

## **The Business Case for a Sustainable Cuba — Part 2: Leapfrogging Back to the Future**

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By Julia Sagebien, Associate Professor of Business at Dalhousie University in Halifax, Canada, and Eric Leenson, President of Sol Economics.

Contemplating the fate of a post-embargo Cuba has been a popular pastime for some time. On December 17, 2014, the day that the U.S. and Cuba simultaneously announced their rapprochement, the pastime broke out of the academic and policy wonk circles in which it had flourished and became the pastime of international tourists, U.S. business people and government officials, and even global celebrities.

Inside Cuba, popular expectation for an improved standard of living is high, as is the government's assertion that these improved conditions will be achieved within the parameters of socialism and a state-planned economy. Outside of Cuba, especially in the U.S., the general sentiment seems to be: "We better get there before we (the Americans, that is) ruin it." As for Cuba's long-time business and diplomatic partners such as Canada and the European Union (EU), the concern appears to center around the question: "Will they still love us tomorrow?"

But rather than crystal ball gazing and reacting with hope, fear or indifference, observers could instead ask themselves: How can Cuba achieve an optimum outcome in terms of business competitiveness, economic well-being, and the preservation of long-held social values, while also building Cuban sustainability? A sixty billion dollar question for sure, but oddly enough, one with a possibly feasible answer.

Part 1 of this 2-part series of articles on the business case for a sustainable Cuba presented the sustainability opportunities available in 5 economic sectors. Part 2 suggests that the truly powerful business case for a sustainable Cuba will come from an unexpected corner — the opportunities inherent in the emerging Post-2015 Paris Climate Summit (COP 21) low-carbon global economy.

The fact that global survival is dependent on a radically different approach to production, consumption, energy and transportation has been clear for some time. However, COP 21 was the first Climate Change Conference able to unleash the multi-sectorial global campaign needed to lower carbon emissions. This multi-sectorial global campaign includes: 1) national and local governments, supranational organizations and NGOs involved in the creation of environmental policy frameworks capable of transforming industrial ecosystems; 2) the backing of important sectors of the business community; 3) the financial muscle needed to bring about this transformation; and 4) a fair and equitable decarbonization path for developing countries.

Billions of public and private monies are being poured into this emerging low-carbon world. For these investors and for the companies leading the charge in building a low carbon economy, the business case is clear — reaping first-mover competitive advantages, as well as considerable profits in the medium- and long-term. Their best advice for climate change doubters and naysayers is simply: Follow the money.

But why is this moment of post COP 21 global industrial rebooting so important to Cuba? Because Cuba's outdated industrial and public services infrastructure is itself undergoing a process of rebooting. As it contemplates the available models to guide its re-industrialization, in essence, Cuba could choose either (A) a 19th century model of heavy industry, low wage export manufacturing, tourism sector jobs, primarily high carbon energy sources, development of niche traditional industrial sectors, mineral exports, biotech and medical services. Or it can take advantage of this

pivotal moment in history and leverage the global response to climate change to leapfrog into (B) a 21st century economy of highly paid knowledge workers, primarily renewable energy, shorter supply chains, and innovative science-based R&D on low-carbon materials and production modes.

Though the two choices above (A and B) are far from mutually exclusive and will, of necessity, co-exist for a long time, the second choice (B) delivers an optimum outcome in the long-term. Many people in and out of Cuba have envisioned and posited the desirability of choice B. However, the capital, the technology, and the committed business and government partners that could actually make it possible were non-existent. What makes it feasible now is that Cuba's national development priorities, post-embargo opportunities, and post-Venezuelan-lifeline threats, are very much in line with global external resources committed to innovation in de-carbonization strategies in both developed and developing countries.

Choice B provides a series of strategic advantages for Cuba. It aligns Cuba's development model with COP21 industrial dynamics, thereby permitting systemic leap-frogging. It can provide a long-term orientation for where the model of prosperous and sustainable socialism should go, and how and with whom it could get there. It is important to note that this leap-frogging would occur mostly in the productive sectors, rather than in the consumption sectors such as internet/telecommunications, which would require substantial outlays by consumers for hardware, software and bandwidth, money that Cuban citizens simply do not have, at least, at this point in time.

Choice B also allows for Cuba to obtain a high rate of return on its massive and patient investment in human capital development. Choice B has the additional potential to position Cuba in a place of global leadership in emerging economies' technological and industrial responses to climate change. Moreover, the resources that it could bring to bear could well enable Cuba to become a centerpiece of the UN's newly adopted and well publicized 2030 Agenda for Sustainable Development. If indeed COP 21 is meant to provide developing countries with a fair and equitable path to global decarbonization, Cuba provides a unique opportunity to build a model case that is less hampered by the exigencies of remediation of past high-carbon dependent industrial infrastructures.

At times working in Cuba can be exasperating, frustrating, confusing and contradictory. Nonetheless, if adopted and led by Cuban officials and supported by international actors such as international financial institutions (IFIs), bi-lateral assistance from several countries on a low carbon path (especially the EU), and visionary companies committed to innovation-oriented partnership, Choice B could actually bring about ground-breaking solutions to the developing world's quandaries of a post-COP 21 world.

As mentioned in Part 1 of this series, sustainability-oriented business partners, such as Unilever, are already starting to operate in Cuba. The application of Unilever's Sustainable Living Plan, its sustainable business model will ideally provide Cuban leaders and managers with a tangible example of what a business case for a sustainable Cuba could look like. Moreover, the company's global leadership in the rewiring of the global economy towards a low-carbon future bodes well for the attraction of other investors of the same ilk.

The possibility of helping Cuba to 'Get Back to the Future' is very much worth a try; not only for Cuba, but for all emerging nations, trying to adapt to new climate and social realities. Such an effort would be especially timely and cogent when it can help safeguard the long-term relationship between foreign companies and a more business-friendly Cuba. Fortunately, preliminary conversations with some prominent Cuban economists and environmental leaders indicate a strong interest in pursuing this course of action.

*Dr. Julia Sagebien is an Associate Professor at Dalhousie University and a former Full Professor at the University of Puerto Rico. Eric Leenson is President of Sol Economics. Both are members of the Policy Council of Engage Cuba, a bipartisan organization dedicated to mobilizing American businesses and non-profit groups to support the ongoing U.S.-Cuba normalization process.*

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