Report of the UN Secretary-General: Necessity of ending the economic, commercial and financial embargo imposed by the United States of America against Cuba (A/62/92)

Contribution from UNCTAD dated: 29 June 2007

Trends in Cuba's trade

The United Nations Conference on Trade and Development (UNCTAD) estimates that Cuba's total merchandise trade for 2006 was 2.8 billion dollars for exports and 9.4 billion dollars for imports, representing a goods trade deficit of 6.6 billion dollars, an increase of 2 billion dollars from the previous year.[1] The availability of up-to-date trade data for Cuba is limited, but the estimated data for 2005 indicated that, in that year ores and metals, food and agriculture, and manufactured goods accounted for 48, 30 and 22 per cent, respectively, of Cuba's exports.[2] The European Union was the largest market for Cuban goods, taking 42 per cent of Cuban exports, mostly from the categories ores and metals and food and agriculture. The Latin America and the Caribbean region was the second-largest market for Cuban goods, largely accounted for by manufactured goods, which represented 20 per cent of Cuban exports. For the rest of the world, ores and metals and food and agriculture were Cuba's largest export items, accounting for 21 and 13 per cent of exports, respectively. As regards Cuba's imports, manufactured goods had the largest share, accounting for 53 per cent, followed by fuels and food and agriculture, with shares of 23 and 22 per cent, respectively. The Latin America and the Caribbean region was the largest source of Cuba's imports, providing 37 per cent. The corresponding figure for the European Union was 26 per cent, while for the United States of America it was 8 per cent, reflecting United States exports of agricultural and medical products that were allowed under the Trade Sanctions Reform and Export Enhancement Act of 2000.

For services trade, UNCTAD estimates for 2006 were 3.9 billion dollars for exports and 0.8 billion dollars for imports, representing a service trade surplus of 3.1 billion dollars, an increase of 0.3 billion dollars from the previous year.[3] It was reported that while in the second half of the 1990s international tourism had led to the expansion of import capacity in Cuba, in the past two years the main driver was rising earnings from the sale of professional and other services, particularly to the Bolivarian Republic of Venezuela, and nickel exports, owing to the rapid increase in the international price.[4] Cuba's national income growth in 2006 was estimated between 9.5 and 12.5 per cent, and the growth rate was in fact among the highest in the region. The increase in import capacity and new cooperation agreements with China and Venezuela on trade, investment and credit lines contributed significantly to the growth of Cuba's economy in 2006.

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[1] UNCTAD secretariat calculations based on United Nations Commodity Trade Statistics Database and Statistics Division estimates.

[2] Figures for 2005 were calculated by the UNCTAD secretariat on the basis of United Nations Statistics Division estimates.

[3] UNCTAD GlobStat Database. Sector-specific data for trade in services is not available for Cuba.

[4] *The Economist* Intelligence Unit, "Country Report: Cuba", February 2007.

For capital inflows, UNCTAD estimates that annual foreign direct investment stocks in Cuba were about 75 million dollars during the period 2000 to 2005.[5] Also, it was reported that new credits from China and other lenders had produced a net surplus on the capital account in 2006.

Cuba's initiatives in the World Trade Organization relating to the United States embargo

Since the previous reporting period Cuba has taken a number of initiatives in the World Trade Organization (WTO) that addressed the United States embargo. Pursuant to the decision of 20 December 2001 on the extension of the waiver from article XV:6 of the 1994 General Agreement on Tariffs and Trade, the Government of Cuba submitted the annual report for 2006, and it also requested the extension of the waiver, which was due to expire on 31 December 2006.[6] The waiver was extended until 31 December 2011.[7] The annual report estimated that the accumulated economic cost of the United States embargo to the Cuban economy was more than 86 billion dollars.[8] It also stated that the direct economic damage inflicted on Cuba by the United States embargo was over 4.108 billion dollars in 2005, while damage to Cuban foreign trade was more than 945 million dollars in 2005, an increase of 15 per cent from the previous year. The financial cost related to the high risk rating assigned to Cuba because of the United States embargo was over 320 million dollars, and assets frozen in United States banks as a consequence of the embargo totalled 268 million dollars in the same year. The impact on third countries caused by the extraterritorial application of the United States embargo against Cuba was also highlighted, and, as discussed below, the measures concerned were identified in the Doha negotiations.

In the Negotiating Group on Market Access under the Doha negotiations, the Government of Cuba identified the United States embargo measures as inconsistent with the WTO principles, rules and obligations, and as an issue of multilateral concern given the extraterritorial application of the embargo.[9]

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[5] *World Investment Report 2006*, fact sheet on Cuba, UNCTAD, http://www.unctad.org/Templates/ Page.asp?intItemID=2441&lang=1.

[6] WTO document, "Cuba-Article XV:6 — Report by the Government of Cuba for 2006 under the Decision of 20 December 2001", G/C/W/562, 9 November 2006.

[7] WTO document, "Cuba-Article XV:6, Decision of 15 December 2006", WT/L/678, 19 December 2006.

[8] It also estimated that indirect damage was $54 billion.

[9] WTO documents, "Communication from Cuba", TN/MA/NTR/2, 15 May 2006, and TN/MA/W/82, 17 January 2007. Measures identified are, for example, the Helms-Burton Act, the United States Foreign Assistance Act of 1961 and the Tariff Classification Act of 1962.

The second report to the President of the United States from the Commission for Assistance to Free Cuba, submitted in July 2006, recommended enhancing the embargo.[10]

A decade-long legal battle between Bacardi USA and the French company Pernod Ricard concerning the validity of the trademark Havana Club continued. In August 2006, the United States Patent and Trademark Office declared that the Cuban Government's registration of the Havana Club trademark for rum was cancelled. Against this decision, Pernod Ricard, which has the right to the trademark according to the Government of Cuba, appealed the Patent and Trademark Office decision, protesting that it was a violation of the WTO rulings of January 2002 on the United States Section 211 Omnibus Appropriations Act of 1998.[11] Meanwhile, responding to the WTO rulings, in March 2007 a twin legislation bill (H.R. 1306 and S.749) was introduced that would amend a 10-year-old appropriations act provision that denies protection for trademarks connected with businesses seized from their owners by the Government of Cuba.[12]

The United States Attorney for the Southern District of Florida announced on 10 October 2006 a new federal task force to enforce trade and economic sanctions against Cuba, the Cuban Sanctions Enforcement Task Force, which is aimed at carrying out "vigorous investigation of violations and enforcement through federal criminal prosecutions of the United States economic and trade sanctions against Cuba".[13]

In January 2007, two legislation bills (H.R. 624 and H.R. 654) concerning the United States embargo against Cuba were introduced. The former is to lift the trade embargo, and the latter is to end the travel restrictions between Cuba and the United States. However, it has been reported that passage of those bills might not be possible this year.[14] In February 2007, a legislation bill (H.R. 1026) was introduced to remove from the Agricultural Export Facilitation Act of 2007 a regulation, established by the Treasury Department in 2005, requiring cash payments for agricultural exports prior to ships leaving ports instead of upon delivery.[15] In addition, the bill seeks to ease travel restrictions for Cuban officials and United States agricultural representatives. A similar bill (S.1673) was introduced on 21 June 2007.

On 2 April 2007, at the request of the Senate Finance Committee, the United States International Trade Commission (ITC) launched an investigation into the effect of trade and travel restrictions against Cuba on United States exports of agricultural, fish and forest products to the country. ITC will also estimate United States sales of agricultural, fish and forestry products in three

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[10] See www.cafc.gov.

[11] Caribbean Net News, "New battle lines drawn in Cuban rum wars", 10 August 2006. See also A/61/132, footnote 22.

[12] See http://www.govtrack.us/congress/bill.xpd?bill=s110-749 and http://www.govtrack.us/congress/bill.xpd?bill=h110-1306.

[13] "United States announces action on Cuba, Haiti embargoes: Violators of Cuba embargo are targeted; Haitian arms ban modified", 11 October 2006, http://usinfo.state.gov/xarchives/display.html?p=washfile-english&y=2006&m=October&x=200610111704391xeneerg0.2698328.

[14] *Washington Trade Daily*, "No Cuba Trade Bill This Year", Vol. 16, No. 119, 15 June 2007.

[15] "Farm Bureau backs Cuba legislation", 19 February 2007, from *Cuba Journal*.

scenarios: (a) United States restrictions on agricultural exports are removed; (b) United States restrictions on travel to Cuba by United States citizens are lifted; and (c) United States restrictions affecting agricultural exports are removed and United States travel restrictions are ended. The report will be submitted to the Committee by 29 June 2007.[16]

Implications

In spite of the adoption of resolution 61/11, there has been no change in the United States policy concerning the embargo against Cuba since the previous reporting period. The embargo remains stringent, imposing severe economic, commercial and financial restrictions against Cuba with the attendant costs for the country. While Cuba's economy has shown favourable trends in 2006 owing to strengthening economic ties with developing countries, particularly the Bolivarian Republic of Venezuela and China, as well as the favourable trend in the international price of nickel, it is evident that the United States embargo has resulted in a substantial opportunity cost for Cuba and has impeded Cuba's efforts to integrate itself into the world trading system. This had an adverse impact on gross domestic product growth, export revenues, industrial and agricultural production, trade and social sectors such as food, health, education, communications, science and technology in Cuba. Moreover, the impact of the extraterritorial aspect of the United States embargo has had important implications for trade diversion and the business environment, given the significant involvement of United States interests in transnational corporations. Not only Cuban citizens but also those in third countries and in the United States are affected by the embargo in terms of the inability to interact

[16] ITC news release 07-036, 2 April 2007, "ITC to investigate economic impact of US trade and travel restrictions with Cuba on US agriculture exporters".