

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/65/83)

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In the Accra Accord adopted by the United Nations Conference on Trade and Development (UNCTAD) at its twelfth session, held in April 2008, States are urged to refrain from applying any unilateral economic, financial or trade measure not in accordance with international law and the Charter of the United Nations. It also stresses that meaningful trade liberalization requires addressing unilateral measures which may act as non-tariff trade barriers, and that international efforts are needed to reduce or eliminate such measures. The embargo measures applied by the United States against Cuba are the type of measures referred to in the Accra Accord, and they have imposed substantial costs on Cuba.

Trends in Cuba

The embargo has had significant negative effects on the Cuban economy and on the standard of living of Cuban citizens. The Government of Cuba reports that overall direct economic losses caused by the embargo exceeded \$96 billion at the end of 2008.¹ The losses are attributed to the additional costs incurred by the Government of Cuba, enterprises, and citizens in obtaining goods, services, and finance. For example, the Government of Cuba reports that losses incurred between May 2008 and April 2009 due to the embargo amounted to \$122 million in the agro-food sector, \$25 million in the public health sector, \$47 million in the construction sector, and \$242 million in the external sector. The lack of access to loans and grants from international development agencies such as the World Bank and the Inter-American Development Bank, has hindered Cuba's recovery from the damages caused by the three hurricanes in the second half of 2008. Moreover, the embargo severely limits Cuba's development of science and technology and of such industries as informatics and communications due to the dominant position of the United States in these increasingly important fields. Cuba's inability to connect to United States Internet service providers significantly contributes to its low level of Internet access, which in turn adversely affects all economic and social sectors in the country. The country is an active member of the World Trade Organization, and it continues to demand that World Trade Organization member countries eliminate all barriers imposed as unilateral trade measures.

In spite of the difficulties caused by the embargo, three powerful hurricanes, and the global financial and economic crisis, the Cuban economy grew by 4.1 per cent in 2008.² However, this is considerably less than the average growth rate of 10.2 per cent for the period from 2005 to 2007. UNCTAD estimates that in 2008 the country's exports of goods accounted for \$3.8 billion, or roughly the same level as the previous year. However, the country's 2008 imports of goods rose by over \$4 billion to \$14.4 billion. This sharp rise in imports and

¹ World Trade Organization document, "Cuba-Article XV: 6 of the General Agreement on Tariffs and Trade 1994: report by the Government of Cuba under the decision of 15 December 2006", WT/L/781, 7 December 2009.

² Ibid.

the resulting trade deficit are due to the high price of oil and the increased importation of food and other goods because of the three hurricanes.

With regard to trade in goods, the main export items in 2008 were “ores and metals”, accounting for 45 per cent of total exports, followed by “manufactured goods”, and “all food items”. This ranking of sectors was the same as in the previous year, although the share of “ores and metals” exports declined, while those of the other two sectors increased. The fall in “ores and metals” exports was caused by the decline in the international price of nickel. As to the destination of Cuba’s exports, the Latin America and Caribbean region became the largest market for Cuban goods in 2008, absorbing one quarter of Cuba’s total exports. In contrast, while the European Union had traditionally been the number one destination for Cuban exports, it now took in 20 per cent of Cuba’s export goods. Cuba’s exports to the Latin America and Caribbean region mostly consisted of “manufactured goods”, while for the European Union they mostly consisted of “all food items” and “ores and metals”.

The main import item in 2008 was “manufactured goods” in the amount of \$7.2 billion, or 50 per cent of the total. The second biggest item was “fuels” in the amount of \$4.5 billion, or 31 per cent of the total. This ranking of sectors was the same as in the previous year. The Latin America and Caribbean region was the largest source of imports, accounting for \$6.2 billion, or 43 per cent, of Cuba’s total. This was followed by the European Union, which accounted for \$3.2 billion, or 22 per cent, of Cuba’s total. Since the introduction in the United States of the Trade Sanctions Reform and Export Enhancement Act of 2000, that country has become the largest exporter of agricultural products to Cuba. It retained this position in 2008, accounting for \$1 billion, or 37 per cent, of Cuba’s total agricultural imports.

With regard to trade in services, Cuba’s exports rose from \$6.6 billion to \$8.8 billion during the period from 2005 to 2008. At the same time, its imports grew from \$1 billion to \$2.1 billion. Health, education and tourism are the major service exports of Cuba. The cooperation agreement with Venezuela remains a particularly important source of support for the Cuban economy.³ Finally, with regard to foreign direct investment, UNCTAD estimates that inflows in 2008 amounted to \$36 million, up by \$6 million from the previous year.⁴

Although 2009 data is not yet available, a sharp economic decline is projected due to the global financial and economic crisis, rapidly falling commodity prices, and the tightening of international credit markets, including trade finance. Compounding its problems, Cuba is presently suffering a severe drought, and a possible shortfall in domestic food production is a serious source of concern.⁵ Food security is a focus of the Millennium Development Goals for Cuba, and the difficulties which the country faces could delay their achievement.⁶ For goods trade in 2009, UNCTAD estimates \$3.1 billion in

³ The Economist Intelligence Unit, “Country report: Cuba”, May 2010, p. 4. Through this agreement, Cuban health and education professionals are supplied to Venezuela in exchange for Venezuelan oil.

⁴ UNCTAD *World Investment Report 2009: Transnational Corporations, Agricultural Production and Development* (United Nations publication, Sales No. E.09.II.D.15), annex table B.1. Foreign direct investment flows, by region and economy, 2006-2008, p. 249, www.unctad.org/wir.

⁵ “Country report, Cuba”, May 2010, p. 12, op. cit.

⁶ MDG Achievement Fund, “Cuba: Food Security Focus of new UN Programmes”,

exports and \$9.6 billion in imports, generating a deficit of \$6.5 billion, or \$4.8 billion less than the previous year. This decline reflects a reduction in imports, due to the falling price of nickel, the curtailment of investment programmes, and the introduction of austerity measures in mid-2009.⁷ For services trade in 2009, UNCTAD estimates \$8.0 billion in exports and \$1.3 billion in imports, representing a surplus of \$6.7 billion, or about the same amount from the previous year. Remittances also play a large role in Cuba's economy. It is estimated that remittances total from \$600 million to \$1 billion per year, with most coming from families in the United States.⁸ While it is expected that the lifting of the restriction on remittances from Cuban-Americans by the United States Government in April 2009 would substantially increase remittance inflow to Cuba, the global financial and economic crisis could negatively affect the inflow into the country.

Developments in the United States

While low-profile cooperation in areas of mutual interest between Cuba and the United States has continued,⁹ the status of the embargo did not change from the previous reporting period. While some in the United States Congress continue to advocate the lifting of restrictions on tourist travel by United States citizens and an easing of agricultural exports, their proposals face strong political opposition. If the travel restrictions are lifted, it is estimated that, within a few years, Cuba could have over 1 million United States tourists a year,¹⁰ which would exceed the record of the largest tourist source country in 2009, that is, Canada, sending 900,000 tourists accounting for over one quarter of total foreign visitors in Cuba.¹¹ The 2009 lifting of restrictions on Cuban-American visits to Cuba has already increased monthly United States arrivals to 20,000, up from 9,000 before the change.¹² In addition, if the restrictions on United States agricultural exports are eased, it is estimated that sales to Cuba could increase from the current level of \$900 million to \$1-2 billion annually.¹³ However, the relaxation in 2009 of restrictions on United States telecommunication services has not had a notable effect, as no companies have entered the Cuban market. The apparent lack of interest has been attributed to the perception that the costs and risks of operating in Cuba outweigh the marginal economic benefits.¹⁴

Conclusions

Since the previous reporting period there has been no significant change in the United States embargo, which continues to be a substantial obstacle to

www.mdgfund.org/fr/story/foodSecurityFocusofNew.

⁷ "Country report, Cuba", Dec. 2009, Economic Intelligent Unit, pp. 12 and 13.

⁸ U.S. Department of State "Background Note: Cuba", 25 March 2010, <http://www.state.gov/r/pa/ei/bgn/2886.htm>.

⁹ The Economic Intelligence Unit, "Country report, Cuba", June 2010, p. 10. United States visas were granted to some Cuban cultural figures, and scientists and officials from both countries have worked together to deal with the recent major oil spill in the Mexican Gulf.

¹⁰ *Ibid.*, p. 12.

¹¹ Gulfnews.com, "Cuba ready for US tourist influx", 27 March 2010, <http://gulfnews.com/business/tourism/cuba-ready-for-us-tourist-influx-1.603453>.

¹² "Country report, Cuba", June 2010, p. 12, *op. cit.*

¹³ *Inside U.S. Trade*, "Ag Chairman Wants Cuba Changes, But Administration Not Moving On Policy", 26 March 2010.

¹⁴ *Inside U.S. Trade*, "U.S. Telecom Companies Fail To Use New Rules on Exports to Cuba", 14 May 2010.

increased efficiency and productivity, and to improved living standards for Cuban citizens. The recent impact has been particularly severe because Cuba was also struck by multiple powerful hurricanes, severe drought, low nickel prices, a growing fiscal deficit and the global financial and economic crises. The lack of access to loans and grants from the international financial institutions adds to the difficulties of Cuba. Although the bilateral cooperation programmes with developing countries help Cuba to face the challenge of the United States embargo, the country still endures tremendous economic and social hardship. In particular, given Cuba's potential for developing more knowledge-intensive and high value-added industries, the inability to conduct exchange with the United States has profound implications for the country. Finally, the embargo continues to deprive United States citizens of the substantial economic, scientific, and cultural opportunities that would potentially result from having normal relations with Cuba.

Merchandise exports and imports by Cuba, 2005-2009

(Millions of United States dollars)

<i>Partner</i>	<i>Commodity group</i>	<i>2005</i>	<i>2006</i>	<i>2007^a</i>	<i>2008</i>	<i>2009^b</i>
Exports						
European Union (27 States)	All food items	316	324	409	324	
	Ores and metal	619	675	553	394	
	Fuels	—	—	—	—	
	Manufactured goods	32	25	6	51	
	Total	969	1 024	968	769	
Latin America and the Caribbean	All food items	27	29	28	4	
	Ores and metal	25	5	3	—	
	Fuels	6	—	—	1	
	Manufactured goods	556	569	741	931	
	Total	616	604	771	937	
United States of America	All food items	1	—	—	—	
	Ores and metal	—	—	—	—	
	Fuels	—	—	—	—	
	Manufactured goods	—	—	—	—	
	Total	1	—	—	—	
Rest of the world	All food items	201	342	330	623	
	Ores and metal	480	992	1 573	1 317	
	Fuels	13	11	52	84	
	Manufactured goods	39	8	6	41	
	Total	733	1 352	1 961	2 064	
World	All food items	544	695	767	951	
	Ores and metal	1 124	1 672	2 129	1 712	
	Fuels	20	11	52	87	
	Manufactured goods	627	602	752	1 025	
	Total	2 319	2 980	3 701	3 775	3 109

<i>Partner</i>	<i>Commodity group</i>	2005	2006	2007 ^a	2008	2009 ^b
Imports						
European Union (27 States)	All food items	192	176	174	424	
	Ores and metal	31	20	30	59	
	Fuels	6	2	1	42	
	Manufactured goods	1 604	2 010	1 885	2 686	
	Total	1 843	2 216	2 090	3 210	
Latin America and the Caribbean	All food items	433	465	633	657	
	Ores and metals	28	31	16	46	
	Fuels	1 941	2 537	2 988	4 460	
	Manufactured goods	767	816	814	995	
	Total	3 187	3 850	4 451	6 157	
United States of America	All food items	493	430	563	916	
	Ores and metals	—	—	—	—	
	Fuels	—	—	—	—	
	Manufactured goods	21	14	10	26	
	Total	521	453	573	944	
Rest of the world	All food items	503	330	214	478	
	Ores and metals	40	29	13	121	
	Fuels	154	338	275	12	
	Manufactured goods	1 812	2 975	2 467	3 515	
	Total	2 534	3 655	2 969	4 126	
World	All food items	1 621	1 402	1 583	2 474	
	Ores and metals	98	80	59	227	
	Fuels	2 101	2 876	3 264	4 515	
	Manufactured goods	4 204	5 816	5 177	7 222	
	Total	8 084	10 174	10 083	14 437	9 623

Source: UNCTAD secretariat calculations, based on United Nations Commodity Trade Statistics Database and the International Monetary Fund Direction of Trade Statistics database.

Notes: All food items (Standard International Trade Classification, codes 0+1+22+4)
Ores and metal (Standard International Trade Classification, codes 27+28+68)
Fuels (Standard International Trade Classification, code 3)
Manufactured goods (Standard International Trade Classification, codes 5 to 8, less codes 67 and 68).

^a Estimates.

^b For 2009, only the figure for the total exports to the world is available.

Service exports and imports by Cuba, 2005-2009^a
(Millions of United States dollars)

2005		2006		2007		2008		2009	
<i>Export</i>	<i>Import</i>	<i>Export</i>	<i>Import</i>	<i>Export</i>	<i>Import</i>	<i>Export</i>	<i>Import</i>	<i>Export</i>	<i>Import</i>
6 551	1 018	6 667	1 263	8 207	1 330	8 827	2 092	7 976	1 293

Source: EIU and World Trade Organization.
Estimates

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