

US-Cuba Private Sector Engagement: Merits and Missed Opportunities

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Merits of Private Sector Engagement during the Obama years

- Cuba saw unprecedented private sector growth between 2011 and 2017. By fall of 2016, TCP sector employed more than 500,000 Cubans.
- Hundreds of thousands of U.S. travelers to Cuba (dating to 2011) helped fuel this expansion, benefitting thousands of livelihoods.
- Add private farmers, employees of joint ventures, and informal sector workers (part- & full-time), Cuba's non-state sector accounted for more than one-third of the Cuban labor force at the time.
- American travelers and partners (like Airbnb) helped make private entrepreneurship the most dynamic, jobs-producing sector of the Cuban economy, particularly in 2015 and 2016.

Merits of Private Sector Engagement during the Obama years

- Remittances provided key start-up capital for Cuban private sector growth (albeit informally and not recognized as investment by Cuban law), further **integrating Cubans at home with those abroad.**
- **Partnerships with U.S. universities, NGOs, and cultural institutions** helped propel the growth and diversification of Cuba's civil society, through small business incubation programs, artistic exchanges, and journalism fellowships.
- Thanks in part to such inflows of support, private sector business owners and employees became **important new voices in Cuban civil society** advocating for further economic reform.
- The emergence of a more dynamic, diverse sphere of **digital independent media** in Cuba—including sites dedicated to investigative reporting—was another concrete ripple effect of such engagement.

Missed Opportunities of Private Sector Engagement during the Obama years

- Cuba didn't take advantage of détente to sufficiently deepen domestic reforms and was slow to respond to many opportunities that engagement provided.
- Dozens of American companies flocked to Havana in 2015 and 2016 seeking opportunities created by modest new investment allowances under U.S. law—including in Cuba's state sector. All but a few were rebuffed by Cuban officials.
- While the Cuban private sector flourished with the help of increased numbers of U.S. visitors, it remained tightly constrained in scale and in the areas of the economy in which it could operate.
- Despite including “personalidad jurídica” for SMEs in 2016 PCC Congress documents, Cuban officials publicly balked at granting TCPs the legal recognition they needed to access import and export channels directly, or accept foreign investment legally—despite offers from U.S. institutions/groups to help.

Missed Opportunities of Private Sector Engagement: Obama years & beyond

- By mid-2016, expectations unleashed by President Obama's visit and pressures on centralized control created by a closer relationship with the U.S., led Cuban gov't hardliners to characterize engagement as "regime change by other means." State-media referred to entrepreneurs as "hijos de Obama" (not in a good way).
- Conferences like Start-Up Weekend Havana (sponsored by Dell) were cancelled without cause by Cuban officials; website for the 10x10KCuba contest for tech entrepreneurs was blocked on the island.
- August 2017-December 2019: Cuban government freezes TCP licenses in most productive sectors.
- 2019: the new Constitution acknowledged new forms of private property but kicked binding economic changes, like legalization of SMEs, down the road.

Missed Opportunities of Private Sector Engagement during the Obama years

- July 2020: the Cuban government announced it will finally move forward on several long-stalled pieces of its previously approved roadmap for economic reform. These include: expanding space for Cuba's TCP sector, legalizing small- and medium-sized private enterprises, and advancing currency reform.
- Underrecognized importance of remittances for the Cuban economy and ongoing grievances related to Cuba's closed political system and economy breed substantial resentment in Cuban diaspora communities.
- Cuban government has yet to implement reforms that migrants have consistently requested. This includes lifting residency requirements for investment or allowing Cubans abroad to invest legally in the island's private sector (plus political participation, homogenizing migrant categories, reducing passport fees, etc).

In conclusion...

- Normalization did not achieve enough by early 2017—particularly in terms of U.S. commercial engagement or Cuban-American reintegration into Cuba society—to create constituencies in the United States deep enough to resist political support for a return to resource denial policy under the Trump administration.
- For U.S.-Cuba relations to deepen to during the Biden years, both sides will need to be proactive (but most importantly, Cuba will have to do its part).