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Cuba Puts a Hold on Licensing Some Private Businesses

On Aug. 1, 2017, the Cuban Ministry of Labor and Social Security (the MTSS) issued Resolution 22/2017 (the Resolution) suspending the issuance of new licenses to Cubans for a number of self-employment businesses and indefinitely suspending new licenses for others. The Resolution does not affect self-employment businesses that were previously licensed, which may continue to operate pursuant to their licenses.

The Resolution is the most recent action taken by the Cuban government following the announcement by President Trump on July 16, 2017, that his administration would make changes to the U.S. embargo regulations to prohibit transactions with certain to-be-named Cuban entities associated with the Cuban armed forces. The change in policy by the Trump administration was also aimed at creating greater U.S. support for the Cuban private sector, including those Cubans who are self-employed in many of the businesses the Resolution now seeks to limit. For example, the Trump administration has already suggested that GAESA, a Cuban entity that owns many hotels in Cuba and is controlled by the Cuban military, would be one of the entities banned under the proposed changes to the U.S. embargo regulations. If listed as a banned entity, Americans would not be allowed to stay at the many hotels owned by GAESA. Instead, Americans could stay in private residences, which are available through personal home-rental services. By restricting the number of private businesses offering rooms, the Resolution would seem to make it more difficult for Americans to find legal accommodations in Cuba.

In Cuba, the private sector (officially referred to as the non-state sector) previously was limited to specific categories of business ventures authorized by the Cuban government. In 2013, the MTSS published a list of 201 ventures that Cuban individuals were allowed to operate (Res. 42/2013 MTSS). Since then, a significant number of Cubans have launched profitable businesses despite the restrictions imposed upon entrepreneurs by the Cuban state. In the first half of 2017, [12 percent of Cuban workers were self-employed](#) (or *trabajadores por cuenta propia* as they are known in Cuba). Annually, those [entrepreneurs contributed between 2.5 and 3.8 billion CUC¹ to Cuba's economy](#).

¹ The CUC is the convertible Cuban peso, which the Cuban government maintains at a 1:1 exchange rate with the U.S. dollar.

The Resolution suspends the future licensing of 27 ventures, which represent more than 10 percent of all permitted ventures and includes some of the most profitable ones for Cuban entrepreneurs, including rentals of homes and rooms, cafeterias, contractors, restaurants (known in Cuba as *paladares*), bars, mechanics, and real estate brokers. The Resolution also excludes future licenses for personal trainers, fashion designers, software programmers, music teachers, and tutors. In addition, the issuance of future licenses for five types of business ventures were indefinitely suspended: wholesale of agricultural products, retail sales of agricultural products, street vending of agricultural products, disk sales, and operators of recreational equipment.

For those business ventures for which licensing is not indefinitely suspended, the Resolution states that licensing is suspended “until the improvement of self-employment work has concluded.” The Resolution provides no further information on what is meant by “improvement,” but the Cuban government has also [announced](#) that this is only the first of many regulations to come. While not certain until those regulations are issued, many expect future regulations to provide for greater scrutiny of the self-employment licensing process, greater restrictions on how permitted self-employment activities may be performed, and changes to increase labor taxes.

In July 2017, the Cuban Communist Party (the PCC) published the final version of its Guidelines for the Cuban Economy and Social Life for 2016-2021 (the Guidelines). The Guidelines, which the Cuban government uses to guide its legislative activity, includes a prohibition on allowing for the proliferation of wealth in the private sector. The Resolution and the expected further regulation of the private sector could be a reaction to the [published Guidelines](#).

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