

FAR, INC.

José Antonio Font

I was very appreciative when I was asked to participate in this session on the military in the economy of Cuba. Not only I am reconnected to the passion of my childhood — I collected toy soldiers — but now focused on a topic that requires mastering since, in most peoples' estimation, the Cuban Armed Forces will most likely play the determinant role in achieving the long term consolidation of the regime along the lines of the Chinese model, or in allowing and husbanding a transition to political democracy and market economy.

My comments will concentrate on Dr. Armando Mastrapa's contribution, entitled *Soldiers and Businessmen: The FAR During the Special Period*. I will, however, refer to and make use of Mr. Amuchastegui's paper entitled *Cuba's Armed Forces: Power and Reforms*, which was presented at last year's ASCE session.

Dr. Mastrapa's purpose is to "analyze the FAR's involvement in addressing Cuba's economic crisis." He believes that the "special period" forced an examination of the Cuban Government's economic policies and opened the way for the FAR to tackle the crisis by employing Western-styled business initiatives. In this connection, Mastrapa alerts us to the fact that even before the economic collapse of the early 1990s, Raul Castro had already sent his top officers to train in techniques promoted by management experts such as Peter Drucker, Edwards Deming and John P. Kotter. The purpose of this initiative, according to Dr. Mastrapa, was to train a cadre of military managers able to run enterprises in the civilian sectors of the economy.

He then very fleetingly tells us about the FAR's own homegrown business model — *perfeccionamiento empresarial* — whose main objective is to "increase maximum competition and efficiency of the base power, and establish the politics, principles and procedures that propel the development of the initiative, creativity and responsibility of all bosses and workers." Regretfully, Dr. Mastrapa never deciphers what all this means, nor how widely it is implemented.

We are then introduced to the Military Industries Union, described as a powerful aggregate of 12 enterprises throughout Cuba. We are told that MIU is involved with the production of military items and that it is also into biotechnology, sugar mills and the manufacturing of pharmaceutical products. In a future study it may be important to know the relative importance of the 12 enterprises to the total economy, as well as who are they. We do learn from Dr. Mastrapa, however, that the marginal success of the MIU gave FAR officers the necessary experience to now oversee the sugar and tourism sectors of the economy.

In reference to sugar, we are provided statistics that reflect a gradual improvement in production from 1997 to the estimates for the 2000 season. In reference to tourism, we are told that the FAR oversees the tourist sector through Gaviota, S.A. Yet we are also told that Gaviota controls 7% of the existing rooms of the country. This relation between the FAR and tourism requires more clarification.

Dr. Mastrapa then provides his conclusions and we learn that the special period brought the FAR into the new mission of assuming the active management

of important economic sectors. This is not debatable. And that by adopting Western style management and organizational techniques, the FAR replaced economic socialist theory with a capitalist one. We understand this to be limited to the areas that come under FAR management, and we would need to know more about the theory and practices of *perfeccionamiento empresarial*. Moreover, for all the techniques applied, the FAR functions within a monopolistic context, where King Castro bestows all production and export rights. This defines the model as a “mercantilist” one, rather than a capitalist one.

That the modest successes of these economic sectors does not resolve the major problem that the Cuban economy faces, because the inefficiencies of centrally planned economies, remains Cuba’s major economic hurdle to modernization and the FAR’s management of just two sectors does not sustain the failures of an economy based on this model.

These conclusions bring us to think about a very complex set of issues, and requires significant analysis by all of us. As a first step I would contrast this conclusion to what I understand to be the thesis of Mr. Amuchastegui’s paper from last year’s conference. In that paper he stated that the FAR were in the past, and continue to be, the single most important institution in providing leadership in the process of policy-making and in nominating candidates for key positions at the highest level of the state. A brief review of those led by the FAR can very well illustrate this point:

- Ministry of the Sugar Industry
- Instituto Nacional de la Reserva Estatal
- Ministry of Fisheries and Merchant Marine
- Ministry of Transport
- Ministry of Communications
- Ministry of Tourism
- Ministry of Higher Education
- Attorney General
- Cuban Civil Aviation Corporation, CACSA
- Habanos, S.A.
- Gaviota, S.A.
- Metropolitan Bank

- GeoCuba Entrepreneurial Group
- TECNOTEC
- Industrial Military Union
- Plan Turquino-Manati (covering 20% of the Cuban Territory)
- Plan de Perfeccionamiento Empresarial
- Ideological Department of the Central Committee

Dr. Amuchastegui concludes that, by every possible standard, this is well beyond the “lion’s” share. If the FAR is in charge of the economy then the real conclusion may very well be that there remains an inherent contradiction between actual “Stalinist” policies and professed entrepreneurial practices within the FAR itself. The Cuban economy remains closed.

That key officers involved in the FAR’s enterprises are loyal to Raul Castro and their entrepreneurial success are linked to the survivability of the regime. That they have built a power-base that will be important during the post-Castro transition period.

Here Amuchastegui also agrees with Mastrapa when he states that: “This (FAR) is a political elite, with or without uniform, highly unified, fighting for its survival, recovery and continuity; they are not a segment of society and state, known as ‘the military,’ isolated in their drills and barracks. They are building the new systems and spaces to which they can reinsert once they retire and that will meet, as well, the expectations of the generations that are still loyal to the existing power structure.”

This conclusion is of outmost importance. The race is on for the future of Cuba, and it is between those who look to the consolidation of the regime along the lines of the Chinese Model — The Succession Model — and those who would want to achieve full transition to political democracy and market economy — The Transition Model. It appears that the FAR is leading the Succession Model.

In this connection, a situation analysis would be most interesting to determine who are the Cuban stockholders of the mixed enterprises? (There are some 450 in 34 sectors according to the most recent count.) And, how much of Cuba’s territory and productive assets is currently under, or could still be

transferred to the military and other accomplices of the regime, e.g., Ramiro Valdés Menéndez taking over electronics.

Indeed, paraphrasing Dr. Mastrapa, it appears that the FAR has shown to have a significant capacity to adapt and evolve as an institution able to lead in the process of survival and succession of the Cuban Revolution. The FAR has assumed the responsibility of guiding the Cuban economy in its most difficult of times. By providing military officers with a financial stake in the economic successes of the enterprises within the Military Industrial Union, and other business enterprises of the FAR, the regime has assured their loyalty and directly linked the survival of the revolution to them.

Notwithstanding the growing importance of the FAR, we should keep in mind that there are 11 million individuals in the island submitted to conditions of material and spiritual deprivation. There are an-

other 2 million in exile that out-produce the Cuban economy. When the rubber hits the road at some point in the future, all of the formulations of *perfeccionamiento empresarial* and similar reforms conducted by the FAR will hopefully be peacefully integrated into a market economy, or, in my modest estimation, they will be washed away by the power of historical forces and the will of a Cuban people that craves for freedom.

Let's be clear on this point. The FAR should be accountable for representing and guiding the system that sustains totalitarian practices and the exploitation of the Cuban worker by both foreign entities and the State. They control two and one-half of the three legs that sustain the regime: the FAR, the MININT, and now a significant portion of the Civil Sector. Who else, I ask, is responsible for the lack of freedom and impoverishment of the Cuban people?