Atlantic Council Report: It’s Time for Cuba to Join the Global Financial System

In Havana, Obama Must Unlock Cuba’s Entry into the Inter-American Development Bank

*New report outlines steps to grow the Cuban economy and empower its people*

WASHINGTON, DC – President Obama’s upcoming trip to Cuba cannot just be a victory lap. A new Atlantic Council report argues that this trip must put into motion one step noticeably missing from previous executive orders: helping Cuba reforms its economy, which will allow citizens to have access to new capital to grow businesses, expand incomes, and improve the lives of millions. This begins with welcoming Cuba to join the Inter-American Development Bank (IDB). The Cubans must want it, but the United States is key to unlocking access to international financial institutions.

*Five Steps to Grow the Cuban Economy: What the US and Cuba Can Do in Obama’s Final Year* pinpoints the need to create a working financial system as the critical next step to improve the lives of the Cuban people. This is an action President Obama can set forth in 2016, offering the Cuban people a concrete move toward progress.

The paper sets forth clear recommendations for developing a financial system in Havana as a precursor to bringing Cuba into the global economic fold. Both are critical for unleashing a Cuban private sector that is on the rise but held back by US and Cuban restrictions. Authored by former Cuban Central Bank analyst and scholar Pavel Vidal Alejandro and former Chief Economist at the US Department of the Treasury Michael Klein, the report shows that economic changes are clearly already underway in Havana. But, in order to accelerate development, Cuba desperately needs a financial system and access to technical assistance and funds, which IDB membership can facilitate.

“Giving Cuba access to technical advice of how to reform its economy may be one of the last big, irreversible moves the administration can undertake to empower the Cuban people,” says Peter Schechter, Director of the Adrienne Arsht Latin America Center.

Olivier Blanchard, Senior Fellow at the Petersen Institute and former International Monetary Fund (IMF) Chief Economist affirms: “...this paper outlines realistic actions both the United States and Cuba can take to update the Cuban economy”. “Cuba would benefit from the unique tools international financial organizations have to offer to assist re-integrating nations back into the global economy.”
Carlos Gutierrez, Chair of the US-Cuba Business Council and former US Secretary of Commerce, says, “Klein and Vidal clearly demonstrate why President Obama should consider allowing Cuba’s membership in the [IDB].”

The report lists other recommendations for the US government to help grow the Cuban economy:

- **Remove** financing restrictions for agricultural commodities and items.
- **Liberalize** banking rules to allow accounts for Cuban nationals that can be used both when in Cuba and abroad and enable US banks to operate within Cuba.
- **Allow** the US dollar to be used for transactions with Cuba.
- **Signal** to foreign banks that they will not be prosecuted for operating in Cuba.

“The embargo will eventually be lifted by Congress.” says Jason Marczak, Director of the Atlantic Council’s Latin America Growth Initiative. “But in the meantime, the United States and Cuba can help to put in place a working financial system that strengthens the burgeoning private sector and improves the lives of Cubans. President Obama should make clear that Cuba is welcome into the global financial order when he’s in Havana.”

The Cuban government must integrate with the international financial system by seeking membership in international financial institutions and taking the following steps:

- **Open the door** to foreign bank branching in Cuba to jumpstart the provision of finance.
- **Set the stage** for a successful move to dia cero, when the currencies are unified, which includes determining and clearly signaling the unified exchange rate for the new currency.
- **Allow** international microfinance providers and NGOs to offer microfinance in Cuba.
- **Foster** the expansion of online banking services and mobile banking to improve retail banking and customer access to finance.
- **Begin** gradual financial liberalization that includes appropriate oversight of financial institutions and the development of an interbank market in government securities.

Eduardo Mestre, Senior Adviser at Evercore and former Chairman at Global Advisory, says, “getting this right has direct implications for the wellbeing of Cubans, as well as for international investors and partners”.

The complete report and the recommendations are available online: [http://publications.atlanticcouncil.org/grow-cuba](http://publications.atlanticcouncil.org/grow-cuba)

###About the Adrienne Arsht Latin America Center

Launched in October 2013, the Adrienne Arsht Latin America Center is dedicated to broadening awareness of the transformational political, economic, and social changes throughout Latin America. The Center is focused on bringing in new political, corporate, civil society, and academic leaders to develop new ideas and innovative policy recommendations that highlight the region's potential as a strategic and economic partner for Europe, the United States, and beyond.
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