

Omar Everleny: Create incentives instead of restricting the economy



The portal [Joven Cuba](#) is currently publishing a series of articles by renowned Cuban economists on and outside the island under the title “[Urgent proposals for the Cuban economy](#)”. Cubaheute is publishing a selection of these contributions in German translation (and here translated into English) under a Creative Commons license. We begin with the [article by Omar Everleny Pérez](#), a lecturer at the University of Havana and former director of the Center for the Study of the Cuban Economy (CEEC).

There is no single path to try to get the Cuban economy out of the point where it is. But if a comprehensive reform is carried out, and not only work is done on the urgencies but also the suggestions of Cuban academics are heeded, the reality could change in some sense.

An inventory of measures that could give oxygen to the population and stimulate those inactive productive forces that exist could include the following:

1. Expand the list of trades approved for private practice, increase the social purpose that has been restricted to MSMEs and not control them excessively to the point of discouragement. The numbers speak, the non-state sector is contributing more than 50% to the needs of the population's supply of goods and services, in a considerable group of items.
2. Create wholesale input markets with foreign companies or trading firms for all forms of ownership including state ownership. This would avoid the outflow of foreign currency to buy inputs abroad.
3. Formalize purchases and sales of foreign currency at the rates circulating in or near informal markets. It would give greater security to money changers.
4. Work on the credibility of banks operating in foreign currencies so that confidence in making deposits is restored. As long as deposits are made in foreign currency and

then caps are placed on withdrawals, no one will deposit, but people will look for alternative mechanisms.

5. Create special economic zones for purchases by Cuban citizens in the national territory with acceptable profit rates, for example, between 30 to 40 percent on the cost of the merchandise purchased, not 240 or 300 percent, which would allow a greater rotation of money. Since the country lacks foreign currency, this market would operate in U.S. dollars. But the State wins, not loses, and the population improves its purchasing power after it has received wage increases. It is hard to understand how other countries gain from Cuba's economic situation and the authorities are only dedicated to control, instead of being proactive. Why do Cubans have to buy in Isla Margarita in Venezuela, Panama, or Mexico, even in Miami?
6. The Law of Enterprises and the Law of Cooperatives are necessary laws for the legitimization of all forms of property. We are still waiting.
7. Remove the subsidy to unprofitable companies for 3 years or more. And look for a mechanism that will allow the bankruptcy of these companies.
8. Incentivize and not regulate private exporting or importing companies, allowing non-state forms to channel their inputs or sales through them. And consequently, allow the largest state-owned companies to go abroad to buy the goods and products they need. This would mitigate the state monopoly of foreign trade (with few companies), and this should only be valid for massive purchases of the Cuban state, such as food and energy, among others.
9. Eliminate the employment agency for foreign entities, instead allow direct contracting and collect taxes on the salaries earned by the workers who are hired. Keep in mind that this is one of the first concerns for foreign investors in the country.
10. There should be greater proactivity in the search for foreign capital from Cuban individuals or families living abroad. A law is not enough, and the country's authorities know that. Just as exhibitions are held to announce the portfolios of investment opportunities to foreign entities, actions could be carried out through the Office of Cubans Living Abroad of the Ministry of Foreign Affairs.
11. State assets that are idle, closed, or decapitalized could be given in usufruct or for a definite period of 20 or 30 years to private Cuban entrepreneurs or to their own workers, including sugar mills that have not been operated for many years and so are almost junk, so that they can produce sugar or derivatives, or food for livestock.
12. Seek the creation of communal institutions privately aimed at garbage collection, repair of streets, sidewalks, bus stops... These can be financed by local governments, especially in small municipalities and not in large cities.
13. Design an attractive policy to attract international microcredit entities, which have been interested in the Cuban market for many years. Even from the United States.
14. Reconsider the institutional structure of the country: the Unidad Empresarial de Base (UEB) do not work, and the Organizaciones Superiores de Dirección Empresarial (OSDE) continue to operate in practice as superministries. It is therefore necessary to flatten the structures, to separate enterprises from ministries, and to link enterprises to local government, not to the central level.
15. Abandon the habit of regular price capping and do it only when concrete results are sought. It is harmful in the medium term. The population benefits momentarily but then prices go up again, or shortages are generated because the market adjusts to other variables. In order to lower prices, policies that bring about an increase in

supply and concurrence/competition should be favored. The country's economy is not managed like a store. The State must concentrate on strategic issues.

If we continue at the current pace, without profound changes, it will be difficult to reach 2030 with the objectives that have been set. It is well known that the international panorama does not help Cuba: the blockade is still intact and is exerting more and more pressure on the economy, loans are non-existent and are becoming more complicated as Cuban debts increase, there is a marked volatility in the prices of primary products, etc.

But the country does not have the economic size to try to change this international environment. The only thing left to do is to concentrate on modifying the internal situation.

The Vietnamese model, in which many went from simple self-employed workers in the 1990s to today's transnational investors, should be studied in detail. It is valuable to learn more about the life stories of many businessmen in that country, which was in ruins just over 30 years ago, and today is a very dynamic country in Southeast Asia, with a political model similar to that of Cuba.

In conclusion, the proposed measures are aimed at creating a more dynamic economic environment, in which stimulus to production and investment replaces excessive restrictions and controls. Without profound reforms and a change of focus that favors the expansion of supply and confidence in economic actors, Cuba will find it difficult to emerge from the serious crisis in which it finds itself today. ([Cubaheute](#))