson r (21) = .867, p < .000 for China and Pearson r (21) = .584, p < .005 for Cuba. For hypothesis one and two, the significant correlation results reject the null hypothesis.

The results of the tourism gravity model demand for Cuba is significantly greater than for China in the years from 1980 through 2015, with the core tourism demand years from 1990 to

2000 as depicted in Chart 1. Chart 2 shows the GDP push and pull for each country. The results of country GDP per capita pull, and the U.S. GDP per capita push reveals that the GDP per capita growth for the United States from 1970 to 2015 grew faster than for Cuba and China as reflected in the greater slope of the U.S GDP per capita growth. Chart 3 helps to understand the impact that policy can have on tourism flows between the United States, Cuba, and China. The depiction illustrates how the shift in policies can impact the tourism demand with China showing greater demand than Cuba based on calculated policy impacts.

Summary

The purpose of this quantitative correlational study was to examine if there was a correlation between U.S. tourism inflows into Cuba and Cuba's GNI per capita and how it compared to U.S. inbound tourism influence on China's GNI per capita. The use of the Pearson correlation statistical tool shows that the U.S. tourism inflows into Cuba were significantly correlated to Cuba's GNI per capita, while the results of the correlation of U.S. tourism inflows into China and the impact to China's correlation had a strong correlation. The G* power analysis calculated a sample size of 55 periods (years). Data available for U.S. tourism inflows for Cuba and China encompassed a 21-year period from 1995 through 2015. The concurrent validity measurement comparison between the measurement of U.S. tourism inflows and GNI per capita and the outcomes could have limitations due to sample size compared to the availability of data. The data for GDP per capita used in the gravity model encompassed a 46-year period from 1970 through 2015.

A gravity tourism model with independent variables, GDP, distance, year, and policy and a dependent variable of tourism demand were used to measure tourism demand between China and Cuba. The macroeconomic measurements of GNI per capita, GDP, U.S. tourism inflows into

China and Cuba are directly related to the outcomes. The gravity model depicted U.S. tourism demand for Cuba and China. The results of the tourism gravity model demand for Cuba is significantly greater than for China in the years from 1980 through 2015, with the core tourism demand years from 1990 to 2000. The results of country GDP per capita pull, and the U.S. GDP per capita push reveals that the GDP per capita growth for the United States from 1970 to 2015 grew faster than for Cuba and China as reflected in the greater slope of the U.S GDP per capita growth. The use of assigned factors in the tourism gravity model helped to illustrate the impact of policy and events had on tourism flows between the United States, Cuba, and China. China showed greater demand than Cuba based on calculated policy impacts.

Chapter 5: Implications, Recommendations, and Conclusions

The problem addressed in this quantitative correlational study was income inequality and the impacts that tourism-generated revenue has on the alleviation of poverty facing developing countries such as Cuba and China. The impacts between income inequalities and tourism revenue demonstrate that at existing levels of income inequality, as tourism doubles, income inequities will be reduced significantly in developing countries (Alam and Paramati, 2016). The focus of this study was to examine the impact of U.S. travel restrictions on inbound U.S. tourism on Cuba's GNI per capita and how it compares to U.S. inbound tourism influence on China's GNI per capita. Even though there had been a significant amount of research on tourism, the lack of understanding the economic impact tourism has on the poor in developing countries is an important issue (Croes, 2014). Travel restrictions under the U.S. trade embargo against Cuba raised questions about what level of impact did the travel restrictions have on Cuba's GNI per capita compared to China's GNI per capita. Tourism continues to be a significant economic driver for job creations, environmental protection, global peace through cultural understanding, and the alleviation of poverty (UNWTO 2015 Annual Report, 2016). Cuban economist Omar Everleny Perez Villanueva advocated that throughout the economic struggles caused by the U.S. trade embargo, the importance of tourism remains an essential source for Cuba's foreign exchange (Villanueva, 2016). To address the issue of income inequality and the impacts that tourism generated revenue has on the alleviation of poverty, the purpose of this quantitative study was to examine if there was a correlation between U.S. tourism inflows into Cuba and Cuba's GNI per capita and how it compared to U.S. inbound tourism influence on China's GNI per capita. The correlational study between U.S. tourism inflows into Cuba and China revealed

how policies that restrict tourism inflows into Cuba impacts the income levels of developing countries.

This non-experimental quantitative study used a correlational research design to measure U.S. tourism inflows into Cuba and China and a tourism gravity model to calculate the potential tourism demand between the United States and Cuba, as well as potential tourism demand between the United States and China. To measure the impact of U.S. tourism inflows into Cuba and China, this study used two independent variables, U.S. tourism inflows into each country and year with the results represented by the dependent variable of GNI per capita for each country. A Pearson two-tailed correlation test was used to measure the correlation between U.S. inflows of tourism and the GNI per capita of Cuba and China for 21 years from 1995 through 2015. The results of the Pearson two-tailed correlation test on U.S. tourism inflows into Cuba and U.S. tourism inflows into China were compared. To understand the possible tourism demand into Cuba and China, a tourism gravity model was utilized. However, the availability of data limited the number of inputs for the Pearson two-tailed correlation test and the tourism gravity model.

G* power analysis was used to calculate a sample group of 55 years for comparison of U.S. tourism inflows to Cuba and China. The input values for G*Power were; α error probability = .05, effect size f2 = .15, the power (1– β error probability) = .8, the predictor was one, for a sample value of 55 periods. The only data available on U.S. tourism inflows into Cuba and China were from 1995 to 2015, resulting in a 21-year period of data inputs. The data for GDP per capita of the United States, China, and Cuba, used in the tourism gravity model encompassed a 46-year period, from 1970 through 2015. Even though data was restricted in years of availability, the variability in the data was minimal, which reduced the uncertainty of the outcomes in the Pearson two-tailed correlation tests. The Pearson correlation statistical tool results demonstrated

that the U.S. tourism inflows into Cuba were significantly correlated to Cuba's GNI per capita and the results of the correlation of U.S. tourism inflows into China's GNI per capita had a strong correlation. The tourism gravity model results show that tourism demand for Cuba is significantly greater than for China in the years 1980 through 2015, with a core tourism demand in Cuba from 1990 to 2000. Comparing the GDP per capita of the United States, Cuba, and China shows that the growth of U.S. GDP per capita has a significant impact on the tourism demand for Cuba and China. Assigned factors in the tourism gravity model helped to illustrate the impact of policy and events have on tourism flows between the United States, Cuba, and China. China showed greater demand than Cuba based on calculated policy impacts.

Comparing the centralized government structures of Cuba and China, this study examined if there is a correlation between U.S. tourism inflows into Cuba and Cuba's GNI per capita and how it compares to U.S. inbound tourism influence on China's GNI per capita and the effects of policy on tourism demand. The tourism industry is the number one employer of private entrepreneurs in Cuba (Serbin, 2017). Announced in June 2017, renewed U.S. restrictions regulating U.S. travel to Cuba is likely to negatively impact tourism in Cuba (Serbin, 2017). Following is a discussion on the research questions and the associated hypotheses, the implications of this study, along with recommendations for practice and future research.

Implications

A policy change that helps to stimulate the Cuban economy is dependent on policy changes initiated by both the Cuban government and the U.S. government. There are two embargos impacting the Cuban economy, the U.S. trade embargo and the internal embargo imposed by the Cuban government on its own society (The Economist, 2017). Conducting a correlational study of U.S. tourism travel restriction impacts on Cuba's GNI per capita, aligns

with findings of Bowman (2015), Zaei (2013), Ajagunna (2014), and Dedu, (2013). Bowman's study (2015) demonstrates how policy choices and the social structure in Latin American cities helped to determine the infrastructures and economic growth of tourism. Zaei, (2013) reported how destination countries benefit from improved infrastructures that sustain tourism and lead to better opportunities and incomes. Ajagunna (2014), states the importance that policies have on tourism in developing countries and how policy can create economic, technological, and social policy objectives through tourism revenues. Tourism has been and is utilized as a poverty reduction strategy and helps to increase the host country's standard of living (Dedu, 2013). This correlational study of compared differences between U.S. tourism inflows into China and Cuba and the GNI per capita of each country found that U.S. tourism inflows and GNI per capita were significantly correlated.

Utilization of a tourism gravity model aided in evaluating the potential tourism demand within the centralized government structures of Cuba and China. Theoretical usage of the tourism gravity model was supported by the studies of Hanafiah and Harun (2010) and Moorthy, 2014). Hanafiah and Harun (2010) used a gravity model to understand tourism demand through economic factors such as income, CPI, price, exchange rates, and distance of inbound travelers to Malaysia (Moorthy, 2014). The study results indicated that the selected economic factors and the decision to travel to Malaysia had a strong correlation with the economic variable of income, the most important factor impacting tourism flow (Moorthy, 2014). Therefore, examining inflows of U.S. tourism into the Cuban tourist economy gave me an opportunity to apply a tourism gravity model in terms of how U.S. tourism demand will impact GDP per capita levels in Cuba using assigned numeric policy factors as indicators. Assessment of tourism effects on economic growth and poverty relief is a way for government authorities to propose policies that align with a

tourism development strategy for poverty relief (Croes, 2014). The utilization of the Morley, Rossello, and Santana-Gallego (2014) tourism gravity model based on GDP per capita and distance between the U.S for each country showed Cuba with a higher tourism demand than China. When applying a policy factor the tourism gravity model results showed that China had a higher tourism demand. The implications of the findings for two research questions and the related hypotheses are addressed. The implications of the findings from the application of the tourism gravity model follows.

Q1. What is the correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba?

H10. There is no correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba.

H1a. There is a positive correlation between U.S. tourism inflows into Cuba and the GNI per capita of Cuba.

The results from the Pearson two-tailed correlation statistical test showed a moderate positive relationship between the number of U.S. tourism inflows and Cuba's GNI per capita. Statistically, there is a significant correlation. However, the moderate significance indicates that the lack of a strong correlation of U.S. tourism inflows into Cuba points to the impact of imposed U.S. travel restrictions on Cuba's GNI per capita and therefore contributing to the impact of Cuba's level of poverty. The significant correlation between U.S. inflows into Cuba and Cuba's GNI per capita support the rejection of the null hypothesis.

Q2. What is the correlation between U.S. tourism inflows into China and the GNI per capita of China?

H20. There is no correlation between U.S. tourism inflows into China and the GNI per capita of China.

H2a. There is a positive correlation between U.S. tourism inflows into China and the GNI per capita of China.

Question 2 asks if there is a correlation between U.S. tourism inflows into China and the GNI per capita of China. The results from the Pearson two-tailed correlation statistical test showed a strong positive linear relationship between the number of U.S. tourism inflows into China and China's GNI per capita. The strong correlation between U.S. inflows into China and China's GNI per capita support the rejection of the null hypothesis.

The tourism gravity model represented the variables of GDP per capita for the United States, Cuba, and China. The push effect of the U.S. GDP and the pull effect of Cuba's GDP and the pull effect of China's GDP were related to the distance (distance to travel) between the United States and China and the United States and Cuba. Assessing the GDP per capita of each country exposed that the push of the GDP per capita of the United States had significant impact on the tourism demand for Cuba and China.

The tourism gravity model showed the potential demand of U.S. tourism inflows into Cuba and China. Without factoring policy impacts, Cuba's demand exceeded China's U.S. tourism demand significantly from 1980 through 2015, with the core tourism demand years from 1990 to 2000. Using the factors of .9 for a negative tourism demand policy impact and a factor of 1.1 for positive tourism demand policy impacts in the tourism gravity model showed the overall negative impact U.S. travel restrictions had on inbound U.S. tourism into Cuba and Cuba's GNI. Calculating policy factors into the tourism gravity model resulted in China showing more tourism demand than Cuba. Using an assigned factor of .9 for negative tourism demand policy

impacts and an assigned factor of 1.1 for a positive tourism demand impact do not take into account the magnitude that a change in policy had on tourism demand. The initial U.S. trade embargo may have exceeded the .9 negative factor to create a larger gap in tourism demand calculated on policy factors verses in an unmodified tourism gravity model. The opposite effect with a positive factor of 1.1 also applies. The tourism gravity model introduced by Morley, Rossello, and Santana-Gallego (2014) suggested the usage of explanatory variables such as consumption of goods, personal income levels, the cost to travel and destination in calculating tourism demand. This study utilized a policy factor variable for calculating tourism demand.

Recommendations for Practice

The positive correlation between U.S. tourism inflows into Cuba and China with each country's GNI per capita helped to recognize the impacts of tourism flows and how it compared to a calculated tourism demand designated by the variables in the tourism gravity model. The WTTC (World Travel and Tourism Council) reported that the tourism industry in 2016 outperformed the global GDP for the sixth consecutive year with a GDP of 10.2 percent of the world's total GDP employing 1 out ten individuals (World Travel & Tourism Council, 2018). Understanding tourism flows and the impacts to economies is becoming more important as global economies expand. This study was conducted with two framed concepts. The correlation of U.S. tourism inflows into China and Cuba, and tourism demand. Application of these concepts in conjunction with one another gave a holistic approach to how tourism inflows impact GNI per capita and the potential tourism demand impact from policy decisions. Cuban economist Pérez Villanueva publicized in 2008 that Cuban joint ventures in FDI accounted for $1.9 billion US in exports of goods and services, with tourism as one of the major industries (Feinberg, 2013). The

result of this study highlights the impact of U.S. and Cuban policy on the tourism industry and the incomes levels of Cuban citizens.

The repeal of U.S. policy on travel restrictions to Cuba and the reformation of Cuba's economic policies impacting the tourism industry of Cuba are needed to increase income levels and help to alleviate impoverishment in Cuban society. Unfortunately, a dual currency system implemented by the Cuban government contributes adversely to the economic sustainability in tourism (Hingtgen et al., 2015). The dual currency policy created two economic classes of citizens: haves and have-nots. Cuban's working in the tourism industry benefit from the dual currency policy by receiving gratuities in an inflated currency used in the tourism industry that far exceeds the standard Cuban peso currency by 24 times the value of the peso. The dual currency created a black market that undermines the Cuban economy. Cuba's economic control over Cuban entrepreneurial in the tourism industry has lessened through economic reform. However, with a dual currency in place, a stable tourism market is uncertain. Even though a dual currency exists, Cuba's proximity to the United States is an opportunity for substantial increases in tourism that will establish better relations and improve the incomes of Cuban workers.

The U.S. reinforcement of the Cuban trade embargo through the passing of the Helms-Burton Act of 1996 to punish international corporations conducting business with Cuba needs further examination on the impact it has on the income levels of the Cuban population. Changes in Cuban tax laws created incentives for foreign investments to expand joint ventures in the tourism industry, is a step forward in relaxing centralized government economic control on the citizens of Cuba. The centralized governments of Cuba and China gave opportunity for this researcher to discuss how China's governmental vision toward tourism policy can be adapted to Cuba's tourism economy.

The correlation findings of Cuba and China U.S. tourism inflows revealed the impact that policy changes had in China's tourism industry. China's open-door policy of 1978 increased the number of policies related to the tourism industry. A significant change in China's tourism policies was the change in emphasis from an administrative allocation of resources to a market-based model of resource allocations (Tang, 2016). As the results of this study show, China's strong correlation to U.S. tourism inflows and China's GNI per capita is significant. In addition, utilizing the tourism gravity model to the result in China's tourism demand is shown to be greater than Cuba starting in 2012. Using factors to determine the impact of policy related to the tourism industry, the results of the study indicated a substantial increase in tourism demand starting in 1992, eleven years after China's open-door policy of 1978. The study results conducted by Li, Chen, Li and Goh (2016) were consistent with the study results of Proenca and Soukiazis (2008) that tourism can decrease regional wage inequality in China. The implementation of China's policies on tourism increased tourism revenues and helped to adjust inequalities of income through ancillary businesses benefiting from the increased tourism. Cuba has opportunity to establish similar policies implemented in China to help in the alleviation income inequalities and impoverishment.

Recommendations for Future Research

Income inequality and the impacts that tourism generated revenue has on the alleviation of poverty is an important issue facing developing countries such as Cuba and China. The purpose of this quantitative study was to examine if there was a correlation between U.S. tourism inflows into Cuba and Cuba's GNI per capita and how it compared to U.S. inbound tourism influence on China's GNI per capita. Utilization of a tourism gravity model calculated the potential tourism demand for both China and Cuba. Policy was the driver impacting U.S. tourism

inflows into each country and the resulting GNI per capita. The findings showed a positive correlation between U.S. tourism inflows and the GNI per capita of China and Cuba. The sample period of 21 years from 1995 through 2015 for U.S. tourism inflows into Cuba was sufficient due to little variability in the data sets. However, the years of data set was less than the G* power analysis sample group of 55 years for comparison of U.S. tourism inflows to Cuba and China due to the availability of data. The tourism gravity model data set of GDP per capita consisted of the years from 1970 through 2015, a 46-year period.

The limitation of data availability gives opportunity for future research using a similar methodology as more data becomes available. The U.S. trade embargo on Cuba was not an unexpected impact to Cuba's GNI per capita. However, tourism is a growing economy globally and is becoming a substantial economic driver for the economy of developing countries. More research is needed to understand the impacts that tourism policy has on GNI per capita. More research is needed to understand how tourism policy of host and destination countries are impacting tourism flows. In addition, the correlation of U.S. inflows into any developing country and the resulting GNI per capita could be generalized to understand not only policy impacts, but global events such as terrorism activity and the subsequent impact on economies. Calculating tourism demand using the tourism gravity model had potential to identify factors that influenced tourism demand.

To calculated tourism demand, this researcher utilized a straight forward approach of GDP per capita summations year over year with distance between countries as a constant variable in the theoretical tourism gravity model introduced by Morley, Rossello, and Santana-Gallego (2014). A policy factor approach was utilized to determine policy impacts on U.S. tourism inflows. Economic variables such as income, CPI, price, and exchange rates were not

used as predictors of tourism demand due to the availability of data and Cuba's existing dual currency. Quantifying policy impacts to tourism demand is an opportunity for future research to assign factors that better reflect the magnitude of policy impacts. The restructuring of tourism gravity models may help future researchers to contribute to the theoretical background for better empirical models. Since tourism is a distinct type of trade in services, the measurement of tourism flows between countries needs further investigation to better predict tourism flow patterns.

Conclusions

A correlational study does not establish causation. However, the results of this quantitative correlational research study might be an indicator of causation. The statement of the problem examined is that income inequality and the impacts that tourism generated revenue has on the alleviation of poverty is an important issue facing developing countries such as Cuba and China. The purpose of this quantitative research study was to examine if there was a correlation between U.S. tourism inflows into Cuba and Cuba's GNI per capita and how it compared to U.S. inbound tourism influence on China's GNI per capita. This study used a Pearson two-tailed correlation statistical test to measure U.S. tourism inflows into Cuba and China and a tourism demand calculation for Cuba and China using a tourism gravity model. The results from the Pearson two-tailed correlation statistical test showed a moderate positive relationship between the number of U.S. tourism inflows and Cuba's GNI per capita and a strong positive relationship between the number of U.S. tourism inflows and China's GNI per capita.

The results from inputs into the tourism gravity showed that Cuba's tourism demand exceeded China's U.S. tourism demand significantly from 1980 through 2015, with the core tourism demand years from 1990 to 2000. Applying assigned factors to calculate the impacts of

tourism policy related impacts into the tourism gravity model showed that China showed greater demand than Cuba. Comparison of the GDP per capita of the United States, Cuba, and China shows that the growth of U.S. GDP per capita has significant impact on the tourism demand for Cuba and China. The enforced U.S. travel restriction policy toward Cuba had significant impact Cuba's GNI per capita.

This study aligns with studies that show the importance of tourism revenue in developing countries. Using the Kuznets curve hypothesis and tourism revenue data from 49 developing economies, Alam & Paramati (2016) confirmed the existence between income inequalities and tourism revenue with their results showing as tourism doubles, income inequities will be reduced significantly. In support of the tourism gravity model, the study results by Moorthy (2014) indicated that travel to the destination country of Malaysia had a strong correlation with the economic variable of income, the most important factor impacting tourism flow.

The tourism gravity model used in this research study helped to understand how the correlational results are compared to tourism demand. Without policy factored into the tourism gravity model and the increased U.S. GDP per capita growth in comparison to Cuba's GDP per capita growth, the results showed that Cuba had the potential for considerably increased tourism revenue dollars. The development of a two-pronged research approach of correlations between U.S tourism inflows and Cuba's GNI per capita compared to U.S. tourism inflows and China's GNI per capita along with a tourism gravity model to calculate tourism demand was dynamic to the research results. Correlational analysis coupled with a tourism gravity model contributed to a balanced approach to understanding the impacts that tourism inflows have on economies and the possible impact to income inequality and how tourism generated revenue has the potential mitigate poverty.

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Appendix A: Policies Impacting Tourism by Year

COUNTRY	POLICY/EVENT	POLICY PURPOSE	YEAR	Factor
Cuba	Cuban Revolution	Tourism was considered a hedonistic vice that clashed with Fidel Cast4ro's socialistic views.	1959	0.9
United States	Trading with the Enemy Act (TWEA)	To initiate economic sanctions on Cuba.	1961	
United States	U.S. Cuban embargo	Prohibition of any imported products directly and indirectly from Cuba and prevents the U.S. export of products and services with the exceptions of food and medicine.	1962	0.9
United States	Cuban Assets Controls Regulations (CACR)	To give the Treasury Department authorization to regulate commercial business transactions between the United States and Cuba.	1963	0.9
United States	Cuban Adjustment Act (CAA)	The act permitted Cuban refugees a path to lawful permanent residence. Referred to as the (wet foot, dry foot policy).	1966	
China	China's open door policy	To increase trade and tourism.	1978	1.1
Cuba	The Legislative Decree Number 50 on Economic Associations between Cuba and Foreign Entities Law	Enacted to help revitalize the Cuban tourist industry. First foreign investment law to increase foreign relations and tourism.	1982	
Cuba	Cubanacán S.A (Sociedad Anónima, or Corporation)	To create economic stimulus. Formed through an independent state initiative to work with INTUR (International Inland Tourism Fair) to share the responsibilities of establishing tourism policy in Cuba.	1987	
United States	Cuban Democracy Act, Title 22, and Chapter 69	Required the Cuban government to recognize international human rights standards and the democratic values before the trade embargo would be lifted.	1992	

Cuba	Amendment to the Cuban constitution	To allow property ownership by diverse enterprises and the transfer of Cuban state property to joint ventures with foreign capital investments.	1992	
Cuba	Cuba adopts the U.S. dollar as legal tender	Acceptance of U.S. dollars remittances from Cuban families living in the United States	1993	
China	China's National Tourism Administration	To actively develop the tourism industry.	1993	1.1
Cuba	MINTUR, (the Ministry of Tourism)	To promote foreign direct investment in tourism.	1994	
Cuba	Creation of the Cuban convertible peso (CUC), or hard currency,	A change in monetary policy to be used for retail business establishments and throughout the tourism industry as a response to Cuba's economic crisis due to the economic collapse of the Soviet Union in the early 1990s.	1994	
Cuba	Foreign Investment Law Number 77	To attract foreign investment.	1995	
United States	Helms-Burton Law	To punish TNCs (Transnational Corporations) and foreign corporations that conduct business with Cuba.	1996	0.9
United States	Trade Sanctions Reform and Export Enhancement Act	To allow U.S. companies to trade with Cuba within defined limitations.	2000	1.1
China	Pacific Asia Travel Association	China became a member to target countries that could contribute to their tourism growth.	2007	1.1
Cuba	Raul Castro declared a five year economic reformation plan	To reduce state control over the Cuban economy, while promoting more privatization to decrease the Cuban government's economic burden.	2010	
Cuba	President Raul Castro proposed economic 313 guidelines	To jump start Cuba's suppressed economy.	2011	

United States	President Obama announced that the United States will end a "failing outdated policy" toward Cuba and reestablish a United States Embassy in Havana	To advance shared interests with Cuba to normalize the Cuban/United States relationship will create new opportunities for the citizens of Cuba and the United States.	2014	1.1
Cuba	Cuba's National Assembly voted unanimously to pass a new law that drastically reduces taxes to encourage FDI and create an atmosphere of investment security	To reduce Cuban taxation by 15 to 30 percent for eight years for joint business ventures with Cuba and to create three investment opportunities; in partnerships with Cuba for joint ventures, commercial contracts, and foreign-owned companies on Cuban soil to help facilitate the investment in the expansion of hotel and resort infrastructures to accommodate a boom in tourism.	2014	
Cuba	Foreign Investment Act	To better position Cuban exports of products and services in international markets.	2014	
Cuba	Cuban government co-op policies on self-employment	The Cuban government retains the property and leases the land to co-op members. Co-op members pay monthly rent to the Cuban government, set prices of their products/services, and keep the profits from business transactions.	2015	
United States	Amendment to the Cuban Assets Control. Regulation Policy	To authorize U.S. airlines to travel to Cuba.	2016	
United States	Executive order under CAA to repeal the immigration policy (wet foot, dry foot policy)	Repealed policy that allowed Cubans citizen status after reaching land in the United States	2017	

Appendix B: U.S. Tourism Inflows into Cuba and China

U. S. Tourism Inflows into Cuba and China		
Year	**China**	**Cuba**
1995	510,000	20,672
1996	540,510	27,113
1997	614,040	34,956
1998	655,320	46,778
1999	736,000	62,345
2000	900,000	76,898
2001	879,780	78,789
2002	935,250	77,646
2003	724,980	84,529
2004	1,376,430	49,856
2005	1,560,000	37,233
2006	1,710,300	36,808
2007	1,900,000	40,521
2008	1,790,000	41,904
2009	1,710,000	52,455
2010	2,010,000	63,046
2011	2,120,000	73,566
2012	2,120,000	98,050
2013	2,090,000	92,348
2014	2,090,000	91,254
2015	2,090,000	161,233