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■ AQ FEATURE

Cuba's New Business Class

BY [Alana Tummino](#) and [Allie Fleder](#)

Cuba's rising entrepreneurs face special challenges, but their energies and creativity are recognizable the world over.

A palpable energy is reinvigorating the once-stagnant Cuban economy. Entrepreneurial businesses — spanning all sectors and industries — are springing up across the island. Walking through the streets of Havana, Santa Clara or Camagüey, it's hard not to trip over construction sites for private restaurants, or see the storefronts offering manicures, haircuts, cell phone repairs, or colorful artwork.

View a slideshow of Cuban entrepreneurs.



This Havana barber shop has made its owner, Gilberto "Papito" Valladares, one of the city's most well-known stylists. Photo: Seb Agudelo



The flourishing private sector is evidence of the island's most significant effort at economic transformation since the revolution. It is driven by the April 2011 "Guidelines of the Economic and Social Policy of the Party and the Revolution," known as *los lineamientos*, which were enacted by the Sixth Congress of the Communist Party of Cuba, led by President Raúl Castro. The detailed outline of domestic policy reforms—or updates, as they are officially referred to—are a tacit recognition of both the crucial role that the non-state sector must play in increasing Cuban productivity, and of the need to reduce government bureaucracy.

Party leaders predicted that within five years the *lineamientos* would yield an almost tenfold growth of non-state sector production—which would eventually represent between 40 to 45 percent of Cuba's gross national product—and that two out of five workers will be part of the private sector.

The hoped-for mixed economy of private and state-owned enterprises (with cooperatives occupying a

place in between) represents an implicit nationwide test of whether the socialist ideology of the revolution can survive and even thrive under this intense restructuring.

These may seem like lofty goals, considering that most private business in Cuba has been paralyzed by bureaucratic and ideological obstacles over the past five decades. Yet during a tour of Cuba's major metropolitan areas, we found that—given the legal opportunity to start and grow their own small businesses—emerging entrepreneurs are adapting extraordinarily well to changing regulations. These new legal openings are unleashing the creative and enterprising energies that have simmered for so long below the surface of Cuban society.



Julio Álvarez and Nidialys Acosta recognized a business opportunity in the colorful antique cars that fill the streets of Havana. Photo: Ernesto J. Fernández.



Nevertheless, Cuba's new entrepreneurs are facing a tough economic climate. Their challenges include limited access to finance, goods (particularly wholesale goods) and markets, as well as a lack of technical, marketing and financial know-how—all a consequence of policies on both sides of the Florida Straits. Moreover, even the most capable entrepreneur could be excused for having some trepidation about the future,

after having watched previous government reforms intended to encourage small-scale business get rolled back during the 1980s and again in the 1990s, once the economy stabilized.

But the most recent reforms go deeper, and optimism is high. And with around 450,000 legally registered individuals (or 5 percent of the labor force) operating as independent business owners, it's reasonable to assume the following endeavors—such as barber shops, private restaurants, business training programs, technology repair shops, cooperatives, art galleries, and car restoration and transportation companies—are here to stay.

Barber Shop

In 1999, when Gilberto “Papito” Valladares took advantage of some of the first licenses for private business being offered by the government, everyone told him he was “leaving security for insecurity.” Yet with the support of the Office of the City Historian, Valladares set up his barber shop. Today, the clientele of his multiple-room salon, Arte Corte, includes some of the country’s most stylish heads. In addition to becoming one of the most well-known hair stylists in Havana, he has also embarked on a social project to improve the quality of life for his neighborhood by supporting entrepreneurs (including setting up a training program for future barbers), beautifying the area, and doing community service work.

Atelier

What was once the mansion of a Cuban senator is today home to Atelier, one of Havana’s best-known *paladares*, or privately run restaurants. The walls of the restaurant are filled with contemporary Cuban art, and the kitchen boasts an international menu that changes daily and caters primarily to tourists. Its owner, Niuris Higuera, opened the restaurant four years ago, and invested significantly in its renovation.

Business training programs have been crucial to Higuera’s success. A major obstacle had been keeping her financial books in order without any knowledge of basic accounting. Yet after graduating from *Proyecto Cuba Emprende*, gaining a better understanding of financial management, and outsourcing the tasks of a bookkeeper to a classmate, she focuses her energy on keeping customers happy and expanding her business.

Catholic Church

The Catholic Church has emerged as a critical intermediary between the state and Cuban society. Today, it runs dozens of aid projects and provides humanitarian, emergency and social services to the Cuban people. But it also has played a crucial role in providing programs that train aspiring entrepreneurs to open and operate small businesses. The Society of Jesus, the De La Salle Brothers, and the Archdiocese of Havana provide workshops as well as degree programs. The courses represent the first time that the Cuban government has allowed the Church to operate educational services.

Caymares

Technology repairs are difficult to come by in Cuba. This, coupled with the lack of new technology equipment such as computers and printers throughout the country, represents a large business opportunity. Carlos recognized this potential market, and in 2010, started a company called Caymares to repair old computers, printers, radios, and cell phones. Through self-financing (he sold his home to open the business), Carlos has been able to purchase expensive equipment from overseas that allows him to fix this aging equipment and gain contracts with state-owned enterprises that are unable to invest in new products. Caymares is one of the few companies able to service this equipment in Cuba, and will continue to have an edge in the market as long as current law forces businesses to buy new and expensive equipment from abroad, particularly in Asia—where prices skyrocket after shipping costs—instead of buying directly from the U.S. market in their own backyard.

Cooperatives

Coupled with the growth of *cuentapropismo* is the growth of cooperatives—and more importantly, the growth of non-agricultural cooperatives. From 1960 to 2012, production and service cooperatives existed, but only in the agricultural sector.

Cooperatives represent the government's need to move thousands of workers off a bloated state payroll, while also preserving the socialist ideology of giving each worker a stake and partnership in an enterprise. The idea is to test out a new economic model that was traditionally only legal in the farming sector. In contrast to small business owners, cooperatives pay fewer taxes and have some access to wholesale markets.

A section of the *lineamientos* approved in April 2011 is devoted to the new non-agricultural cooperative sector, and in December of 2012, the actual regulations and laws governing it were published in the *Gaceta Oficial*—Cuba's official public record of approved laws. The structure, governance and legal framework under which they would operate were outlined in the law, with the caveat that the legislation is experimental and open to modification based on the government's assessment of the viability of this new cooperative structure. As of September 2014, there were 498 approved non-agricultural cooperatives in Cuba—of which 283 were actually in business—with the requirement that all cooperatives be approved by Cuba's Council of State.

There are currently two types of non-agricultural cooperatives in Cuba: former state-owned enterprises that will be converted into cooperatives to boost production and relieve state payrolls; and cooperatives that have been formed by workers themselves. They span all industries, such as restaurants, cafes, construction companies, public transportation, auto body shops and computing services.

Proyecto Cuba Emprende (PCE)

When the Cuban government allowed for the opening of small, private business in 2011, the excitement and creativity of aspiring entrepreneurs immediately confronted a host of obstacles, such as the lack of financial, technical or marketing know-how necessary to be successful.

Enter *Proyecto Cuba Emprende* (PCE), a business training and advisory program working with Cuban entrepreneurs hoping to start or grow their own small businesses. It is a project of the Catholic Church—developed with *Fundación ProEmpleo* of Mexico—operating out of the *Centro Cultural Padre Felix Varela* in Havana and the Archdiocese of Camagüey.

The business courses are taking off. Since its launch in 2012, PCE has trained 1,013 entrepreneurs, with plans to expand to one new city each year and train an additional 3,500 entrepreneurs over the next three years.

Art Gallery

A gallery owner in Santa Clara, Dianelis, has been required to navigate her way through the complicated and changing landscape of the business reforms in Cuba. In 2013, she invested all of her savings to open a 3-D movie theater in a Santa Clara storefront. When the government made the

decision in fall 2013 to close down these private movie theaters, she was forced to quickly shift gears—and within days, had a new business plan to sell the work of local artists in the space instead.

D'Brujas

Sandra Aldama, a former special education teacher, opened the artisanal soap shop D'Brujas in 2013 in the capital's historic city center, *Habana Vieja*. The shop is decorated in Halloween style, while its shopkeepers, Aldama's cousins, sport witch hats symbolic of the plant-based "potions" that their family concocts to make the soaps at home. While the natural, chemical-free products have proven a novelty for Cubans—who make up the majority of the shop's clientele—the business suffers from continuous shortages of necessary ingredients, including sodium hydroxide, a basic chemical for making soap.

Nostalgicar

Julio Álvarez and Nidialys Acosta recognized a business opportunity in the colorful antique cars that fill the streets of Havana. Once the Cuban government issued the initial list of 181 legal business ventures for *cuentapropistas* in 2011, they transformed a family passion of restoring classic cars—specifically Chevrolets from the 1950s—into a business catering to domestic and international tourism.

Starting in January 2012 with one 1955 Chevrolet, the couple started their business, Nostalgicar, with the goal of restoring and renting out these iconic, classic cars. And soon enough, they had acquired and restored three more Chevrolets—from 1955, 1956 and 1959—as well as indirectly contracted 15 drivers to work for the company.

Business has been good, but challenges remain. The company's main obstacle is the lack of a wholesale market to buy much-needed materials such as tires, engines and other spare parts necessary for properly restoring the old American cars. Yet the co-owners remain positive.

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