



ARTICLE

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Cuba prepares for the unification of its currency

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The measure seeks to eliminate distortions in the State economy and reinforce the stability of foreign investments in the country.

The process of monetary and exchange unification in Cuba announced by the Cuban government in January 2014 and which this very week has been described by the journal *Granma* as “a decision that could not be postponed”, will be carried out in two stages: the first will affect legal entities and the second, natural persons. Conditions are currently being created for the execution of the process through the development of a legal framework, amendments to accounting records and accounting standards, as well as the training of civil servants who will work directly on the process.

The Ministry of Finance and Prices has already established the accounting principles that state entities must apply in the re-evaluation of their assets and liabilities on the so-called “Day Zero” of monetary unification, after which the CUC (Cuban Convertible Peso, introduced on the island in 1994 after the withdrawal of the CUP’s parallel dollar) will disappear. Despite this, it is still not possible to deduce which exchange rate will be used in the unification. The methodology for the formation of wholesale and retail prices was also recently established, which highlights how prices will be formed in correlation with the market, or failing that, with the expense method, although the Ministry of Finance and Prices would be able to fix it centrally if it were necessary. Wholesale prices of imported products will be calculated by the expense method. Following the unification of the Cuban Peso, the

unification of the exchange rate will equally be anticipated.

Following the authorization issued by the government, in select places and from the month of March 2014, payment can be made in CUP (national currency) for products nominated in CUC at the Cadeca (Exchange House) rate of 25CUP-1CUC in cash or by card.

No date set

Nevertheless and despite the advances made, there has still not been a date set for any of the stages, although everything seems to indicate that monetary unification for legal entities will come about towards the end of a financial period so that the impact upon the balance sheet and the national accounts includes the complete period. With regards to natural persons, unless the exchange rate lies at 1 USD for 24 CUP, proceedings must be carried out over a longer period.

Without a doubt, the process of monetary unification is coming to be one of the most complex and wide-ranging decisions that the Cuban government will have to face and which seeks to eliminate distortions in the state economy and reinforce the stability of foreign investments in the country. This measure will not immediately resolve all the economic problems Cuba is currently suffering, but it will be a determined step in the direction of improving productivity and quality of life.

During his speech at the Third Session of the Eighth Legislature of the National Assembly of People's Power, July 5, 2014, Cuban President

Raul Castro made a case for the guarantees of bank deposits in foreign currency, Cuban Convertible Pesos (CUC) and Cuban Pesos (CUP), as well as the effective purchasing power of the population and that of national and foreign legal entities. Castro also made

references to measures of reform as well as those linked to foreign investment, adopted by the country as part of an upgrade of the socialist economic model.

FOR MORE INFORMATION

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