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By Mario Valdés Navia
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Remittances in Cuba: past and present



Sources: The Young Cuba

The anguished day-to-day life of ordinary Cubans is not only determined by the pandemic crisis, runaway inflation and unforeseen blackouts, but also by the difficulties in receiving the generous remittances sent by their relatives from abroad, one of the main sources of household income for three decades.

On them depends, in the main, that there is a consumer fund to support the realization of goods in the markets in MLC (formerly in CUC), and in the premises of the informal economy.

In unison, remittances are essential for the accumulation fund of the private-cooperative sector, still unable to generate its own domestic savings in MLC, and of an important part of the state sector. In fact, the increase in the dollarized market for production and consumer goods tries to force the senders and recipients of remittances to manage to get them to the country by circumventing the restrictions of the Trump and Biden administrations, which in this field have also been continuity.

In Cuba, remittances remain covered by the secrecy that accompanies the crucial economic data of the Government/Party/State, especially if they relate to the adventures of their prodigal son: GAESA. However, since before the emergence of the nation, remittances and other financial flows from abroad were vital to the economy and contributed to consolidating a culture of its exploitation and hoarding by power groups.

I. Although criticism – sometimes extremist and arrogant – about the role of family remittances in the economy is currently proliferating, the truth is that Cuba has a long tradition in this regard, an accompanying feature of its open economy. According to its economic status, at different times it has been more or less an exporter (remittance), or an importer (remesista), but always the money went in and out of the island profusely for the benefit of Cuban families or their relatives beyond the seas.

Contrary to what many believe, during the first three colonial centuries (XVI-XVIII) Cuba was not able to self-finance. Although its geostrategic position made Havana the most important commercial and military factory of the Spanish empire, its value was not so much for the riches produced here as for those that passed towards the Peninsula through the Fleet System.

As early as 1540, the Crown forced the Captaincy General of New Spain to remit large annual sums—those located in Mexico—to the island to finance the construction of the fortification system and maintain the garrison of the square. In 1584, the island authorities received from the Metropolis the right to distribute such funds. Havana and Santiago de Cuba were the cities most benefited by those located, at the rate of two thirds for the first and the rest for the second.

With ups and downs, the remission of those located in Mexico provided the island with additional income not produced endogenously, which was maintained for almost three centuries, until 1811, when the independence war broke out in the Aztec country.

Gran parte de esos fondos para inversión inmobiliaria de carácter militar (fortificaciones, astilleros), fue desviada en la práctica hacia fortunas particulares, lo que dio lugar a un modo de actuación corrupto que llegaría a entronizarse como hábito de las altas autoridades político-militares y otros grupos de poder: lucrar a expensas de financiamientos externos originalmente destinados al desarrollo del país.

No obstante, en lo tocante a remesas familiares Cuba colonial fue un país netamente exportador. La figura del indiano —ricos emigrantes que volvían a España con las bolsas repletas— y sus envíos fueron determinantes en el desarrollo y prosperidad de familias, pueblos y regiones enteras de la Madre Patria. Si bien la mayoría de los inmigrantes españoles eran pobres que ahorraban para remesar contadas pesetas a sus depauperadas familias y ayudarlas a subsistir.

Con el fin de la colonia, la migración española lejos de disminuir se amplificó, al convertirse en ciudadanos cubanos —o residentes extranjeros— la mayor parte de los peninsulares que vivían en la Isla y buena parte de los ex-soldados del ejército colonial.

A ellos se sumó, entre 1901 y 1930, una exorbitante inmigración que trajo a Cuba a uno de cada tres españoles llegados a América, e hizo crecer la población 2,4 veces entre 1899 y 1931. Otra oleada sería la de exiliados izquierdistas del bando perdedor republicano en la Guerra Civil Española (1936-1939). Aquellos inmigrantes fueron padres y abuelos de los actuales ciudadanos cubano-españoles.

For its part, at the time of the republic the Cuban population had no tendency to emigrate, except in periods of crisis and to the United States. The legal procedures for a Cuban to emigrate to the neighboring country were tedious and rigorous, and the visas granted by the embassy were minimal. The humble workers who tried found little chance of settling in the North. Everything changed with the triumph of the Revolution in January 1959.

Since then, the U.S. has become a safe haven for anyone leaving Cuba, legally or illegally. The visa ceased to be a necessary procedure and the category of immigrant disappeared for Cubans, who were treated without exception as exiles from a communist country, according to the canons of the Cold War.

Neither a remittance nor a remittanceist for three decades, Cuba did not cease to be a recipient of funds from abroad and not linked to its domestic economic activity. These included subsidies granted through the policy of slippery and compensatory prices applied by the USSR and the CAME over twenty years, and those from the sale by the USSR to the West of the surplus oil "saved" by Cuba. Both were estimated at 60 billion rubles and 8 billion USD, respectively.

Regarding family remittances, the legal criminalization of the circulation of the dollar within Cuba conditioned that for three decades the economic contacts between those who left and those who remained were limited to parcels, medicines and food. Consequently, the price of the dollar in the persecuted informal Cuban foreign exchange market remained between 4-7 pesos until the early nineties, when the crisis of the Special Period would change everything.

II. As part of the measures adopted since 1993 to alleviate the deep crisis and paralysis of our economy, the legal circulation of the dollar and the consequent reception of remittances in that currency were decreed. From the beginning, the remittance business was handed over to the CIMEX SA corporation —created in 1978 by Cuban intelligence in Panama— and its subsidiaries FINANCIERA CIMEX SA (1984) and American Internacional Services SA (1988).

In turn, the dollarized market would also be in the hands of CIMEX, which would thus have absolute control of the remittances/travel/MLC stores business. That captive market would generate annually a sum that, although unknown and impossible to know, surely amounts to several billion USD annually. As early as 1995, remittances were estimated at \$537 million.D.

Since then, family remittances have been an important factor in the Cuba-U.S. confrontation. and one of the few financial mechanisms used by the Cuban government to

influence the economic life of the country, although with decisions tinged with a superb authoritarianism. Among them, the one that was adopted in 2004 when, to discourage the entry of remittances in the face of the sanctions of the Bush administration, a 10% tax was imposed on the enemy's currency for its exchange into CUC.

Since 2011, when the liberalization and expansion of the so-called TCP was approved, an immeasurable amount of investment funds for a good part of private businesses began to enter the country through remittances. In the absence of official statistics, this destination is usually attributed to 50% of remittances.

The increased role of remittances in the twenty-first century, however, is not unique to Cuba. In the Latin American region, Mexico is the largest recipient: 23,645 million in 2014, more than a third of the regional total and higher than its oil exports, but the impact on its economy is only 2% of GDP. By contrast, for Guatemala, the second largest recipient country at the regional level, remittances represent 15% of its GDP, half of its exports and the total amount of its financial reserves.

In line with the global and regional trend, the role of remittances in the household economy has also grown in Cuba. Only that the critical state of our economy, its lack of sources of domestic accumulation and the sharpening of US sanctions, caused that in the last decade the influence of remittances increased in a galloping and unequal way.

In 2011 they amounted to 1,500 million; in 2016, in the midst of the Obama-era thaw, to 2500 million; in 2019, despite Trump's sanctions that eliminated transfers by Western Union and transportation by travelers (mules), they were estimated at 2055 million dollars (1,721 from the US), which reached 1,042,451 households, 26% of the total.

To counter U.S. sanctions on military companies, in 2019 the Central Bank of Cuba (BCC) ordered the use of the dollar in retail sales operations in foreign currency, imports, sale of goods on consignment and customs warehouse regime between importing entities and natural persons resident in the country. In this way, the restoration of the reign of the dollar in the Cuban market began, replacing the already inoperative CUC. Again the Cuban peso was in the lurch.

At the end of 2020, the BCC went further and authorized Servicios de Pago Red S.A. (REDSA), a non-bank financial institution that serves the ATM network, to process remittances instead of GAESA's FINCIMEX. However, so far no contact has been reported from that company with that country to comply with the mandate in question.

Currently, a third modality of dollarized commerce is rapidly spreading in stores throughout the island, through the use of VISA or Mastercard cards, to which domestic consumers with MLC cards from Cuban banks do not have access. When buying food and domestic industrial products on the sales portals Envíos Cuba and Bazar Regalo, remittances take the form of direct purchases from abroad, and that fresh money is deposited in foreign accounts that are not known if they belong to the Cuban banking system.

After the protests of 11-J, Biden oriented to renalize the policy of remittances to Cuba in order to make it more flexible, but no result has yet been verified. Although the decrease in the pandemic, the end of vaccination and the reopening of tourism in the winter season augur the beginning of economic revival, the flexibility of family remittances would significantly help to alleviate the effects of the pandemic and promote investment in the private sector (MSMEs, peasants, TCP) and cooperative.

Greater remittances would favor not only the increase in family consumption, but the decrease in the exorbitant price of the dollar in the informal market (75 pesos in card and 62 in physical) and would benefit, by spill, the whole society. The role of the U.S. government in decisions on remittances to Cuba must be reduced.

To that end, the Cuban authorities must do everything possible to remove pretexts from the Cuban/American hawks and achieve the reopening of shipments, although for this they have to subtract from GAESA companies and return to civilian financial institutions the management of this important and growing sector. of national income.

Mario Valdés Navia, Senior Researcher, PhD in Pedagogical Sciences, essayist, spiritist.

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