From Gradualism to the "Big Bang"? Opportunities and Risks of Cuban Economic Reform (Analysis)

Cuba welcomes a Vietnamese delegation, just a few days after the reforms were passed (Source: Presidencia)

With the "176 economic and social changes" adopted on June 18, 2026—grouped into 23 thematic areas—Cuba has set in motion the most far-reaching transformation of its socialist economic model since the 1959 Revolution.

What is remarkable about this package is not so much the novelty of the individual measures as the radical nature with which an entire bundle of long-delayed reform proposals is set to become law at breakneck speed. Announced on June 12 in a surprise press conference by President Miguel Díaz-Canel, politically endorsed by the plenum of the Central Committee of the PCC on June 17, and unanimously approved by the National Assembly the following day—accompanied by a letter of approval from Raúl Castro that was read aloud—the pace reveals the urgency of the situation.

The Break with "Feeling the stones"

The reforms that have been adopted mark a paradigm shift. For decades, Cuban reform policy implicitly followed the Chinese model of cautious, local experimentation—Deng Xiaoping's famous "crossing the river by feeling the stones"—albeit at a snail's pace.

From the *Lineamientos* (2011) through the currency reform (2021) to the macroeconomic stabilization program (2023), there was a chain of gradual, individual steps, each of which failed due to its own half-measures and which failed to cut through the "Gordian knot" of unleashing the productive forces—in a serious, but significantly less severe sanctions environment than today. The answer now is to move away from gradualism.

Most of the measures adopted, as Díaz-Canel acknowledged before the Central Committee, are not new ideas: “The mistake was not in proposing them, but in postponing them—and this phase of postponement must come to an end,” he said. Many of the proposals stem from the reform debates of the 1990s, which fizzled out in the wake of Venezuelan oil supplies and the tourism boom of the 2000s. It was no coincidence that, a few days before the announcement, Díaz-Canel appointed a five-member new advisory board that includes three critical economists who were already key figures in those debates: Julio Carranza, Omar Everleny Pérez, and Juan Triana.

The online publication *La Joven Cuba*, which regularly publishes critical economic policy analyses, commented at length in an editorial by the editorial board: Many of the measures had been “recommended time and again” by economists; the fact that they are now being heeded is positive—but it also confirms “how much time has been lost before reaching this point.”

Economist Ileana Díaz Fernández of the Center for the Study of the Cuban Economy (CEEC), who played a key role in the draft reform of state-owned enterprises conceived in 2023 but never implemented, sums up the lost decade: Measures that were rejected for years as “capitalist” or on the grounds that “this was not the right moment” are now possible “overnight,” and much of what has now been decided goes far beyond the model conceived in 2023.

Ileana Díaz of the Center for the Study of the Cuban Economy (Source: Facebook)

This inevitably brings to mind a saying attributed to Máximo Gómez, a general from the Wars of Independence: “*Los cubanos no llegan o se pasan*”—which roughly translates to: “Cubans either stop halfway or go too far.” A statement by the new presidential advisor, Juan Triana—which he made several years ago in reference to the 2021 currency reform—also seems fitting today: “We waited so long for the perfect moment that we ultimately had to implement it at the worst possible time.”

The real catalyst is the crisis. The economy has shrunk by at least twelve percent since 2019, and more than 1.5 million Cubans have left the country in the past six years. Since the U.S. imposed an energy blockade in January 2026 and oil shipments from Caracas dried up following the kidnapping of Venezuelan President Maduro, only a single tanker has reached the island. Massive sanctions against third countries have effectively cut Cuba off from the international financial system (Visa and Mastercard suspended their services), and most Western investors have pulled out in the face of looming secondary sanctions. The worsening existential crisis—daily power outages lasting for hours, the collapse of transportation and healthcare systems, water shortages, and runaway inflation—is the reason why Havana is daring to slaughter several “sacred cows” at once, which just a few years ago were marked by Raúl Castro as “red lines” (such as the state monopoly on foreign trade).

Notably absent from the announcement were familiar phrases from all previous reform cycles, such as “We will not implement shock therapy in Cuba” and “No one will be left behind.” Instead, Díaz-Canel framed the gravity of the situation before Parliament with an urgent appeal: “Our beloved Cuba is going through the most difficult hours of this century, and we bear the historic responsibility to save it.”

As will be shown below, it is precisely this constellation that is moving Cuba away from Chinese-inspired gradualism toward a type of reform that historically corresponds more closely to Vietnam’s Đổi Mới of the late 1980s: a radical reform born out of crisis.

An Overview of the Key Points

The most important measures will be briefly summarized here. The complete document, containing all 176 points, can be found **here** in the original Spanish or **here** in an unedited DeepL translation into German (which is sufficient for a first impression but only of limited citability).

In the **private sector**, small and medium-sized enterprises (SMEs) will be allowed to grow to more than 100 employees in the future; at that point, they will be considered private companies (point 20). Entrepreneurs may operate multiple businesses simultaneously (21), and the list of prohibited activities is being reduced from 125 to 55, thereby opening up activities in tourism—among other areas—that were previously reserved for the state to the private sector; public limited companies will also be permitted as a legal form (27, 22). **State-owned enterprises** may be converted into public limited companies or joint-stock companies, with the state retaining a majority stake in strategic sectors; shares may be acquired by state and private legal entities, natural persons, as well as foreign and Cuban-in-exile investors (points 17, 33, 34). **Planning** is to shift from physical allocation to financial planning that responds more strongly to market signals, and enterprises are to procure supplies decentrally through the market (38); capabilities for medium- and long-term development planning are to be expanded (37). To manage this process, the *Instituto Nacional de Activos Empresariales Estatales* (INAEE) (in English, “National Institute for State-Owned Enterprise Assets”) was established.

The state **foreign trade monopoly** is being abolished; all stakeholders, including farmers, will gain direct market access (59, 129). **Foreign investors** will no longer have to rely on state-run placement agencies but will be able to hire workers directly (123).

In the **real estate sector**, the sale of state-owned properties to domestic and foreign private individuals is planned, explicitly including Cubans living abroad (34). In **agriculture**, private agricultural enterprises are permitted for the first time, and the maximum lease term for foreign investors increases to 99 years (29, 120). **Pricing** will be decentralized and aligned with market mechanisms; general price caps will be eliminated (117, 118). On the **social policy** front, the minimum wage will rise from 2,100 to 3,110 pesos (equivalent to about four euros) starting in July and, like minimum pensions, will be adjusted annually in the future; the general product subsidy provided through the monthly ration booklet *Libreta* will be gradually replaced by targeted transfers to vulnerable groups, backed by a new social protection fund (*Fondo de Protección Social*) (70–73). This is to be financed through job cuts at all levels of the administration (42).

The list of measures adopted in the **financial sector**—which today is barely able to fulfill its functions—is very long: **private banks** with universal and corporate banking licenses, as well as microcredit institutions, will be authorized, each under the supervision of the central bank and subject to the “same regulatory framework” as state-owned banks (84). In addition, there will be a **real-time digital foreign exchange market**, including foreign exchange auctions and **private currency exchange offices** (99); the lifting of restrictions on foreign exchange payments between foreign capital and domestic suppliers (85); **foreign currency account management both domestically and abroad** without prior approval (86); a regulatory framework for virtual assets and cryptocurrencies (87), the conversion of the payment app Transfermóvil into a financial institution (97), as well as the **issuance of foreign bonds** in non-dollar currencies and instruments such as swaps and debt-for-nature for restructuring foreign debt (90, 95). This is accompanied by an interest rate reform and the intended revival of bank lending (88, 89), as well as—as the most drastic measure—successive **devaluations of the national currency**, with the reform document bluntly stating that companies “that do not survive the devaluation will be liquidated” (100). The background to this is the massive overvaluation of the peso at the official exchange rate: Because the government allocates foreign currency in the public sector at an artificially low rate of 1:24, while the actual value of the national currency is measured by the informal rate—which is many times higher—many businesses operate with distorted costs and revenues—imports appear cheaper and exports less profitable than they actually are. The gradual alignment of the official exchange rate with market value is intended to eliminate this distortion and strengthen the competitiveness of exports; however, this also reveals which companies have survived thus far only thanks to the subsidized exchange rate—it is precisely these that are targeted for liquidation.

In the **tax sector** as well, which has seen hardly any reform in recent years, the package announces far-reaching changes: A general **value-added tax** is to be introduced gradually, initially along selected production-consumption chains and with reduced rates for staple foods (104); it will be accompanied by **electronic invoicing** (*factura electrónica fiscal*), the adoption of which will be encouraged through incentives (105). Those who conduct the majority of their sales cashlessly are also to benefit from tax credits on sales and service taxes (106). For micro-entrepreneurs and self-employed individuals engaged in less complex activities, there will be a return to a simplified tax regime automatically adjusted to gross income, so that the tax authority can focus on larger taxpayers (114); income tax for individuals will also be adjusted for inflation, including by raising the tax-free threshold to the level of the nationwide average wage as of 2025 (113).

On June 30, the Council of Ministers approved the implementation plan presented by Prime Minister Manuel Marrero. In this context, he announced the immediate **priorities for the next 30 days**, providing an initial indication of the sequence of actions: State-owned enterprises are to be granted new powers promptly, decision-making on wholesale and retail prices is to be shifted to the corporate level, and the structure of the overarching business associations (OSDE) is to be reorganized. In addition, provincial governments and local administrative councils are to be able to make their own decisions in a timely manner regarding the establishment, merger, and dissolution of local state-owned enterprises, as well as regarding the use of after-tax profits and wage structures. For the non-state sector, Marrero identified as priorities the approval of pending small and medium-sized enterprises (SMEs) and non-agricultural cooperatives, the reduction of administrative procedures and requirements for starting a business, the removal of the limit of 100 employees per business, the ability for individuals to own more than one private enterprise, as well as an expansion of permitted business structures and a shortening of the list of prohibited activities.

Finally, in the agricultural sector, land use and management for all economic actors should be reformed as soon as possible, and the marketing of agricultural products should be liberalized. Triana estimates that it will take at least six months before the initial effects of the reforms are felt.

The Opening of the Private Sector

Expanding the scope for private enterprise is the area expected to yield the fastest results and is likely to be the easiest to implement. The decentralization of SME licensing is key here: Since 2021, 12,700 small and medium-sized enterprises (SMEs) have been licensed, but around 7,200 applications are currently on hold, as Prime Minister Manuel Marrero explained to Parliament. Previously, the approval process had been effectively frozen. Simply processing all applications swiftly is likely to have a noticeable impact—even amid the current energy crisis—by creating new jobs. Some business models could be directly related to crisis management, such as the creation of “solar gas stations,” known as *solineras*, the first two of which recently opened nationwide. At the same time, new opportunities are opening up not only for Cubans living abroad but also for investments by the expat community in Cuba in connection with the changes to citizenship and immigration law, which will take effect in November of this year. It remains unclear, however, which previously prohibited activities will specifically be open to the private sector in the future and under what legal structures large private companies (with more than 100 employees) will be able to operate.

Ileana Díaz illustrates the aforementioned absurdity from an insider's perspective: When SMEs were introduced in 2021, there was endless haggling over the prohibited activities; an initial draft that allowed for consulting and freelance work as well as tour guiding was rejected; no one even considered limiting businesses to one per person or addressing the question of "what happens if a business grows beyond 100 employees."

There are currently about 12,700 private companies in Cuba, each with a maximum of 100 employees (Source: ACN)

La Joven Cuba provides the fundamental justification for this approach: In a country whose economy has suffered for decades from "shortages, prohibitions, ineffective controls, and delayed decisions," opening up to private initiative and diverse forms of ownership is not a capitulation, but "a fundamental prerequisite for restoring productive capacity and maintaining a sustainable social policy."

At the same time, the editorial identifies the structural risk of the entire reform, which begins in the private sector: It could exacerbate inequalities, further weaken those with incomes in local currency, and facilitate the concentration of wealth. Every step toward liberalization therefore requires a redistributive component; otherwise, the reform would be "not a social lifeline, but the unequal distribution of scarcity."

Management consultant Oniel Díaz Castellanos, who supports entrepreneurs and founders through his firm "Auge"—which specializes in the Cuban private sector—also emphasizes in his analysis of the package that the new freedoms by no means represent equally distributed opportunities. While the reduction in prohibited activities (Point 27) opens up previously restricted sectors such as agriculture, energy, finance, and tourism, this is precisely what attracts capital-rich domestic and foreign players: A small business owner who wants to compete with them in the energy or banking sectors will in all likelihood be squeezed out, because the liberalization primarily benefits those who already have capital, contacts, and management capabilities.

The same applies to the removal of the 100-employee limit (20) and the newly permitted multiple ownership (21, 23): While growth brings legal freedom, it also entails higher organizational, governance, and capital costs—as is particularly the case with the new legal form of the corporation (22). Transparency and compliance requirements could tend to deter smaller players, according to Díaz Castellanos. The increased openness to foreign capital (119) also carries the risk that financially and technologically superior investors could crowd out or take advantage of local companies due to information asymmetries.

Díaz Castellanos' conclusion thus essentially aligns with the structural risk also identified by *La Joven Cuba*, but stems from a pragmatic consulting perspective: Success will not be distributed evenly but will be concentrated among those who already possess adaptability, access to information, and technical preparedness—the rest risk falling by the wayside in the course of a consolidation process. Furthermore, as Díaz Castellanos expressly emphasizes, the U.S. embargo remains unchanged: None of the 176 measures can, on their own, lift the sanctions that continue to hinder international transactions.

The Core: The Reform of State-Owned Enterprises

The centerpiece—and at the same time the most radical part—of the reform is the restructuring of the state-owned enterprise sector. Cuba currently has 2,774 state-owned enterprises with approximately 1.1 million employees; many have been idle for years due to a lack of allocations and are heavily indebted. The diagnosis has long been known: As early as 2023, 278 enterprises were incurring permanent losses, while 80 percent of all profits were generated by just 56 enterprises. The administratively centralized management model, according to an analysis at the time by economist Ileana Díaz, forces officials to "solve every problem manually as it arises"—resulting in persistent microeconomic distortions, particularly in pricing.

The 2026 response is new and historically unprecedented: state-owned enterprises can be converted into joint-stock companies in which businesses, individuals, and foreign investors can acquire shares; the state merely defines its ownership threshold and secures a majority stake in strategic sectors (Point 17).

For institutional governance, the Decree 144/2026 established the INAEE. This body reports directly to the Council of Ministers and is clearly modeled on the Chinese SASAC model. It is tasked with advising enterprises, setting performance targets, approving strategic investments, appointing senior management, and determining their salaries, while at the same time remaining "deliberately lean." Economy Minister Joaquín Alonso Vázquez describes the function as follows: The state-owned enterprise is "the property of the entire people," and the institute's task is to "represent nine million Cubans in order to ensure that social ownership functions as efficiently as possible." Díaz-Canel articulated the economic rationale: "Greater genuine autonomy for enterprises requires a more professional management of state assets," which entails a separation of ownership and management.

In addition, the INAEE is also tasked with classifying state-owned enterprises into different categories for the purpose of their restructuring. This may take a form similar to that established under the 2023 draft corporate reform: At that time, it was proposed that profitable and non-strategic enterprises operate in the market as largely autonomous "locomotives," compete with one another, and be subject to bankruptcy proceedings in the future. Strategic "monopolies" (such as the energy sector) and heavily subsidized "essential service providers" (such as pharmacies or local public transportation), on the other hand, would remain under more direct state control and oversight as pillars of essential services. Whether this or another approach will be chosen, however, remains to be seen.

State-owned Laptop factory in Cuba: The reform of the state sector is intended to allow companies to be converted into corporations (Source: Cubaynegocios/AI-scaled)

The opportunities are clear: The conversion into corporations opens up avenues for capitalization beyond the overstretched state budget, establishes—at least in theory—strict budgetary constraints, including the possibility of insolvency, and is intended to give the enterprises the entrepreneurial freedom of action that the previous structure did not grant them.

The dominant risk is oligarchization—the non-transparent appropriation of public assets through insider trading. On this point, the consensus across the political spectrum is remarkably unanimous. *La Joven Cuba* warns that without "transparent ultimate beneficiaries, public tenders, independent audits," and disclosed conflicts of interest, the transfer process could "lead to the appropriation of public assets by an oligarchy"; the history of former socialist states shows that liberalization without transparency leads to "oligarchic capitalisms." Economist Julio Carranza identifies the same pattern: domestic actors could use the reform to "enrich themselves unlawfully, as we have already seen in Eastern Europe." He, too, calls for the creation of "transparent and regulated markets that prevent privileges and undue influence."

The sharpest objection comes from within Cuba's Marxist circles. TV host and analyst Michel E. Torres Corona considers the conversion of *all* state-owned enterprises into corporations to be "alarming" and raises crucial governance questions: "Who will decide which shares are sold? Which companies will ultimately remain publicly owned?" If the state is no longer the owner of the corporate structure—which, according to the Constitution, is the main actor in the economy—then one would be accepting the "minimal state" that has been fought against for decades. One could also add the open question of to what extent workforces will be granted a right of first refusal, thereby ensuring that the democratic management of the economy guaranteed by the Constitution is implemented more clearly than before.

This highlights the central conflict of objectives in the reform: It aims to gain efficiency through diversification of ownership, but in doing so risks undermining the material basis of the state's ability to exercise control and the foundations of the socialist system as Cuba understands it.

The government appears to be aware of this risk. Díaz-Canel announced that implementation would take place "in phases and through verifiable pilot projects," and called on citizens to exercise oversight: "Trust us, but make demands. Accompany us, but hold us accountable." Measure 176 specifically provides for a working group led by the Central Committee to strengthen oversight and inspection bodies. Whether such mechanisms will suffice remains to be seen—especially since some of the most valuable assets remain beyond the INAEE's reach: the enterprises of the Armed Forces (FAR) and the Ministry of the Interior (MININT) are adapting their systems according to their "own characteristics." At the same time, the military conglomerate GAESA (which controls large parts of the state sector, particularly in trade and tourism) has apparently already divested some companies following the latest U.S. sanctions: According to media reports, the sanctioned container terminal company in Mariel was sold to a firm run by the Ministry of Transportation. How actual control over the most profitable assets will be distributed in the future is thus one of the least transparent aspects of the entire process.

Reform of the Financial and Banking Sector

The financial sector also deserves closer examination, as it is the focus of a particularly large number of far-reaching changes.

The opportunities lie in mobilizing private capital for a chronically undercapitalized sector and in formalizing the flow of funds from remittances to families (*remesas*) via private channels—such as the new role of the "last-mile payment service provider" (point 93). For Cubans living abroad, this creates an incentive for the first time to bring capital to the island not only as a transfer for consumption but also as an investment. At the same time, the announced devaluation of the peso and the restructuring of the social security systems pose significant risks.

Criticism here comes primarily from the left. *First*, the question of controllability. Torres Corona cites Lenin's theory of imperialism as the fusion of industrial and banking capital and asks where private banks have ever served "the welfare of the population" and whether the Cuban Central Bank can regulate this sector at all. *Second*, the distributional impact amid deepening dollarization. *La Joven Cuba* cites the example of liquefied gas sold in foreign currency in light of the ongoing dollarization: Such avenues open up alternatives for one segment of the population while closing "the door on the working class and retirees"; when an essential good is available only to those with purchasing power, daily life is organized along a harsh "divide between those who can scrape by to survive and those who are defenseless." Regarding the transition from general product subsidies to targeted transfers to individuals, the magazine notes that the move may be necessary, "but it is legitimate only if it translates into concrete and enforceable social protection measures." It is not enough to announce a fund; it must be clearly defined who will be protected, with what resources, and through which institutions. *Third*—and the most significant factor from an economic perspective—is macroeconomic sequencing. Successive devaluations of the peso without prior stabilization threaten to accelerate inflation, which is already running rampant; both Carranza and Torres Corona point to the danger of an inflationary spiral.

Torres Corona also highlights the external variable of financial reforms: "Will the U.S. government exempt private banks that do business with Cuba or are headquartered there from its financial sanctions?" As long as U.S. extraterritorial sanctions remain in effect, private Cuban banks could face the same persecution as state-owned ones—rendering a central pillar of the reform ineffective. In contrast, the arduous process of integrating into Chinese and Russian payment systems lies at the heart of the Western Hemisphere—a situation that was the norm for Cuba for most of the Cold War, albeit under different conditions.

Agriculture

The agricultural sector is of vital economic importance: Cuba imports a large portion (about 80 percent) of its food, and the food crisis is one of the most acute emergencies. The reform provides for substantial steps: For the first time, private agricultural enterprises will be permitted (Point 29); usufruct rights to state-owned land will be granted for an indefinite period and without the previous requirement of direct, stable work on the land (58); cooperatives will be granted the right to engage in direct foreign trade, to obtain external financing, and to hold bank accounts both domestically and abroad (59); price formation will be decentralized, and the market will be recognized as a price signal (60); New markets for agricultural inputs (such as fertilizers and machinery) are to be established in foreign currency, and farmers will gain access to the foreign exchange market (61); furthermore, the *Banco de Fomento Agrícola* is intended to expand agricultural financing on a regional basis (62). Structurally, the delegations of the Ministry of Agriculture will be abolished and replaced by a new regional structure (47).

The opportunities lie in the incentive effect: market prices, direct access to inputs and foreign exchange, and the removal of bureaucratic hurdles address—at least on paper—precisely those factors that have stifled production thus far. The announced reduction and reform of the ministries—which could merge the Ministry of Agriculture, known for its bureaucracy, and trim its responsibilities—also underscores the seriousness of this realignment.

Skepticism is nevertheless considerable—and it comes from a reform-minded source. Ileana Díaz considers the four crisis areas—“food, health (which isn’t even mentioned), energy, and foreign exchange crises”—to be the actual linchpins of change, but criticizes the fact that all 23 thematic axes appeared to be of equal importance and that priorities were lacking; the social and agricultural sectors, of all things, remained “very vague.” Compounding the problem is the fact that many agricultural measures can hardly take effect without a functioning energy supply. “The energy situation poses a real obstacle to the implementation of many of these measures,” says Díaz, and it remains unclear how this will be resolved. Nevertheless, it can be said that the new option to establish private agricultural enterprises and open up foreign trade to farmers would tap into a previously completely untapped potential and represent a radical shift in existing agricultural policy. Former Cuban Central Bank economist Pavel Vidal therefore sees the greatest potential of the entire package in this area.

China or Vietnam? Cuba’s Departure from Gradualism

A novelty of the current reforms is that Díaz-Canel explicitly cited both China and Vietnam as models and points of reference. The specific details, however, reveal an interesting shift.

As part of the “Reform and Opening” policy launched in 1978, the People’s Republic of China adopted a gradual approach—that is, cautious local experimentation over two decades, restructuring of state-owned enterprises initially through bank loans, and a focus on revitalizing agriculture. Large-scale privatization of state-owned enterprises did not begin until the late 1990s (keyword *Gaizhi* following the 15th Party Congress in 1997), while inflation remained under control.

The Socialist Republic of Vietnam, on the other hand, launched its reform process in 1986 under the name Đổi Mới (“Renewal”) as a “Big Bang Reform” born out of crisis—that is, a rapid shock therapy designed to deliver results in a short time: After the end of the Vietnam

War, Vietnam was gripped by famine, inflation stood at over 700 percent (1986), and reunification presented the country with enormous challenges, while the U.S. maintained a trade embargo. The catastrophic supply situation forced the government to abruptly cut off credit to state-owned enterprises; between 1989 and 1992 alone, the number of state-owned enterprises was cut in half. Đổi Mới was an emergency operation in which the state, with its back against the wall at the latest with the loss of Soviet support beginning in 1991, could not spare the time or resources for a slow, experimental approach.

This characterization fits Cuba in 2026 with striking accuracy: the U.S. energy blockade, the cessation of Venezuelan oil shipments, the collapse of supplies, and triple-digit inflation since 2021—here, too, the state has its back against the wall; here, too, there is no time to "feel our way forward" (Deng Xiaoping). This is precisely what explains the observed break from the gradualism of the past: it is not conviction, but the force of circumstances that is driving Cuba toward the Vietnamese approach to reform. Díaz-Canel himself spoke of a "complex dilemma" in the face of massive pressure from the U.S. blockade.

The clearest substantive evidence of the Vietnamese orientation lies at the heart of the reform. In 1996, Vietnam officially launched the "Equitization" program (*cổ phần hóa*)—the conversion of state-owned enterprises into joint-stock companies (so-called *Joint-Stock Enterprises*) with participation by employees and private investors. The approach proposed in Cuba (Point 17) is structurally almost identical to Vietnam's "equitization." Whereas China initially used the joint-stock company primarily as a restructuring tool for small and medium-sized enterprises, Cuba—like Vietnam—elevates it to a general regulatory principle of public sector reform.

Just how novel this step is becomes clear when compared to the failed "Ley de Empresas" draft of 2023. That approach was decidedly gradualist—and thus "Chinese":

It called for categorizing enterprises (profitable "market-mode locomotives," strategic "monopolies," and heavily subsidized "basic service providers in manual mode") and sought to gradually replace administrative allocation with market allocation. There was expressly no mention of converting them into joint-stock companies. The author in question, Ileana Díaz, herself clearly draws the line in retrospect: When her book on Cuban state-owned enterprises was published, she was labeled a "neoliberal"—even though at the time there was no mention whatsoever of "the purchase of shares in state-owned enterprises by any individual," which she considered "too far-reaching for that phase." In other words: The current reform goes even further than the proposal by the economic expert—which was once considered too radical—by aligning more closely with Đổi Mới.

This choice of model has also recently taken on a diplomatic dimension: During a visit by a high-ranking Vietnamese delegation—led by an envoy of CPV General Secretary Tô Lâm—to Havana on June 22, 2026, Díaz-Canel explicitly expressed the hope that Vietnam's socialist development might "finally become the benchmark for all the changes we are undertaking in our country as part of the modernization of our economic and social model." This makes Vietnam—and no longer just China—the explicit reference point for Cuba's transformation.

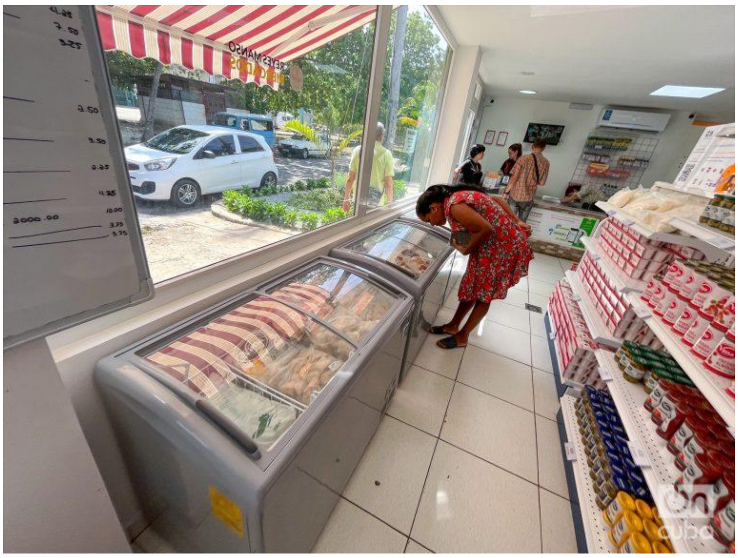
And yet it would be too simplistic to simply place Cuba on the Vietnamese path. This is because the central institutional vehicle of the reform is Chinese-inspired: The INAEE is clearly modeled after China’s “State-owned Assets Supervision and Administration Commission” (SASAC), through which the People’s Republic has been steering the modernization and management of its state-owned enterprises as a holding-company-style supervisory authority since 2003. The INAEE’s legally defined categorization of enterprises could also point to a parallel with the 2023 reform approach.

Cuba thus appears to be drawing on two models: the Vietnamese pace and the “big-bang” equitization on the one hand, and the Chinese institutional architecture on the other. The result is a hybrid approach that combines the political reassurance of gradualism (a strong, state-run governing body) with the radical nature of opening up ownership. Common to all reference models is the retention of the one-party political system; the reform is economically radical, but not politically so.

Unlike in the cases of Vietnam and China at the outset of their reforms, however, Cuba today must also grapple with the realignment of a highly developed welfare state. Even if, under current conditions, this state can now only muster a fraction of its former capacity, the political implications of reassessing social rights and the state’s welfare obligations should not be underestimated. The shift in mindset often invoked by Díaz-Canel consequently implies the abandonment of “all-encompassing paternalism” in favor of a new social contract based on realistic mutual expectations between the state and its citizens.

Outlook: Necessary Reform, with Reservations

With its 176 measures, Cuba has initiated the most far-reaching economic transformation in its recent history, abandoning gradualism in favor of a crisis-driven “big bang” approach and opting for a hybrid model combining Vietnamese radicalism with Chinese institutional architecture. There is remarkable consensus on the necessity of this step—from *La Joven Cuba* to Carranza, most economists agree that *inmovilismo*—the years of “immobility” and slowness in implementing many measures that had long since been decided upon—has caused more problems than any reform could. Success, however, is subject to three caveats.



First, implementation and sequencing. Carranza issues the sharpest analytical warning: Cuba stands “in the face of a massive and very dangerous storm.” The reform blends two levels—acute crisis management and structural systemic transformation—whose “distinctions and sequences” remain unclear in the 176 measures. The danger of committing “an error in sequencing or an unclear definition of priorities” is real and “could be irreversible.” All too often, announcements were not followed by corresponding legislation, and reforms were shelved again with the famous reference to “conditions for implementation not being in place”—not least due to resistance from middle management, which, in light of the announced job cuts, is likely to be concerned once again about its existence and influence and to take to the barricades. Added to this is the real burden of implementation, which should not be underestimated: Over 100 legal provisions must be amended, repealed, or newly enacted—and all this in the midst of an unprecedented U.S. energy blockade, with sanctions tightening almost weekly and prolonged power cuts, right up to open threats of invasion, which naturally cost the state resources for military preparations. Neither the EU nor the International Monetary Fund nor any other international organizations are standing ready to provide support.

Second, the danger of oligarchization. The core concern shared by all observers remains the danger that, without transparency, public tenders, and effective oversight, the national wealth built up over generations will pass into the hands of new networks of privilege, and that the INAEE may ultimately be unable to act as a true representative of the interests of the population as the collective owner. The question of, for example, to what extent employees can receive shares in their companies—or what mechanisms will be established at all—remains entirely open and, given its far-reaching significance, should be the subject of a swift but open-ended public debate.

Third, external dependence. Many reforms can only take effect if external circumstances change—that is, if the U.S. scales back its sanctions or if friendly nations are able to expand their energy assistance.

The first practical test is already underway: Mexican President Sheinbaum announced that she would resume oil deliveries via *private* trading companies, thereby formally circumventing the state-controlled trade targeted by Trump’s threats—an arrangement made possible precisely by the new Cuban rules on private fuel imports. Added to this is the fundamental energy constraint emphasized by Ileana Díaz, which limits the scope of nearly all measures.

Finally, it is revealing how the Cuban Marxist left interprets the situation. For Torres Corona, the reform is a defeat: “The reformists have won this round,” he said. However, he simultaneously emphasizes the sovereign nature of the reforms: There was “no ‘pact among the elites,’ no betrayal,” he argued, because the U.S. government immediately dismissed the reforms as a “smoke signal” and imposed further sanctions. Precisely because the U.S. rejects the reform and maintains the pressure, the question of the system remains unresolved and Cuban socialism is not without prospects, according to Torres Corona.

This corresponds to Havana’s actual strategic gamble, which extends beyond the economy: to drive a wedge between U.S. economic interests and the hardliners around Secretary of State Rubio who are fixated on regime change. Anyone who can privately invest in Cuban real estate or participate in an opening market in the future will develop a tangible interest in détente—regardless of the rhetoric in Washington.

Whether this strategy will pay off remains to be seen. The only certainty is that the reform itself is a necessary but not sufficient condition for improving the precarious situation of the population. To quote *La Joven Cuba*, the yardstick will not lie solely in macroeconomic indicators, but in “how much dignity we manage to preserve and restore.” The water is already too deep for any further cautious “feeling for the stones”—Cuba must take the plunge now. (Cubaheute)