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Experts: Trump's crackdown on U.S. travel to Cuba could devastate island entrepreneurs

A Travel Markets Insider Special Report by Larry Luxner

President Trump's aggressive new Cuba policy announced on Friday — a repudiation of the Obama administration's efforts to improve bilateral ties after 55 years of mutual hostility —will hurt the Cuban economy in the long run while depriving local private businesses, especially in Havana, of an increasingly lucrative source of income: U.S. visitors.

Even so, commercial air service will continue, with direct flights linking Miami and other U.S. gateway cities to Havana, Santiago de Cuba, Camagüey and Holguín. Likewise, cruise ships will be allowed to keep bringing passengers to Cuba.

Yet individual "people-to-people" travel to the island will now be prohibited, meaning P2P trips will only be allowed in groups — and rules will now be much more strictly enforced. That, say analysts, could have a devastating effect on privately run *casas particulares* and everyone who benefits indirectly from the income they generate.

"A reduction in the number of U.S. citizens visiting Cuba in the short term would have an immediate impact," said Emily Morris, a Cuba expert and associate fellow at the University College of London's Institute of the Americas.

"Although Cuba has a social safety net and nobody's going to die, a lot of people would find themselves destitute, not just the self-employed but the people who are employed by the self-employed. It will have a huge ripple effect on the rest of the economy."

Morris was one of three panelists participating in a June 15 conference sponsored by the Atlantic Council's Adrienne Arsht Latin America Center titled "US-Cuba Policy: Implications of a Rollback."

She spoke in advance of Trump's announcement in Miami tightening regulations governing U.S. travel to Cuba, a tightening that also now forbids any business transactions with the Cuban military (which presumably includes hotels owned by the Gaviota conglomerate that account for about 40% of Cuba's hotel rooms).

"Even though U.S. visitors still do not comprise the majority of all Cuba-bound tourists, the rest of the tourist market would suddenly find the price of accommodations would fall, and in terms of people's confidence in the future and willingness to invest, it would have a powerful effect," she said. "On the whole it won't be that disastrous for the Cuban economy because U.S. sanctions were already still in place. But it would possibly frighten off those [investors] beginning to feel their way toward the Cuban market."

Protesters celebrate the July 2015 re-opening of the Cuban Embassy in Washington after a 54-year hiatus and call for a complete lifting of the U.S. embargo against Cuba. Photo by Larry Luxner.

Morris, speaking from London, added that "taxi drivers and people with *casas particulares* would feel the impact straight away."

Christopher Baker, a travel journalist, tour leader and Cuba expert, told *Travel Markets Insider* following the announcement that Trump's new policies — which take effect once regulations are published over the next few weeks — actually cuts both ways.

"Group travel operators should benefit, as the potential business siphoned off by independent travel this past year will no longer have that capacity," he said. "However, many companies will have to rethink their itineraries to avoid Gaviota hotels."

For example, Baker said all the motorcycle tours he leads include overnights in Baracoa and Cayo Santa Maria, where all the hotels belong to Gaviota, an arm of GAESA, which is controlled by Cuba's Revolutionary Armed Forces.

"However, since individuals will no longer be permitted to travel outside a P2P group travel (for which all U.S. citizens qualify,) trip operators will need to also fly groups in and out of Cuba together," Baker noted. "But the overall effect will no doubt be a large reduction in the overall number of U.S. visitors, and airlines will scale back their service accordingly."

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Cruise companies should be unaffected, although they may need to tighten up their onshore programs to adhere to the P2P regulations.

Indeed, Giora Israel, senior vice president for port and destination development at Carnival Corp. — which in May 2016 become the first U.S. company since the 1959 revolution to offer passenger cruises to Cuba — said Trump's speech "did not come at all as a surprise to us or anybody else."

"When then-candidate Trump was running for the presidency, he mentioned several times that if became president, he'd want to reverse or cancel some of the regulations of the Obama administration," said Israel, speaking to *TMI* by phone barely an hour after Trump finished his speech in Miami. "It is now very clear that air as well as cruise travel will not be impacted."

Israel noted that current U.S. law doesn't allow regular tourism to Cuba anyway — and that ever since Carnival began seven-day excursions every other week from Miami onboard its 704-passenger *MV Adonia* to the ports of Havana, Cienfuegos and Santiago de Cuba, it's operated strictly under existing P2P rules. In fact, on June 29 — exactly two weeks after Trump's announcement — the 2,000-passenger *Carnival Paradise* will begin Cuba voyages from its base in Tampa. Eight four-day sailings to Cuba are scheduled, as are four five-day sailings that include a stop in Cozumel or Key West. The 10-deck *Paradise*, a Fantasy-class ship built in the early 1990s, weighs in at 70,000 gross tons. At 262 meters long, 35 meters high and with a draft of 7.8 meters, it's the largest-size ship that can currently berth in Havana.

"We feel comfortable that cruising can and will continue, and we look forward to the inaugural sailing of Carnival's *Paradise*," he said. "Later in the fall, Holland America will also go to Cuba. All the products we are selling are in strict adherence to the letter and spirit of what people-to-people travel is."

He added: "We can have people that fall under different categories, but people who go to visit family and friends, or people who are going to stay on the island, will naturally not go with us. The vast majority of our passengers — 90 to 95% of them — actually fall under the P2P category. Even now, each passenger has to have his own affidavit and keep records for five years."

At any rate, said Baker, Trump's policies will not meet his stated goals of denying the Cuban military revenue, except on the margins.

"It has few hotels in Havana, and the vast majority of its properties are beach resorts almost exclusively serving Canadians and a European clientele," he told us.

"The big losers are the Cuban entrepreneurs — private restaurants, private classic car hires and private room rentals — whose interests this cynical new policy is supposed to serve. They've all just been denied a huge chunk of business."

José Miguel Vivanco, executive director of Human Rights Watch's Americas division, is no apologist for the Castro regime. But he says the new approach is pointless.

"Reversing the Obama administration's changes regarding Cuba policy is not going to improve respect for human rights on the island," Vivanco said. "The unilateral sanctions imposed by Washington for more than half a century have been a total failure. To expect different results by going back to a policy that has not resulted in any serious significant improvement of human rights and democracy is ludicrous."

Mexicans buy Soho Mall in Panama

After several months of negotiations, Grupo Cinépolis has announced that in an alliance with another Mexican company it has acquired the mall, previously owned by the Waked group, reported CentralAmericaData on June 7.

The transaction comes one year after the US Treasury Department's Office of Overseas Assets Control (OFAC) authorized the inclusion of Soho Mall Panama assets into a trust fund in order to facilitate the sale process. The luxury mall, which had been inaugurated by the Waked Group in 2015, was part of the Waked properties originally included as part of the money laundering allegations levied against the group last year.

CentralAmricaData, citing information published by Prensa.com, said: "... The *Cinépolis* group, an international theater operator with a presence in Panama and in Soho Mall, has allied itself with a developer of shopping centers to take over the reins of the complex. The operation was valued at $350 million."

In July last year, after the OFAC included Waked International companies in the Clinton List, Abdul Waked authorized the transfer of the mall's assets to a trust in order to ensure the continuity of operations.

After the sale of the shopping center was confirmed to a Mexican group, the US Treasury Department has lifted the sanctions it imposed in May last year, reported Prensa.com on June 14.

Top Brands International acquires Bright Star Duty Free in Asuncion

Since acquiring Miami-based Image Duty Free last October, Panamanian company Top Brands International continues to power ahead with its expansion strategy.

Earlier this year, Top Brands acquired the duty free operations of Paraguayan travel retailer Bright Star. The acquisition further strengthens the company's presence in the airport travel retail channel in the region. The acquisition was finalized by the government last week.

Bright Star is the main duty free retailer at Aeropuerto Internacional Silvio Pettirossi in Asuncion, Paraguay.

Danny Yohoros, president of Top Brands International, tells *TMI* that his company, a mainstay in Panama and Colombia, has been looking to expand in the region, focusing on Latin America and the Caribbean.

In fact, family-owned Top Brands International has been in business marketing and managing prestigious international brands for over 40 years, and currently operates more than 55 locations across 11 Latin American countries.

The Image Duty Free acquisition gave the company access to the Caribbean through Image's stores in the British Virgin Islands, the Bahamas, and French Guiana as well as a foothold on the U.S.-Mexico border.

Yohoros says its deal with Bright Star encompasses two duty free stores at the Asuncion departure terminal, covering some 380 square meters of retail space.

"One of the stores is a walk-through shop. These are Bright Star's flagship operations," he says.

Top Brands sees the Bright Star shops offering excellent potential: "Before they were only focusing on fragrance and cosmetics but since Top Brands carries all categories, we will now expand the assortment so that we can give our customers a wider range of products," he explains.

About 90% of the store is now dedicated to fragrances and cosmetics, and Yohoros is reconfiguring the layout to expand the offer.

"We are working with our architectural team to be able to convert about 35% of the space for spirits, cigarettes and confectionery. We think we can do this without affecting the volume of fragrances and cosmetics now being sold," he says.

"The stores were renovated not long ago and we will keep the same design. They are upscale with very good brand awareness."

Yohoros is also optimistic about growth potential in Asuncion. "The airport in Paraguay is experiencing very good recovery from the Brazilians and especially from Argentina, so we expect to see good growth in spend and traffic."

In related news, Raphael Vinson, formerly key account manager for Puig in the Americas, has joined Top Brands as Head of Perfumes & Cosmetics. Antoine Goetgheluck, formerly president of Image Duty Free, has left the company.

Right: Entrances to two of the Bright Star Duty Free stores at Asuncion

Diageo Global Travel names World Class Bartender semi-finalists

Diageo Global has revealed the final three cruise line bartenders who will compete in Diageo's World Class Bartender of the Year semi-final.

The bartenders from Celebrity Cruises, Norwegian Cruise Line, and Seabourn Cruise Line will participate at the event at the Diageo Bar 396 in Miami on Tuesday June 20.

The winner will go on to represent Diageo Global Travel at the global final at World Class Bartender of the Year in Mexico City on August 20-24 2017.

The finalists include:

Celebrity Cruises: Lazar Milosavljevic, 28, from Serbia is a Senior Bartender on-board Celebrity Reflection. His signature serve is CÎROC Ocean Peach.

Norwegian Cruise Line: Marc McArthur, 28, from South Africa is Head Mixologist on Norwegian Escape. McArthur has been selected as a semi-finalist for the second year in a row. His signature serve is The Autumn Dram, featuring Haig Club.

Seabourn Cruise Line: Claudio Santos Liborio, 32, from Portugal, a bartender on-board Seabourn Sojourn. Claudio's signature serve is Sherry Blossom, featuring Bulleit Rye and Bulleit Bourbon.

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Norwegian Cruise Line's Wade Cleophas reaches semi-finals of Bacardi Legacy Global Cocktail Competition

The winner of the 2017 Bacardi Legacy Cruise Competition Bartender of the Year, Wade Cleophas from Norwegian Cruise Line, has reached the semi-finals of the Bacardi Legacy Global Cocktail Competition.

The two-day semi-final event, which took place in Berlin in May, featured 38 competitors drawn from thousands of entries from around the world creating their cocktails within a seven minute timeframe. The second judging element was a private presentation to a separate panel of four judges where the finalists outlined their own promotional campaign. Enrique Comas, a Bacardi family member and Bacardi Trade Advocacy Senior Manager for LATAM & Caribbean, was among the expert judges.

For the first time in the competition's nine-year history, the Legacy competing bartenders were permitted to use Bacardi Ocho (8) Anos as well as Bacardi Carta Blanca and Bacardi Carta Oro rums.

Cleophas used the aged rum as the base for his 'Legend Reviver' cocktail, which features Bacardi Ocho (8) Anos mixed with star anise-infused sweet vermouth, caramel/cinnamon syrup with drops of whisky barrel-aged bitters and finished with a mist of Absinthe.

His promotional campaign included achieving a fleet wide cocktail listing with Norwegian Cruise Line.

Zachary Sulkes, International Key Account Manager (Cruise) of Bacardi Global Travel Retail comments: "Wade can be so proud of his achievement in the Bacardi Legacy Global Cocktail Competition, demonstrating that the ever-rising standards being achieved in cruise bar-tending can compete with the very best bartenders in the world. He not only created a perfectly executed and original cocktail but his presentation also blended the story of his personal journey with a powerfully resonant link to the legend of Don Facundo Bacardi."

Karl Muhlberger, vice president, Food and Beverage for Norwegian Cruise Line said: "Everyone at Norwegian Cruise Line is incredibly proud of Wade's achievement in beating more than

2,500 contenders in the 2017 Bacardi Legacy Cruise Competition Bartender of the Year and then reaching the semi-finals of the Bacardi Legacy Global Cocktail Competition. Wade is diligent and passionate and has consistently shown great dedication not only to the Legacy competitions but also to the quality of bar experience he delivers for vacationers onboard Norwegian Cruise Line every day.

"His enthusiastic demonstration on the craft cocktail scene ensures they will go back home and have a deeper appreciation not only for perfectly crafted cocktails, but also for the quality of the bar experience onboard Norwegian Cruise Line's fleet."

The eventual winner of the 2017 Bacardi Legacy Cocktail Competition Bartender of the Year was Belgian barman Ran Van Ongevalle with his cocktail Clarita – comprising Bacardi Gran Reserva 8 Años Rum, Amontillado Sherry, crème de cacao, absinthe and saline solution.

Hudson Group opens six new stores at Hard Rock Hotel & Casino in Las Vegas

Hudson Group announces six new downtown stores that represent a new type of business for it at Hard Rock Hotel & Casino in Las Vegas.

The stores cover 14,500 sq. ft of commercial space and offer travelers high-end luxury watches, timepieces and jewelry as well as travel essentials, electronics, wine, spirits and apparel, says the Dufry subsidiary.

Three of the stores, in collaboration with architectural firm Designwork Studios, include sundry shop Chill; Hootenanny – a 3,075 sq. ft (288 m^2) shop with design elements that include a modern apothecary feel with old school roadhouse furnishings that offers travel essentials, electronics, top-shelf liquor and premium cigars in a humidor; and an expanded Dunkin' Donuts featuring a mash-up of bubblegum rock and pop art.

The other three stores were created in collaboration with design firm Big Red Rooster. They include Bezel, an 831 sq. ft high-end watch and timepiece store featuring Hamilton, TAG Heuer, Ernst Benz and Raymond Weil; Day + Night a 7,111 sq. ft boutique carrying edgy clothing, accessories and sunglasses; and Shine, a high-end 400 sq. ft. chic jewelry store with a rock and roll vibe.

"Hard Rock Hotel is committed to delivering exceptional, one-of-a-kind experiences to our guests," said Jody Lake, chief operating officer at Hard Rock Hotel & Casino.

"With the Hudson Group partnership, guests will be able to take advantage of a fresh, unique shopping environment in addition to our outstanding lineup of first-class entertainment, innovative gaming, high-energy nightlight, day-life and music scene and acclaimed restaurants," she said.

Joseph DiDomizio, Hudson Group President & Division CEO North America of Dufry added: "With these new exclusive properties in Las Vegas, we are forging new territory by bringing 30 years of travel retail experience to resorts for the first time.

"These shops represent a new type of business for us, which best meets customer expectations and which we expect to further expand and develop going forward. We could not be more proud to partner with Hard Rock Hotel & Casino Las Vegas."

Brazil to privatize 56 airports and announces it will liquidate INFRAERO

In a major aviation development, the Brazilian government has announced plans to privatize the remaining airports in the country and will liquidate INFRAERO, the government agency that has been in charge of the country's airports up until now, reports *Aviaciononline.com* on June 8.

Brazil began privatizing its key airports in 2012, and to date has auctioned off the airports of Guarulhos, Viracopos, Brasilia, Galeão, Fortaleza, Salvador, Natal, Confins, Florianópolis and Porto Alegre.

In the first two rounds of bidding, private owners acquired 51% of the shareholding with INFRAERO retaining a 49% ownership.

Now, according to *O Globo, Aviaciononline* reports that the 56 airports still in the hands of INFRAERO will be divided into six blocks according to their geographical area, and tendered as a unit. Each pack-age of airports will include a key anchor airport along with smaller airports.

The geographical division will follow the current air regions in which Brazil is divided, except in the southeast, to separate Santos Dumont and Congonhas into two different blocks.

The government says that this privatization could be worth about 15 billion dollars.

This process will mark the end of INFRAERO, says *O Globo*.

Since privatization began, INFRAERO has gone from having annual profits of about 40 million dollars in 2012 to losses close to one billion dollars. The 10,892 workers currently on the INFRAERO payroll will be divided among the new concession companies, transferred to other agencies or offered voluntary retirement plans.

Aviaciononline says that the sources mentioned by *O Globo* report that the project has the support of the ministries of Transportation, Planning, Civil House and the Secretary General of the Presidency, as well as the Brazilian aeronautical sector.

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In other aviation news, Brazil's Chamber of Deputies is expected to vote on whether to allow 100% of the share capital of Brazilian airlines to belong to foreign companies (the current limit is 20%).

For a full report on how successful Brazil's airport privatization has been to date, please see the feature article prepared by John Gallagher in the June ASUTIL issue of *TMI* which can be accessed at travelmarketsinsider.net .

Estée Lauder Companies invests in beauty company DECIEM;

The Estée Lauder Companies Inc. (NYSE:EL) announced last week that it has invested in DECIEM, a fast-growing, vertically integrated multi-brand company, targeting millennials.

Terms of the investment were not disclosed.

DECIEM was founded in 2013 in Toronto, Ontario by Brandon Truaxe, who leads the company alongside Co-CEO Nicola Kilner. DECIEM's multi-brand strategy is propelled by a vertically integrated structure—with its own laboratory, manufacturing, e-commerce sites, retail stores and marketing infrastructure—that enables the company to rapidly identify opportunities, create and incubate new brands, and deliver quality products.

The company has launched ten brands to date – including international cult favorite skin care treatment The Ordinary.

Unilever acquires color brand Hourglass

Unilever has added prestige brand Hourglass Cosmetics to its portfolio. This is the first color brand in Unilever's Prestige portfolio. Terms of the deal were not disclosed.

Founded in 2004 by beauty industry veteran Carisa Janes, Hourglass is known for being a modern luxury beauty brand, combining innovation, luxe packaging, and active ingredi-ents in its complexion products. The brand's first collection launched at Barneys New York more than 13 years ago and included Veil Fluid Makeup, a foundation that merged anti-aging formulas in a cosmetic.