

AP

Cuba details brave new world of private enterprise

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FRANKLIN REYES/THE ASSOCIATED PRESS A vendor waits for customers Friday inside Monte-Indio self-employment market in Havana. Cuba's government began laying out the details of its drive to create more free enterprise on the island.

HAVANA — Cuba's communist leaders mapped out a brave new world of free enterprise on Friday, approving a laundry list of small-time businesses, allowing islanders to take on employees and even promising credit to burgeoning entrepreneurs.

The reforms — laid out in a three-page spread in the Communist Party-daily Granma — seem sure to create a society of haves and have-nots in a land that has spent half a century striving for an egalitarian utopia.

They follow last week's announcement that the government will lay off 500,000 workers by the end of March — or one-tenth of the country's workforce — the biggest change in Cuba's economic system since the early 1990s.

For the first time, Cubans in 83 private activities will be allowed to employ people other than their relatives, and they will be able to sell their services to the state as private contractors. Accountants, currently only permitted to work for the state, can set out on their own, keeping the books for the new businesses.

Cubans who want to rent their homes to travelers will no longer have to live on the premises and can hire staff. Even islanders authorized to live overseas — though apparently not exiles — can take part in the economic changes by renting out the cars and homes they leave behind.

And the Central Bank is studying ways to grant small-business loans that are crucial to any free-market system, but which would have been unthinkable in Cuba just weeks ago.

"The decision to loosen the rules on private employment is one of the steps the country has taken in the redesign of its economic policies to increase production levels and efficiency," Granma reported, citing Economy Minister Marino Murillo Jorge and a vice-minister of labor and social security, Admi Valhuerdi Cepero.

In an acknowledgment that the Cuban economy lacks the raw materials to support many private enterprises, Valhuerdi said some activities that rely on hard-to-get items like marble, paint for cars or soap will continue to be restricted. Eventually, the country hopes to create a system of wholesalers, but it will take several years.

Granma is the voice of the Communist Party and one of the principal ways the government communicates plans with the people. The paper promised more details in coming days, saying that the expanded private enterprise would be "another opportunity, under the watchful eye of the state" to "improve the quality of life of Cubans."

Many will welcome the changes in a country where young people have been clamoring for more opportunities for years, but they will also create tension and upheaval. Whether the reforms will work depends on the reaction of Cubans who have seen past openings fizzle, and on the cash-strapped state's ability to draw fresh tax revenues from the new businesses.

Granma said private businesses would not only pay personal income tax, but also sales and payroll taxes — as well as contribute to social security. A vibrant, untaxed black market already exists in Cuba offering many of the services the government hopes to legitimize.

Uva de Aragon, a Cuba expert at Florida International University in Miami, said those hoping to enter the legitimate market would be faced with a system that is totally alien to them.

"Cubans have no capital, no credit, no experience at management — and the government is talking about imposing a new tax system, for which there is no culture," she said. "The process is positive. My concern is how it will function."

On the streets of Havana, some said they hoped to take advantage of the openings, but many expressed skepticism.

"I think people want to live better and have better services," said Marilis Bador, a 32-year-old housewife. "I hope this isn't just a one day flash in the pan, but rather something that will allow the country to develop."

Others, like Marley Martinez, said they were already thinking of joining the new private workforce.

The 22-year-old is a state-trained accountant but is studying to become a hair dresser and hopes to open her own shop.

"It's not really a dream, but it's something I want to do and feel I need to do," she said during a stroll through a crowded Havana shopping center. "What the people need are more economic freedoms, the ability to work for themselves."

Currently, the state dominates nearly every aspect of the Cuban economy, employing at least 84 percent of the work force and paying an average of \$20 a month. In return, islanders are guaranteed free education and health care, as well as nearly free housing, transportation and basic food.

President Raul Castro has said the government can no longer afford such generous subsidies and that he wants to modernize Cuba's economy without abandoning socialism. The article tries to allay any fears that the country is embracing free-market capitalism, saying that the changes will always be "faithful to the socialist principles our constitution demands."

In all, some 178 private activities will be allowed and expanded, though only seven of those are entirely new — including accountants, bathroom attendants, tutors and fruit vendors. The full-page list of allowed jobs includes floral wreath arrangers, animal trainers and interior decorators.

The reforms, which are set to go into effect next month, will also allow a great expansion of private restaurants — called paladares — which will be able to serve up to 20 people and expand their menus to include higher-priced items like beef and lobster.

Previously, government rules limited them to 12 seats and banned some menu offerings, though most establishments blatantly violated the rules.

Ted Henken, a professor at Baruch College in New York who has studied Cuba's policy toward the private sector, said the list shows the government is still interested in maintaining control rather than just allowing any form of private enterprise.

"It's still socialism," he said. "But it is a different kind of socialism."