

Agreement No.15 of the Monetary Policy Committee of Banco Central de Cuba.

When the convertible peso emerged in 1994, the rate of exchange against the US dollar was set on a 1 per 1 basis considering multiple factors, among others, the traditional parity of our currency in relation to the US dollar, and the US dollar preponderant role in the denomination of the prices for goods and services object of our foreign trade.

During the 11 years elapsed since then, the US currency has had a strong depreciation from any angle the topic is analyzed.

In relation to a group of the main products of the International Trade, the loss of purchasing power of that currency has become in certain products of up to 28%, only over the period since October 2004, date in which the US dollar was replaced by the convertible peso.

As for the depreciation of the US dollar rate of exchange in relation to the most used currencies in the international trade, volatility has been utmost and it is the case that between the moment of its greatest strength with respect to the European single currency established on January 1, 1999 and the moment of its greatest weakness last December 28, 2004, US dollar devaluation has been 66%, which is clearly explainable for the economic, political and financial irresponsibilities of the US Government, which in order to keep the level of wild consumerism of this country and to face the exorbitant expenses of its military budget, without increasing taxes, has appealed to the very well known formula of increasing in a galloping way its fiscal budget and trade balance deficit, which together already exceed US \$1 billion, equivalent to 9% of the GDP of that country.

Risks that this implies to the world's economic stability have been expressly recognized by the US Federal Reserve (Central Bank) President.

In our country, parity between US dollar and convertible peso has been kept up to now, mainly on the basis of the approaches that originally were valued to arrive to that determination.

However, several factors have determined the ineludible necessity of revising such policy.

1. The increasing role of the convertible peso as unit of account and means of payment in our economy, as a result of the policy of the Revolution clearly expressed in Resolutions Nos. 65 and 80 of Banco Central de Cuba on the substitution of the US dollar for the convertible peso in the relations between enterprises and for cash transactions, respectively.

2. The greater strength of the Cuban economy due to widely known reasons, mentioned in Agreement No.13 of the Monetary Policy Committee of Banco Central de Cuba.

3. The constant worsening of the US blockade and the economic war against Cuba and specially the President Bush' attitude of maximum hostility against our country, that recently went as far as to try to impede sales of foodstuffs from American farmers to Cuba.

4. This aggressive policy makes riskier the use of the US dollar by Cuban institutions and individuals every day, increases the cost of using the US dollar and imposes the need of preventing new actions and avoiding that their consequences fall on the financial resources of the country. All the aforementioned must be taken into account not only for applying the obligation imposed by Resolution 80 of Banco Central de Cuba, but as an element to be assessed when fixing the rate of exchange between the convertible peso and the US dollar.

5. According to all calculations made, the purchasing power capacity of one US dollar in the Cuban economy conditions, seen in terms of the 1 per 1 parity with convertible peso is artificial and does not reflect a real value relationship between both currencies, which creates a distorting effect in the formulation of healthy monetary policy.

6. The increase in relation to the US dollar in the rates of exchange of other currencies used in the international trade results disadvantageous for our economy that must purchase a substantial part of its import products in those currencies strongly appreciated in relation to the US dollar and therefore to the convertible peso, which is at present at par with that devalued currency.

The analysis on all those factors has determined that the Monetary Policy Committee of Banco Central de Cuba adopt the following agreement:

1. To revalue the convertible peso rate of exchange in relation to the US dollar and the other foreign currencies as from April 9, 2005. Such revaluation shall be 8% for the moment.
2. To fix a rate of exchange for the sale and another one for the purchase of the same as it is made with the rest of the foreign currencies.
3. Following the policy of the Revolution of giving absolute guarantee to the funds deposited in banks, bank accounts in US dollars, both the already existent as those that are wanted to open until the day April 9, shall not be affected by this measure.
4. Holders of accounts in convertible pesos and those that possess this currency shall benefit from its revaluation starting from that date.
5. Likewise, from April 9 the Cuban peso which will keep its rate of exchange against the convertible peso established by Agreement No.13 of the Monetary Policy Committee of Banco Central de Cuba, shall therefore increase, for it, its value in the same extent in relation to the US dollar.

Francisco Soberón Valdés
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Banco Central de Cuba
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