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ECONOMIC EYE ON CUBA©
7 October 1996 to 13 October 1996

Exchange Rates Steady
President Castro Expects Continued Growth
National Bank of Cuba Exchange Rates
Britain Supports Recovery Effort
Officials Take Aim At U.S. Dollar Crisis
Government Wants To End Financial Irregularities
Havana International Trade Fair Will Set New Records
Nickel Production May Set Record
State Cooperatives Gain Ground
Sugar Farmers Meet On Planting And Efficiency
New Cruise Ship Venture
Poland Will Distribute Pharmaceuticals
Iberoamerican Pork Producers Congress
Spot Price Check-Produce Prices From Havana To Santiago de Cuba

EXCHANGE RATES STEADY-Government-run Cajas de Cambio S.A. (CADECA) exchanged the U.S. Dollar for 18 Pesos (buy) and 20 Pesos (sell), as it has for more than two weeks, after devaluing the U.S. Dollar four times from a high of 22 Pesos (buy) and 25 Pesos (sell) 16 August. The U.S. Dollar traded on the Havana and tourism resort area of Varadero unofficial markets at 19 Pesos and elsewhere in the country from 20 Pesos to 21 Pesos, compared to as much as 28 Pesos six weeks ago. The official international exchange rate of one Peso to the U.S. Dollar, in effect for more than 30 years, remained unchanged. The government maintains a fixed exchange rate for its international dealings and a more flexible rate for domestic use. The Peso and U.S. Dollar circulate freely in Cuba.

PRESIDENT CASTRO EXPECTS CONTINUED GROWTH-President Fidel Castro said that higher energy costs and other factors were impacting the economy and future plans might have to be scaled back. The President, speaking to reporters at a British Embassy reception for Baroness Mary Janet Young, said that despite the problems the Gross Domestic Product (GDP) would increase a minimum of 5% this year and that the recovery would continue in 1997.

NATIONAL BANK OF CUBA EXCHANGE RATES- The following are the biweekly official exchange rates between the Cuban Peso and international currencies:

Country and Currency	Exchange	Re-Exchange
Denmark- Krone	5.9482	5.7579
Norway- Krone	6.6058	6.3904
Sweden- Krone	6.7701	6.5470
Austria- Shilling	10.9118	10.5485
Canada- Dollar	1.3900	1.3457
United States- Dollar	1.0000	1.0000
Portugal- Escudo	157.6832	152.6184
Holland- Gilder	1.7373	1.6816
Belgium- Franc	31.9024	30.8779
France- Franc	5.2365	5.0696
Switzerland- Franc	1.2748	1.2341
United Kingdom- Pound	1.5362	1.5867
Germany- Mark	1.5483	1.4990
Finland- Markka	4.6352	4.4892
Spain- Peseta	130.2207	126.0701
Mexico- New Peso	8.0383	7.7821
Italy- Lire	1542.2880	1491.3590
Japan- Yen	112.4915	108.8501
Australia- Dollar	1.2823	1.2412

BRITAIN SUPPORTS RECOVERY EFFORT-Baroness Janet Mary Young, said that efforts to promote trade and investment were a success. She predicted a long term commitment by "quality British firms" to Cuban recovery efforts. Baroness Young said that her third trip to the island had allowed her to renew personal contacts with numerous officials. She said her meetings with President Fidel Castro, National Assembly President Ricardo Alarcon, Foreign Minister Roberto Robaina and other ministers covered a broad range of areas "where we agree, as well as those where we differ." Baroness Young arrived on 6 October 1996 with executives from 10 companies, 9 of which are currently negotiating major sales or investments. The Baroness, who along with H.E. Ricardo Cabrisas, Minister of Foreign Trade of the Republic of Cuba, heads up The Cuba Initiative, said exports to Cuba were US$29 million from January through June and that imports were US$23 million, an increase of 92% and 159% respectively, compared to the same period last year. She said that the low figures and Britain's fifth place standing among European Union countries trading with Cuba, while others have been involved in financing sugar production. The London-based Beta Fund recently set up a US$33 million Cuba investment fund and CE Health PLC recently formed the first insurance joint venture on the island.

OFFICIALS TAKE AIM AT U.S. DOLLAR CRISIS-H.E. Jose Luis Rodriguez, Minister of the Economy and Planning, said that higher energy costs and other factors meant that "the country's external financial situation is as serious as in 1993." Minister Rodriguez said high energy prices, the need to pay back short term credits (at interest rates between 14% and 16%), and other factors would impact 1997 plans. H.E. Francisco Soberon, President-Minister of the National Bank of Cuba, said that increasing trade deficits, lack of access to medium and long-term loans and other factors meant the time had come to take on poor investment practices and chronic trade deficits. "We have to know what the financial return will be on all the resources we invest," Minister Soberon told a meeting of state administrators. "Cuba has to live with what it's able to produce...There is a strategic need to reduce the trade deficit and vigorously analyze development plans so we do not grow on the false foundation of increased short term debt." Minister Soberon criticized the concept of "growth for growth's sake." He said, "when an inefficient company increases production without becoming cost efficient it has merely increased the volume of inefficiency and hurt the economy." The government reported the Gross Domestic Product (GDP) increased .7% in 1994, 2.5% in 1995 and 9.6% the first six months of 1996. That after declining 34.8% (Cuba-based and non-Cuba-based economists have estimated that the Cuban economy declined approximately 70%) from 1990 through 1993. The trade deficit also increased, from US$600 million in 1994 to more than US$1.2 billion last year. The government recently reported the trade deficit increased during the first six months of 1996. The island's foreign debt was reported at US$11 billion, compared to US$9.6 billion in 1994.

GOVERNMENT WANTS TO END FINANCIAL IRREGULARITIES-H.E. Francisco Soberon, President-Minister of the National Bank of Cuba, told state administrators the country was gradually replacing traditional administrative planning with indirect methods such as monetary and fiscal policy, interest and exchange rates. Minister Soberon said that the new macro-economic management tools, combined with bank and lending reform, would help eliminate chronically deficient state management and accounting practices. He insisted that it was time to put an end to state companies not paying bills, a practice that has accumulated 4.5 billion Pesos in unpaid receipts, or 30% of last year's Gross Domestic Product (GDP), Minister Soberon said that paper payments made it impossible to manage the economy and covered-up gross inefficiency, poor quality products and corruption. "No one is going to demand a quality product or service if they don't have to pay for it," he pointed out. "And there is no question the best way to insure the smooth interaction of state companies is through prompt payment and collection of money due." He said that the financial chaos was also fertile ground for corruption. "When transactions occur only on paper, there is almost always a difference between what is charged and received. As time passes, and the number of these operations multiply, it becomes impossible to determine if an account's irregularities are the result of sloppy book keeping or theft," he said.

HAVANA INTERNATIONAL TRADE FAIR WILL SET NEW RECORDS-Mr. Abrahim Maciques, organizer of the Havana International Trade Fair, said that a record 2,100 companies, from a record 53 countries, had rented a record 22,000 square meters for this year's event. Mr. Maciques said that China, Russia and South Korea each rented 10 times the space they took out last year. He said some 1,800 foreign firms and 300 Cuban companies had also confirmed their participation. Mr. Maciques said that the fair had become an important U.S. Dollar earner, more than US$2 million in 1995. This year's Havana International Trade Fair begins on 3 November 1996 and concludes on 9 November 1996.

NICKEL PRODUCTION EXPECTED TO SET RECORD- Officials in the province of Holguin reported that the nickel industry surpassed last year's 44,000 tons of nickel plus cobalt and would exceed 1989's record of 46,500 tons. The officials predicted the industry would produce more than 50,000 tons of nickel plus cobalt before the end of 1996. They said production would continue to increase and become more efficient because of the government efforts to attract foreign investment and credits. Nickel industry and academic sources said that the government was aggressively pursuing foreign investment and credits as part of a plan to produce 100,000 tons of nickel plus cobalt by the year 2000. H.E. Marcos Portal, Minister of Basic Industry, said earlier this year the industry would invest a minimum US$145 million through June 1997 to upgrade its 3 operating plants and continue construction of a fourth, all in Holguin, 800 kilometers east of Havana. The government reported proven nickel bearing limonite reserves of 2.5 billion tons, 2 billion in Holguin and 500 million in Camaguey Province, 500 kilometers east of Havana. The government estimated nickel are reserves at 18 million tons (with a nickel content of 8% and 1.4%), or around 34% of the world's known reserves. Cuban nickel is considered Class 11 with an average 90% nickel content.

STATE COOPERATIVES GAIN GROUND - H.E. Carlos Lage, Vice President of the Republic of Cuba, said that the government had made the correct decision three years ago when it dismantled huge state farms into more than 1,500 smaller and more independent non-sugar cooperatives. He said even though just 40% were turning a profit, production had increased and that subsidies decreased amid shortages of all kinds. The Vice President told farmers gathered for a national cooperative meeting that state subsidies declined from 1.8 billion Pesos in 1994 to less than 10 million Pesos the first six months of this year. He said the cooperative labor force had stabilized and grown by 5,700 workers. H.E. Eduardo Chevez, Deputy Minister of Agriculture, said that production increased despite a 50% drop in machinery, 55% less gasoline and 80% to 85% less fertilizer and other chemical products compared to 1992. He said that the 1,579 non-sugar cooperatives were working more than 1.5 million hectares. He said the cooperatives 130,000 members earned an average 208 Pesos per month, compared to 175 Pesos per month when they were formed.

SUGAR FARMERS MEET ON PLANTING AND EFFICIENCY - Sugar farmers began debating their economic difficulties and discuss how to produce more cane during the 1996-1997 harvest. 77 of 1,287 state cooperatives turned a profit last year. Yields averaged 14 tons of cane per acre, compared to an average 20 tons between 1987-1991. Meetings to date focused on the need to improve seed and planting, high prices state companies charge for inputs and how to more closely link each member's income to their individual production. The meetings will be held at every cooperative and on a mill-wide basis this month. Provincial meetings are scheduled for November, with a final national meeting in early December. The Ministry of Sugar said that farmers planted 221,500 acres less then planned. Farmers planted 227,000 acres ad of 6 October 1996, 73% of the July of October plan. The Ministry of Sugar reported that it wanted 382,000 acres sowed from July through December, compared to 326,650 during the same period last year, and 290,000 in 1994.

NEW CRUISE SHIP VENTURE - The Ministry of Tourism announced that the cruise ship Melia Don Juan would begin operations in November. The ship will be berthed in Cienfuegos Bay, 250 kilometers southeast of Havana. Spain's Sol-Melia group will operate the 202 - cabin luxury liner, which will ply the southern coast, with stops in the Cayman Islands and Jamaica. The Melia Don Juan is the second such cruise ship venture launched in as many years, the first by the Italian company, Costa Cruises.

POLAND WILL DISTRIBUTE PHARMACEUTICALS - H.E. Ryszard Jacek Zochowsky and H.E. Carlos Dotres, Ministers of Health of Poland and Cuba respectively, signed a cooperation agreement that includes joint distribution of the Cuban anti-cholesterol drug PPG (policosanol). Cuba signed similar agreements with Mexico and Algeria last week, and with Canada in September.

IBEROAMERICAN PORK PRODUCERS CONGRESS - The Fifth Iberoamerican Pork Producers Congress was held in Havana 6 October 19996 to 11 October 1996. Approximately 400 experts from 20 countries participated in the event. The huge Cuban pork industry, all but paralyzed for lack of funds and a market, reported it made progress in joint venture and trade talks aimed at recovering pre-crisis production. Industry sources reported that pork feed decreased from 440,000 tons in 1989 to 32,000 last year, and the country's pig stocks declined 70%.

SPOT PRICE CHECK-PRODUCE PRICES FROM HAVANA TO SANTIAGO - The U.S. Dollar's 3-point September decrease had little impact on private sector produce prices. The following is a monthly price check for the cities of Havana, Camaguey and Santiago, 500 and 850 kilometers east of the capital. The average monthly wage is 200 pesos, though more than 1,000,000 workers receive U.S. Dollar bonuses equal to 1 to 7 times their monthly wage. All Cubans receive extremely limited subsidized food rations, free health care and education and pay no more than 10% of their wages for housing. Workers with the exception of the selfemployed, also receive various forms of social security coverage.

KEY: LB- per pound. U per unit. ()- September price. NA-not available. All prices are in Cuban Pesos.

ITEM	HAVANA	CAMAGUEY	SANTIAGO
RICE	4.00 (4)	3.00 (3.5-4)	5.00 (5)
BLACK BEANS (LB)	10.00 (9-10)	10.00 (9)	8.00 (10)
PORK (LB)	25.00 (15-28)	18.00 (16)	15-16.00 (15-16)
COOKING FAT (LB)	20.00 (20)	20.00 (17)	45.00 Litre (45)
LAMB (LB)	25.00 (25)	14.00 (14)	14-15.00 (15-16)
HAM (LB)	50.00 (60) BONED	32.00 (32) BONED	NA (NA)
GARLIC (U)	1.00 (60-1.20)	.50 (.50-1.00)	.50-.80 (.50)
ONION (LB)	15.00 (12-15)	10 - 13.00 (10-13)	1-3 unit (2)
TOMATO (LB)	6.00 (6)	NA (NA)	3.00 (NA)
LETTUCE	7.00 (NA)	NA (1.00-SM)	1.00 SM (NA)
CUCUMBER (U)	3.00 (1)	1.00 (1)	1.50 (1.25)
MALANGA (LB)	3.50 (4)	NA (4)	1.50 (1.25)
YUCCA (LB)	1.00 (1)	.60-.80 (.80)	1.00 (1)
SWT. POTATO (LB)	1.00 (1)	1.00 (1)	1.00 (1)
SQUASH (LB)	1.50 (1)	1.00 (1)	1.50 (1)
TOMATO SAUCE (beer size bottle)	10.00 (14)	8.00 (8)	10.00 (10)
LIMES (U)	.50 (50)	.10 (.30)	.15 (.30)
ORANGES (U)	1.00 (1)	.25-.35 (.50-1.00)	.20 (NA)

MANGO (U)	2-5.00 (2-5)	NA (2.4)	NA (NA)
PINEAPPLE (U)	5-15.00 (5-15)	5-6.00 (3-5)	NA (4-5)
BANANA FRUIT (U)	.50-1.00 (1)	.60-80 LB (60-1.00)	.35-.50 (50)
BANANA COOKING SOFT (U)	.50-1.00 (1)	.20 (.25)	1.00 (1)
BANANA COOKING HARD (U)	2-3.00 (2-3)	.60-.80 (1-3)	1.00-1.50 (1-1.50)
AVOCADO (U)	5-15.00 (5-10)	1-6.00 (3-4)	1-3.00 (.50-1.50)
CHICKEN (U)	NA (NA)	NA (NA)	30.00 (NA)
STRING BEANS (BUNCH)	5.00 (2-3)	3.00 (3)	1-2.00 (50)
CORN	5.00 LB GROUND (6)	.25 EAR (.50)	NA (NA)