Taking a page from China and Vietnam: Díaz-Canel announces sweeping economic reforms

Díaz-Canel announced the reforms on Friday morning to members of the media (Source: Cubadebate)

If Cuba's reform process has followed any logic in recent years, it is this: the greater the pressure—whether from COVID or U.S. sanctions—the faster and more ambitious the implementation of economic reforms, some of which had been in the planning stages for years but were awaiting implementation.

This time is no exception. Amid the worsening economic crisis caused by massively expanded U.S. sanctions, Cuban President Miguel Díaz-Canel has presented a comprehensive reform package. In a conversation with Cuban journalists on Friday, the First Secretary of the Central Committee of the Communist Party of Cuba outlined the priorities the government intends to use to overcome the current situation. Díaz-Canel spoke of a "multidimensional aggression" by the U.S., whose policies affect "every aspect of family life and the economy" of Cubans. In the past five months, only a single oil tanker has reached Cuba, while new sanctions from Washington have been imposed almost weekly.

The reform program, which still needs to be approved by the Politburo and the National Assembly, was developed, according to Díaz-Canel, with the involvement of expert circles, international experience, and also with the help of AI platforms based on the public consultation conducted at the end of 2025. He explicitly cited the reform processes in China and Vietnam as points of reference, "which are also in the process of socialist construction and which, at a certain point—albeit not for as long as we have—had to contend with blockades."

Díaz-Canel articulated the guiding principle of the reforms as: “Create wealth and distribute it with social justice.” Without economic performance, the head of state said, social programs cannot be financed and social inequalities cannot be combated. The reforms aim to resolve old contradictions between central planning and decentralized incentives, remove barriers to production, and strengthen both the supply for the population and the country’s export capacity. In doing so, Díaz-Canel explicitly invoked the legacy of Fidel Castro. He quoted the historic revolutionary leader’s admonition that “in complex times, one must not abandon the passion for development,” and called for viewing the current crisis as a necessary starting point for new growth.

Overall, the package includes measures across more than twenty policy areas which, as economists have repeatedly pointed out, had already been mandated by the two previous party conventions and had been awaiting implementation for years. The following is an overview of the most important areas of reform:

Top Priority: National Defense

Before addressing the economic measures, Díaz-Canel identified preparing for the defense of the country in the face of the growing threat from the U.S. as the *very first* priority. He pointed to the intensity with which the territorial defense system is being expanded—from updating defense plans based on recent experiences to actively involving the population in the strategy of the “war of the entire people” (*Guerra de todo el pueblo*). Addressing the accusation of *failed states* often leveled by the U.S., he explained that “a failed state would not have survived a situation like the current one for even a few weeks.”

Decentralization: More Power for Municipalities

A central element of the planned reforms is the strengthening of municipalities. According to Díaz-Canel, municipalities are to be granted significantly more decision-making authority in the future than they have had to date.

The following is planned:

- Municipalities should be able to determine for themselves which companies and economic actors operate in their area and how local production systems are structured.
- They should be granted the right to import and export independently, without being dependent on central plans.
- Municipalities should be able to manage foreign exchange earnings themselves and directly attract foreign direct investment.
- Investment projects involving Cubans living abroad as well as Cubans residing in Cuba should be able to be approved at the municipal level.
- The approval of new small and medium-sized enterprises (SMEs)—both state-owned and non-state-owned—is also to be shifted to the municipal level to reduce bureaucracy. Applications that have already been submitted but not yet approved should be processed as quickly as possible.

State-Owned Enterprises: More Autonomy, Less Micromanagement

State-owned enterprises are to undergo a fundamental restructuring. The goal is to bring them on par with other economic actors:

- In the future, state-owned enterprises should operate without intermediaries and without external interference in their management.
- The workforces—as direct representatives of social ownership—are to be more closely involved in operational decisions.
- Companies are to be allowed to design their own salary systems and use profits at their own discretion without restrictions. The nature of planning is to be rethought and shifted more toward the strategic (see also the draft of the → corporate reform presented in 2023).
- State-owned enterprises will be granted import and export rights, as well as the ability to generate foreign exchange earnings and retain a portion of these for expanding their production.
- The scope of the enterprises' activities is to be deliberately broad: "The enterprises will be able to produce and offer everything they are capable of," said Díaz-Canel.
- State-owned enterprises are to be able to participate in the foreign exchange market introduced right at the beginning of the year.

Private Sector and Non-State Actors

Relief measures are also planned for the non-state sector:

- The list of prohibited activities is to be significantly shortened so that private actors can cover as broad a range of business areas as possible.
- Cooperation between state and non-state economic entities—which has already been approved but has hardly been utilized to date—is to be actively promoted.
- Opportunities for participation in private enterprises, such as through joint-stock companies, are to be expanded.
- Cubans living abroad as well as those living domestically should be able to operate as economic actors under equal conditions—alongside foreign investors, state-owned enterprises, and cooperatives.

Foreign Trade: Less Bureaucracy, More Direct Channels

In the area of foreign trade, the government plans the following steps:

- Export and import should become possible for all economic actors without the mandatory use of intermediaries, thereby completely eliminating the state foreign trade monopoly, which has already been weakened in recent years.
- Importers of intermediate goods and raw materials for domestic production are to receive preferential treatment regarding customs duties compared to those importing finished products that could also be manufactured in Cuba.

- Real foreign currency accounts in banks are to be accessible to all economic actors. The government is also examining whether certain trading companies should be permitted to hold accounts abroad.
- Foreign contracts that generate foreign exchange earnings are to be facilitated.
- Foreign investment is to be provided with a stable and legally secure framework and facilitated through simplified access to bank accounts, faster approval processes, and the removal of bureaucratic hurdles.

Agriculture: More Land Allocation, Fewer Hurdles

Food production is considered one of the most urgent areas requiring attention. According to Díaz-Canel, the goal is food sovereignty and self-sufficiency in the shortest possible time.

Plans include:

- Allocating land to those who are actually capable of farming it, with the goal of reducing fallow land to a minimum.
- Farmers of all ownership types—state-owned, cooperative, private, and with foreign participation—should be able to purchase inputs in both foreign currency and local currency and participate in the foreign exchange market.
- Cooperation and mergers between actors of different ownership forms are to be made possible.
- All approval procedures for agricultural enterprises are to be simplified and accelerated.

Energy: Moving Away from Fossil Fuels

In light of the de facto oil blockade, the government is giving top priority to the expansion of renewable energy:

- The share of renewable energy is to be expanded in all sectors to reduce dependence on imported fossil fuels.
- Electric mobility is to be promoted—both through the import of electric vehicles and through their assembly and manufacturing in Cuba, with priority given to solar-powered models.
- Regarding vehicle imports in general, remaining restrictions are to be lifted, with customs incentives for electric vehicles.

Social Policy, Taxes, and the State Apparatus

In addition to economic reforms, Díaz-Canel also announced structural changes to the state apparatus:

- Product subsidies are to be phased out and replaced with cash transfers. This refers to the long-announced gradual abolition of the ration book *Libreta*, which is to be replaced by targeted social assistance for vulnerable groups.

- A draft bill already published calls for a reduction in the number of ministries from 27 to 20, coupled with a significant reduction in positions within the party, the state apparatus, and mass organizations at all levels of the country.
- The budget savings resulting from this are to benefit social programs and wage reform—especially in the publicly funded sector, where wages remain significantly lower than those of corporate employees.
- A reform of monetary policy and the foreign exchange market is also planned, along with a strengthening of the financial and banking system.
- In the area of fiscal policy, the relationship between the state budget and state-owned enterprises is to be reorganized so that the budget no longer compensates for the enterprises' inefficiencies.

Tourism, Trade, and Digitalization

Adjustments are also planned in other sectors:

- In tourism, new players and business models are to be tapped, as many international hotel chains have withdrawn from Cuba as a result of U.S. pressure. In the real estate sector as well, new models are to be developed with players not previously active in these areas.
- In domestic trade, the existing infrastructure is to be utilized more efficiently. Plans include the introduction of electronic invoicing and greater use of digital platforms to strengthen domestic trade as an incentive for national production.
- To protect qualified young workers who are leaving the country, targeted salary and employment incentives are to be created.

Díaz-Canel emphasized in closing that, despite the difficult situation, the country is not standing still. "The enemy is lying in wait for everything we do," he said, explaining why not all details could be made public. He called for unity and assured that better proposals from the public would always be considered. "There is a people [in Cuba] whose majority is prepared not to surrender and not to be humiliated," he said.

The reforms must still be approved by the Politburo and the National Assembly before they can take effect. According to Díaz-Canel, a broad-based information and awareness campaign for the population is planned afterward. It is crucial that the transformations be understood, supported, and implemented with full commitment. (Cubaheute)