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Remittances Keep Cuban Homes Afloat and Offer Capital to Expand Private Sector

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Remittances are seen as a possible source of relief for Cuban homes that might be affected by the dismissal of 500,000 employees in the next five months and will be a source of capital for a greater expansion of private businesses authorized this summer by the government of President Raúl Castro. The layoffs are planned to reduce the number of state workers on the island.

Cuba received more than US$1.2 billion in remittances in 2009, more than half of it from the US where a million and a half Cubans have settled. The remittances to the island were the only ones that increased in Latin America and the Caribbean; in general, they declined by 15% according to the Washington-based Inter-American Dialogue.

An injection of money
Generally, it has been difficult to cite the exact figures for remittances sent to Cuba because of US restrictions for sending money put in place during the administration of former President George W. Bush as well as the existence of various informal methods for sending goods and dollars to the island. The Economic Commission for Latin America and the Caribbean (ECLAC) acknowledges that the dollar amount is more than US$1 billion annually.

Cuban economists also estimate that total annual remittances amount to more than US$1 billion. This number is in agreement with the sales of food, clothing, shoes, and household appliances in the state commercial network using freely convertible currency (peso convertible, CUC).

The main beneficiaries of the remittances are the white population and the middle class, Cuban academics said. Reports from the Inter-American Dialogue indicate that 53% of the remittances come from the US, 23% from Spain, and 24% from other countries. The beneficiaries are about 750,000 Cuban homes, according to the same institution.

Cuban economist Pedro Monreal says the remittances have been a "decisive factor" in mitigating the impoverishment of the Cuban population after the disappearance of the Eastern European socialistic camp in 1990. Simultaneously, they have contributed to the stratification of consumption, the segmentation of the markets, and social exclusion.

The remittances have been considered a source of support for strengthening civil society on the island. Because of them, the population does not have to depend on the state or political or union organizations for work.

Facilities for sending remittances have increased since April 2009 when President Barack Obama eliminated the restrictions limiting Cuban-Americans to sending no more than US$300 quarterly to their families on the island. These restrictions were implemented by the Bush administration and had been in force since 2004.
One oddity about sending remittances to Cuba is that the US maintains the prohibition against sending money or gifts to members of Fidel and Raúl Castro’s regime, members of the Army, and the Partido Comunista de Cuba (PCC). Still, remittances contribute to the survival of the population and also to the survival of the communist government; the majority of basic necessities can only be purchased in state stores.

**Private initiatives**
Cuban families living in Miami confirmed to LADB that their relatives in Cuba have requested help, asking that they increase the remittances in view of the massive layoffs and thus increase the relatives' possibility of opening their own businesses.

In view of the absence of financial services in the socialist economy, remittances would be the source of initial capital needed by the many small entrepreneurs who are predicted to emerge in 2011 from the 250,000 new government-granted licenses for 178 activities, including transportation services, massage-therapy services, and restaurants containing 20 seats.

"The liberalization of the economy could lead to 10% of people who receive remittances to invest in small private enterprises," said remittance expert Manuel Orozco of the Inter-American Dialogue. He said that between 75,000 and 100,000 Cubans who receive money from the US could invest an average of US$2,500 in small businesses.

The regime considers layoffs necessary to increase efficiency and productivity, increase salaries, and support the social expenditures of the socialist system. The restructuring will try to directly link at least 80% of public employees to production, services, and other core activities.

The government intends for the private sector to absorb part of the 500,000 laid-off workers. With 11.2 million inhabitants, Cuba employed 5.7 million in 2009 and 143,800 were self-employed, not including farmers who own their own land, indicated the Oficina Nacional de Estadisticas (ONE).

The government encouraged private work in the 1990s, and in 1995 more than 200,000 people were registered, but subsequently licensing was frozen for activities initially permitted. Other difficulties at that time were the absence of financial support and the lack of inputs and raw materials.

**Fast money**
Western Union agency has been one of the formal methods for sending remittances to Cuba. However, it is estimated that between 40% and 60% of the money that goes to Cuban families arrives through alternative methods such as tourists and intermediaries known as "mules" who transport clothing, equipment, and goods, supplying the underground market on the island.

Networks exist that function similarly to Western Union's electronic transfers. The operation consists of a person sending a money order to agents in Canada or the US and the relatives in Cuba receive the money in CUCs at their home and in less than 48 hours (for 100 CUCs, they must send US$123). Cuba set a levy of 20% for the exchange of each US dollar per CUC.

Cuba signed an agreement in August for remittances through the postal service that includes nine Latin American countries. Signing the new agreement were Argentina, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Peru, Spain, and Uruguay. Under this agreement, remittances are transferred in just 15 minutes.