

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/66/114)

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The Accra Accord, adopted at the twelfth session of the United Nations Conference on Trade and Development (UNCTAD) in April 2008, urges States to refrain from promulgating and applying any unilateral economic, financial or trade measure not in accordance with international law and the Charter of the United Nations. It further stresses that meaningful trade liberalization requires addressing non-tariff measures, including unilateral measures, where they may act as unnecessary trade barriers. The Accra Accord calls for international efforts to be made to address non-tariff measures and reduce or eliminate arbitrary or unjustified non-tariff barriers.

Trends in Cuba

The embargo has significantly affected the Cuban economy and the standard of living of Cuban citizens. The Government of Cuba reports that overall direct economic losses caused by the embargo in 2009 were \$4 billion.¹ The adverse effects of the embargo on the public health and food sectors have been notable given their essential roles in the lives of the Cuban people. Since the introduction in the United States of the Trade Sanctions Reform and Export Enhancement Act of 2000, United States exports of some agricultural products and some medicines and medical devices have been allowed. Nevertheless, the continuing financial and travel restrictions severely impede exports of these products. The Government of Cuba reports that the embargo required it to incur \$15.2 million in additional expenditures on public health between May 2009 and April 2010. A study conducted by the United States International Trade Commission reports that Cuba imported \$708 million in agricultural products from the United States in 2008, and that lifting the existing financial and travel restrictions would have increased Cuba's imports by \$216 to \$478 million.² Moreover, the negative impact of the extraterritorial application of the embargo is substantial, as United States firms are frequently involved in international mergers and business partnerships. Hence, the extraterritorial application of the embargo not only negatively affects Cuba, but also deprives third countries of business opportunities with Cuba.

The Cuban economy showed moderate growth of 1.4 per cent in 2009, down by 2.7 per cent from the previous year.³ The effects of the global financial and economic crisis, such as lower world prices for nickel and a reduction in tourism from leading sources Canada and Europe, contributed to sluggish

¹ Calculated on the basis of figures provided in World Trade Organization, "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 and (WT/L/803), 18 November 2010.

² Jonathan R. Coleman, "United States agricultural sales to Cuba: certain economic effects of United States restrictions: an update", Office of Industries Working Paper No. ID-22 (United States International Trade Commission, June 2009), p. 8.

³ World Trade Organization, "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/803), 18 November 2010, p. 2.

growth. Also, Cuba was still recovering from the devastation caused by two major hurricanes in 2008, particularly in the agricultural sector. As a result of the economic downturn, the Government of Cuba introduced austerity measures in mid-2009 that included energy rationing and cutbacks in transportation and some food programmes.⁴ In 2010, GDP was projected to increase by 1.5 per cent.⁵ Reportedly, overall food production has been significantly below target and there have been shortages of some basic agricultural products.⁶

Cuba's trade in goods declined substantially in 2009 from the previous year. UNCTAD estimates that Cuba exported \$3.1 billion and imported \$9.6 billion in goods, a decrease of \$1 billion and \$5.8 billion, respectively, from 2008. The sharp reduction in imports generated a goods trade deficit of \$6.5 billion in 2009, representing a substantial drop from \$11.4 billion in 2008. This steep decline resulted in a surplus of \$91 million in the overall current account balance in 2009 compared with a deficit of \$4.7 billion in the previous year.

The main export items in goods in 2009 were "Ores and metals", accounting for \$1.8 billion or 59 per cent of the total, followed by "all food items" and "manufactured goods". This ranking of sectors was the same as in the previous year, and exports in all sectors declined from the previous year. As to the destination of Cuba's exports, the European Union was the largest market for Cuban goods, which were comprised mainly of "ores and metals" and "all food items". The second largest export market was Latin America and the Caribbean, to which the majority of exports consisted of "manufactured goods". The European Union accounted for 26 per cent of Cuba's export market, while the Latin America and Caribbean region accounted for 13 per cent.

The main import items in goods in 2009 were "manufactured goods", which accounted for \$5 billion, or 52 per cent of the total, followed by "fuels" and "all food items". This ranking of sectors was the same as in the previous year, and imports in all sectors declined from the previous year. The Latin America and Caribbean region was the largest source of imports, accounting for 42 per cent of Cuba's total, and over 70 per cent of goods imports were "fuels". The European Union was the second largest source of imports, accounting for 22 per cent of Cuba's total. A majority of the imports were "manufactured goods". The introduction in the United States of the Trade Sanctions Reform and Export Enhancement Act of 2000 has made the country the single largest exporter of agricultural products to Cuba. In 2009, United States agriculture exports accounted for \$671 million, or 44 per cent, of Cuba's total agricultural imports.

Cuba's trade in services also declined in 2009 from the previous year. UNCTAD estimates that Cuba exported \$8 billion and imported \$1.4 billion. The magnitude of this decline was much less than for trade in goods. The country had a surplus of \$6.6 billion in trade in service trade in 2009, which was slightly lower than in 2008.

Cuba's major service exports are health, education and tourism. The cooperation agreement with the Bolivarian Republic of Venezuela, which links

⁴ Mark P. Sullivan, "Cuba: issues for the 112th Congress", Congressional Research Service Report for Congress, 31 March 2011, p. 12.

⁵ The Economist Intelligence Unit "Country report: Cuba", December 2010, p. 3.

⁶ Mark P. Sullivan, "Cuba: issues for the 112th Congress", Congressional Research Service Report for Congress, 28 January 2011, p. 14.

Cuba's oil imports to its exports of health care and education services, remains an important source of support for the Cuban economy.⁷ Also, remittances from relatives living abroad, especially from the United States, have become a significant source of hard currency, with more than \$1 billion reportedly sent to Cuba in 2009.⁸ A breakdown of Cuba's service imports is not available.

Cuba's main trading partners in 2009 were the Bolivarian Republic of Venezuela, China, Spain, Canada, Italy, the Netherlands, Germany, Viet Nam and even the United States, in terms of agricultural exports to Cuba.⁹ Economic ties with emerging economies, such as China, Brazil and the Russian Federation, are becoming increasingly important. UNCTAD estimates that exports and imports of goods will rise by 17 to 25 per cent in 2010. Trade in services is projected to be slightly higher than in 2009. Data on service imports for 2010 are not yet available.

Developments in the United States

In January 2011, the United States Administration announced some relaxation of the embargo. The changes made included: (a) allowing greater licensing of travel to Cuba for educational, cultural, religious and journalistic activities; (b) allowing any United States person to send remittances of up to \$500 per quarter per person to any Cuban national, except prohibited officials of the Government of Cuba or prohibited members of the Cuban Communist Party; (c) authorizing unlimited remittances to religious organizations in Cuba; (d) authorizing remittances to individuals or independent non-governmental entities to support the development of private businesses, including small farms; (e) authorizing certain transactions with individual Cuban nationals who have taken up permanent residence outside of Cuba; and (f) allowing all United States international airports to provide services to licensed charter flights to and from Cuba.¹⁰ These measures are similar to those taken by the Clinton Administration in 1999, which were subsequently abolished by the Bush Administration in 2003 and 2004.¹¹ The easing of restrictions on remittances to Cuba is expected to result in a significant increase in current transfers in the country. Several legislative proposals have been made in the current United States Congress to lift or ease the embargo, but their prospects presently are uncertain.

Conclusions

Since the previous reporting period, there has been some relaxation of the United States embargo. This will undoubtedly have a favourable effect on the lives of the Cuban people. It should be noted, however, that these policy adjustments mainly restored the relaxation measures that were abolished in the early 2000s. Nevertheless, on the whole, the embargo remains intact and is severely constraining the development of Cuba and the improvement of its citizens' living standards. Although its bilateral cooperation programmes with developing countries help Cuba to face the challenges posed by the United

⁷ The Economist Intelligence Unit "Country report: Cuba", May 2010, p. 4.

⁸ Mark P. Sullivan, "Cuba: issues for the 112th Congress", Congressional Research Service Report for Congress, 28 January 2011, p. 11.

⁹ *Ibid.*, p. 15.

¹⁰ "Cuban assets control regulations" and "Airports of entry or departure for flights to and from Cuba", *Federal Register*, vol. 76, No. 19 (28 January 2011), pp. 5072-5078 and 5058-5061, respectively.

¹¹ Mark P. Sullivan, "Cuba: issues for the 112th Congress", Congressional Research Service Report for Congress, 31 March 2011, p. 24.

States embargo, the country still endures tremendous economic and social hardship. Cuba experienced a serious economic downturn in 2009 owing to the impact of the global financial and economic crisis. Although there were signs of recovery, economic growth likely remained sluggish in 2010. Reports of low food production and shortages of some basic agricultural products are of particular concern. Without the embargo, this shortage of food could have been mitigated. Furthermore, the embargo's extraterritorial reach penalizes firms and people in the third countries. Finally, the embargo limits the freedom of United States citizens to travel and conduct their lives in an ordinary manner.

Details of Cuba's merchandise exports and imports in the period 2006-2010 are given in table 1. Details of Cuba's services exports and imports in the period 2006-2010 are given in table 2.

Table 1
Merchandise exports and imports by Cuba, 2006-2010

(Millions of United States dollars)

<i>Partner</i>	<i>Commodity group</i>	<i>2006</i>	<i>2007^a</i>	<i>2008^a</i>	<i>2009^a</i>	<i>2010^a</i>
Exports						
European Union (27 States)	All food items	324	405	344	333	416
	Ores and metal	675	509	540	445	463
	Fuels	—	2	—	5	8
	Manufactured goods	25	18	11	26	32
Total		1 024	934	895	809	919
Latin America and the Caribbean	All food items	29	3	5	18	19
	Ores and metal	5	—	1	13	18
	Fuels	—	2	—	30	49
	Manufactured goods	569	224	272	346	342
Total		604	230	279	407	429
United States	All food items	—	—	—	—	—
	Ores and metal	—	—	—	—	—
	Fuels	—	—	—	—	—
	Manufactured goods	—	—	—	—	—
Total		—	—	—	—	—
Rest of the world	All food items	342	815	740	476	641
	Ores and metal	992	1 784	2 019	1 366	1 836
	Fuels	11	200	28	23	33
	Manufactured goods	8	15	10	28	42
Total		1 352	2 815	2 798	1 893	2 552
World	All food items	695	1 224	1 090	827	1 075
	Ores and metal	1 672	2 294	2 561	1 824	2 318
	Fuels	11	205	29	58	90
	Manufactured goods	602	257	293	399	416
Total		2 980	3 980	3 973	3 109	3 900

<i>Partner</i>	<i>Commodity group</i>	<i>2006</i>	<i>2007^a</i>	<i>2008^a</i>	<i>2009^a</i>	<i>2010^a</i>
Imports						
European Union (27 States)	All food items	176	188	452	283	351
	Ores and metal	20	32	62	33	38
	Fuels	2	1	44	22	23
	Manufactured goods	2 010	2 035	2 862	1 812	1 784
Total		2 216	2 255	3 421	2 150	2 196
Latin America and the Caribbean	All food items	465	683	700	388	490
	Ores and metal	31	17	49	29	50
	Fuels	2 537	3 225	4 753	2 904	2 905
	Manufactured goods	816	879	1 060	728	881
Total		3 850	4 804	6 561	4 048	4 326
United States	All food items	430	608	976	671	752
	Ores and metal	—	—	—	—	—
	Fuels	—	—	—	—	—
	Manufactured goods	14	11	28	18	19
Total		453	619	1 006	689	770
Rest of the world	All food items	330	230	509	175	252
	Ores and metal	29	14	129	40	40
	Fuels	338	297	13	33	627
	Manufactured goods	2 975	2 663	3 746	2 484	3 085
Total		3 655	3 204	4 397	2 732	4 004

<i>Partner</i>	<i>Commodity group</i>	<i>2006</i>	<i>2007^a</i>	<i>2008^a</i>	<i>2009^a</i>	<i>2010^a</i>
World	All food items	1 402	1 708	2 636	1 517	1 845
	Ores and metal	80	63	242	102	128
	Fuels	2 876	3 523	4 811	2 959	3 555
	Manufactured goods	5 816	5 587	7 696	5 042	5 769
Total		10 174	10 882	15 384	9 619	11 296

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

Notes: All food items (United Nations Statistics Division 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 5-8, less codes 67 and 68).

^a Estimates.

Table 2

Estimated service exports and imports by Cuba, 2006-2010

(Millions of United States dollars)

<i>2006</i>		<i>2007</i>		<i>2008</i>		<i>2009</i>		<i>2010</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>	<i>Export</i>	<i>Import</i>
6 667	1 263	8 207	1 330	8 842	2 092	7 976	1 375	8 231	— ^a

Source: The Economist Intelligence Unit and WTO.

^a Data not available as at 30 May 2011.