
Preface

After more than a half century of distrust reinforced by tough economic sanctions imposed from Washington, Cuba and the United States may be ready for a new phase in their relationship. Unlikely as it might seem, *Economic Normalization with Cuba: A Roadmap for US Policymakers* by Gary Clyde Hufbauer and Barbara Kotschwar could not come at a better time.

The United States and Cuba have had extremely limited economic ties since the US commercial, economic, and financial embargo on Cuba was enacted in October 1960, a year after Fidel Castro and his revolutionaries overthrew the Batista military regime. In the period since then, Washington's main goal has been to destabilize if not overthrow the Castro regime, an effort that has not exactly been a ringing success. The Castro regime, meanwhile, has managed to survive as a Communist outpost in a region that has largely though not entirely turned to free markets.

Today, however, younger Cubans and Americans appear ready for more political and economic engagement. The regime of Raúl Castro, Fidel's brother, has allowed Cubans to buy and sell property, lifted restrictions on other private economic activity, and allowed more freedom of movement of individual Cubans within and outside the country. Raúl Castro has announced that he will retire in 2018. Recently, protests in Cuba have erupted, with Cubans demanding more liberalization. For its part, the United States, while continuing to criticize the Castro regime for its repression of basic civil and human rights, has quietly loosened restrictions on Cuban-American remittances to family members on the island and has opened the possibility of travel to Cuba to wider categories of Americans. Migration talks have resumed, and discussions on restarting direct mail service are ongoing.

Hufbauer and Kotschwar refrain from speculating on when or how political normalization will take place. Rather they lay out possible steps that US policymakers and businesses can take to restore normal—and reciprocal—economic relations with Cuba when the time comes and focus on the universe of economic and trade issues that will inform the terms and scope of normalization, once a high-level political decision had been made by the United States to move in that direction. While some argue that unconditional US withdrawal of sanctions offers the fastest path to Cuban economic progress, this book contends that reciprocal negotiations offers the best path toward both economic growth and deeper integration between the US and Cuban economies. First, drawing on the cautionary tales of other transition economies, the authors hold that reciprocal negotiations are necessary to tilt the political economy balance in favor of liberalization and mitigate the surge of vested interests that may resist modernization of the economy. Second, the authors hold that Cuba’s embrace of all tenets of a market economy is the best path toward economic growth.

This study suggests constructive avenues for ensuring that the postembargo US-Cuba economic relationship starts on the right footing, with the door to commerce between the two countries opening in both directions. As dissident Cuban blogger Yoani Sanchez told an audience in Miami, “We are going to need each other for a future Cuba and we need each other in the present Cuba.”¹ In this spirit, the authors set out a number of issues and sectors of economic importance and enumerate steps the US government should take to engage the Cuban government to liberalize trade, as well as reciprocal measures Cuba will need to take to ensure equal footing for US companies. The authors suggest several areas for liberalization, including medical tourism, agriculture, and energy. Importantly, the study offers a number of practical tools for advancing closer economic relations.

This study builds upon the Institute’s long-standing work on economic sanctions, the keystone of which is the third edition of *Economic Sanctions Reconsidered* (Hufbauer, Jeffrey J. Schott, Kimberly Ann Elliot, and Barbara Oegg), with regular updates available on the website (www.piie.com). Cuba is an important case in this study of sanctions as an important yet highly controversial foreign policy tool.

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1. Yoani Sanchez, “Cubans, period,” text read at an event at the Freedom Tower, Miami, Florida, April 1, 2013, <https://generacionyen.wordpress.com/2013/04/01/cubans-period>.

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ADAM S. POSEN
President
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