

CUBA'S DEMOCRATIC FUTURE: THE TYPE OF CAPITALISM THAT AWAITS US

*Carlos Alberto Montaner
New Economy Forum
Breakfasts at the Ritz
Madrid, June 27, 2007*

I view as a great honor and an extraordinary expression of support for the Cuban democrats the fact that this address about the future of Cuba is introduced by my admired friend Doña Esperanza Aguirre, President of the Autonomous Community of Madrid. This, of course, is not an unusual circumstance: her friendly hand and her solidarity have always been extended to us, throughout the years. She has never failed us, not even when her support might have carried a political price, because the most notable feature of this unusual woman is her commitment to her values and principles, beyond any political consideration.

I also thank the New Economy Forum, its president, Don José Luis Rodríguez, and its sponsors for making available to us this platform, one of Spain's most important, to debate Cuba's likely political and economic evolution after almost half a century of communist government.

The prophecy

I begin by prophesying a radical and relatively swift change in Cuba after the death of Fidel Castro, based on the following five reasons:

- Authority in Cuba is organized vertically and is dependent on Fidel Castro. Typical institutions that are carbon copies of the vanished Soviet model do exist, but they are only transmission belts to carry out the dictator's will. It is true that they have a replacement figure -- General Raúl Castro -- but he is another elderly man, 76, lacking in leadership or popular sympathy, with psychological features that are very different from his brother's. In any case, what will happen after Raúl Castro, who has just buried her lifelong spouse? Ideological dynasties always have shown a grave incapacity to transmit authority in an orderly manner.
- Fidel's political bequest and revolutionary assignment is a harebrained project: to form a bloc with Chávez, Evo Morales, Daniel Ortega, and any other character of their political ilk who joins them, to conquer first Latin America and later the rest of the planet. The bloc -- which will be directed and is already bankrolled by Hugo Chávez -- is a substitute for the USSR. The Cuban ruling class experienced that political fever for 30 years and paid dearly for it, so probably won't wish to reprise that absurd adventure.

- The ruling cupola, although bereft of democratic convictions, no longer believes in the virtues of collectivism. The families that hold the power are demoralized. In material terms, the country is a shambles after 50 years of failures, and what's most abundant among the high- and mid-level cadres are reform plans that invariably lean toward the market and liberalization. Everyone knows that that's what China and Vietnam tried out. Everyone saw that the timid reforms of the 1990s, suggested by Spanish socialist Carlos Solchaga, a prudent economist, rapidly produced beneficial effects that were limited by Fidel Castro's collectivist and egalitarian stubbornness. Nevertheless, that reformist trend -- though very much a majority view -- remains hidden and paralyzed because Fidel opposes it.
- There is an obvious way out of the crisis: change, economic reform, reconciliation with the United States and the European Union, and the ensuing jettisoning of the delirious Chavista project. Inevitably, that will lead to the country's democratization and the adoption of a viable economic model. Naturally, this must begin with the release of all political prisoners, respect for human rights, and a renunciation of the hegemonic power of the Communist Party. Except that, as was seen in eastern Europe, regime change really does not entail any danger to the current ruling class. The people in it have learned that there is life, honors, security and even a return to power if they recycle themselves within the democratic institutions and are willing to allow the participation of the entire society in the design, control and management of the country.
- Finally, the historical atmosphere surrounding the world's States is very important. The world -- marching and countermarching at different rhythms -- is moving toward a pluralistic democracy and a market economy. That trend is unstoppable. Cuba cannot be the one totalitarian and collectivist exception on the planet, permanently stuck in a political model that feeds on dusty Marxist ideas and is managed by a thoroughly incompetent state that was copied from the 1970s' USSR.

The change

Once the process of change has begun, with sound judgment and a strong hand, the island can make a tremendous leap toward prosperity and progress, in not too long a period. Within 15 or 20 consecutive years, counting from the day the reforms are initiated, the country can grow at an annual rate of 10 to 12 percent. Some economic areas could “heat up” even faster, if the people who steer the transition know what needs to be done.

There will be no shortage of financial capital -- international money, public and private -- and the island has excellent human capital: 800,000 university graduates, among them many engineers, doctors and mid-level technicians. Financial capital will arrive in a stream, principally from the United States -- a nation that is very interested in stabilizing the situation on the island, so as to prevent a massive exodus and to please an influential Cuban-American majority -- but also from Europe and very especially from Spain. The more astute entrepreneurs will see that the island represents a great opportunity to do good business.

In any case, what do I mean by sound judgment and a firm hand?

First: To establish a social pact among most of the political agents who are willing to act with moderation and common sense. An accord that provides the calm and stability required by the moment.

Second: To swiftly build a juridical framework that guarantees investments and provides security to private property. Without this prerequisite, all efforts will be almost useless.

Third: To transfer to the Cubans most of the assets now in the hands of the State (as well as the houses they inhabit) so they may massively become owners of the means of production and feel that the change is really beneficial for them -- and belongs to them.

Fourth: To procure some form of reasonable compensation for those who were violently deprived of their goods, as well as a kind of payment or accord on the international debt that would restore the country's credit, secure access to financial markets, and enable the country to obtain help from international institutions such as the IDB, the WB or the IMF.

Fifth: To quickly liberalize the entire economy, including prices, rates of exchange, interest rates and contract forms, while authorizing all legitimate commercial transactions.

Sixth: To request massive international aid -- and funds for this do exist -- for the purpose of alleviating the effects on the most defenseless people (the elderly, the retirees, the children) of the passage from dictatorship to democracy and from collectivism to the market and private property.

It is vital that, from the very beginning of the change, the people should perceive and ascertain that the material conditions of their lives are improving gradually and in a sustained manner. This positive experience -- not a theoretical debate or a harmful "settling of accounts" -- will legitimize the change and strengthen the relations between the people and the new State being constructed. Any form of revanchism or gloating when reviewing the past must be rejected. What's important is to save the future. The past is beyond remedy.

What kind of a society do we want ?

In the new stage that approaches, it is very important to know where we are headed and what is our vision of the future -- a landscape that may be difficult to paint in great detail. Cuba must be a *normal* country, in peace and harmony with the rest of the world, similar to those 30 leading nations described in the United Nations' *Index of Human Development*, a goal that is perfectly attainable in the course of one generation.

In general, those are States ruled by law, founded on the idea that authority -- periodically renewed by transparent and plural elections -- resides in the heart of society and is expressed by neutral institutions ruled by laws that recognize neither privileges nor exceptions. Authority is not the domain of enlightened strongmen or groups or parties that arbitrarily assume collective representation for themselves. In addition, those are States where transactions are made within an economic model guided by the market, where private property is recognized as one of the basic human rights. Without private property -- and this was demonstrated throughout the 20th Century - - it becomes impossible to uphold freedoms or achieve prosperity.

The Cuban regime affirms that, if a change occurs, the fate that will befall the Cubans -- imposed from the United States -- is the capitalism of Haiti, not of Spain or Belgium, but that is only an alarmist slogan conceived to sow uncertainty and hinder the reform process. Why would the United States or Europe want an impoverished Cuba that they would have to subsidize permanently, instead of a rich country with which they could engage in many, mutually advantageous transactions?

It is true that a country can have democracy, freedom and private property, yet at the same time be a very poor, unjust country with hurtful social differences, such as the aforementioned Haiti. But this grim economic performance and the lack of hope are not the result of evil designs from abroad, as maintained by the apostles of the inaccurate *Dependency Theory* or by Fidel Castro today. It is the consequence of the irresponsible and sometimes criminal behavior of the country's own ruling classes, combined with a social mentality that is refractory to progress and development.

- The capitalism that will come to Cuba cannot be mercantilist. In other words, the government may not decide which of its favorite clients, national or foreign, must be enriched. Nor may it decide the factors with whom it will forge an alliance of mutual convenience to control any riches that may be produced through the discriminate and abusive use of power.
- The capitalism that will come to Cuba cannot be oligarchical. In other words, our society will not be of the type where the big economic interests forge an alliance to place the

- governments and the political parties at their service, to the detriment of the general needs of society.
- The capitalism that will come to Cuba will not be socialist or fascistic or autarchic corporativism, ruinous because of the weight of inefficient state enterprises, plagued by bureaucratic red tape, paralyzed by inflexible rules or impossible taxes, or split by sterile class conflicts that are artificially spawned and only impoverish the people.
 - The capitalism that will come to Cuba -- that we shall take to Cuba -- is a modern, open and competitive capitalism, characterized by the search for productivity, strongly integrated to the rest of the developed world. It will be a model of capitalist development that will stimulate the incessant creation of enterprises that compete fairly for market quotes by dint of the quality and price of the goods or services they offer. It will be a capitalism whose attractiveness will not be the cheapness of its manual labor but the high level of productivity and the technical and scientific complexity of the Cuban workers, treated respectfully and with dignity, given the right to form unions, capable of exchanging their work for a salary high enough to grant them the honorable way of life found in the 30 leading countries I mentioned before. Our model is not Haiti -- it is Israel, it is Ireland, it is Spain, and the human and economic conditions that will permit its installation do exist.

Social and corporate responsibility

This definition of the economic model that Cubans long for should also serve as a severe criticism of the precarious pockets of semiprivate economy that exist in today's Cuba. The foreign investments that exist in Cuba, which the dictatorship authorizes and controls under the label of "joint ventures," are not in the interest of Cuban society. Instead, they fraudulently contribute to the dictatorship's survival and constitute an expression of the worst state-run mercantilist capitalism.

By means of this model, the Cuban government contemptuously selects a few docile investors who are guided exclusively by the quest for profits and, within those joint ventures, reproduces the worst of the totalitarian political model -- the iniquitous exploitation of the workers by the seizure of 95 percent of their wages through phony currency exchange rates. Not to mention the political repression and absence of freedoms in the rest of the country's institutions.

Serious entrepreneurs, be they Spanish or from any other country, should not lend themselves to this sordid complicity. It is not true that their mere presence in Cuba accelerates a

possible change. That is a fallacious excuse conceived to conceal an obvious lack of scruples. Nor should they use as a shield the alleged indifference of entrepreneurs to the political and social consequences of their acts, so long as they are protected by official legitimacy. When official legitimacy propagates abuse, discrimination and apartheid, violating the fundamental rights of people, that legitimacy is extinguished *de jure* and becomes an immoral standard. No enterprise that understands and assumes a social/corporate responsibility should abide by such a standard.

Serious entrepreneurs, be they Spanish or from any other country, should not succumb to the superstition that it would be convenient to be in Cuba when the changes occur. The sensible thing to do is not to collaborate with the dictatorship. Most likely, the entrepreneurs already there will face large legal claims (and probably criminal charges) from the workers who for years have seen how Cuba has violated the rules established by the International Labor Organization, rules that both the enterprises and the Cuban government are obliged to observe. On the other hand, it will be of little avail for those entrepreneurs to be immorally ensconced in Cuba, waiting for changes, if we Cubans hope to install on the island a model of capitalist development founded on competition and the law, not on patronage, mercantilism or collusion among entrepreneurs who seek easy income and venal functionaries who are willing to dispense such income in exchange for kickbacks.

It is a notable tactical error and a very censurable moral flaw, unworthy of any self-respecting modern entrepreneur, to participate in a distribution of mercantilist privileges and in the assignment of monopolies, putting their money into a closed reserve where the population lacks mechanisms for its legal defense. The truly prosperous societies, where the best and most transparent businesses are transacted, are those where all the economic agents who so desire -- not just the agents hand-picked by a dictatorship -- may participate and compete freely in the marketplace.

The end

The end of totalitarianism in Cuba is near. When it comes, the opportunities to earn money legitimately and decently will be extraordinary. The country will need to quickly revitalize its dilapidated material infrastructure, demolished after half a century of collectivist neglect, and that will require millions of dollars in investments. Eventually, the country will become a formidable springboard for exports to the United States and a choice destination for tens of thousands of American retirees and millions of tourists. For their part, Cuban-Americans will constitute a powerful entrepreneurial engine that will link the interests of South Florida to the island's, rapidly

creating a prosperous economic space that any entrepreneur on the island may legitimately profit from.

A few years ago, a successful Spanish entrepreneur who was involved in the creation and development of Puerto Banús, told me, after touring Cuba carefully in search of possible marinas: “I would gladly exchange all my investments in Spain for the extraordinary opportunities that will emerge in Cuba once the change occurs.” He was right. The opportunities for the future, after freedom comes, will be enormous. And today -- now -- is the moment to begin planning the emplacing in Cuba of the companies that will participate in that magic moment, a moment both interesting and potentially lucrative.

Finally, it is important to remove from our analysis the absurd idea that “the Americans will take over Cuba” after communism ends on the island. There is no entrepreneurial coordination in the United States that might foster such conspiratorial thought involving the illegal conquest of markets. That's not how the modern economic world works, either. That was an old viewpoint, expressed by colonial societies that no longer exist.

Quite simply, the Cuban economy will gradually expand, thanks to the existing businesses and those that will be created later, no matter where they come from. Some will be Cuban, others will be foreign. Everyone will benefit, particularly the Cubans, who will see their sources of labor multiply and their wages and purchasing power grow. A modern economy, truly competitive and open, is not exclusive to any country in particular; its principal feature is that any producer can participate in the process of creating wealth for himself and for society in general.

Somehow, that was the way José Martí described the Cuba he dreamed about in the late 19th Century: “With everyone and for the good of everyone.” This time, we shall achieve that noble objective.

•••

The author was born in Havana, Cuba, and has lived in Madrid since 1970. He is a journalist and author. His weekly column appears in dozens of newspapers in Latin America, Spain and the United States. He has published some 25 essay and fiction books. His latest books are *Freedom and Its Enemies* (Sudamericana, 2005), *The Columns of Freedom* (Edhasa, 2007) and *The Return of the Idiot* (Random House-Mondadori, 2007), the latter co-authored by Álvaro Vargas Llosa and Plinio Apuleyo Mendoza. Montaner is president of the Cuban Liberal Union, a party that seeks a peaceful transition to democracy and freedom in Cuba. Since 1992, he has been vice president of the Liberal International.