In his speech before the National Assembly on August 2, 2010, President Raúl Castro announced that the Council of Ministers had agreed to expand self-employment. To that end, they eliminated various prohibitions in the granting of licenses and on some types of goods and services and made more flexible the employment of workers in such enterprises. Two months later, the Council introduced a variety of liberalization measures meant to stimulate the small enterprise sector so that it could absorb large numbers of state sector workers who were considered redundant and were to be laid off. When the Sixth Congress of the Communist Party met in April 2011, it ratified that supportive approach to small enterprise, and in May, the Council initiated further liberalizing steps because the small enterprise sector had not expanded rapidly enough.

Expanding the small enterprise sector constituted a major shift in Cuba’s development path. Over much of the past half century, the government’s approach had been to exclude most of the sector and after 1993 to control its development. This new course will likely be maintained in view of the failures of past approaches to the sector and in view of the administration’s pragmatism. If Cuba is to obtain optimum benefits from the small enterprise sector, however, further regulatory and tax reforms are necessary.

The objective of this chapter is to assess the policy environment in which the small enterprise sector operated as of June 2011. It begins with a brief examination of entrepreneurship in Cuba—an underutilized and suppressed
resource. Then follows a survey of the policy approach of the 1959–2010 period. Finally, the chapter outlines and analyzes the policy modifications of 2010, with special attention to the microenterprise taxation regime.

**ENTREPRENEURSHIP: CUBA’S UNTAPPED AND SUPPRESSED RESOURCE**

The importance of entrepreneurship at the micro-, small-, and medium-scale enterprise level is widely recognized in most countries. A major report to the secretary-general of the United Nations emphasized the potential role of small enterprise in promoting pro-poor development and in achieving the UN Millennium Development Goals. In the words of the report:

> The private sector can alleviate poverty by contributing to economic growth, job creation and poor people’s incomes. It can also empower poor people by providing a broad range of products and services at lower prices. Small and medium enterprises can be engines of job creation—seedbeds for innovation and entrepreneurship. (Commission on the Private Sector and Development, 2004)

During the thirty years or so in which the exercise of entrepreneurship in a market-oriented setting was largely prohibited, Cuba, in fact, created a nation of entrepreneurs. Although the intention was to convert Cuba into a “school for socialism,” the reality is that Cuba has also been, in part, a school for market-oriented entrepreneurship. This is, of course, a surprising paradox of the Cuban Revolution.

The very nature of Cuba’s planned economy inadvertently promoted widespread entrepreneurial values, attitudes, behavior, and savoir faire as citizens have had of necessity to buy and sell, hustle and “network” in order to improvise solutions to their personal economic problems. Most important in this process was the rationing system, implemented in 1961. Rationing was designed to provide everyone with a basic supply of foodstuffs, clothing, and household consumables to achieve a minimum level of equality of consumption and real income. It provided every individual (or household, for some products) with fixed monthly quotas of foodstuffs, cigarettes, or household consumables and with annual quotas for clothing and footwear. Children and those with special health problems, such as diabetics, were provided with special food rations. Because everyone received essentially the same rations, many would receive items that they did not want or which were of lower priority than other items. In the context of generalized shortage and excess demand, especially after 1989, everyone had an incentive to sell the items they did not want or to trade them for products they wanted. Thus, the rationing system converted many people into mini-capitalists.
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The situation of excess demand and generalized shortage also meant that anyone with privileged access to a product at an official price could resell it at a higher free-market price or in the dollar economy. There was therefore an incentive for buying and selling or exchanging many products between the fixed-price official sources and the unofficial or black market with its higher prices. Related to this phenomenon was “amiguismo” or “sociolismo” or “partner-ism,” that is, the reciprocal exchange of favors. Basically, any person with control over resources could exchange access to those resources for some current or future material benefit. Daily life involved continuing endeavors in maintaining the personal relationships necessary to ensure access to necessary goods and services through unofficial channels or through official channels unofficially.

In short, citizens in their everyday material lives had to behave in an entrepreneurial manner. At the individual, or more often, family level, people had to continuously explore and evaluate new economic opportunities to acquire the consumer goods they and their families needed; to sell some consumer goods (or in some cases, outputs of goods and services); to bear uncertainty, face risk, and take ultimate responsibility; and to invest in the maintenance of their supply and market networks, all under hard and unforgiving budget constraints.

A second area where entrepreneurial action was necessary was, paradoxically, in the central planning system itself. In a perfectly functioning planning system, enterprise managers would have little to do besides implementing orders. But because the planning system did not and cannot work perfectly, especially in the face of continuing disruptions and uncertainty, enterprise managers often had to take initiatives in resolving unforeseen problems. Frequently, solutions to such problems were to be found outside the normal channels of the planning system and required improvised and extra-official purchases.

Although the population developed entrepreneurial talents, their exercise until 1993 was for the most part restricted to the important but low-level everyday tasks of sustenance and survival, often carried out in the underground economy or in black markets. With the liberalization of microenterprise beginning in September 1993, however, more space became available for entrepreneurial activity; as a result, the expansion and diversification of microentrepreneurial activity was indicative of what the Cuban economy could become if the tight restrictions and toxic tax levels were made more reasonable.

Public Policy and the Evolution of Microenterprise since 1961

In the early years of the government of President Fidel Castro, culminating in the Revolutionary Offensive of March 1968, most of the non-farm private sector was expropriated and placed under the control of relevant ministries.
Cuba’s Evolving Public Policies toward Small Enterprise

By 1970, the number of officially recognized self-employed had fallen to around 30,000 or 1.2 percent of the labor force (Figure 3-1). The nationalizations were meant to eliminate capitalism and the “chaos of the market” and replace these with the “rationality” of central planning and state ownership.

The consequences of the nationalization of small enterprises quickly became apparent. The state sector—controlled by bureaucracies in Havana office towers—was unable to replace small-scale entrepreneurial efforts and thus the quality, quantity, and diversity of production declined. The underground economy expanded and material standards of living were impaired. The urban landscape became commercially dead. In contrast to the bustle of other Latin American cities, Cuba’s production of goods and services entered a long period of sclerosis.

In October of 1994, the government legalized many new areas of self-employment in response to the economic meltdown of 1990-1993, ratifying already widespread survival strategies. Self-employment expanded rapidly, and by 1995 there were 138,000 registered microenterprises. This process led to significant improvement in the quality, quantity, availability, and diversity of goods and services; to increased productive employment and income generation; to foreign exchange earnings and savings; to increased tax revenues; to renewed commercial vigor in urban areas; and to a general improvement in the quality of people’s lives. On the downside, because no provision was made for the legal sale of inputs to the sector, a main source of inputs was theft from the state. Much has been made of alleged high incomes
in the microenterprise sector. Indeed, restaurants and bed-and-breakfast operations catering to tourists and earning US dollars and then “convertible pesos” generated high incomes for a while, at least. During the period when there was a huge monetary overhang and excess money in circulation, prices and incomes for a range of microenterprises were pushed to higher levels. When the government reduced the excess money in circulation, prices in the microenterprise sector declined and incomes fell. By the early 2000s, most of the sector involved low-income people providing goods and services for other low-income people. In consequence, the microenterprise sector was a less significant source of income inequality.

Shortly after the legalization of self-employment in 1994, the government began to oversee the small enterprise sector with the implementation of its many regulations resulting in limited growth of the sector. For example, all activities not explicitly approved were prohibited, as well as all professional self-employment; of the 156 activities initially permitted, some forty-one were closed in 2004 to new job entrants; licensing was used to limit entrance to self-employment; microenterprises had no direct access to credit, foreign exchange, or imports; the use of “intermediaries” to sell products was not allowed; advertising was prohibited; there were tight limits on the number of employees; and there were also restrictions such as the twelve-chair limit in private restaurants.

Additionally, there was a tax regime biased against self-employed Cuban citizens, which I will elaborate on in the next section. Particularly noteworthy was the 10 percent limit on costs that could be deducted from gross income in calculating net taxable income and the non-deductibility of investment from taxable income. Moreover, there was a considerable hostility toward the sector in the media and political environment.

**Small Enterprise Policy Reforms, October 2010**

In October 2010, the Cuban government introduced a reform package designed to shrink the state sector ultimately by about 1.8 million workers or close to 35 percent of the labor force. The reforms aimed to liberalize the policy framework so that small enterprises could expand and employ those workers that the state sector would shed.

**Rationale for the Policy Modifications for Small Enterprise**

The central motivation for policy liberalization for small enterprise was the low productivity of workers in the state sector of the economy. This can be inferred from Figure 3.2, which shows official rates of open unemployment
from 1988 to 2010 together with estimates of underemployment. The underemployment levels from 1991 to 1998 as estimated by the UN Comisión Económica para América Latina y el Caribe (CEPAL) exceeded 20 percent of the labor force. If the redundant labor in the state sector was up to 1.8 million, or about 35 percent of the labor force, this would mean that underemployment has not diminished much, if at all, since the early 1990s.

Another way to envisage the labor redundancy situation is to analyze changes in productivity levels. In the industrial sector (including the sugar industry) the total value of production in 2009 had declined to 44.9 percent of the 1989 level (a reduction of 55.1 percent). At the same time, total employment in the industrial sector declined from 685,500 in 1989 to 530,800 in 2009 or to 77.4 percent of the 1989 level, a reduction of 32.6 percent (ONE, 2011a, Table 7.3). This means that the productivity of labor in the industrial sector in 2009 was 42 percent lower than in 1989. Clearly, underemployment has remained at a relatively high level.

It was an amazing and ironic reversal of fortune for Cuba’s private sector that its new role was to increase productivity by absorbing redundant labor from the state sector. After facing political stigma and an onerous regulatory and tax regime, it was now supposed to save the economy by generating jobs, higher productivity, and improved living standards, to do more than was possible under the old system. Fidel Castro’s fifty-year vision was being replaced by that of his brother Raúl.

Contracting the workforce by over a million workers would be hard, and absorbing them into the small enterprise sector would be even harder or next
A test was whether the small enterprise sector could create an additional 500,000 jobs by March 2011 and ultimately 1.8 million new jobs. By March 2011, the total number of self-employed workers had reached about 320,000 (Figure 3-1).

**THE MODIFIED REGULATORY FRAMEWORK**

The central features of the October 2010 modifications to the tax and regulatory framework included broadening licenses, increasing permitted activities, easing the rental of facilities from citizens or the state, allowing sales to state entities, making banking facilities and credit available, easing certain regulations (for example the number of restaurant chairs allowed), reducing punishments for infractions, and making imported inputs accessible for small enterprise at wholesale prices. Despite the easing of restrictions, however, tight limits on self-employment remain; self-employment in professional activities, intermediaries (each producer is supposed to be the seller of his or her output), and advertising are all still prohibited. Although relaxed considerably on May 27, 2011, when all microenterprises were permitted to hire up to five employees, there are still tight limits on the hiring of employees, and petty restrictions remain in place. The government introduced a number of other minor measures in 2010 that are worth mentioning. For example, city parking attendants were permitted to pay a rental fee for the right to oversee the parking of cars on the street, charging the car parkers, and retaining the parking profit—an interesting and surprising type of privatization of parking in public locations not to be found in many other market economies. The government relaxed restrictions on private taxis and granted permission for bus drivers to rent small city buses and operate them on a for-profit basis. Additionally, it experimented with cooperative hair dressing salons and barber shops and planned to establish markets for inputs for small farmers (aside from state input allocation).

**MICROENTERPRISE TAX REFORM, 2010**

An important component of the reform package is the modification of the microenterprise tax regimen. Some of the modifications will reduce the heavy tax burden on the self-employed. The changes are modest, however, and the tax system will continue to limit job creation and the expansion of microenterprise.

The new taxation system, presented in October, 2010, has four components: a sales tax, a tax on hiring workers, an income tax, and social security
or social insurance payments. Taxes generally are payable in moneda nacional or “old” pesos. For revenues or costs in convertible pesos (CUCs) they are to be translated into moneda nacional at the going quasi-official rate (around twenty-two to twenty-six “old” pesos per convertible peso, over the 2001–2010 period) for purposes of tax payment. There is a special regimen for bed-and-breakfast operations that is not considered here.

The sales tax is levied at 10 percent on the value of sales of goods and services and payable by all microenterprises that do not qualify for the “simplified tax regime” (discussed shortly). While this tax in principle is reasonable and is used in most countries, the costs that the self-employed bear of monitoring the value of sales and collecting the tax will be high.

Employers pay a tax on each employee that is the equivalent to 37.5 percent of the average national wage; in 2009, the national monthly wage was about 429 pesos, which would be taxed at 161 pesos a month or 1,932 pesos a year (ONE, 2011a, Table 7.4). The “minimum” hiring tax assumes two employees for paladares, small restaurants run by self-employers, and one for other food vendors and a few other activities. There appears to be no tax exception or adjustment for part-time employees.

There are two income tax regimes, a simplified regime for lesser self-employment activities and a more complex regime for larger activities. The simplified tax regime applies to ninety-one activities. In place of the four previously mentioned taxes, those who qualify pay a consolidated tax, or the monthly licensing fee, which ranges from forty to 150 pesos per month.

Other enterprises fall under the general tax regime and pay all of the individual taxes discussed here. They pay, in addition, an up-front monthly tax/license ranging from 40 to 700 pesos per month. To determine the total tax payment, a fixed amount for deductible expenses is deducted from the “tax base,” defined as total revenue. The maximum amounts allowed for deductible expenses range from 10 percent for ten activities, 20 percent for room rental operations, 25 percent for forty activities, 30 percent for ten activities, and 40 percent for six food and transport activities. Bed-and-breakfast operations have their own specific regimen. Tax rates rise progressively from 0 percent for the first 5,000 pesos to 25 percent for additional income between 5,000 and 10,000, 30 percent for income increments from 10,000 to 20,000, 30 percent for 20,000 to 30,000, 40 percent for 30,000 to 50,000, and 50 percent for additional income exceeding 50,000 pesos. This rate is high, relative to Cuban standards, but not totally unreasonable in international comparison.

Social security payments pay for old-age support, maternity leave, disability, and death in the family. They are determined according to a scale that the self-employed worker selects and may range from about 90 to 500 pesos per
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month, depending on the choice of the self-employed person. This is a social insurance scheme, though the payments are similar to taxes.

This new tax regime is an improvement over the previous system. It allows businesses to deduct 10 to 40 percent (in the case of private restaurants) of total revenues as a cost of production. The previous maximum allowable deduction was 10 percent of total revenues. The new rules are especially beneficial for activities such as food services, transport, and handicraft or artisan activities for which input costs can be 59 to 90 percent of total revenues. The progressive structuring of the income tax regime is reasonable though stiff.

There are a number of flaws in the taxation regimen, however, which will continue to stunt the development of small enterprise and prevent the absorption of the redundant workers from the public sector. First, the tax on employment is problematic as it adds to the employer’s cost of hiring a worker. The obvious impact of this tax will be to limit hiring and job creation. Another possibility is that employment will be “under the table,” unrecorded, and out of sight of officialdom. The overall tax level is punitive. The sum of the income tax, employee hiring tax, and public service surtax is high and can help create effective tax rates exceeding 100 percent, which will promote non-compliance and other forms of cheating. It will discourage underground enterprises from becoming legal as well as the establishment of new enterprises.

The minor reforms of the microenterprise tax regime do relatively little to reduce the fiscal discrimination favoring foreign enterprise. For foreign firms, taxable income is revenues minus costs of production. Moreover, investment costs are deductible from future income streams for foreign firms, which is the normal international convention. For Cuban small enterprises, investment costs are deductible only within the 10 to 40 percent allowable cost deduction levels.

Example: Three Taxation Cases for a “Paladar” or Private Restaurant

To illustrate the character of the tax regime, a case of a “paladar” is examined in Table 3-1. It is assumed that the total revenues or gross earnings of the paladar are 100,000 pesos per year (row 1) or a modest 280 CUP (Cuban peso) or about US$10.50 per day. It is imagined then that there are three costs of production cases: cases A, B, and C where costs of production are 40 percent, 60 percent, and 80 percent of total revenues, respectively. A situation where input costs for a paladar are 80 percent of total revenues is reasonable, given the required purchases of food, labor, capital expenses, rent, public utilities, and so on. On the other hand, the 40 percent maximum is unreasonably low.

The differing true input cost situations (rows 2 and 3) generate different true net income (row 6). The tax base, however, is determined by the legal
Cuba’s Evolving Public Policies toward Small Enterprise

Table 3-1  Taxation Calculation for Restaurants, Three Cases (*Moneda Nacional* or CUP)

<table>
<thead>
<tr>
<th></th>
<th>Case A</th>
<th>Case B</th>
<th>Case C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross income</strong></td>
<td>100,000</td>
<td>100,000</td>
<td>100</td>
</tr>
<tr>
<td><strong>Actual input cost: percent of gross income</strong></td>
<td>40%</td>
<td>60%</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Peso value</strong></td>
<td>40,000</td>
<td>60,000</td>
<td>80,000</td>
</tr>
<tr>
<td><strong>Allowable costs deductible from gross income</strong></td>
<td>40%</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Peso value</strong></td>
<td>40,000</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td><strong>Actual net income before taxes (1–3)</strong></td>
<td>60,000</td>
<td>40,000</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Tax base (1–6)</strong></td>
<td>60,000</td>
<td>60,000</td>
<td>60,000</td>
</tr>
<tr>
<td><strong>Income tax payable: (based on gross revenues less peso value of allowable costs deductible (1–5))</strong></td>
<td>19,750</td>
<td>19,750</td>
<td>19,750</td>
</tr>
<tr>
<td><strong>Minimum employee hiring tax: 2 employees at 37.5 percent of average national wage per year</strong></td>
<td>3,864</td>
<td>3,864</td>
<td>3,864</td>
</tr>
<tr>
<td><strong>Total tax payment (8 + 9 + 10)</strong></td>
<td>23,614</td>
<td>23,614</td>
<td>23,614</td>
</tr>
<tr>
<td><strong>Real average tax rate (10 / 6)</strong></td>
<td>39.4%</td>
<td>59.0%</td>
<td>118.1%</td>
</tr>
</tbody>
</table>

Source: Author, based on República de Cuba (2011a) and República de Cuba (2011b).

maximum allowable of 40,000 (rows 4 and 5) and is 60,000 pesos in all three cases (row 7). The income tax payable is determined by the progressively cascading scale noted earlier and is 19,750 in all three cases (row 8, based on calculations not shown here). The tax on hiring the legal minimum, two employees, is 25 percent of 150 percent (that is, 37.5 percent) of the average national wage, which was 429 pesos per month or 161 pesos for twelve months for two employees (3,864 pesos per year, row 9). The total taxes, then, are the sum of rows 8 and 9 or 23,614 pesos per year (row 10).

The effective tax rate is then calculated as tax payment as a percentage of actual net income (row 10 divided by row 6). For the third case, where true costs of production are 80 percent of total revenues, the effective tax rate turns out to be well over 100 percent (118 percent). This is due to fixing the maximum allowable for costs in determining taxable income at an unrealistic 40 percent while the true costs of production were 80 percent of total revenues.
The chief result of this example is that effective tax rates can be much higher than the nominal tax rates for all the activities where true input costs exceed the defined maximum. In some cases, taxes owed could easily exceed authentic net income—assuming full tax compliance. Such high effective rates of taxation, of course, could destroy current microenterprises and block the emergence of new enterprises. Under the previous policy environment for microenterprise, this was perhaps the objective. However, the aim of the new policy environment is to foster and enable microenterprise expansion in order to generate productive employment.

**Further Steps in Liberalization of the Regulatory and Tax Regimes for Small Enterprise**

On May 27, 2011, Granma, the newspaper of the Communist Party of Cuba, announced additional measures that would reduce the restrictions on small enterprises, notably small restaurants, to facilitate new jobs and absorb workers the state sector planned to declare redundant. First, any officially recognized self-employment activity could hire up to five workers, encouraging informal workers to be paid “on the books”; second, loss-making state enterprises, notably state restaurants, could be rented to self-employed individuals and operated as cuentapropistas. In some cases, employees in danger of losing their positions in those same state enterprises could end up working in a small enterprise or perhaps a cooperative in the same place. Third, paladares could expand their capacity from twenty to fifty chairs—up from twelve before October 2010. Tax policy has changed as well: the “minimum employment requirement” (which assumed a minimum number of employees, whether they were actually employed or not) was eliminated; monthly tax payments can be suspended for up three months when assets such as a taxi or bed and breakfast are being repaired or renovated; and to provide start-up support for new enterprises, a temporary exemption on the employee tax was granted for the rest of 2011. Activities eligible for self-employment were expanded, and activity-specific reforms were initiated to jump-start the formation of new enterprises.

These changes are all reasonable. The government states that it is “learning from experience” (“rectificar en el camino”). Pragmatism seems to be the growing vogue in economic management, and that can only be positive.

**Evaluation of the Policy Modifications**

Can the microenterprise sector generate 1.8 million new jobs by 2014? On the positive side, the government and media stigma of small enterprises has
been reversed, and the liberalization of licensing has opened small enterprise to all possible entrants. Consequently, increased competition will push prices, and therefore incomes, down to average levels, which will be beneficial in terms of product quality, diversity, and price. There has also been a small increase in permitted activities and some regulations have been relaxed; the increase in employees to a maximum of five will reduce the miniaturization of enterprises and permit greater economies of scale. Additionally, the amount of costs from gross revenues that can be deducted for taxes for some activities has been increased; future access to micro-credits, to the purchase of both domestic and imported inputs at wholesale prices, and to the use of bank facilities are all promising. The rental of state facilities to small entrepreneurs has been initiated, which may encourage the state to abandon small scale service and manufacturing activities, leaving these to the social control of the market. License revocation and the confiscation of equipment have been curtailed, an important measure even if the original infractions still exist and are punishable by the original fines.

There are still limits to the policy modifications, however, that will hold back job creation. High tax levels will limit enterprise creation and legalization and will continue to encourage the underground economy. In general, the various taxes imposed on small businesses are discouraging: the tax on hiring employees will discourage the absorption of labor into microenterprise activity, and microenterprises will remain stunted by the high effective tax rates that are incurred when costs of production exceed the minimum deductible for tax determination purposes. Additionally, narrow definitions of legal activities and restrictions on hiring workers will limit enterprise and job creation; this is especially the case with the exclusion of high-tech and professional activities from self-employment, which blocks the development of knowledge-intensive enterprises and wastes the training of the highly educated. Finally, tax discrimination favoring foreign firms in joint ventures over domestic microenterprises continues.

**Conclusion**

While the task of modifying the policy framework for the microenterprise sector is incomplete, major improvements have been instituted so far, and more are in the process of implementation. In the summary presented in Table 3-2, it can be seen that major advances have been made in a number of areas, notably licensing and destigmatizing. Progress has been made or promised in a number of areas. There has been no action in some areas that are relevant for the Cuban case. In still other areas, some reforms have been introduced but further action is desirable.
There are always disadvantages as well as advantages—costs as well as benefits—in the implementation of economic policy. I have trouble finding any disadvantages or costs in a liberalized policy environment for small enterprise. There are, however, three concerns that should be addressed.

First, will the Cuban *apertura* worsen income distribution? In the early stages, as some small enterprises increase in size, this may occur. But Cuba, with an effective administrative system for taxing small enterprises, has policy tools at its disposal to manage problems associated with income disparities. Opening self-employment and small enterprise to all possible entrants will also increase competition in the sector and push prices and therefore incomes down to average levels.

Second, will an opening encourage pilferage of inputs from the state sector—as has happened in the past? This is a possibility that has to be managed. It can be managed by establishing a market for inputs for the sector that is reasonable and fair. In the past, it was difficult for small enterprises to obtain necessary inputs—except at the *Tiendas para la Recaudación de Divisas* (TRDs) or dollar stores—without purchasing inputs that were pilfered from the state sector. A market for the provision of inputs to the sector is thus vital.

Third, will an opening lead to an expansion of infractions and illegalities as small enterprises try to evade rules and taxes? This may indeed occur if regulations remain unreasonable and if tax burdens are impossible. If an
apertura for small enterprise is accompanied by the dropping of vexatious regulations and if the tax regime is made reasonable, it is likely that compliance will improve. Building a culture of respect for regulations and taxes will also take some time as the self-employed have come to view government as an enemy force imposing regulations that are aimed not just at their containment but also their elimination.

The economic reform process as it concerns the apertura toward small enterprise has been launched. It is in its early stages. It will likely continue under the more pragmatic leadership of Raúl Castro. Under new generations of Cuban citizens, it will proceed far beyond the Lineamientos (PCC, 2011) in economic as well as political spheres.