Cuba's Cautious Opening

Idea In Short

A presidential visit and a once-banned rock band's concert marked a symbolic thaw after a fifty-year embargo. Underneath the symbolism sits a genuine business opportunity: eleven million people, strong education and health metrics, and proximity to the largest economy on earth, alongside real obstacles in capital access and labor law.

A Concert as Diplomacy

A sitting American president's visit to Havana, paired with a concert from the Rolling Stones, once banned in Cuba, marked a symbolic thaw after five decades of severed diplomatic ties and a formal trade embargo.1 Embassies reopened, and Cuba came off the list of countries the United States designated as state sponsors of terrorism. Symbolic, certainly, but symbolism with real weight: The Economist argued the embargo never seriously damaged the Cuban government while it clearly hurt ordinary Cubans, that Latin American governments viewed the standing embargo as an imperialist relic, and that China's decade of growing trade with Latin America had quietly shifted regional sentiment away from Washington.

A Real Business Opportunity

Cuba's population exceeds eleven million, with roughly three-quarters under the age of 55, and despite GDP per capita below 5,000 dollars, several indicators point toward long-term potential: strong global rankings in education and in physicians per 1,000 population, plus a location just ninety miles from the largest economy in the world. Those fundamentals do not guarantee a quick payoff, but they explain why investors keep watching the island closely rather than writing it off.

A Surprisingly Capable Biotech Sector

One notable bright spot: Cuban biotechnology, described in a Brookings Institution analysis as comparable in scale to a major American biotech firm or a mid-sized international pharmaceutical company. The sector employs roughly 10,000 people, including more than 3,000 with university degrees, over 500 with master's degrees and more than 250 with doctorates in science, spread across roughly fifteen coordinated but semi-autonomous facilities. Cuban biotech has produced dozens of vaccines and treatments, evidence that targeted scientific investment can produce a globally competitive niche even inside a constrained economy.2

Travel Interest, Limited Access

American interest in visiting Cuba is real and growing, with more than 150,000 American visitors recorded in a single recent year despite the island being effectively off-limits for half a century. Direct commercial flights from the United States remained unavailable even after embassies reopened, though cruise lines began offering multi-day itineraries from Miami, an odd asymmetry between diplomatic thaw and practical travel infrastructure.

Capital Is Still Not Coming

Foreign direct investment into Cuba has lagged noticeably behind regional peers, trailing even smaller economies like the Dominican Republic and Jamaica, according to Financial Times data. The gap matters because reopened diplomacy does not automatically translate into capital inflows, and investors weighing Cuba are still pricing in substantial political and regulatory risk relative to nearby alternatives.

The Labor Market Catch

Foreign employers face an unusual hiring structure: the Cuban government dictates which workers a company can hire, and wages flow first to the state before reaching the employee, functioning effectively as a government-run staffing intermediary that likely retains a meaningful share of total compensation. Hospitality executives operating on the island have noted this structure as a real constraint on scaling operations, even where demand and interest are otherwise strong.

Lessons From Other Reopenings

Cuba is not the first economy to reopen slowly after decades of isolation, and comparisons to Vietnam's gradual market opening are instructive. Vietnam's transition took roughly a generation to move from initial reforms to genuinely deep foreign investment integration, with early years marked by exactly the kind of thin capital inflows and cautious investor sentiment Cuba now shows. Investors who treated Vietnam's early reform years as a reason to wait entirely, rather than to enter cautiously and scale up over time, generally missed the more attractive entry pricing that came before the market fully matured.

What Regional Politics Add to the Picture

The reopening did not happen in a vacuum, and regional context shaped the timing as much as bilateral diplomacy did. Growing Chinese trade and investment across Latin America over the preceding decade had quietly shifted the region's economic center of gravity, giving Cuba alternative partners it did not have during earlier decades of isolation. Venezuelan aid to Cuba, reported at roughly 1.5 billion dollars annually, added a further layer of risk, since that support depended heavily on Venezuela's own volatile economy staying solvent enough to keep sending it. Investors weighing Cuba were, in effect, also weighing the stability of Cuba's other regional relationships, not just its relationship with Washington.3

A Decade, Not a Headline Cycle

Cuba's opening is genuine and still very early. Most Cubans earn under 2,000 dollars a year, the American embargo remains only partially unwound, and Cuban governance has not fundamentally changed. Trade consultants advising on the market generally frame it in ten-year horizons rather than quarterly ones, a sensible discipline for an opportunity built more on demographic and geographic promise than on present-day infrastructure.

- 1Cuba-United States relations
- 2Biotechnology in Cuba
- 3Economy of Cuba

Summary

Reopened embassies and a Rolling Stones concert made for great symbolism. The substance is slower: promising demographics and biotechnology, thin foreign investment, no direct flights and a government that still controls hiring and wages. Investors should plan

on a decade, not a headline cycle.