

Nicaragua A step forward? The US-Cuban Relationship in January 2023

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Senator Christopher Dodd and US President Joe Biden (Source: [Twitter](#))

The new year has already begun for Cuba with important changes that will continue to shape the rest of 2023. Since 6 January, the US mission in Havana has reopened regularly, and as announced, the U.S. offers 30,000 visas per month distributed among Cuba, Nicaragua, Venezuela and Haiti. Those who still cross the border illegally will be deported and lose the possibility to enter legally in the future, the embassy announced on Twitter. In addition, Western Union has announced that it has been transferring money to Cuba again since 11 January. Although initially only on a small scale (20 branches in Florida), the service is to be widely available again in the not-too-distant future.

At the same time as Western Union returned, Cuba's Banco Metropolitano introduced new limits on money withdrawals and transfers. Individuals are now only allowed to withdraw 120,000 pesos or \$5,000 per month. The limit per transfer is 80,000 pesos or 1,000 dollars. Purchases and transactions with legal entities as well as business accounts of companies are not affected by the limits. The limits will also apply to other banks in the future, while currency exchange offices (CADECA) have recently started accepting cash deposits for current accounts as an additional service, as a small incentive to counteract a possible decline in account and magnetic card use. More helpful would be the introduction of attractive interest rates for call money and time deposits, as well as the possibility, as



is common internationally, to manage limits and exception applications independently in online banking without going to the branch.

With these innovations, important parameters of the island's economic and social framework were reconfigured right at the beginning of the year. With what effects?

In the medium term, the return of remittances from the USA (the country where the majority of the Cuban exile community lives) means a not inconsiderable opening of the foreign exchange tap, which has been turned off more and more by

the US since Donald Trump took office in 2016. For the first time since 2020, it is once again possible to send money legally and quickly to Cuba from the USA. Earlier caps were already removed in May last year, turning the timid easing under US President Joe Biden into a reality after six years of a diplomatic ice age. Before the pandemic, remittances were worth US\$3-4 billion a year, ranking ahead of cumulative income from tourism, sugarcane and tobacco harvests.

Fresh money is coming into Cuba, which will benefit not only families but also small and medium-sized enterprises (SMEs). According to the bank's explanation, the caps on bank transactions for private individuals are intended to prevent money laundering and tax evasion by separating private and business accounts. For the latter, the restrictions do not apply, and it is precisely there that larger amounts could now end up, from which quite a few of the now about 6,500 SMEs draw their start-up capital. This is intended to cut off the hitherto common use of private accounts for business purposes without paying tax. So far, so understandable. However, if this is to succeed in the long term, foreign currency must be available at the banks, and the informal exchange rate must move much more closely towards the official 120 exchange rate.

However, the development seems to be trending in this direction. As former central bank economist Pavel Vidal [stated](#), the move has increased pressure on the informal currency market, while the peso is slowly beginning to stabilise: since the end of December, the value of the dollar on the black market has fallen from 175 to 160 pesos.

The change in US migration policy towards legal and safe emigration, a long-standing demand from the Cuban side, is already beginning to have an impact on society. Talk of the dangerous overland route via Nicaragua gave way to a wave of speculation and memes about the "patrocinador", the sponsor or guarantor who now has to be "bought" in advance in the US to have a chance of getting a visa. Between 15,000 and 20,000 US dollars are needed to obtain a two-year residence permit via this route. This will curb the current wave of departures and at the same time humanise it: It remains to be seen how many will still turn to smugglers or take the far more dangerous sea route to Florida in view of the threat of deportation and the forfeited chance of a legal residence permit later on. The prerequisite was Havana's promise to take back illegally apprehended migrants, which has already been implemented for several weeks. Since then, Cuban television regularly reports on the deportations. According to the [latest information](#) from the Ministry of the Interior, 1484 people have so far been transported back to Cuba in 14 deportations - both by air and by sea. Most recently, a US Coast Guard vessel returned a group of 83 people intercepted at sea to Artemisa province on January 21. The losers are all those who are already stranded in the middle of the way somewhere between Nicaragua and Texas and for whom no solution has been promised so far.



A US Coast Guard vessel brought 83 Cuban refugees into the port of Orozco, Artemisa on January 21 (Source: [Cubadebate](#))

Meanwhile, the dialogue between Cuba and the USA has only just begun. On Wednesday and Thursday, the latest round of talks (and the first in this format since 2018) took place on legal and migration issues. A "respectful tone" prevailed, as the Cuban delegation stated. Further easing, such as removing Cuba from the list of state sponsors of terrorism (a move that saw Trump again cut the island off from the global financial system in 2021), now seems within reach. In November, Biden [appointed](#) his old friend Christopher Dodd as the new special adviser on the Americas. Dodd, who has long advocated a shift away from Washington's sanctions policy, could become the key figure in a new phase of rapprochement between Cuba and the United States. But time is pressing. Soon the election campaign will begin again in the US and who will succeed Biden is completely unclear at the moment. "There isn't time to waste with an Alphonse and Gaston routine, dithering over who should act first or whose turn it is to act next. If they are to accomplish anything of consequence before the window of opportunity closes, both President Biden and President Díaz-Canel have to grasp the fierce urgency of now," warns political scientist and long-time expert on US-Cuban relations, William LeoGrande.

In this sense, January has above all brought more clarity and perspective for Cubans. Added to this is the stabilisation of the electricity grid in recent weeks. Since mid-December, the daily power cuts lasting several hours have almost completely disappeared. Although Energy Minister O'Levy has already warned that February will again bring isolated shutdowns due to scheduled maintenance, these "will not be comparable to the 10, 12 hours we had in October", he said. For the recovery of the economy, from agriculture to tourism to the level of inflation, the stability of the power supply is of elementary importance. Should Cuba manage to continue to keep the lights on and avoid surprises, all the above factors could once again translate into a positive dynamic for the island. Or to put it in the words of the former BBC correspondent in Havana, Fernando Ravsberg: "So far, it looks like 2023 has started pretty well for Cuba".