



A little more capitalism in Cuba's economic mix

by Andrew Thompson

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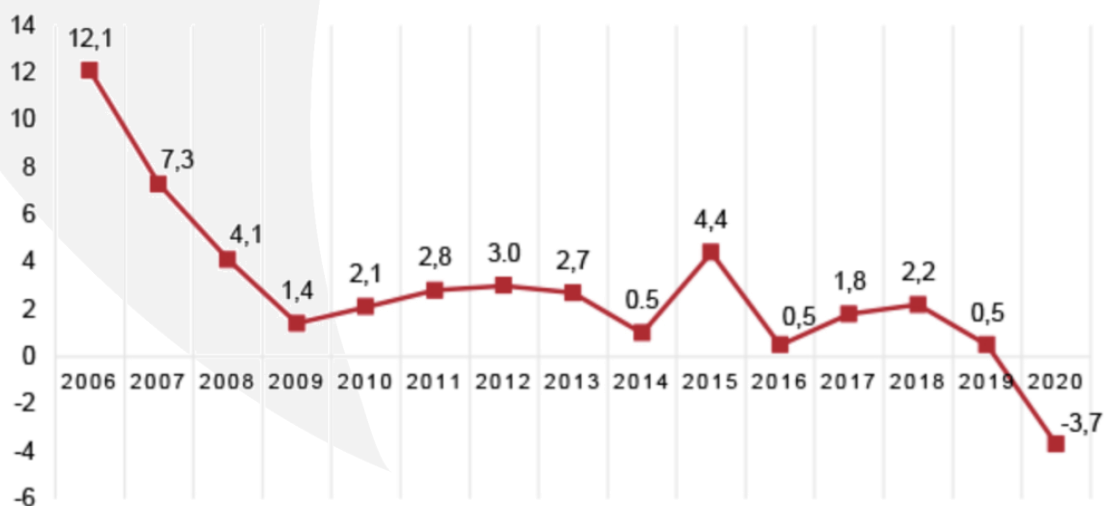
What happened?

Self-employment, until now restricted to 124 permitted jobs, is to be expanded to over 2,000 roles listed in the National Classification of Economic Activity, the Cuban government said on 6 February.

The details

The Cuban economy is in trouble, and the Communist Party government of president Miguel Díaz-Canel appears to be experimenting with the controlled introduction of a little more capitalism into the mix. The authorities have been doing this since 2010, tinkering by increasing or decreasing reliance on the private sector, in what remains a fundamentally state-run economy. This time however the changes are potentially more sweeping. The government is still unwilling to talk about the private sector by name (it prefers to call it the 'non-state sector') or to recognise the existence of businesses (it refers only to the 'self-employed'). Nevertheless, labour minister Marta Elena Feitó says that there are 600,000

Figura 1. Crecimiento del PIB de Cuba entre 2006 y 2020 (a precios constantes)



Fuente: ONEI, 2008 a 2019; CEPAL, 2020.

Cuban GDP % Change at Constant Prices (Source: [Real Instituto Elcano](#))

self-employed people, representing 13% of the economically active population. It seems that the intention is for those numbers to go up.

The context is that Cuba has taken an economic hammering over the last year. Tighter US economic sanctions imposed by the outgoing Donald Trump administration in the US, coupled with the COVID-19 pandemic have played a big part. Estimates of economic contraction last year range as high as 11% while tourist arrivals plummeted by 80% (tourism re-opened late last year but remains overshadowed by a new surge in coronavirus cases). Since the start of 2021, when the country eliminated its two-tier currency system, Cubans have experienced a major devaluation. Just as in capitalist economies, the devaluation has led a surge in inflation, downward pressure on the purchasing power of salaries and pensions, and a painful adjustment process.

It seems that the government is acknowledging that there must be an economic re-set, with resources needing to be moved from loss-making, low productivity sectors into new and higher productivity ones. Oniel Díaz Castellanos, a Cuban entrepreneur, calls it a historic change, saying “There are a lot of businesses that were illegal and can now be legalised, and there’s going to be a lot of innovative ideas that will be unleashed...it is an economic opportunity.” There is also a less encouraging view of how things may play out, however, which sees state-owned enterprises simply dumping workers into the self-employed sector where they may end up earning very low wages. Some fear the government may not give the self-employed enough support for the experiment to succeed – for example access to wholesale markets for the moment remains restricted.

What does it mean?

The government is hoping a relaxation of US sanctions under Joe Biden may help a tourism-led recovery but is likely to resist pressure from Washington and from inside Cuba itself for domestic political liberalisation to accompany any economic relaxation.

About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC’s Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



These stories are also available on Andrew’s blog site, [La Rambla Research](#).