

New regulations for the private sector and their impact on national food security

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The Cuban government announced this week a new “action plan” as part of the “correction of distortions” in the Cuban economy, generated mainly after the Tarea Ordenamiento. The analysis took place during the Third Ordinary Period of the National Assembly of People's Power (ANPP) in its 10th Legislature and seeks as objectives:

- Macroeconomic stabilization
- Increase of external revenues
- Entrepreneurial development and non-state forms of management

Among the agreements were:

- Regulatory actions in fiscal matters
- Price policy: Price regulation for the retail commercialization of high demand products.
- Partial dollarization of the economy: Establishment of tariff payments in foreign currency for non-state sector imports; gradual and selective implementation of foreign currency payments for port services; implementation of cash payments in foreign currency for certain activities and sectors such as tourism.
- Re-dimensioning of the foreign exchange market.

Other accompanying agreements were the reinforcement of the corps of inspectors, the closing of companies that under-declare, the strengthening of the electronic payment systems, as well as the certification of the legality of the funds. Prime Minister Manuel Marrero also announced a “new company law” to be published next September.

Expected impact of major measures on food insecurity

In the continuous effort to collect foreign currency, the main measure according to the information provided by the authorities is the increase of dollarization. To this end, the Prime Minister explained that Cuba is maintaining the four main sources of foreign currency income of the country: exports of goods and services, foreign investment, access to foreign credits, and remittances. By “affectations” he referred to the “interference” of funds used for “legal or illegal” personal activities.

In the last five years, the Cuban Government has tried to channel and absorb most of the foreign currency entering the country, taking controversial measures such as the creation of MLC stores and the redirection of essential products to this credit card payment network, in foreign currency and from abroad. However, rather than fulfilling expectations, these stores have not had the expected supply and demand. There have been significant shortages while a majority of Cubans, who do not receive remittances, have no way of accessing these markets. This has ultimately led to a further deepening of socioeconomic differentiation on the island.

The Government also announced the imposition of a higher payment at the border and the payment in foreign currency of tariffs on imports from the non-state sector, as well as

the receipt of foreign currency in cash in the tourism sector. The same authorities admitted that this measure had not been implemented because it “contributed to the dollarization of the economy and went against the process of bankarization”. This last economic improvisation of the Cuban Government is justified within “a war economy scenario” without admitting that there are still major determining obstacles in the devaluation of the Cuban peso such as the absence of a formal exchange market and the lack of liquidity of the banking entities. These measures represent another serious affectation for the FGNE, entities that provide greater guarantees to food security in the country from food imports.

@FoodMonitorP warns that this political stance of preserving control even in the face of such a precarious scenario as the current one, not only can deepen the devaluation of the Cuban peso (since entrepreneurs will have to continue to resort to an informal market in the absence of a real exchange system), but will increase inflation in food prices, will make access to food even more difficult, while families will continue to lose access capacity as has happened since the Ordinance Task. Independent media also warned, among other undesirable effects, the increase in the operating costs of MSMEs, resulting in an increase in final prices, or in a shortage of products in greater demand.

In general, this economic improvisation and the regulatory weight of the measures eliminates investment opportunities on the island, seen as an unstable scenario for doing business, which in the long term impacts national economic development. Likewise, given the criminogenic nature of economic crises, this may lead to an increase in citizen insecurity. In addition, it is worth noting that “hand-picked” regulations without any weight in reality have historically contributed to a greater role of the black market and informal transactions in society.

Criminalizing discourse

Throughout yesterday's speech, the official message prioritized phrases that advanced damage to the reputation of relevant economic actors in the country. Consequently, in view of the diversion of resources outside the spheres of control of the State, the Government declared a “usurpation” of foreign currency by the FGNE, as well as an “enrichment” of private individuals and a “diversification” and “illegal involvement” of individuals in these activities. Although the increase of illicit activities is not ruled out, something recurrent in autocracies that have control of the agri-food systems, this revisionist posture is at least cynical, having admitted three months ago the corruption and money laundering in the high spheres of the Ministry of Economy in Cuba.

Faced with the growth of the sector, which the government approved only three years ago, and which has diversified and circumnavigated the economic crisis in Cuba, there are repeated maneuvers of control and criminalization in what is interpreted as a new offensive against the sector. The authorities have promised a “hard hand”, “order and discipline” against corruption and tax evasion of these entities which it also accuses of “negative tendencies”, a phrase that has also been used by the official discourse since the 1960s to justify autocratic rearrangements.

@FoodMonitorP recalls that, with galloping inflation, the collapse of the Cuban peso in the informal market, the 67% decline in domestic food production, the serious fiscal deficit (22% of GDP), the analyses conclude the presence of a crisis even more acute than that of the so-called Special Period. In the face of this precarious panorama, the

Government continues to criminalize and arbitrarily regulate without providing effective solutions to the multi-sectoral crisis present in the country. The tendency to bureaucratic decision making, to the deviation of responsibilities and to the arbitrary management based on non-consensual regulations, is becoming more and more stultified in a flawed deliberative process without the support of citizen review.