



INVESTORS PREPARE

ANA ARANA and CHARLES LUNAN Staff WritersSUN-SENTINEL

Enter your email address

[Privacy Policy](#)

October 24, 1993

When Teo Babun founded the Cuba Investment Fund in 1990, his friends, family and business associates thought he had gone nuts.

But in the past two years, their doubts turned into admiration. Babun's fund has grown from a crazy idea to a multimillion-dollar war chest he plans to invest in Cuba.

Babun is on the front line of investors who want to go into Cuba when the island adopts a free-market economy and the United States lifts its economic embargo.

These investors will be way ahead of large corporations that often wait for political stability before investing, economists said.

A free-market Cuba will offer a gold mine of opportunities. The work force is well-educated - but likely will work cheaply. Its entire economy will have to be rebuilt. Productive output has shrunk by 50 percent in the past three years, and monetary reserves have been exhausted. Investors will be called on to rebuild deteriorated infrastructure - factories, roads, schools and

communications systems. They have fallen apart due to a lack of spare parts, fuel and maintenance.

A 1992 study published by Johns Hopkins University estimated that the United States and Cuba could have up to \$3 billion of trade in the first year after the embargo is lifted - regardless of who is governing the country.

But U.S. investors will face problems.

First, the U.S. embargo has stymied U.S. investment. But capitalists from Spain, Canada, England, Germany, Mexico, Jamaica and Italy have poured millions of dollars into joint ventures on the island.

Second, South Florida's Cuban-American business community should be logical investors in Cuba, because of their blood ties and business contacts throughout Latin America. But the emotions involved might complicate Cuban-Americans' investment in their former homeland.

Many might choose not to invest if President Fidel Castro is somehow involved in a free-market economy. Eighty percent of Cuban-Americans in [Miami](#) are against trade with Cuba if Castro continues in power, according to a recent poll taken by Florida International University.

For those who do decide to invest, three decades of political strain with Cubans on the island could make for a rocky relationship between investors and workers.

Some exile-investors are like Luis Capó, the president of El Dorado Furniture of Miami, who left a furniture empire in Cuba when Castro took power. He says he will invest only if Castro leaves and the government is crushed.

Others are like Babun - political pragmatists who see a business opportunity. Babun says he will go into Cuba as soon as the embargo is lifted.

He and his partners have compiled a computerized database on Cuba's infrastructure, listing details such as the number of cranes that need repair and the number of telephones that are in working order. He can counsel investors about the most immediate opportunities.

The idea to set up his fund came to him after the collapse of the Soviet bloc.

"When I saw American companies investing in Russia and East Germany, I said, 'Why not prepare the ground for Cuba?'" said Babun, whose father was a shipping tycoon in Cuba but lost his empire when Castro took power.

Babun recently formed a second company to increase his investment power. Cuba/USA Venture Enterprises, a private limited partnership, has acquired three small U.S. companies. It is negotiating 85 joint ventures, typically with Miami-based companies owned by Cuban-Americans.

"There are others with contingency plans, but none are as prepared as Babun," said Matias Diaz-Travieso, a partner at the Washington law firm of Shaw, Pittman, Potts & Trowbridge, which represents several Fortune 500 companies interested in Cuba.

Babun has distanced himself from politics. Unlike other Cuban-Americans in Miami, he says he is interested in making money and investing in Cuba even if the transition to a free-market economy occurs under Castro.

"Whatever happens, it will be the most logical transition," Babun said. "I don't get emotional about how it should happen."

Capo is also interested in making money in Cuba. He wants to open a store in every Cuban province when the economy opens. But he is still very emotional about his homeland.

To him, there are only two options: "Castro out or Castro dead."