

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/63/93)

Contribution from UNCTAD dated: 14 July 2008

The Accra Accord, which emerged from the twelfth session of the United Nations Conference on Trade and Development (UNCTAD), held in Accra from 20 to 25 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 that impedes the full achievement of economic and social development, particularly in developing countries, and that affects commercial interests.¹ Also, it recognizes that these actions hinder market access, investments and freedom of transit and the well-being of the population of affected countries.² Moreover, the Accra Accord stresses that meaningful trade liberalization would require addressing such measures.³ The embargo measures applied by the United States against Cuba are the type of measures referred to in the Accra Accord, and they have had substantial costs for Cuba.

Trends in Cuba

Overall direct economic damage to Cuba has been assessed at more than 89 billion dollars and additional costs incurred with respect to Cuba's external trade at over 1 billion dollars (see A/62/92, para. 131). It is estimated that during the period from May 2006 to April 2007, the embargo caused losses of more than 258 million dollars in the food sector and over 30 million dollars to the national health system. Lack of access to state-of-the-art medicines and diagnostic methods was cited as the major drawback in the Cuban public health sector. In December 2006, the United States Government prohibited all United States Internet providers from providing their services to Cuba, and, consequently, access by Cubans to the Internet has been limited, affecting a broad range of social, economic and academic activities. Moreover, the extraterritorial application of the United States embargo has had substantial costs for citizens in third countries, hampering businesses and obstructing capital flows involving Cuba.

In spite of the adverse effects of the embargo, in 2006 the Cuban gross domestic product increased by 12.5 per cent over the previous year.⁴ International trade also expanded in that year. For trade in goods, UNCTAD estimates for 2006 are 3 billion dollars for exports and 9.5 billion dollars for imports, representing a goods trade deficit of 6.5 billion dollars, an increase of 1 billion dollars over the previous year. Ores and metals, food and agricultural products and manufactured goods accounted for 48, 28 and 24 per cent, respectively, of Cuba's exports. The European Union was the largest market for Cuban goods, accounting for 42 per cent of exports, mostly in the categories of 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

¹ See TD/442, sect. II, para. 20.

² Ibid.

³ Ibid., para. 73.

⁴ WTO 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/708, 10 December 2007.

by manufactured goods, which represented 21 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 11 per cent of exports, respectively. Cuba's total imports increased by 2 billion dollars from the previous year. In terms of the composition of imports, manufactured goods had the largest share, accounting for 53 per cent, followed by fuels and food and agriculture, with shares of 25 and 21 per cent, respectively. The Latin America and the Caribbean region was the largest source of Cuba's imports, providing 38 per cent. The corresponding figure for the European Union was 20 per cent.

Export and import trends in Cuba were unchanged in 2006 from the previous year, except as concerns agricultural imports from the United States. While Cuba's agricultural imports from other partners increased in 2006, those from the United States decreased. With the introduction of the Trade Sanctions Reform and Export Enhancement Act of 2000, the United States started to export its agricultural products to Cuba, and in 2005 the value of Cuba's agricultural imports from the United States reached 460 million dollars. However, in 2006 it went down to 380 million dollars. That trend is likely the result of the measures introduced by the Treasury Department in 2005 to tighten the financial requirements for United States agricultural exports to Cuba.

The availability of up-to-date trade data for Cuba is limited, but for 2007 UNCTAD estimates are 3.7 billion dollars for exports and 10 billion dollars for imports, representing a goods trade deficit of 6.3 billion dollars, a decrease of 0.3 billion dollars from the previous year.

For services trade, UNCTAD estimates for 2007 were 6.6 billion dollars for exports and 0.8 billion dollars for imports, representing a service trade surplus of 5.8 billion dollars, about the same level as the previous year. The sale of professional and other services, particularly to the Bolivarian Republic of Venezuela, remained strong in 2007. The prices of those service exports to Venezuela were linked to oil import prices from the country, and this mechanism cushioned Cuba from oil-price shocks.⁵ It is estimated that the number of Cuban professionals working abroad may have risen in 2007, although the increase would be more modest than in the period from 2004 to 2006.⁶ The tourism sector is another major source of foreign exchange earnings, but it was projected that the number of tourist arrivals would fall by 10 per cent in 2007.⁷

Concerning foreign direct investment, UNCTAD estimated that annual foreign direct investment stocks in Cuba amounted to 78 million dollars in 2006.⁸ Many of the new investments came from State companies or private companies outside the countries members of the Organization for Economic Cooperation and Development. Venezuela and China continued to account for a large part of the investments.⁹

Developments in the United States of America

Bipartisan legislative proposals were made in June 2007 that were aimed at promoting United States agricultural exports to Cuba and easing restrictions on

⁵ *The Economist* Intelligence Unit, "Country Report: Cuba", November 2007, p. 9.

⁶ *Ibid.*, p. 27.

⁷ *Ibid.*, p. 26.

⁸ *World Investment Report 2007*, fact sheet on Cuba, UNCTAD, <http://www.unctad.org/wir>.

⁹ *The Economist* Intelligence Unit, "Country Report: Cuba", op. cit., p. 10.

United States citizens travelling to the country.¹⁰ Those proposals aim to: (a) facilitate the export of United States agricultural products to Cuba as authorized by the Trade Sanctions Reform and Export Enhancement Act of 2000; (b) remove impediments to the export to Cuba of medical devices and medicines; (c) allow travel to Cuba by United States citizens; (d) allow travel of Cuban citizens who are involved in agricultural purchases from the United States; (e) establish an agricultural export promotion programme with respect to Cuba; and (f) to repeal a United States law, inconsistent with the principles of the World Trade Organization, that bars United States recognition of certain Cuban trademarks. However, the President of the United States expressed his intention to veto the proposals if they were adopted by the Congress.¹¹

A report entitled “US Agricultural Sales to Cuba: Certain Economic Effects of US Restrictions” was issued in July 2007 in response to a request from the Senate Committee on Finance to estimate the effects on United States sales of agricultural products to Cuba if financing and travel restrictions were lifted.¹² The study found that removing those restrictions, particularly financing restrictions, would increase the annual United States share of Cuba’s agricultural imports to nearly 70 per cent, representing an annual boost of more than 300 million dollars in United States agricultural sales.¹³ The report also estimated that were travel restrictions to be lifted, the number of Americans travelling to Cuba would increase from 171,000 to between 554,000 and 1.1 million in the short term. However, the impact of such a development on United States agricultural exports would be limited, as these exports consist mostly of bulk products that are not consumed in the tourist sector.¹⁴

Conclusions

Since the previous reporting period, there has been no improvement in the embargo. Existing sanctions have been applied with vigour, and the embargo measures have continued to have a serious impact on Cuba. While Cuba’s economic climate was favourable, owing largely to strengthened South-South cooperation, the embargo had attendant costs for the Cuban economy and society. Also, as a study undertaken by the United States International Trade Commission demonstrates, the embargo results in the loss of substantial opportunities for the United States. Moreover, while United States agricultural exports to Cuba were allowed by the Trade Sanctions Reform and Export Enhancement Act of 2000, the financing restrictions introduced in 2005 on United States agricultural exports to Cuba affected agricultural exports to Cuba in 2006. Legislative efforts to ease embargo measures against Cuba continue in the United States, but they face strong opposition and are unlikely to succeed in the near future. The extraterritorial application of the United States embargo continues to affect citizens in third countries and impedes their trade with and investments in Cuba. The impact of the extraterritorial application is considerable owing to the significant United States interests in transnational corporations.

¹⁰ H.R. 2819 and S.1673: Promoting American Agricultural and Medical Exports to Cuba Act of 2007.

¹¹ *International Trade Daily*, “Republicans Stall Agriculture Spending Bill; White House Issues Veto Threat over Cuba”, BNA Monitoring Service, 2 August 2007.

¹² United States International Trade Commission, “US Agricultural Sales to Cuba: Certain Economic Effects of US Restrictions”, Investigation No. 332-489, Washington, D.C., July 2007.

¹³ United States Senate Committee on Finance news release, 19 July 2007, Washington, D.C.

¹⁴ *Ibid.*

Table 1
Cuban exports of merchandise

(Millions of United States dollars)

<i>Partner</i>	<i>Commodity group^a</i>	2003	2004	2005	2006	2007 ^b
European Union (27 member States)	Food and agriculture	335	370	309	433	
	Ores and metals	376	589	569	745	
	Fuels	0	0	0	0	
	Manufactured goods	27	29	29	32	
Subtotal		738	988	907	1 210	
Latin America and the Caribbean	Food and agriculture	39	35	30	42	
	Ores and metals	14	36	23	38	
	Fuels	13	12	6	11	
	Manufactured goods	259	443	510	617	
Subtotal		325	525	570	708	
United States of America	Food and agriculture	0	0	0	0	
	Ores and metals	0	0	0	0	
	Fuels	0	0	0	0	
	Manufactured goods	0	0	1	0	
Subtotal		0	0	1	0	
Other regions	Food and agriculture	302	302	189	323	
	Ores and metals	265	487	444	607	
	Fuels	12	0	12	8	
	Manufactured goods	33	30	36	48	
Subtotal		612	819	681	986	
World	Food and agriculture	676	707	528	799	
	Ores and metals	655	1 111	1 037	1 389	
	Fuels	25	12	18	19	
	Manufactured goods	319	502	576	697	
Total		1 675	2 332	2 159	2 905	3 690

Source: UNCTAD secretariat calculations based on United Nations Commodity Trade Statistics Database (COMTRADE) and International Monetary Fund Direction of Trade (DOT) data.

Note: Data availability in COMTRADE and DOT as at 8 July 2008.

^a The commodity group is classified according to Standard International Trade Classification, Rev.3.

^b For 2007, only the figure for total exports to the world is available.

Table 2
Cuban imports of merchandise

(Millions of United States dollars)

<i>Partner</i>	<i>Commodity group^a</i>	2003	2004	2005	2006	2007 ^b
----------------	------------------------------------	------	------	------	------	-------------------

<i>Partner</i>	<i>Commodity group^a</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007^b</i>
European Union (27 member States)	Food and agriculture	288	211	193	230	
	Ores and metals	17	24	28	25	
	Fuels	83	21	6	14	
	Manufactured goods	1 084	1 193	1 511	1 619	
Subtotal		1 472	1 451	1 739	1 889	
Latin America and the Caribbean	Food and agriculture	190	283	424	509	
	Ores and metals	8	10	26	26	
	Fuels	783	1 220	1 797	2 172	
	Manufactured goods	461	559	736	932	
Subtotal	Subtotal	1 442	2 073	2 984	3 640	
United States of America	Food and agriculture	319	433	463	370	
	Ores and metals	0	0	0	0	
	Fuels	0	0	0	0	
	Manufactured goods	13	16	19	12	
Subtotal		331	449	482	382	
Other regions	Food and agriculture	266	334	490	929	
	Ores and metals	30	37	36	66	
	Fuels	140	69	142	158	
	Manufactured goods	980	1 197	1 715	2 438	
Subtotal		1 417	1 638	2 385	3 952	
World	Food and agriculture	1 062	1 261	1 571	2 039	
	Ores and metals	55	72	91	117	
	Fuels	1 006	1 310	1 946	2 344	
	Manufactured goods	2 538	2 965	3 982	5 001	
Total		4 662	5 610	7 591	9 503	10 083

Source: UNCTAD secretariat calculations based on United Nations Commodity Trade Statistics Database (COMTRADE) and International Monetary Fund Direction of Trade (DOT) data.

Note: Data availability in COMTRADE and DOT as at 8 July 2008.

^a The commodity group is classified according to Standard International Trade Classification, Rev.3.

^b For 2007, only the figure for total imports from the world is available.

Table 3
Cuban service exports and imports

(Millions of United States dollars)

<i>2003</i>		<i>2004</i>		<i>2005</i>		<i>2006</i>		<i>2007</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>
2 979	650	3 450	740	5 326	776	6 472	793	6 611	816

Source: Economist Intelligence Unit.