

2016

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Jorge Duany

Cuban Research Institute, Florida International University, joduany@fiu.edu

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Recommended Citation

Duany, Jorge, "Recent Changes in U.S.-Cuba Relations" (2016). *Cuban Research Institute Publications*. 1.
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Recent Changes in U.S.-Cuba Relations

Implications for the Cuban-American Community

Jorge Duany (Cuban Research Institute, Florida Int. University, Miami)

ABSTRACT: Cuban Americans will likely be one of the key social actors in the reconstruction of the Cuban economy after the restoration of diplomatic relations between Cuba and the United States. They are already sending large sums of money, purchasing goods, transferring technology, and consuming services in the private sector of the Cuban economy. The role of Cuban-American remittances could be even more significant in the near future as sources of funding for independent business growth on the Island. However, in order to maximize the potential contribution of Cuban Americans to the Cuban economy, substantial changes in the laws and regulations established by both the Cuban and U.S. governments are necessary.

KEYWORDS: Cuban diaspora; remittances; self-employment

SCHLAGWÖRTER: Kuba; USA; US-amerikanisch-kubanische Beziehungen; kubanische Diaspora; Exilkubaner; Geldtransfer; Selbständigkeit

The reestablishment of diplomatic relations between the United States and Cuba has raised numerous opportunities and challenges for both countries, including citizens of Cuban origin residing in the United States, particularly in South Florida. In this brief essay, I would like to address four main issues regarding the repercussions of the new U.S.-Cuba relations for Cuban Americans. First, how are Cuban Americans currently contributing to the development of small private businesses in Cuba? Second, what is the potential role of Cuban-American remittances in the Island's economic growth? Third, how do Cuban Americans feel about restoring diplomatic relations between the United States and Cuba? Finally, what legal and policy changes would foster the participation of Cuban-American businesses in the emerging private sector of the Cuban economy?

In order to answer the first question, let me begin with a brief background on the recent emergence of a private, or non-state, sector of Cuba's economy, usually referred to as *trabajo por cuenta propia* (self-employment) on the Island. In May 2015, the Cuban government reported 504,613 self-employed

workers or approximately 10 % of the Island's labor force.¹ Most of these workers were employed in three service sectors linked to the tourist industry: *paladares* (small family restaurants), *casas particulares* (bed-and-breakfast houses rented to foreigners), and private taxis, including *bicitaxis*, *cocotaxis*, and *almendrones*, as Cubans call vintage American cars. Other authorized private businesses include beauty and barber shops, car repair shops, construction, and repair of electrical appliances.

Where is the start-up capital for these businesses coming from? According to a 2014 survey, one third originates in Cuban-American remittances, technically defined as direct transfers of money by migrants from the United States to family members on the Island.² Significant informal "investment" (through remittances) is already taking place in Cuba, but is not yet officially recognized by either the Cuban or U.S. governments. At present, small-scale Cuban businesses, operated by family owners, are the main target for "investment" by Cuban-American entrepreneurs. According to one estimate, Cubans living outside the island sent \$ 3.13 billion in total remittances to their relatives on the Island in 2014.³ Forty-eight percent of all Cuban Americans interviewed in the 2014 FIU Cuba Poll sent money to Cuba.⁴ According to Katrin Hansing and Manuel Orozco, about half (47 %) sent money to Cuba by conventional methods (i.e., wire transfers through Western Union), while the other half (50 %) used informal means (i.e., family members or *mulas*—unlicensed remittance carriers—traveling back home).⁵

Cuban-American contributions to Cuba's economy are not restricted to remittances. Cuban émigrés also finance nearly 70 percent of Cuba's cell

¹ *Juventud Rebelde*, "Superado el medio millón de trabajadores por cuenta propia," June 12, 2015, accessed September 14, 2015, <http://www.juventudrebelde.cu/cuba/2015-06-12/superado-el-medio-millon-de-trabajadores-por-cuenta-propia>.

² Maybell Padilla Pérez, "Self-Employment in Cuba: Results of a Survey," in *Cuba in Transition* 24 (2014), ed. Association for the Study of the Cuban Economy (ASCE): 149–52, accessed September 14, 2015, <http://www.ascecuba.org/c/wp-content/uploads/2015/01/v24-padillaperez.pdf>.

³ *The Miami Herald*, "Western Union: Remittances Help Accelerate Change in Cuban Economy," June 10, 2015, accessed September 14, 2015, <http://www.miamiherald.com/news/nation-world/world/americas/cuba/article23700409.html>.

⁴ Cuban Research Institute, Florida International University, 2014 FIU Cuba Poll, accessed September 14, 2015, <https://cri.fiu.edu/research/cuba-poll>.

⁵ Katrin Hansing and Manuel Orozco, *The Role and Impact of Remittances on Small Business Development during Cuba's Current Economic Reforms* (Working Paper 69, *Desigualdades.net*, Research Network on Interdependent Inequalities in Latin America, 2014), accessed September 14, 2015, http://www.desigualdades.net/Recursos/Working_Paper/69-WP-Hansing-and-Orozco.pdf.

phone market, with more than three million cell phones in 2015.⁶ In addition, Cuban Americans make over 50 million telephone calls per year to Cuba. Furthermore, Cubans living abroad send millions of dollars in packages, including food, clothes, medicine, and other valuable items. Nearly half a million Cuban Americans traveled to Cuba in 2013.⁷ They take with them merchandise worth millions of dollars, such as electrical appliances, spare parts, and other items used to develop and maintain businesses on the Island. When Cubans travel to Cuba, they often stay in *casas particulares*, eat in *paladares*, and purchase other goods and services produced by self-employed workers (*cuentalpropistas*). In short, Cuban Americans are already making a substantial contribution to the development of small private businesses in Cuba and therefore to the improvement of the living standards of the Island's population. Recent changes in U.S.-Cuba relations are likely to expand opportunities for Cuban-American remittances, travel, communication, and investment in Cuba.

The second question posed at the beginning of this essay was: What is the potential role of Cuban-American remittances in the Island's economy? In 2015, about a third of Cubans polled on the Island said they received money from relatives and friends living abroad.⁸ Most of the money sent by Cuban Americans is spent on daily household subsistence needs in Cuba, such as food, medicine, and housing repairs. However, remittance recipients are able to save some of the money and purchase assets such as cell phones, cars, machinery, and computers. According to Bendixen and Amandi's poll, 11 percent of the respondents used remittances to invest in productive activities, such as setting up and sustaining small private businesses, like beauty parlors, cafeterias, and *cocotaxis*.⁹ Many of the most successful businesses in Cuba today (like *paladares*) were established with dollars sent by relatives living overseas. The money is often used to purchase goods, repair and remodel facilities, and meet payroll demands. A 2011 study found that remit-

⁶ *Juventud Rebelde*, "Telefonía móvil e Internet: ¿por dónde vamos?," May 13, 2015, accessed September 14, 2015, <http://www.juventudrebelde.cu/suplementos/informatica/2015-05-13/telefonía-movil-e-internet-por-donde-vamos>.

⁷ Emilio Morales, "Viajes desde EEUU a Cuba empujan nuevo escenario turístico a los pies de la nueva ley de inversiones," *Marco Trade News*, April 10, 2014, accessed September 14, 2015, <http://www.marcotradenews.com/noticias/viajes-desde-ee-uu-a-cuba-empujan-nuevo-escenario-turistico-a-los-pies-de-la-nueva-ley-de-inversiones-18316>.

⁸ Bendixen and Amandi, *National Survey of Cubans Living in Cuba* (2015), accessed September 14, 2015, http://bendixenandamandi.com/wp-content/uploads/2015/04/Cuba_Final_4.7.15.pdf.

⁹ Bendixen and Amandi, *National Survey of Cubans Living in Cuba*.

tances financed 27 percent of the day-to-day operations of small businesses in Cuba.¹⁰

More broadly, the massive transfer of money from Cubans in the United States has a multiplying effect on the Cuban economy, by bolstering consumer demand, particularly in agriculture, retail trade, communications, construction, and more recently real estate. Remittances are now the second or third source of foreign currency on the Island, after the export of professional services and tourism. Moreover, remittances are part of a broad-based transnational economy that operates (largely informally) between Cuba and Florida, including retail trade, telecommunications, real estate, and many kinds of services. Anecdotal evidence of this transnational economy would include the following:

- In Hialeah, a city within Miami-Dade County, a Russian-Cuban entrepreneur operates a store that sells spare parts for old American and Russian cars to Cuba.
- Also in Hialeah, the popular discount store *¡No Qué Barato!* offers a wide assortment of goods, including clothes, shoes, and cell phones, largely oriented toward Cuba's consumer market.
- Some Internet businesses in Miami specialize in buying food, clothing, and other basic items for relatives in Cuba.
- Transnational spiritual networks have flourished between practitioners of *Santería* or *Regla de Ocha*, the Afro-Cuban religion, on both sides of the Florida Straits.
- A thriving funerary service industry ships hundreds of remains of loved ones from Miami to be buried in Cuba every year.

The potential of the new U.S.-Cuba relations on Cuban Americans depends largely on their attitudes toward the restoration of official ties between the two countries. Several polls conducted after December 17, 2014 have documented that many if not most Cuban Americans support reestablishing diplomatic relations with Cuba. For instance, a *Miami Herald* poll published on December 19, 2014 found that 44 percent favoured normalization, while 48 percent opposed it (with a 4.1 percent margin of error).¹¹ In a national U.S. poll conducted in March 2015, 51 percent of Cuban Americans

¹⁰ Manuel Orozco and Katrin Hansing, "Remittance Recipients and the Present and Future of Microentrepreneurship Activities in Cuba," in *Cuba in Transition* 21 (2011), ed. Association for the Study of the Cuban Economy (ASCE), 302–8, accessed September 14, 2015, <http://www.ascecuba.org/c/wp-content/uploads/2014/09/v21-orozcohansing.pdf>.

¹¹ *The Miami Herald*, "Poll: Cuban-Americans Split on Obama's Decision," December 19, 2014, accessed September 14, 2015, <http://www.miamiherald.com/news/local/community/miami-dade/article4701411.html>.

supported normalizing relations with Cuba. Support for reestablishing diplomatic ties was much higher outside of Florida: 69 percent.¹²

The 2014 FIU Cuba Poll, conducted in May 2014, found that two-thirds of the Cuban-American population in Miami-Dade County favor diplomatic ties with the Island.¹³ The FIU Cuba Poll also achieved the following results:

- Over time, more and more Cuban Americans in Miami have supported renewing diplomatic ties with Cuba—from 20 percent in 1991 to 68 percent in 2014.
- Fifty-seven percent of registered voters would likely vote for a candidate supporting replacing the embargo with a policy of increasing support for independent business owners.
- 55 percent of the interviewees would invest in Cuban independent enterprises.
- Even though they're split almost evenly on the question of the embargo, most Cuban Americans favor unrestricted travel, remittances, and the sale of food and medicine, and other kinds of trade with Cuba.

In sum, polls show growing (though not unanimous) support for "normalizing" ties between the United States and Cuba, especially among younger, second-generation Cuban Americans, and more recent Cuban immigrants, as well as those who live outside South Florida.

Let me turn to my last question about legal and policy measures that might help promote the participation of Cuban-American businesses in the emerging private sector of the Cuban economy.¹⁴ To begin, the Cuban government should clarify the legal rights and obligations of Cubans living abroad. For instance, the latest legislation on foreign investment in Cuba does not specifically prohibit Cubans living abroad from investing in the Island (and some Cuban officials have publicly expressed that they would welcome such an investment), but it remains ambiguous on this count. Stronger legal guarantees for "foreign" investors (including Cuban-American entrepreneurs) should be provided and implemented in Cuba. Travel, visa, and remittance regulations should be more flexible and less ex-

¹² Bendixen and Amandi, *Polling Results on Cuban Americans' Viewpoint on the Cuba Opportunity* (2015), accessed September 14, 2015, http://bendixenandamandi.com/wp-content/uploads/2015/03/Polling_Results_on_Cuban_Americans_Viewpoint_on_the_Cuba_Opportunity.pdf.

¹³ Cuban Research Institute, *2014 FIU Cuba Poll*.

¹⁴ For more detailed recommendations to facilitate the contribution of the Cuban diaspora to the Island's economic development, see Juan Antonio Blanco, Uva de Aragón, Jorge Domínguez, Jorge Duany, Orlando Márquez, and Carmelo Mesa-Lago, *La diáspora cubana en el siglo XXI* (Miami: Original Books, 2012).

pensive. Cuba's official recognition of dual citizenship for Cuban Americans would probably facilitate their participation in the Cuban economy. In addition, experts have recommended that all economic activities—including professional services—should be authorized in the self-employed sector, and the number of employees allowed per business should be increased. In the political realm, greater tolerance for diversity of opinion and respect for human rights in Cuba would certainly encourage Cuban-American investment in the Island.

On the U.S. side, lifting the embargo of Cuba will be necessary for a full normalization of U.S.-Cuba trade relations (which is unlikely to occur before 2017, under a Republican-controlled Congress). In the meantime, recent U.S. amendments to regulations governing trade with Cuba have facilitated the entrance of U.S. (including Cuban-American) businesses to the Cuban market, especially in agriculture, transportation, telecommunications, finance, and even education. Nevertheless, numerous legal and policy measures still restrict the flow of people, capital, merchandise, information, and technology between Cuba and the United States.

To sum up, Cuban Americans will likely be one of the key social actors in the reconstruction of the Cuban economy after the restoration of diplomatic relations between Cuba and the United States. They are already sending large sums of money, purchasing goods, transferring technology, and consuming services in the private sector of the Cuban economy. The role of Cuban-American remittances could be even more significant in the near future as sources of funding for independent business growth on the Island. In several public opinion polls, most Cuban Americans have expressed strong support for the reestablishment of U.S.-Cuba diplomatic ties and the expansion of the private sector on the Island. However, in order to maximize the potential contribution of Cuban Americans to the Cuban economy, substantial changes in the laws and regulations established by both the Cuban and U.S. governments are necessary, especially the lifting of the remaining trade, investment, and travel sanctions. Perhaps then, the economic exchanges between Cubans living on the Island and abroad will become smoother and achieve their full potential.