

Comment

Lorenzo L. Perez: This is an excellent paper that addresses the tricky question of the implications for the Caribbean of opening up Cuba to U.S. tourism. Romeu does a very professional job. The data collection is carefully done and the well-known trade gravity model is specified in line with the requirements of the case. Romeu's model has very strong explanatory power, which is rare for this type of model.

The model estimates the impact of prohibiting U.S. citizens from travel to Cuba as tourists to be very large. For U.S. citizens the prohibition has the same effect as if Cuba were in Oceania (7,000 nautical miles away). Therefore, were the prohibition removed, American citizens would experience a sharp drop in travel costs to Cuba. The not-too-surprising conclusion is that were the travel prohibition lifted, the number of American tourists could reach some 3 million in Cuba. This would lead to very important changes in Caribbean tourism.

However, Romeu's results also indicate that, overall, there will be an increase in U.S. tourism to the Caribbean because Americans will have more purchasing power to travel to this area after the prohibition is lifted. This, combined with the fact that Cuba is likely to reach full capacity quickly with the existing investment in tourism, will tend to displace non-U.S. tourists to other Caribbean destinations. Romeu estimates that overall tourism to the Caribbean will increase by about 4 percent and that more Americans will travel to the Caribbean in general once travel restrictions to Cuba are lifted.

So not all is lost. While other Caribbean countries will be negatively affected by the opening of Cuba, Romeu's analysis also shows that if they exploit assets such as cultural affinities, have more open trade in other areas (for example, free-trade agreements), and take advantage of specialized parts of the tourist market, they should be able to attract non-U.S. tourists who previously traveled to Cuba, and this will help offset some of the losses from Americans being diverted to Cuba. So this paper is able to go beyond the

obvious analysis and draws some conclusions that have policy implications for Caribbean countries.

Notwithstanding these clear and empirically backed conclusions, two comments can be made regarding them.

First, the short-run effect of the lifting of the prohibition of U.S. citizens to travel to Cuba may be actually underestimated by the model because of the novelty factor, which cannot be fully captured by a gravity model. Because Cuba has been “forbidden fruit” for decades, and there is a strong pent-up American demand, it is quite possible that more American tourists will travel to Cuba during the first few years after the ban is lifted than has been estimated by this model.

Second, over the medium term, Cuba will need to be competitive with the rest of the Caribbean. Cuba is among the high-cost destinations in the region, and it is not clear that the country is very competitive in terms of value for your money or quality of service. Also, it is possible that unless changes are made, as tourists become more familiar with the economic and political conditions facing the Cuban people, the country could become a less attractive destination to visit.