

## Debate

# Free Trade: The United States and Cuba

ISSUE: Should the trade embargo against Cuba be lifted in light of restored U.S.-Cuban relations?

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In early 2008 Raul Castro replaced his brother Fidel Castro as President of Cuba. Given the younger Castro's propensity toward pragmatism and ability to admit mistakes, the United States saw this change in power as a possible shift toward more democratic policies for the communist Cuba. The United States has had a 53-year trade embargo against Cuba, which suspends not only the trade of goods and services between the countries but also restricts tourist travel.

Due to the global recession of 2008, Cuba's economy suffered greatly, forcing Raul Castro to institute some radical changes. At the time, 90 percent of Cuba's six million workers were government-employed, causing a heavy financial burden on the state. Other areas of the Cuban economy were also failing, resulting in rice shortages, weak yields in sugar crops, and a 37 percent decrease in imports. In 2010 Raul Castro announced that 500,000 government workers would be laid off to alleviate some of the pressure on the struggling economy. These workers would need to find work in the private sector. Before this announcement, only 600,000 Cuban workers were privately employed. Only minor service industries were allowed for privatization, such as taxi drivers and barbers.

Castro stated that the government would grant licenses to entrepreneurs that would allow them to work and employ people in more industries than before. Agriculture was also opened up, but at the same time restricted due to the lack of supplies needed to maintain crops and farms. Other efforts by the Cuban government included partnering with the Roman Catholic Church to start a microloan program for entrepreneurs to open small businesses like shops and light manufacturing operations, as well as investing in certain industries such as oil, tourism, and biotechnology in hopes that these areas would be attractive to new workers. Castro also promised a reform in wages. He proposed that wages should be based on productivity and results. In 2011, the government made it legal for Cubans to buy and sell property, homes, and cars, which had not been allowed in over 50 years.

Despite the trade embargo, the Obama administration has begun to restore relations between the United States and Cuba. The Cuban embassy was reopened, and the U.S. Secretary of State visited Cuba to discuss how to re-establish relations. Although the embargo is still in place, it has become less strict. Food and agricultural exports to Cuba have been allowed since 2001. Other American organizations are showing interest in Cuba's emerging business market and are urging the U.S. government to allow free trade with the country. The Cuba Study Group, in partnership with Banco Comportamos of Mexico, formed a \$10 million Cuban microloan program. Foreign investment, however, is still a challenge. It is hard to have wholly-owned foreign subsidiary in Cuba. Recently, the government passed a new law that reduces the profit tax for foreign investors by half, but this only applies to firms that participate in joint ventures with Cuban companies and the Cuban state.

On the other hand, the country is becoming accustomed to competition and variety. Netflix has announced that it will make its streaming video service available in Cuba, although this initially will not amount to much as Netflix will not accept Cuban pesos as payment and most Cubans do not have credit cards. However, this too is changing as credit card companies gain greater access to the country. MasterCard began allowing for its credit cards to be used in Cuba after the United States announced new rules governing U.S.-Cuba diplomatic relations.

Some think that the United States should lift the embargo against the country to support the capitalistic efforts of the new Cuban market. Proponents argue that the proximity of the two countries is a benefit for trade. Those that advocate for free trade also point out the unequal treatment that Cuba receives compared to other countries with anti-American policies. For example, the United States continues to trade with Venezuela despite the late President Hugo Chavez's anti-American sentiments and anti-capitalist policies. They argue that the United States continued to trade with Venezuela due to our dependence on their oil, creating an unfair situation in which Cuba was targeted but other countries with similar policies were not. Above all, lifting the embargo would be a major step toward the restoration of friendly relations between the two countries.

On the other hand, there continues to be strict opposition to trade with Cuba. Opponents claim that a trade agreement could make Cuba dependent upon the U.S. economy, thus empowering the Cuban people. They believe such a scenario would make Americans responsible in helping a communist government. Critics also point out the many human rights abuses that have been committed by the communist government in Cuba and state that trade with a country that is still highly communist and against entrepreneurship would be supporting a corrupt regime.

There are two sides to every story:

1. The United States should lift the embargo against Cuba as free trade will benefit both countries.
  2. Lifting the embargo against Cuba would show support for a communist regime known for human rights abuses.
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