

Dual economy could trouble Cuba's future

Cuba's two economies, one for those with dollars and another for those without, may cause headaches for future leadership.

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HAVANA - Joel earns \$200 per month in tips from playing percussion in a band that performs for tourists in Old Havana -- more than 30 times what the Cuban government pays him for the same work.

Meanwhile, Irene, a government secretary without access to U.S. dollars, subsists on her monthly salary of 300 Cuban pesos -- the equivalent of nearly \$13.

"Those with dollars have a big advantage," Irene said as she sat outside Havana's famed Coppelia ice cream shop. "It's not fair."

With Cuban leader Fidel Castro ailing, the inequities created by the dual dollar-peso economy that Cuba established to overcome the catastrophic collapse of Soviet subsidies may well become one of the major challenges faced by his successors, experts say.

Cubans say the unequal system is the single most exasperating issue facing them. So much of the economy runs on the dollar that the typical family here needs greenbacks to buy everything from razors to bedsheets to shoes -- items largely available only at government stores that price their goods in dollar equivalents. Yet the average worker earns 250 pesos a month -- about \$10.

"In Cuba, money is worthless," said dissident Lizette Fernández who left Cuba in August and now lives in Hialeah. "You get soap two times a year, and when you run out, you have to go to the dollar store, where it costs 75 (U.S.) cents. There is virtually nothing you need that you can buy with Cuban pesos."

Before she left Cuba, Fernández helped kick off a campaign demanding that all government establishments sell goods in a single currency -- pesos.

Trying to overcome the Soviet Union's collapse in 1991, Castro legalized the use of U.S. dollars here, opened the doors to foreign tourists and began

allowing Cubans to open small private businesses like restaurants in their homes.

TROUBLESOME GAP

The changes are credited with keeping the economy afloat. But the dollar's legalization also created a vast and potentially troublesome gap between those who have dollars and those who don't.

"It was a Faustian bargain that Fidel had to make against his ideological preferences," Brian Latell, a former CIA analyst and author of the recent book, *After Fidel*, said in a telephone interview. "There is a dual society now in Cuba. . . . The social disparities from those with access to dollars and those without is huge."

INEQUALITY

With state salaries barely able to cover less than half a month's living costs, those with dollars now live far better off than the rest.

"You have an inequality that is not supposed to exist in a socialist economy. . . . This is a big issue for the government to solve in the future," Philip Peters, director of the Cuba Program at the Lexington Institute, a Virginia think tank, said by telephone.

Peters estimates that 60 percent of Cubans have access to dollars through tips, special rewards to state workers, work on the side or remittances from relatives or friends abroad. Those remittances have been estimated at \$1 billion a year.

The dual dollar-peso economy is also believed to be leaving Afro Cubans behind. Since lighter-skinned Cubans have migrated in higher numbers, their remittances mostly go to their lighter-skinned relatives on the island.

NEED FOR DOLLARS

Castro again banned the use of cash dollars in 2004, apparently to collect a fee on exchange transactions, and required Cubans to change their greenbacks for so-called convertible Cuban pesos, or CUCs. One dollar now equals about .80 CUCs.

But that measure has not ended the Cubans' need for dollars to use for purchases at the government's "dollar stores," which sell consumer goods at CUC prices.

A store in Central Havana recently was selling a bottle of cooking oil for 2.20 CUCs, a bottle of rum for 5.40 and a jar of mayonnaise for 4.10 -- the equivalent of 5.12 in U.S. dollars, 98.40 pesos and about 40 percent of an average monthly wage.

And in contrast to capitalist economies, taxi drivers, waiters, bartenders, hotel receptionists -- anyone with access to tourists' tips -- hold some of the most coveted jobs in Cuba.

A cab driver named Emilio said he works 15 days a month and earns the peso equivalent of \$12 a month from his state-run enterprise. But Emilio's real income is \$100 to \$120 per month, thanks to dollar payments from tourists and prostitutes. Emilio said the job is so rewarding that some Cubans are paying \$500 in bribes for the right to drive a cab.

The surnames of Emilio and other Cubans interviewed for this story are not being published to prevent government reprisals.

Even if they have dollars or CUCs, average Cubans cannot buy their way into facilities or services that the government reserves for foreign tourists, such as leading hotels, cellphones or some beaches.

Faced with the reality of too many things she could not afford -- and dollars she did not have -- before she moved to Hialeah, Fernández and a dissident organization that she ran, the Federation of Rural Latin American Women, launched the effort to demand that all establishments sell goods in pesos.

She said 28 women around the island are organizing small cells of women who are gathering signatures backing the campaign, dubbed "With the Same Coin." A dissident still in Cuba said people support the move, but are afraid to sign.

"We can't be second-class citizens just for being Cubans," said Fernández.

"We have no rights, just because we have no dollars."