



The Hidden Cause of GAESA's Offensive Against MSMEs and Self-Employed Workers

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GAESA between ambition, ineptitude and sanctions

The Cuban regime begins the year with two terrible news.

The first bad news is that remittances suffered the worst drop in their history (except for the year of the pandemic¹) since they were allowed in 1993 by Fidel Castro. There was a decline of 43.43% with respect to 2023 and a huge drop of 70.03% compared to 2019.

The second piece of bad news is that the Trump Administration has completely reversed the Biden Administration's last-minute gift to the Cuban regime. It should be recalled that the Trump Administration in its first term had banned remittance transactions with companies controlled by the Cuban military² and had put into effect Title III of the Helms Burton Act³. This has meant a) returning to the list of countries that sponsor terrorism⁴, b) the reactivation of the list of restricted entities that were sanctioned by the State Department and the Treasury Department, - with the new addition of ORBIT S.A with which no U.S. company will be able to process remittances from now on to the island- as well as c) the return of Title III of the Helms Burton Act which opens the possibility of legal litigation against any foreign investment in properties that were confiscated without compensation at the beginning of the revolution.

As things stand, the Cuban regime has been trapped in its own labyrinth. Its survival is on countdown mode.

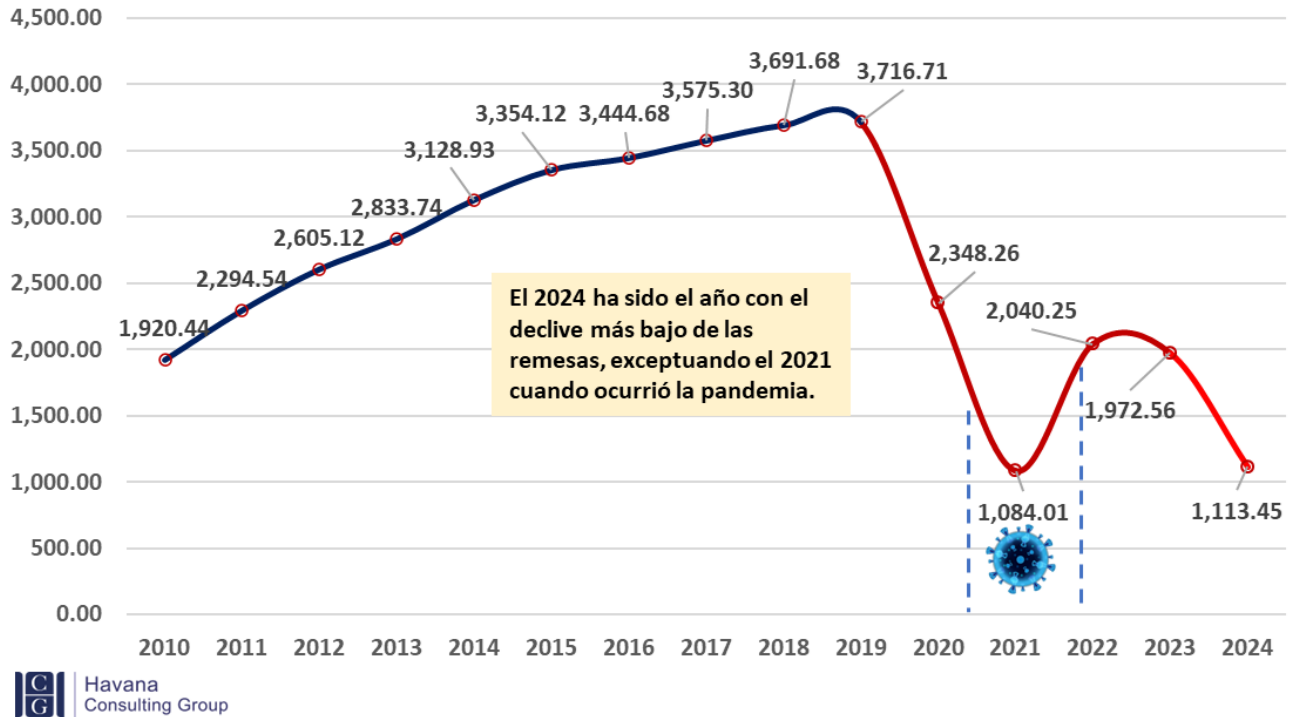
Remittances decline and elude GAESA

The year 2019, prior to the pandemic, remittances reached their highest numbers in their entire history by computing \$ 3,716.71 million dollars.

In 2024, remittances barely reached \$ 1,113.45 million dollars, below the \$ 1,972.56 million dollars reached in 2023⁵. In summary, in 2024 remittances reached only 56.44% of the previous year.

This decrease has to do with several factors, among them the migratory wave that the country has had in the last three years and which has placed, in the United States alone, around 1 million Cubans.⁶ See Figure 1.

Figure 1. Historical series of remittances to Cuba, 2010-2024



Source: Havana Consulting Group

These results show that the migration wave has become a massive family reunification operation. For this reason, the number of remittance recipients on the island has declined considerably. In fact, the number of Cuban-American travelers to the island in 2024 declined 19.03% from 2023 and 53.11% from 2019, the year prior to the pandemic.

This huge decline has had a strong impact on the country's economy, since remittances are the main support for more than one third of the Cuban population and their circulation in retail markets in turn feeds the MSMEs and self-employed workers (TCP) income of the Cuban population.

Partial dollarization of the economy

Remittances constitute the main component of the financial circuit that sustains the dollarized retail market, in which GAESA chain stores, and MSMEs and self-employed workers (TCP) participate. In addition, it is the currency that sustains the informal market and its exchange market⁷, which is the one that prevails and dictates the dynamics of trade in the Cuban market.

This drastic reduction in remittances has led to a considerable reduction in GAESA's income⁸, which was forced at a certain point to share the large retail market pie with MSMEs and MCTs.

This reality, added to the loss of control of the remittance market by GAESA -today it only directly controls 7.32% of the total that arrives to the island-, plus the lack of credits, have caused the regime to place numerous obstacles and restrictions on MSMEs. These range from price ceilings⁹, tax hikes¹⁰, import regulations¹¹, limitations on wholesale trade¹², the prohibition of 125 economic activities to exercise in the private sector¹³ and even the creation of an entity to nationalize them, known as the National Institute of Non-State Economic Actors (INAENE)¹⁴. All of this is detrimental to the growth of MSMEs and puts their very existence at risk. **These measures only favor GAESA and are intended to allow its companies to regain control of the dollarized retail market and its banks to try to regain control of the foreign exchange market**

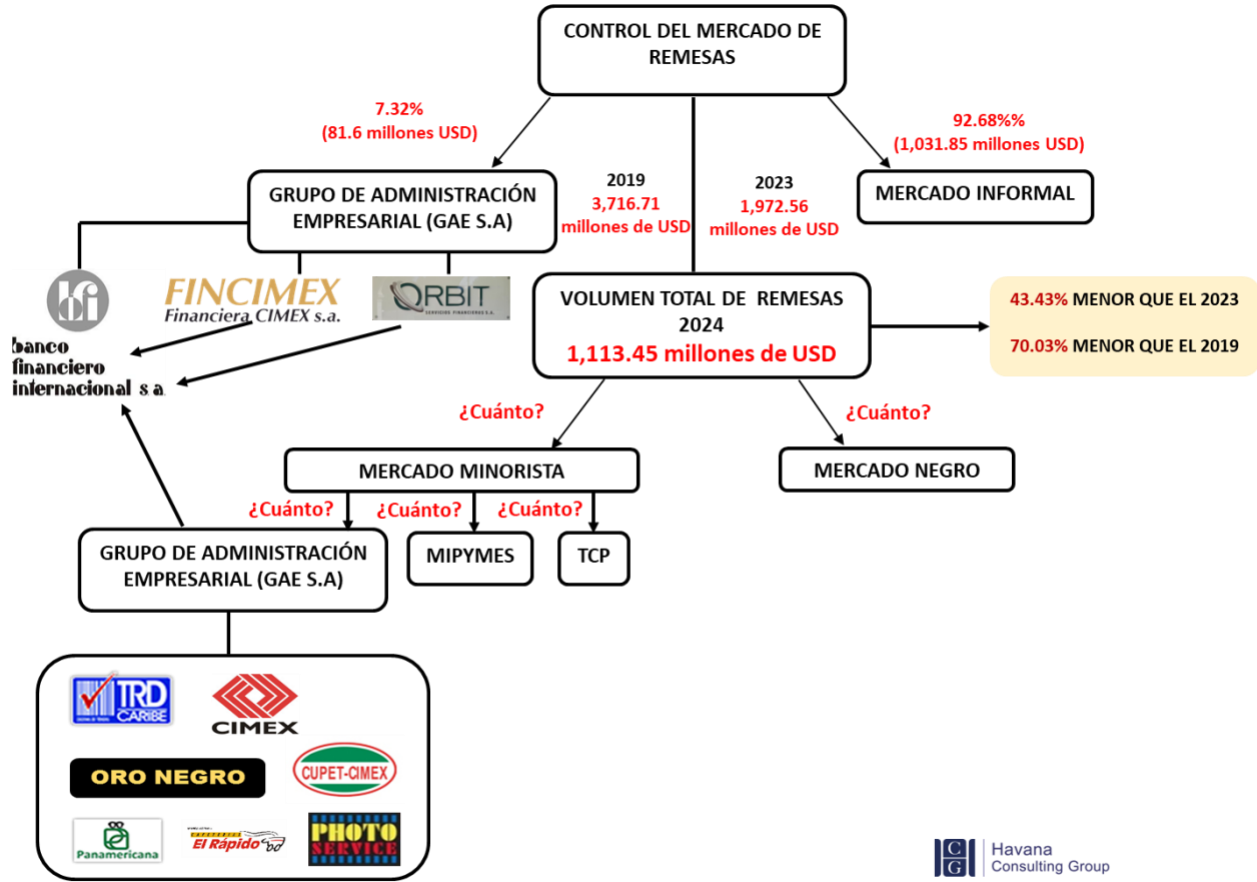
These reasons explain, in a certain way, the implementation of the apparently crazy measure¹⁵, which the Cuban regime has called "**partial dollarization of the economy**", a policy that in reality pursues the objective, solely and exclusively, of satisfying the parasitic needs of GAESA.

The **partial dollarization of the economy** is not a measure that will get the country out of the multi-systemic crisis in which it is mired, because that is not its purpose, but to get GAESA out of the growing financial bankruptcy it is facing. It is another element that will increase the problems even more and will hinder the task of defining a way out of this growing and unstoppable crisis.

The emergence of MSMEs in the Cuban economy, -despite not enjoying true economic freedom, lacking a free market environment that could provide incentives and appropriate conditions for the development of a genuine private sector in the country-, became nevertheless a real headache for the Cuban regime. **Despite its limitations, the MSME movement, in practice, resulted in efficient competition against GAESA.**

On the other hand, GAESA has derailed the flow of remittances with its permanent ambition to monopolize them. The main reason for this derailment has been the growing volume of MSME financial activity flowing through parallel and independent paths to those imposed by GAESA with Orbit and Western Union, and has gone beyond the control of the regime and its banks.¹⁶

Figure 2. Dependence of the dollarized retail market on remittances and market participants.



Source: Havana Consulting Group

The diagram in Figure 2 reveals the real reason for the strategy of "partial dollarization of the economy"¹⁷. This dollarization is based on GAESA's loss not only of the remittance market¹⁸, but also of the dollarized retail market, which it now wants to recover at all costs. **Everything indicates that what is coming is a total war against the MSMEs, the self-employed workers (TCP), and in general, the informal market. This conflict** may exacerbate tempers and the high level of frustration of a population that can no longer bear the burden of blackouts, lack of food, drinking water, medicines and food. This selfish and short-sighted strategy has the potential to trigger a major social outburst in the country.

Presenting the solution to the Cuban economic crisis based on the argument that it can be solved by capturing the total income from remittances is pure propaganda to legitimize a selfish, short-sighted and counterproductive move. Remittances do not depend on the will of the regime or its productive apparatus, but - exclusively - on the will of those who send them from abroad. And that will have been broken. Today, the priority of exiles is to take their relatives out of the island rather than to continue supporting them on island for life. The number of Cubans who have

emigrated in the last three years is irrefutable proof that exiles have preferred to rescue their relatives rather than invest with their own in a MSME or something else inside the island. They have concluded that the best solution is to help them find a new life outside the country, where they can be free, economically independent and can achieve a prosperous and dignified life on their own

On the other hand, it is the Cuban officials themselves who, with their clumsy actions, have routed the movement of remittances to the informal channels¹⁹. **After the final, conclusive analysis of last year the evidence shows that this informal remittance route controls 92.68% of the total value of remittances**

Cubans got tired of delivering dollars through the companies controlled by GAESA; they got tired of depositing dollars in accounts where they never return to them; they got tired of exchanging dollars in the CADECAS (exchange houses) and in the banks, due to the low rates imposed by the government; they got tired of sending dollars to MLC currency cards, because now the recipients prefer them in cash and in dollars.

This massive refusal of the population to use the official channels imposed by the government to process remittances is a **financial defeat for the Cuban regime**. This **act of financial rebellion** is compounded by the refusal of MSMEs to become “banked”²⁰. The reason is economic and simple: Cuban entrepreneurs refuse to become banked because they do not trust Cuban banks. They know that they lose control of every dollar they deposit in an official bank account and that once they do, they may never see it again.

Sanctions against GAESA

The Cuban regime has not been successful for several years in attracting remittances, quite the contrary. No government in the world steals remittances as the Cuban oligarchy does with impunity through GAESA. **In no economy in the world are remittances controlled by a military company, which also appropriates them and gives its citizens a currency with no international value that is mostly accepted by their own chain of stores.** This is the reason that has led to the sanctions against these military companies that process remittances.

No country in the world imposes high fees on its citizens living abroad to process their passports, nor does it prohibit them from investing in the country; on the contrary, it creates mechanisms to stimulate the investment of its nationals. The Cuban government has scared remittances scaring away remittances and those who send them with its permanent totalitarian arrogance.

Statistics on the number of Cuban-Americans who traveled to the island in 2024 prove the above assertion. Only 259,258 Cubans residing in the U.S. traveled to the island in 2024. This is 53.11% lower than the figure reached in 2019, the year prior to the pandemic, when 552,895 Cubans residing in the U.S. visited the country. It is very likely that this figure includes thousands who travel even weekly as mules, so the number of Cuban-Americans actually

traveling to the island as tourists would be considerably lower than the figure accumulated during the past 2024. See Figure 3.

Figure 3 Time series of remittances to Cuba, 2010-2024

ENERO-DICIEMBRE 2024 comparado con 2019			Crecimiento (%)		
CUBANOS Y NORTEAMERICANOS	2019	2023	2024	2024/2019	2024/2023
Cubanos residentes en el exterior	623,975	358,480	294,816	-52.75	-17.76
Residentes en EEUU	552,895	320,193	259,258	-53.11	-19.03
Residentes en otros países	71,080	38,287	35,558	-49.97	-7.13

Source: Prepared by Havana Consultig Group based on MINTUR statistics.

Except for the so-called mules, it is no longer a priority for Cubans to visit the island. Traveling to Cuba only generates losses and pain. They do not want to expose themselves to blackouts²¹, lack of medicines²², lack of food, lack of transportation²³, lack of water, epidemics threats, lack of hygiene, insecurity in the streets and repression. They are no longer attracted to go to the deteriorated hotels with their relatives living on the island. They prefer to invite them to spend vacations with them in Punta Cana²⁴ or Cancun .²⁵

Currently, the amount of remittances arriving to the island is insignificant when compared to the enormous productive potential -today tied up- that the country has and that the government has squandered for decades so that its citizens cannot generate wealth freely. It is for this reason that the latest government program to correct distortions and to re-drive the economy is another document that will get old very soon. The implementation of the foreign exchange market and the partial dollarization of the economy **will not solve the economic crisis but rather will accelerate the rise of inflation and citizen discontent.**

The real solution lies in the total liberation of the productive forces, starting with agriculture and its entire productive and distribution apparatus, eliminating the state monopoly ACOPIO, freeing prices and allowing free trade in the sector based on a free market of supply and demand.

Along with this measure, it is necessary to allow the direct investment of exiles together with family members or independently, not only in MSMEs but also in large companies, as well as to allow the association between foreign and Cuban investors directly without state mediation. For this, it is essential to create a legal framework to protect and guarantee all these premises. And GAESA's monopoly must be demolished.

Conclusions

The remittance market has suffered a strong derailment, similar to that of the sugar industry, which practically no longer exists, and very similar to what the tourism industry is suffering right now²⁶. Its response has been dollarization, "bancarization" and an offensive against MSMEs and TCP. This confirms once again the lack of will that the oligarchy has been showing so far to replace its totalitarian regime of governance. Their immobilism clings to an unproductive

system, which has lost its already small export capacity and has decapitalized the entire industrial park.

The GAESA oligarchy has despised the opportunity to turn remittances into an asset to stimulate foreign investment and develop the country. Remittances will only fulfill this important role in the framework of a democratic system, with a market economy, separation of powers and a transparent legal framework where citizens have the guarantee of being able to exercise all their rights freely.

About the author

Emilio Morales is president and CEO of Havana Consulting Group, a Miami-based consulting firm specializing in market intelligence and strategy for companies interested in the Cuban market. He is vice president of Cuba Siglo 21. He has been a consultant and advisor to dozens of companies in the US, Canada, Europe and Latin America.

Morales holds a degree in Computer Engineering and two master's degrees in Marketing and Communication (Madrid). He has written two books and more than 300 articles on the Cuban economy.

About Cuba Siglo 21

Cuba Siglo 21 is a Madrid-based NGO that promotes an open, democratic and prosperous society based on the rule of law and a free market.

About Havana Consulting Group

Havana Consulting Group, a consulting firm focused primarily on the Cuban economy and market, and secondarily on the Hispanic market in the United States, particularly in the State of Florida.

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