New foreign currency supermarket: From MLC back to the US dollar

A crowd gathers at the newly opened 3ra y 70 dollar store in Havana's Miramar district (source: La Peña cubana/FB)

Last summer, Cuba's Prime Minister Manuel Marrero announced an expansion of the partial dollarization of the economy (Cuba Heute reported). Now the first practical steps in this direction are being taken: at the beginning of the month, a supermarket opened in Havana for the first time since the 1990s that only accepts foreign currency.

No Walmart in Havana

For a few days now, a relatively well-stocked assortment of food and other everyday products has been available in the newly opened shop "3ra y 70", on the ground floor of the Hotel Gran Muthu in the Miramar district.

The rush is huge; long lines formed in front of the elegantly designed shop during the first week. Because those with foreign currency can find many products here at lower prices than in private grocery stores that sell in pesos. However, high expectations ("Havana's new Walmart") are disappointed: essentially, the range corresponds to a well-stocked foreign currency store from 10 years ago, when the Cuban economy was in a much better shape.

The new dollar store from the outside (source: YouTube)

The new store shares only its name with the old one, which opened in the 1980s as a supermarket for diplomats across the street. Unlike the old store, however, the new one only accepts cash US dollars, other foreign currencies, international credit cards, and the "Tarjeta Clásica" introduced in January 2024 as means of payment. The "old" 3ra y 70, on the other hand, sells its few products in the digital invoice currency MLC (*Moneda libremente convertible*, English: freely convertible currency), which inherited the convertible peso (CUC) in 2021.

It may sound complicated, but it's actually quite simple: over time, both the CUC and the MLC were covered less and less by actual foreign currencies. Sales in the purely virtual MLC currency therefore no longer represent income in foreign currencies – but these have to be spent in order to import the corresponding products for the transactions. The range of products offered by the initially well-stocked MLC stores quickly dwindled, so that they offered little added value over peso stores – neither for the state as operator nor for customers.

The MLC was ultimately a failed attempt to prevent the politically sensitive and undesirable dollarization. Meanwhile, sales in "real" foreign currency is causing resentment among broad segments of the population, for whom a dollar is even less affordable than an MLC: While the latter can currently be obtained for 240 pesos, the informal rate for a dollar is 340 pesos, a difference of a good third.

The end of the MLC

Despite the social impact of the expansion of dollarization, the step makes economic sense. The abundant and no less expensive assortment of private retail shows that, in the end, it does not matter in which currency goods are sold, as long as the purchasing power of the peso remains low and the exchange rate distortions are not resolved. The expansion of dollarization could help to channel foreign exchange flows and create space for the announced "flexible" exchange rate channel, which is expected to come this year. However, it remains to be seen whether it will be possible to maintain a constant supply this time.

The state media have so far only reported on the development indirectly. There are still no official reports on the store. However, last Tuesday the party newspaper *Granma* published an article entitled "The partial dollarization of the economy will help control the cash flow", in which the long-term goal of dedollarization is reaffirmed. It also states that the partial dollarization is intended to dry up the informal currency market and provide the state with urgently needed foreign exchange earnings.

At the same time, it has become somewhat clearer under which modus operandi the ongoing dollarization is taking place. It involves "sales of particular importance, which are always approved centrally and in exceptional cases. This means that no one can sell in foreign currency without prior justification and approval." However, what this means in concrete terms with regard to the retail network was still not spelled out.

As the 14ymedio portal reports, another well-stocked grocery store has recently opened in the corner of Infanta y Santa Marta in cooperation with a Spanish company. This store is currently still selling in MLC, but according to the report, an employee recommends getting a classic card with foreign currency as soon as possible "because the lines will be gigantic later." It seems that the days of the MLC in Cuba could be numbered sooner rather than later. (Cubaheute)