



# Mipymes: New Private Economic Actors in Cuba and the Challenge for a Feasible Socialism

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**Abstract.** Cuba is the object of investigation of many studies that seek to understand how the only socialist country in Latin America has endured for more than six decades. We assume that the economic restructuring policies intensified after 2008 are part of the continuity strategy. Thus, the aim of this paper is to explain how the legalization of private Micro and Small Enterprises (Mipymes) in the context of the 2021 crisis falls within the frameworks of updating Cuban socialism. The methodological approach of the research was of a theoretical-explanatory nature with analysis of data collected from primary sources. We verify that the expansion of non-state management has advantages, but also systemic and political-ideological problems that will tend to coexist for a long time to come. Although the adaptive measures incorporate market characteristics, the local development projects generated by the revolution still rule the system. Finally, we understand that the historical pendulum movement between centralization and economic flexibility adopted by the Cuban regime is part of what we understand as feasible socialism or sustainable socialism.

**Keywords:** updating socialism · Lineamientos · Cuba · private enterprises · crisis

## 1 Introduction

The objective of this paper is to draw a general panorama of the creation of Cuba's Small and Medium Enterprises-SMEs (Mipymes in Spanish) one year after their legalization. Specifically, we intend to problematize the expansion of these economic actors in the Cuban context, understanding this measure as a challenge in the face of the historical paradox that is configured, that is, the need for economic restructuring without mischaracterizing the original socialist project in the face of market economy pressures.

Although the subject of Mipymes is recent, it is significant for understanding the framework of updating Cuban socialism that has been in place since the Raul Castro administration, but made official in 2011 with the so-called *Lineamientos de la Política Económica y Social*. A moment in which the country rethinks its “economic reinsertion under the new conditions of the international economy,” and begins to focus “on the development of a sustainable socialism” [1].

Thus, the importance of this work resides in its actuality and in the fact that it seeks in the readjustments of the Cuban socialist model a plausible conception for the

construction of a viable society, without, however, giving up the socialist project as a model for overcoming capitalism.

In order to develop the arguments, we will start from the following questions: How is the new framework one year after the decree law number 46/August 2021? What does this transformation represent for the Cuban economy?

We assume that, although Cuba is “an irrevocable socialist state of law” based on planned economic centralization, the relative decentralization of production through the expansion of non-state management models demonstrates that this would be a path towards the so-called feasible socialism [2].

Preliminary data show that the inclusion and expansion of Mipymes arise to boost labor activity on the island, in addition to complementing the productive economic chain, shaken during the Covid-19 pandemic. However, they still face some difficulties in implementation and adaptation to the context.

For this work, we consulted primary sources, specifically the list of Mipymes created and released monthly by the Ministry of Economy and Planning (MEP). We also consulted the Legislation and official reports in order to gather complementary data regarding labor occupation, the price index, food production, and construction activities.

As a theoretical contribution, we used the concept of feasible socialism developed by Alec Nove, as well as a literature review on the transformation process of the Cuban economy developed by Carmelo Mesa-Lago and other authors.

Thus, in order to follow a methodological path that responds to the problem posed, we divided this paper into six parts. Section 2 outlines the data collection procedures used to formulate this paper. Section 3 introduces the theoretical debate about the concept of “feasible socialism” based on Alec Nove. Section 4 presents a brief structural historical contextualization on the opening of the Cuban economy to private actors. Section 5 presents the main results obtained in light of the systematization of the data. Finally, the conclusion in Sect. 6 presents the main challenges for the Cuban economy in the face of the new set of economic actors.

## 2 Materials and Methods

This paper has a theoretical-conceptual approach and uses the deductive method. It seeks to describe, explain and prove some changes underway in the socioeconomic context of Cuba, based on the case of the legalization of Mipymes. We associate the exploratory-qualitative character (fact-finding) with the descriptive-quantitative character (data collection from primary sources). For this, we define the sample, as well as the data collection, organization and analysis.

### 2.1 Sample

The sample of companies selected in this work was based on the 50 lists of Mipymes disclosed by MEP through the New Economic Actors Channel, of Telegram. The choice for Telegram was an alternative to the MEP’s official website, whose connection is impossible in Brazilian Territory. The 50 lists cover a period of September 2021 to September 2022, i.e. the period of one year after the legalization milestone. Based on

MEP figures, this period has seen 5,165 economic actors approved since the start of the process in September 2021. Of these, 5,056 Mipymes were private, 51 state-owned, and 58 cooperatives. In their origin, 52% represent reconversion of existing businesses while 48% correspond to new ventures. For this work, we considered only private companies, since this is the specific object of the analysis. The sample covers 15 provinces, and most of the companies are based in La Habana (1963 Mipymes).

## **2.2 Data Collection and Organization**

The data from each of the 50 lists was collected manually and catalogued month by month. This process was done between April and September 2022. The lists were organized by months and then summed up at the end. Private companies were separated from state companies and cooperatives. The total summation was done based on the private companies only. At the end, we produced a tabulation of the main activities constituted in the first year of legalization of Mipymes, the result of which was represented in a chart and divided into the following categories: construction, gastronomy, food, ICTs, vehicles, clothing, furniture, and other services.

The classification into categories is based on the nomenclature made by MEP, but differs somewhat from the proposed cataloging. This is because the intention is to broaden the scope of the activities analyzed, in order to offer a more complete dimension of the companies' areas of activity. Thus, for example, if for "IT activities" the MEP considers only companies that produce software, in this work we expand the term to "technology-based enterprises or ventures" which, in addition to software production, also incorporate ICT-related services in general, such as rental, sale or repair of micro-computer equipment, website and application design, and development of commerce via platforms.

## **2.3 Data Analysis**

For the data analysis, we selected the four main areas of greatest concentration of private enterprises, namely: construction, gastronomy, food, and ICTs. In addition to the already mentioned category of technology-based enterprises, in which the area of ICTs is included, in the construction sector both the production of materials and the provision of services were considered. The gastronomy sector is specifically focused on services. The food sector considered the production of meat, fish, shellfish, vegetables, fruits, bakery products, confectionery, olive oils, milk, and non-alcoholic beverages. For each of these four areas we used the historical and conjectural analysis supported by official governmental reports such as *Gaceta Oficial*, *Oficina Nacional de Estadísticas (ONEI)* and *ECLAC*. We also used information from official online channels such as *Granma*, *Cubadebate*, *Agencia Cubana de Noticias (ACN)*, as well as video interviews and government conferences released via *Telegram* or *Youtube*. In addition, the analysis of this work was based on Alec Nove's theory of "feasible socialism," for whom the decentralization of the socialist mode of production through the presence of a small non-state sector could guarantee the survival of the system.

### 3 Planned Socialism: Theoretical Basis

The discussions about socialist planned economy permeate a series of theories built on historical experiences throughout the 20th century. Since the establishment of the USSR in 1917, the debates ranged from the adequacy of an alternative economic plan to the market economy with the use of economic calculation or not (Bukharine, Preobajensky, Piatokov), to the importance of technological incorporation in productive processes, bringing to light the possibility of a socialist cybernetic economy (Leontieff, Kantorovich, Lange). These and other formulations reverberated in some experiences in Eastern Europe, China, and Latin America.

In Cuba, the figure of Che Guevara was essential for the implementation of an economic debate with Cuban characteristics. This brought among other concerns the criticism of the use of the law of value in the USSR, the need to combine a pragmatism absent of bureaucracies [3], as well as the adoption of entrepreneurial management techniques, adopting even some more advanced administrative capitalist forms [4].

A brief resumption of the theorizations regarding the Island's socialist economy is important even because, as Nodarse [5] states, Cuba today represents one of the few nations that maintains the condition of centrally planned economy, according to the United Nations classification. Ellman gives us a more precise definition: "what is common to planning in all state socialist countries is the use of state property as a means of production and planning of the national economy" [6].

The discussions that followed immediately after the Revolution about which ideal economic model to incorporate passed through the debate of two systems that coexisted together in the second half of the 1960s: the Financial Budgeting System ("Financiamiento Presupuestario") and the Economic Calculation model [7]. The former, refers to "state control of all production units". The State is the sole owner of the means of large-scale production, and private property is only the small ownership of land for subsistence. The second, on the other hand, "adopts self-management and self-financing of production units, and advocates a more expressive non-state sector" [8].

This balance is fundamental to understand how the sectoral reforms implemented from the crisis special period, and with more vigor from the frameworks of the *Lineamientos* in 2011, have converged to an update of Cuban socialism that is very close to the systematization suggested by Alec Nove [2]. Although Nove bases his arguments on the Soviet context, his formulations are important because they point to some contradictions in the plans that led to the disintegration of the "really existing socialism".

Therefore, it is possible to ask whether the author's systematization could be applicable to the Cuban case, considering that it is very similar to a prophylactic measure that combined market action with state control of companies [9]. In other words, one could also think of a reformist vision as, according to Ellman [6], some economists from Eastern Europe (such as Kornai, in Hungary) did. In this way, one hopes to combine some advantages of socialism (end of exploitation, socialization of economic decisions, full employment, inflation control, and social security) with the advantages of the market (innovation and technical progress, attention to individual consumption, end of scarcity, and increase of intermediate products) [6].

This challenges the Marxist-Leninist economic fundamentals on which economic growth is a unified process between production, distribution and consumption, being the

centralization of productive processes the key element for the maintenance of socialism. For Ellman [6], the problem is that by establishing management on a national scale, the plan reduces the complexity of the process to a “giant factory” logic administered by technicians capable of establishing a social rationality based on collectivization and nationalization of the means of production.

Also for Nove [10] the Soviet experience made the mistake of organizing productive relations on a large scale and delegating to the State the control of all economic processes. Therefore, within what he called “the economy of feasible socialism”, Nove (1989) proposes the coexistence of several economic scales in the productive sphere, which would also imply a variety of techniques and organizations fostered by political participation. Thus, the author suggests a structure of socialism based on a mixed model consisting of: 1) centrally controlled and managed state enterprises; 2) state-owned or socialized enterprises; 3) cooperatives; 4) small-scale private enterprises; and 5) “individuals”(freelancers) [2].

Thus, to understand the representativeness of Mipymes in the current context of Cuba, it is important to recover some historical milestones of the incorporation of private actors into the socialist economy. These policies have oscillated between the expansion and reduction of these forms of management. Mesa-Lago states that since the Revolution, the island’s economic periods have been marked by alternating cycles of political idealism and market pragmatism [11].

However, even if the larger-scale liberation of non-state management models expands the possibilities of economic restructuring, it will not mean the final solution to the crisis. As Nove rightly states, “a government with a socialist tendency must have control over the purposes for which investments are made [...] A socialist development plan depends a lot on size, resources, and circumstances” [2]. This means that despite political efforts, Cuban socialism will need to manage the contradictions arising from the economic reforms themselves, such as the increase of inflation, product scarcity, input deficit, and bureaucratic obstacles to the emergence of new actors.

## 4 Private Actors in Cuba’S Economy Trajectory

The history of private enterprise in Cuba follows the logic of the “pendulum” stages, of which *cuentalpropismo* or self-employment (TCP) is a part. Although the term became popular in the 1990s, during the so-called Special Period, the existence of small-scale private businesses is not new on the island.

Even with the nationalization of property after the triumph of 1959, the new government allowed some self-employed activities very restrictively. With the relative stabilization achieved by the revolutionary policies and faced with the framework of labor informality, they would adopt a more lenient stance between the years 1970 and 1985, legalizing self-employment in some services such as carpenters, mechanics, engineers, and doctors [12].

This sector would reach the early 1990s with some restrictions: the impossibility of salaried hiring and the inaccessibility to bank credit [13]. In addition, until the turn of the 1990s, government policy was oriented to promote the integration of companies in a vertical way, so that the final decisions followed the central model. A trend contrary to

the so-called productive restructuring that in this period strengthened the “participation of small, flexible units” [13].

This scenario would begin to change in the initial years of the crisis characterized by the dissolution of the Eastern European socialist bloc, the end of COMECON (Council for Mutual Economic Assistance of the Socialist Countries), and the intensification of the U.S. embargo through the Torricelli Act/1992 and the Helms-Burton Act/1996. According to the ECLAC report (1997) [13], the opening to small-scale activities during the Special Period was determinant to absorb the surplus labor resulting from the economic collapse.

Mesa-Lago [11] states that during this period, the closure of companies caused the productivity of the labor force to fall. By 1995, between 500,000 and 800,000 workers in the state sector were idle. They needed to be rationalized, or voluntarily relocated.

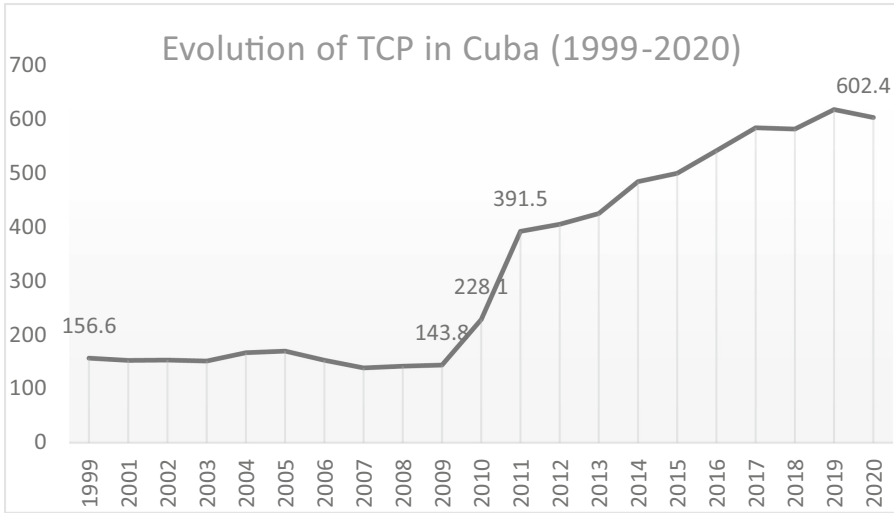
This again required the government to be flexible with respect to non-state employment, as Cubans, faced with shortages of food, fuel, transportation, and other services, began to create their own livelihoods. At this point, the decentralization of the vertical integration apparatus made it possible to sectorize auxiliary activities that could both absorb labor and produce lower-cost, better-quality components.

The 1992 constitutional reform brought an advance in this sense, by including the principle of complementarity among Cuba’s economic actors [14]. The production of the state company ceased to be exclusive and began to support other economic subjects to guarantee the effectiveness of productivity. In 1993, by means of Decree Law 141, self-employment was significantly expanded [15].

However, it was with the arrival of Raul Castro in 2008 that Cuba’s economic reforms intensified the market character, especially with the expansion of activities allowed for private actors. In 2010, in order to reorder the “available workers”, a relaunch of the TCP came into force and that already foresaw among other things “other forms of non-state employment” [16].

Vidal & Villanueva assure that in this period, the new actors had “a positive impact on the supply of consumer goods and services, mainly the elaboration and sale of food and transportation. For some families, this constitutes an alternative source of income to state salaries and pensions” [17].

Figure 1 shows that in 2010 and 2011, there was a significant jump in *cuentapropismo*, resulting from the expansion of permitted activities from 117 in 1993 [15] to 178 in 2010 [16]. The number of TCPs remained stable, with no major significant advances for a decade (1999–2009), until the turn of the second decade of the 2000s when there was a 172% increase, advancing from 143,800 *cuentapropistas* in 2009, to 391,500 in 2011.



**Fig. 1.** Source: Author's estimates based on ONEI/Employment and Wages-2020

Thus, over many years of experiments and rearrangements, finally it is with the frameworks of the *Lineamientos*, promulgated in 2011 on the VI Congress of the Communist party, that “the command of the revolution has become more pragmatic”. They no longer saw *cuentapropismo* “as an activity allowed in case of urgency, but rather as something important in the construction of the new business” [18]. The official document recognizes the new forms of management as a way to promote productive efficiency [19]. Which, in turn, does not mean the promotion of private property in Cuba.

In 2016, on the VII Congress of the Party, as well as the updating of the *Lineamientos*, Raúl castro was emphatic in stating that the spread of private models does not mean the return of capitalism on the island, given that the concentration of ownership and wealth of non-state management forms is not allowed. It is, in another way, “calling things by their name and not taking refuge in illogical euphemisms to hide reality” [20], recognizing, in this sense, that TCPs, in practice have triggered the formation of small and medium enterprises without legal personality, but fundamental to the subsistence of entire families.

The flexibilization of private enterprises gains another dimension in Miguel Diaz-Canel's government. In addition to the measures to tighten the economic blockade enacted by the Trump government in 2019, the covid-19 Pandemic further deteriorated the socioeconomic scenario of the island, forcing the current government to recognize the legalization Mipymes as complementary activities to state production.

## 5 One year Later, What do the First Mipymes Represent?

The Covid-19 pandemic has led the country into the worst economic crisis in 30 years. According to the acting Minister of Economy, Alejandro Gil, GDP will shrink by about 13% between 2020 and 2021, [21] the worst result since 1993 when GDP retreated by

13.6% (ECLAC, 1997) after the dissolution of the Comecon. The balance sheet presented during the National Assembly of People's Power in October 2021, shows some impacts caused by the crisis between 2020/2021: [21].

- the inflow of dollars reached only 60% of what was established in the plan (\$700 million less)
- exports met 68.7% of the plan while imports reached 65% of what was planned
- drop in exports of services (67% of the plan), represented mostly by tourism
- failure to meet sales of tobacco (91% of the plan) and rum (85% of the plan), two of the country's main exportable goods.

This scenario led to the accelerated implementation of some economic reform processes, such as the legalization of Mipymes, which can be state-owned, mixed, or private. The officialization of these occurred through decree law number 46, published in August 2021, which defines them as “economic units with legal personality, which pose their own characteristics, and which have as their object to develop the production of goods and the provision of services that satisfy the needs of society” [22].

Mipymes constitute a milestone in the updating of socialism, as they expand the scope of the so-called “second economy” [13] characterized by greater market liberalization and the incorporation of non-state enterprises as complementary actors to the production chain. In this sense, Gil points out the importance of their role in driving the development of the economy and the need to create a link between state and private production, dispensing with any kind of duality. “There is no ‘them and us,’ we will not win if there is no link between state and non-state. This is not a parallel market, but part of a whole process” [21].

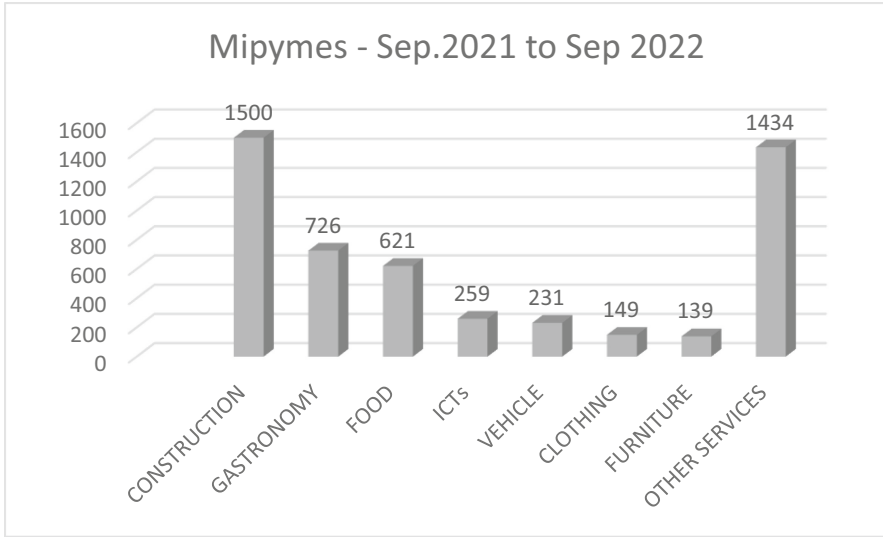
The creation of a Mipyme is restricted to the constitution activities legally authorized by the MEP, the so-called essential activities such as electricity, telecommunications, education health, among others remain managed by the government. The first round of authorizations prioritized food production, exporters of goods and services, local development projects, projects incubated in science and technology parks, circular economy and recycling, and technology-based ventures [23].

As of September 19, 2022, the MEP counted 5165 approved economic actors since the start of the process in September 2021. Of these, 5056 Mipymes were private, 51 state-owned and 58 cooperatives [24].

In their origin, 52% represent reconversion of existing businesses while 48% correspond to new ventures. With this number of economic actors, the government estimated the generation of 87,872 new jobs in the Cuban economy. [24].

Figure 2 shows the overview of Mipymes formed one year after their legalization. The tabulation considers only private Mipymes, without considering cooperatives and state-owned ventures.





**Fig. 2.** Source: Author's estimates based on 50 lists released by MEP

From the quantification of the activities constituted with the Mipymes, it is possible to verify that after one year, the construction enterprises constitute the majority of this scenario, representing practically one third of the total of private Mipymes. Next come gastronomy and food production services. An interesting fact concerns the establishment of technology-based companies, which generally occupy the fourth place in the ranking. According to MEP, this is the only sector where the majority of new businesses outnumber the creation of companies by reconversion (66% are new companies), which reveals how promising this activity can be for Cuban society.

Before problematizing the constitution of Mipymes circumscribed to the Cuban scenario, we will move on to a brief overview of the four sectors with the highest incidence of Mipymes creation in order to consolidate the explanations.

### 5.1 Construction

With a total population of just over 11 million Cubans, “the main cumulative social problem facing the island today is the problem of housing” [25]. According to data from the Housing Policy, approved in 2018, Cuba showed a deficit of 929,695 dwellings [26]. Starting from joint efforts between state and population, the program proposed that year predicted a recovery of the housing deficit within ten years. However, the country still faces difficulties in meeting the annual goals. By May 2022, the government had completed 7,914 houses out of the 37,740 planned for this year, or only 21% of the plan [27].

Among factors that explain difficulty of the Cuban government in solving this social problem are: a) the natural order - the island is vulnerable to climatological phenomena such as tropical storms and hurricanes, in addition to deterioration caused by the sea air

[28]; b) organizational problems that result in delays and failure to meet the targets set [29]; c) shortage of construction materials [30].

So that Mipymes in the construction sector are essential within the productive chain to, together with the State, carry out the National Housing Program and remedy the housing deficit [31].

In order to enhance the work of these new actors in partnership with the State, the Ministry of Constructions (MINCON) incorporated them to the computer application *AiBalan*, created in 2008 for the Balance of Constructive Resources [31]. This is an economic planning tool whose objective is to facilitate the so-called “calculation of the construction and assembly capacity” of economic actors. In addition, it allows for the review of consumption rates, compliance with technical standards, and the feasibility of projects and investments. The calculation of construction and assembly capacity for 2023 already has 170 Mypimes registered, which add up to more than 5,800 million Cuban pesos in construction capacity (calculation base updated to June 2022).

Currently one of the difficulties lies in the lack of preparation of entrepreneurs to operate *AiBalan*, and assimilate the tool as a work concept. Another problem is the cost spent by companies to acquire the application’s license, which causes some resistance in relation to its adhesion.

## 5.2 Food

The food and live animal products category ranks third in the country’s import balance. In 2019, before the pandemic, food accounted for about 20% of total import spending, trailing behind fuel (about 25%) and machinery (about 23%) [32].

However, the shortfall in these elements, deepened by the context of the pandemic and the economic blockade, has intensified the insufficiency of food production in the country, making the situation “very complex” [21]. This resulted in the failure to meet targets in most food production lines, such as rice, corn, beans, and especially milk, which at 63 million liters, was far below the forecast between 2019 and 2021 [21].

Add to this the inflationary collapse and the rising cost of living, especially after the so-called *Tarea Ordenamiento*, which among other things put an end to dual currency and indefinitely suspended the circulation of dollars in cash. The currency ordinance, carried out during the Covid 19 pandemic and after Trump’s financial sanctions, raised of the cost of living due to the decreased inflow of foreign exchange. Among other things, Trump’s measures caused the closure of more than 400 Western Union branches, the main legal way for Cuban emigrants to send remittances.

The cumulative change in the CPI in December 2021 was 77.3% compared to 7% in the same period in 2020. The food and non-alcoholic beverage category was well above the overall index accumulating 113.95% in 2021.

The worsening shortages in 2021 made it impossible to support population diet levels, investments for food purchases in the same year were \$1,348 [21], well below the \$1,800 average for previous years [24]. So much so, that the creation of Mipymes focused on food production became one of the priorities especially for a country with high external dependence on food imports.

### 5.3 Gastronomy

Gastronomy is one of the pillars of tourism on the island. Since 1968, the state sector controlled all gastronomy activities until the economic opening in the early 1990s, when the so-called “paladares”, restaurants created by private initiative, emerged [33].

The crisis of the special period, forced the government to reverse the concentration of the previous period on tourism activities, and thus ensure the attraction of foreign exchange. The centralized state management method proved incongruous to increase the effectiveness of such a dynamic sector “given its fragmentation, it requires a lot of flexibility, creativity and innovation to remain in the taste and preference of customers” [33].

The expansion of the so-called “second economy”, with more services offered by small-scale private enterprise, was one of the factors that contributed to stimulating the sector. In 2019, on the National Assembly, the Minister of Tourism, Manuel Marrero Cruz, reinforced the importance of the non-state management model as a “necessary ally for the development of tourism in the country” [34]. By mid-2019, almost 28,000 TCPs were exercising their activities in the sector.

Already by early 2020, the number of gastronomic establishments exceeded 5,000, including restaurants, bars, snack bars, and cafes, which demonstrates the diversity of the sector [33].

The closing of the borders in March of the same year paralyzed tourism activities on the island, one of the key sectors of the Cuban economy. In addition to being one of the main sources of foreign exchange for the state, the tourism sector constitutes one of the main sources of income for Cubans. In 2019, the sector represented 10.3% of GDP [35]. Already in 2020, the crisis caused by the pandemic has reduced the inflow of foreign exchange (convertible pesos) by 56.4% and approximately 75% that of the general flow of tourists [36], affecting the more than 270,000 workers who account for 6% of occupations in hotels and restaurants [35].

Thus, it is significant that the emergence of new private players in the gastronomy sector is fostering the recovery of tourism after the crisis.

### 5.4 Technology-Based Ventures

Technology-based economic actors begin to gain space from 2010. At first, private enterprises dedicated to this sector were not on the government’s discussion agenda [37]. However, between 2010 and 2021 the number of private startups jumped from 1 to 25 ventures. Part of this expansion is due to the arrival of mobile data internet, which by 2021 reached 6.6 million users. “The activities they are engaged in are diverse, such as: additive manufacturing, marketing, bitcoin, transportation, robotics, e-commerce, social networking, messaging, etc” [37].

In 2020, the restrictions imposed by Covid-19’s preventive measures caused many ventures to come to a standstill whether state-owned or self-employed businesses forcing them to migrate to online platforms that had significant growth during the isolation period.

Take for example the creation of private sector startups such as *Pa’Mi Casa*, *Alamesa*, and *Mandao*, which offer gastronomic services in homes; also the so-called Cuban ubers

such as *Bajanda*, *Cuber*, and *Sube*; as well as businesses that rent accommodation for tourists, such as *RentalHo*. State initiatives also appeared *Apklis*, a “store” that hosts apps developed in Cuba, and the fintechs *Tranfermóvil* and *Enzona*, used for payments of services, transfers, and creation of bank accounts.

The legalization of technology-based Mipymes means a milestone for the expansion of this sector, previously restricted to TCPs. This is because one of the biggest controversies involves the activity of the so-called Computer Equipment Programmers (PEC). Allowed since the opening promoted by Raul Castro in 2017, the government suspended the activity of PECs along with 26 other activities. In 2018, a new measure reopened the frozen licenses, with the exception of PECs because it was necessary to “specify their scope in a policy drawn up by the Ministry of Communications” [38]. In 2021, the PECs returned as *cuentapropistas*, and in the face of the Mipymes framework, they also began to act as private micro entrepreneurs.

Currently, we can group technology-based private actors into activities ranging from computer programming, through the manufacture, sale or repair of computer equipment, platform design, to the commercialization of services via the web.

## 6 Mipymes and the Challenges for a Feasible Socialism

Decades of revolutionary policies “characterized by pendular shifts between the plan and the market” [11] explain to a certain extent Cuba’s historical economic instabilities. On the other hand, despite the comings and goings and the external structural pressure led by the US, the regime manages to maintain itself, mainly because it seeks to adhere to the plan with an adaptive dynamic to meet the demands of the social body.

The progressive adherence to economic policies of openness allows for experimental changes that serve, first: to reorganize the decision-making of the governing body itself in relation to the investment of time and resources with new projects. As Nove reiterates [8], a socialist government that sets out to mobilize internal and external funds should not pretend to take a “leap forward” and incur “the dangers of excessive enthusiasm and the plunge into projects at the cost of disorganization” as revealed by the Soviet experience in the 1930s and the Chinese in the 1950s.

Secondly, the gradual changes in economic scope create channels of expression between government and population, since, in the case of the Mipymes, it is possible to organize subgroups of debates and periodic meetings between ministries and sectoral representatives of private enterprises. This makes it possible to diagnose the imperfections that arise during the implementation process of the Mipymes.

Despite the possible contradictions that emerge with the expansion of the so-called second economy in Cuba, this paves the way for the implementation of a “desirable realism” within a “feasible socialism”. “When the state planning system cannot efficiently handle certain activities, the regime tolerates (sometimes even encourages) secondary (parallel) jobs that fill this void” [8].

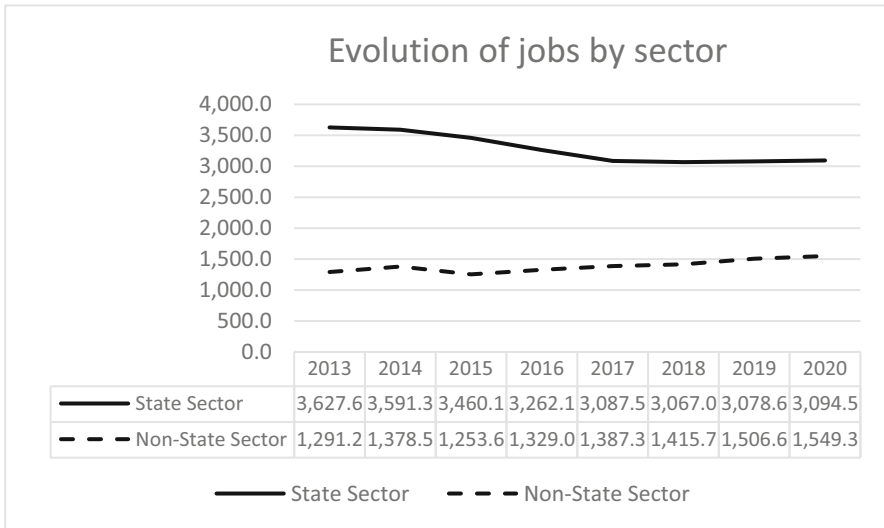
This movement leads to some optimistic interpretations of the advantages obtained. Besides the dynamism that the Mipymes can introduce in the productive chain based on the complementarity of the state sector, such enterprises can have a decisive impact on the organization of labor in Cuba. For young people, Mipymes can mean the opportunity

to create personal projects, obtain their own income, create job openings, and get out of informal jobs. Not coincidentally, 25% of the Mipymes created by June 2022 had members under the age of 35 [39].

This is significant, especially for a country whose aging rate puts it first in Latin America and the Caribbean: 21.6 percent of the population is over 60 years old [40]. At the same time that aging has caused a decrease in the economically active population [41], it is estimated that a portion of this same population of reproductive age is part of the annual migration picture [42], causing a lag in the productive force.

Add to this a progressive decrease in state-owned enterprises, which between 2011 and 2018 have suffered a reduction of just over 500 units [43]. What explains this is the measure of dismemberment between state and business functions foreseen in the *Lineamientos* of 2011, which resulted in the creation of the Superior Organizations of Business Direction (OSDE) and in the Business Base Units (UBE). The aim of the relaxation was to improve efficiency and decrease the annual losses of state-owned enterprises, which led to the merger of some units and the extinction of others.

In the same period there is a relative decrease in the total number of employees in the state sector while there is a gradual increase in the non-state sector (TCPs and Cooperatives), as shown in Fig. 3. So that the so-called complementarity process can also alleviate the expenses of the state sector where some companies have been operating at a loss [44].



**Fig. 3.** Source: Author’s estimates based on ONEI/Employment and Wages-2020

Although the state sector remains predominant in terms of employment, by 2020 private enterprises already represented one-third (33.36%) of the number of jobs. This means that after the legalization of Mipymes, this incidence will tend to rise, since 47% of them represent the constitution of new enterprises.

Another advantage of legalization frameworks is the greater capillarity of technology-based enterprises, and ICT-related services. In this sense, the alliances between the different forms of economic management are important to carry forward the digital transformation of Cuban society [45]. The goal is to enhance the incorporation of Mipymes focused on IT activity in the state sector, and to encourage young graduates in the area to develop national software to boost both the digital economy and the export of technological services [46].

The creation of Mipymes for export and import is also a bet of the Cuban government to increase the GDP; they can operate as long as the state entities mediate their activities. However, there are some difficulties related to bureaucratic obstacles, delays, and many times the lack of preparation of the mediating entities to deal with the new configuration of private entities [47].

Thus, the legalization of Mipymes also reveals some problems that may a priori be of a:

- (a) systemic, that is, characteristic to the very model of government conduct, which despite progressive liberalization, subjects private actors to a controlled process in order to preserve the hegemony of the state sector as a socialist foundation. Some of the most common obstacles are the difficulty of financing, the lack of incentives for innovation, a costly tax policy, and mainly the concern about the scarcity of inputs that mostly need to be imported [48]. In addition, the process of forming Mipymes lacks an advisory and consulting system that supports future entrepreneurs mainly regarding the feasibility of the project and the elaboration of a cost sheet to avoid distortion of cost calculations.
- b) political-ideological - one cannot ignore the concern that individual projects may feed the capitalist logic of the autonomous entrepreneur and the desire for profit and private property. This jeopardizes the original plan of the chain, which is to boost local development and the economic and social programs created by the Revolution. The suspicions increase as the pressures of global capitalism, mainly in the figure of the USA, focus precisely on the private Mipymes of strategic sectors such as technology. In May 2022, as part of the measures to relax the sanctions imposed on Cuba, Biden announced the “increased support for Cuban independent entrepreneurs” [49]. The measure aims to encourage ventures disengaged from the state sector through access to cutting-edge technology such as cloud storage, e-commerce and e-payment platforms, and access to microfinance training. This raises two issues that deserve attention: first, through the technical and operational base, the US would have free access to the flow of information about Cuba’s economic policy. Second, such influence could trigger more reactive political attitudes from the counterrevolutionary movement, which would raise internal tensions and put the foundations of Cuban socialism at risk.

The incorporation of technologies on the island constitutes the turning point of the Cuban government. It is a historical and controversial discussion that involves everything from the hacking of the Cuban Internet network by an American account to defamatory speeches promulgated by the US media in the 1990s (on the subject see Hoffman, 2003) [50]. The Communist Party’s distrust of the spread of ICTs on the island is not

without reason, so from the beginning the government has adopted a pragmatic stance, in which the digitalization of society must primarily serve revolutionary priorities such as education and health services. Today, with greater access to these technologies by the population, and with the possibility of 100% Cuban production, the government continues to bet on science and innovation as an engine of socio-economic dynamism.

The debate intensifies with the arrival of Miguel Diaz-Canel in 2018. Recognizing that the efforts in Science and Technology (S&T) created by the Revolution have not obtained a practical impact for the development of the country [51], the then president proposes a system of government management capable of meeting human demands. In 2021, with the creation of the National Innovation Council, the Cuban government takes a step forward in this direction, trying from this advisory body to create an integration between state, S&T and society. Promoting the capillarity of ICTs is clearly a necessity, but for the Party, the appropriation of this process needs to occur from a “proper conceptualization based on the socialist construction in Cuba, from our vision of social sciences and the Marxist vision” [52]. Therefore, even though the technology-based Mipymes indicate important changes such as the decentralization of the production chain, technological development is far from being completely handed over to private initiative. For the Cuban government, it is up to the State, in its sovereignty, to promote the technoscientific bases and their integration with the multiple sectors of the economy. The idea of developing a digitalized society based on revolutionary values will undoubtedly continue to be one of the great challenges in the face of the economic and social transformations already underway on the island.

## 7 Conclusion

Cuba, as an underdeveloped nation and the only socialist model in Latin America, represents a paradigmatic case. Therefore, any kind of investigation about its reality needs to consider its historical particularities. This presupposes the analysis of internal determinants, that is, the persistence of the regime and the efforts to preserve the legacy of the Revolution, and external determinants: the structural crisis represented by the US and the constant pressures from global capitalism to weaken the Cuban model.

This paper has dealt with the legalization of Mipymes within the context described above. We conclude that, despite the pragmatic difficulties for the implementation of new economic actors, this is a recent process, as much as the officialization of the updating of the socialist model. Considering that the revolutionary process is little more than six decades old, and the updating of socialism under Raul Castro in 2008 is little more than 10 years old, it would be very simplistic to reduce the case of Cuba to the “failure of socialism”.

Mainly because when adopting a reformist economic project that combines state control with market characteristics, the risk of imperfect results is assumed. In this sense, we understand that the sustainability of a Cuban socialist economy involves the challenge of adopting policies geared toward the transformations of its time, capable of dialoguing with the needs of the social body while seeking to avoid the dysfunctions caused by inequalities and social injustices resulting from the globalization of the capitalist mode of production.

In other words, policies are still rooted in revolutionary ideals, and the goals of any conceptualization measure must be oriented towards the development of the potentialities of local actors without individual values prevailing. Which leads us to infer, finally, that the contradictions and conflicts of the updating process will take time to be resolved.

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