WIR 263
economy
politic

28Aug95 CUBA: DOLLAR REBOUNDS ON WORLD MARKET, BUT FALLS IN CUBA.
By **Lionel Martin**
HAVANA (Reuter) - While the dollar is making a comeback against powerful international currencies like the yen and mark, Cuba's emaciated peso, which is not even convertible on the world currency market, has dramatically gained against the almighty greenback.
"Mysterious" is the word used by this week's Juventud Rebelde newspaper to describe the sudden drop in value of the dollar.
Rumours abound about the meaning of it all, and even the economists cannot agree on why it happened so quickly or what it means.
On one thing there is agreement: outside the confines of this Caribbean island partially isolated by the U.S economic embargo, the Cuban peso is puny compared with the super-heavyweight dollar.
The dramatic shift in the peso-dollar rate of exchange took place in the nation's ubiquitous black market, which was offering 10 or 15 pesos for a dollar last week, compared with 30 pesos in mid-August and 100 to 150 pesos a year ago.
In part, the strenthening of the peso has been attributed to the government's strategy of getting excess pesos out of circulation by raising the prices of certain goods and services.
In less than a year, pesos in the hands of the population have dropped from 12 billion to 9 billion. According to economists, most of that money is in bank accounts that belong to people who are not desperate for ready cash.
The official exchange rate at banks is still an artificial 1 peso to 1 dollar, which is the reason why both Cubans and tourists alike sell their dollars on the black market.
Those who want dollars also go to the street-vendors because Cuban banks only buy dollars. They will not sell them because of the non-convertibility of the peso on the world market and the critical shortage of hard currency in the country.
Until now, the name of the game in Cuba has been to obtain U.S. dollars, commonly known as "verde" -- the green stuff. Now, many of Cuba's budding small businesses insist on being paid in pesos.
A year ago $2 could be exchanged for an average monthly wage in pesos, and only two weeks ago it took $8 to buy the same amount of pesos.
At this week's black market exchange rate, a Cuban needs to trade in $20 or $30 for the equivalent of a monthly wage.
For the most part, Cubans are paid in pesos. But dollars enter the domestic economy in numerous ways.
Some who work for foreign enterprises get a small percentage of their wages in dollars, while workers in the tourist industry get tips.
Some families receive dollars from relatives overseas and there is a growing small private enterprise sector that sells food, handicrafts and other goods and services to foreigners for hard currency.
The average Cuban family uses what dollars they have to buy cooking oil, tomato sauce, spaghetti, soap, toothpaste and other needs at special government dollar stores because these items are in scarce supply or unavailable elsewhere.
But because the government dollar stores are very expensive, Cubans prefer to exchange a substantial portion of their dollars for pesos.
These pesos allow them to buy much cheaper vegetables, fruit, chicken and pork at the private enterprise markets that were legalised last year and where only pesos are accepted.
Sunday's Juventud Rebelde said the lowest-paid sector of the population who had no access to dollars will be better off now. With the weakening of the dollar, those people can now afford to buy some oil and soap and other products at the dollar stores.
At the same time, the currency exchange turnabout has been a blow to those who have been saving up dollars in the belief they would maintain their old value. Those who receive dollars from overseas relatives are also finding that their buying power has diminished since they now get fewer pesos for them.
The government views the drop in the dollar as a positive because it means that the Cuban peso has more value for the population.
Economists hope that as a result, absenteeism in industry and agriculture will decrease and that nurses and teachers and others will return to jobs they abandoned when the buying power of their take-home pay diminished.

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