



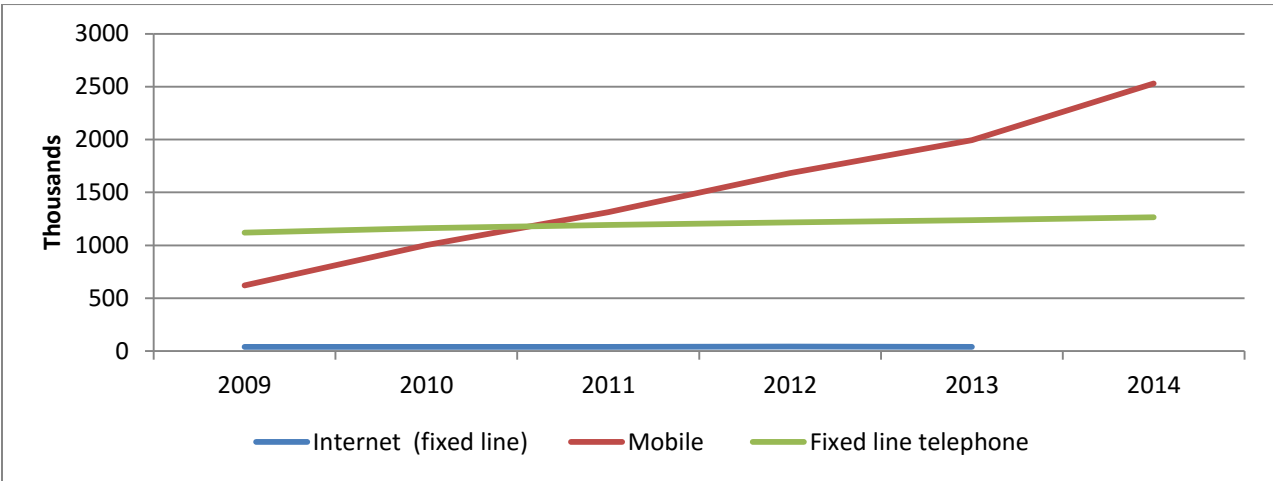
Unlocking Cuba's Services Economy

Linda Schmid,¹ June 27, 2016

Cuba is poised to grow its services economy with an open trade stance. The 6th Communist Party Congress of 2011 delivered 313 economic guidelines; 21% were implemented, and 77% are ongoing.¹ The 7th Party Congress of 2016 tinkered with 193 of those guidelines and introduced an additional 44.² For example, Cuba's 118/2014 Law of Foreign Investment welcomes investors in tourism, renewable energy, mining, construction, and transportation.³ Further reform that enables Cuba's well-educated population of 11 million to get online will unlock the services economy.

Liberalization of information and communications technology (ICT) has already created opportunities for Cubans in the shared economy. In April of 2015, Airbnb expanded into Cuba. Today Airbnb offers 2,000 listings on the island bringing much needed cash to Cubans making due with average salaries of \$20 per month.⁴ New direct long-distance services between the U.S. and Cuba facilitate cultural and commercial exchanges.⁵ Cuba can deepen digital trade with broader reform to the telecom sector (Figure 1).

Figure 1: Cuban Telecom Subscriptions (2005-2014).



Source: [U.S. International Trade Commission, Publication #4597, March 2016.](#)

¹ Whitefield, Mimi, Cuba's Communist Party Congress Wants Change, but Also More of the Same, Miami Herald, April 18, 2016, <http://www.miamiherald.com>.

² Ibid.

³ <http://www.caribbean-council.org>.

⁴ Van Syckle, Katie, Discovering Cuba, One Airbnb at a Time, New York Magazine, July 7, 2015 <http://www.nymag.com>.

⁵ Reuters, US Telecoms Firm IDT Establishes Direct Connection with Cuba, March 11, 2015, <http://www.routers.com>.

Cuba can use the World Trade Organization's [Telecom Reference Paper](#) to reshape its policy environment and attract ICT investment. Empresa de Telecomunicaciones de Cuba S.A. (ETECSA) is the monopoly telecom provider in Cuba. As a state owned enterprise, ETECSA overlooks consumer demand signals for innovation and needed investment.⁶ As a member of the WTO, Cuba can use the Telecom Reference Paper to attract investment to build infrastructure.

Greater access to the internet will unlock Cuba's services economy. Today Cuba's service exports are concentrated in medical (65%) and travel (21%) services.⁷ Cuban doctors working in 60 countries generate over \$2.5 billion a year to Cuba's government.⁸ Professional and medical education services are also significant exports.⁹ Online access would enable Cuban doctors, professionals, medical educators, and artists to engage in digital trade and offer their services online to the global economy.

Part of trading services is allowing providers and consumers to travel across borders. Renewed air travel between the U.S. and Cuba will foster services trade across the Florida Straits. February 16th the U.S. and Cuba signed an arrangement that provides for the reestablishment of scheduled air services.¹⁰ U.S. airlines are lining up to apply for available slots that will bring the U.S. and Cuba closer together for cultural, educational, and commercial trade in services.

ⁱ *Linda Schmid is International Trade and Development Adviser at [Trade in Services International](#).*

⁶ Too Much of a Good Thing, The Economist, March 26, 2016, <http://www.economist.com>.

⁷ U.S. International Trade Commission, Overview of Cuban Imports of Goods and Services and Effects of US Restrictions, March 2016, publication #4597, <https://www.usitc.gov>.

⁸ Guillermprieto, Alma, Cuba: the Big Change, The New York Review of Books, May 12, 2016, <http://www.nybooks.com>.

⁹ U.S. International Trade Commission, Overview of Cuban Imports of Goods and Services and Effects of US Restrictions, March 2016, publication #4597, <https://www.usitc.gov>.

¹⁰ Department of Transportation, United States, Cuba Sign Arrangement Restoring Scheduled Air Service, February 16, 2016, <http://www.transportation.gov>.