

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/68/116)

Contribution from UNCTAD dated: 21 May 2013

Paragraph 25 of the Doha Mandate (see [TD/500/Add.1](#)), which was adopted at UNCTAD XIII in April 2012, reads as follows:

States are strongly urged to refrain from promulgating and applying any unilateral economic, financial or trade measures not in accordance with international law and the Charter of the United Nations that impede the full achievement of economic and social development, particularly in developing countries, and that affect commercial interests. These actions hinder market access, investments and freedom of transit and the well-being of the populations of affected countries. Meaningful trade liberalization will also require addressing non-tariff measures including, inter alia, unilateral measures, where they may act as unnecessary trade barriers.

Trends in Cuba

The embargo has had significant negative effects on the Cuban economy and on the standard of living of Cuban citizens. As reported by the Government of Cuba in the 2012 report of the Secretary-General on the necessity of ending the economic, commercial and financial embargo imposed by the United States of America against Cuba ([A/67/118](#)), the overall losses caused by the embargo amounted to \$108 billion by the end of December 2011. The losses are attributed to the additional costs incurred by the Government of Cuba and Cuban enterprises and citizens in obtaining goods, services and finance.

In the same report, the Cuban Government stated that the losses incurred in the health sector amounted to \$10 million during the period from May 2011 to April 2014, while those incurred in the food sector amounted to \$132 million for the period from March 2011 to March 2012. These losses were caused mainly by the higher transaction costs resulting from the embargo. Moreover, Cuba estimated that it would have earned more than \$222 million by exporting food and rum to the United States in the absence of the embargo. As for foreign direct investment, according to the United Nations Conference on Trade and Development (UNCTAD) Cuba received inflows of \$110 million in 2011; it could have received \$350 million in such investment from the United States had there been no embargo. UNCTAD figures show that neighbouring Dominican Republic received \$2,371 million in the same year.

The embargo has also been a serious constraint for advancing science and technology in Cuba owing to the United States' significant position in these areas. Cuba's inability to connect to United States Internet service providers has contributed significantly to its low level of Internet access, which in turn adversely affects all economic and social sectors in the country. Furthermore, 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. This extraterritorial application affects

Cuba negatively and deprives third countries of business opportunities with Cuba.

It has been estimated that the Cuban economy grew by 2.8 per cent in 2011, an increase of 0.4 per cent over the previous year. Among 24 countries in Central and Latin America, Cuba ranked seventeenth in terms of GDP growth rate. In October 2012, hurricane Sandy hit Cuba, causing widespread damage and costing the country \$2 billion.¹ Cuba was still recovering from the devastation caused by hurricanes Gustav and Ike in 2008, which caused damages estimated at almost \$10 billion. Reconstruction of infrastructure and buildings damaged by these hurricanes might be costlier in the current situation than it might have been without the embargo, as Cuba has to import goods and services from places other than the United States despite the fact that the United States exports those goods and services at competitive prices.

As the UNCTAD statistics provided in table 1 show, the trends in Cuba's trade in merchandise in 2012 did not change from the previous year. UNCTAD estimates that Cuba exported merchandise for a value of \$5.6 billion and imported merchandise for a value of \$14.4 billion, which represents a decline of \$128 million and an increase of \$323 million, respectively, over 2011. The deficit in trade in merchandise was of \$8.7 billion in 2012, which represents an increase of \$451 million over 2011. The main categories of export items in 2012 were "ores and metals", which accounted for \$3.6 billion or 63 per cent of the total, followed by "all food items" and "manufactured goods". As for the destination of Cuba's exports, the European Union was the major buyer of Cuban merchandise, accounting for about 34 per cent of the total.

The main categories of import items in 2012 were "manufactured goods" (\$6.8 billion or 47 per cent of the total) and "fuels" (\$5.3 billion or 37 per cent), followed by "all food items". Latin America and the Caribbean were the largest suppliers of items imported by Cuba, accounting for one half of the total. The Trade Sanctions Reform and Export Enhancement Act of 2000 allows United States exports of agricultural products to Cuba, with many restrictions and requirements. This measure has made the United States the largest exporter of agricultural products to Cuba, although the level of United States exports declined every year from 2009 to 2011.² Brazil's agricultural exports to Cuba superseded those of the United States in 2011, but in 2012 the United States once again became the largest exporter. The restrictions and requirements imposed on United States agricultural exports are, however, limiting the potential growth of the exports.

The services sector has been the major source of foreign exchange earnings in Cuba. The trends in Cuba's trade in services in 2012 did not change from the previous year. UNCTAD estimates that Cuba exported \$11.8 billion and imported \$2.4 billion in services in 2012; the resulting surplus of \$9.4 billion represented an increase of \$622 million over 2011. The category "other services" took the major shares of exports, followed by "travel". For "other services", the export of medical personnel to the Bolivarian Republic of Venezuela continued to be of particular importance as, in return, Cuba receives oil from that country, on preferential terms. Tourism continues to be one of the main driving forces of the Cuban economy and development. According to the

¹ Rosa Martinez, "Beautiful Santiago de Cuba after Sandy", 3 November 2012. Available from www.havanatimes.org/?p=81443.

² Mark P. Sullivan, *Cuba: issues for the 112th Congress*, Congressional Research Service, 6 November 2012. Available from www.fas.org/sgp/crs/row/R41617.pdf.

Caribbean Tourism Organization, in 2012, over 2.8 million people visited Cuba, 4.5 per cent more than in 2011.³ With access to the United States market blocked, the tourism sector remains heavily dependent on Canadian visitors, who accounted for 38 per cent of all international visitors, followed by visitors from the European Union, who accounted for 27 per cent of the total. The ban prohibiting United States citizens from travelling to Cuba has had serious economic implications for the Cuban tourism industry, which is losing over \$2.3 billion annually (A/67/118). Remittances from relatives living abroad, including in the United States, are also a significant source of hard currency. The United States relaxed remittance restrictions in January 2011. With regard to the import of services, “transport” was the dominant category.

Developments in the United States

No significant actions were taken during the reporting period concerning the embargo. A number of legislative proposals were made during the 112th United States Congress. Some would have the United States lift or ease the embargo, while others would have it strengthen the embargo further.

Conclusion

Since the previous reporting period, there has been no significant change in the United States embargo. The embargo has continued to have a severe impact on the production, trade and welfare of Cuba, impeding its development. Related measures impose severe economic, commercial and financial restrictions on Cuba, and these come at a cost for the country. Furthermore, the devastation wrought by hurricane Sandy could add to the hardship of the Cuban people. The substantial losses incurred owing to the embargo include the foregone opportunities to strengthen infrastructure, build an efficient and vibrant economy and improve the standard of living of Cuban citizens. In particular, given the country’s potential for developing knowledge-intensive and high-value-added industries, the inability to conduct trade with the United States has profound implications. The extraterritorial application of the United States embargo continues to affect citizens in third countries and impedes their ability to trade with and invest in Cuba. The impact of the extraterritorial application is considerable. Finally, the citizens of the United States too are affected by the embargo because they are unable to interact with Cuba in the economic, academic and social fields.

Table 1
Merchandise exports and imports by Cuba

(Millions of United States dollars)

<i>Partner</i>	<i>Commodity group</i>	<i>2008^a</i>	<i>2009^a</i>	<i>2010^a</i>	<i>2011^a</i>	<i>2012^a</i>
Exports						
European Union (27 States)	All food items	344	333	396	425	522
	Ores and metal	540	445	892	1 411	1 491
	Fuels	–	5	3	9	10
	Manufactured goods	11	26	39	55	56
Total		895	809	1 330	1 899	2 078

³ See www.onecaribbean.org.

<i>Partner</i>	<i>Commodity group</i>	<i>2008^a</i>	<i>2009^a</i>	<i>2010^a</i>	<i>2011^a</i>	<i>2012^a</i>
Latin America and the Caribbean	All food items	5	18	39	26	34
	Ores and metal	1	13	25	25	24
	Fuels	–	30	50	52	69
	Manufactured goods	272	346	401	496	585
Total		279	407	515	599	712
United States	All food items	–	–	–	–	–
	Ores and metal	–	–	–	–	–
	Fuels	–	–	–	–	–
	Manufactured goods	–	–	–	–	–
Total		–	–	–	–	–
Rest of the world	All food items	740	476	690	804	753
	Ores and metal	2 019	1 366	2 369	2 411	2 036
	Fuels	28	23	25	37	36
	Manufactured goods	10	28	35	38	46
Total		2 798	1 893	3 120	3 291	2 871
World	All food items	1 090	827	1 125	1 256	1 309
	Ores and metal	2 561	1 824	3 287	3 846	3 550
	Fuels	29	58	78	99	115
	Manufactured goods	293	399	476	589	687
Total		3 973	3 109	4 966	5 789	5 661
Imports						
European Union (27 States)	All food items	452	283	405	584	564
	Ores and metal	62	33	36	48	45
	Fuels	44	22	32	97	80
	Manufactured goods	2 862	1 812	1 929	2 408	2 471
Total		3 421	2 150	2 402	3 138	3 160
Latin America and the Caribbean	All food items	700	388	578	701	732
	Ores and metal	49	29	58	18	40
	Fuels	4 753	2 904	3 971	5 133	5 177
	Manufactured goods	1 060	728	841	1 115	1 196
Total		6 561	4 048	5 449	6 967	7 145
United States	All food items	976	671	448	442	565
	Ores and metal	–	–	–	–	–
	Fuels	–	–	–	–	–
	Manufactured goods	28	18	14	13	12
Total		1 006	689	462	455	577
Rest of the world	All food items	509	175	202	240	226
	Ores and metal	129	40	70	77	77

Partner	Commodity group	2008 ^a	2009 ^a	2010 ^a	2011 ^a	2012 ^a
	Fuels	13	33	34	55	57
	Manufactured goods	3 746	2 484	2 880	3 127	3 139
Total		4 397	2 732	3 186	3 499	3 498
World	All food items	2 636	1 517	1 634	1 967	2 087
	Ores and metal	242	102	163	143	162
	Fuels	4 811	2 959	4 038	5 284	5 314
	Manufactured goods	7 696	5 042	5 664	6 664	6 818
Total		15 384	9 619	11 499	14 058	14 381

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

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 667 and 68)

^a Estimates.

Table 2
Service exports and imports by Cuba

(Millions of United States dollars)

Flow	Service category	2008	2009	2010	2011	2012
Exports	Transport	1 620 ^a	1 437 ^a	1 772 ^a	1 913 ^a	1 928 ^a
	Travel	2 258	2 051	2 187	2 318	2 447 ^a
	Other services	5 374 ^a	4 956 ^a	6 253 ^a	6 755 ^a	7 409 ^a
Total		9 252	8 444	10 212	10 986	11 783^a
Imports	Transport	1 546 ^a	965 ^a	1 154 ^a	1 424 ^a	1 516 ^a
	Travel	160 ^a	212 ^a	230 ^a	236 ^a	260 ^a
	Other services	373 ^a	496 ^a	538 ^a	552 ^a	612 ^a
Total		2 079	1 673	1 923	2 213	2 388^a

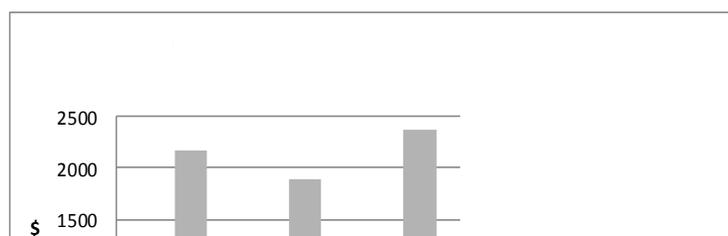
Source: UNCTAD and WTO (estimates).

^a Estimates.

Figure

Foreign direct investment flows to Cuba and the Dominican Republic, 2009-2011

(Millions of United States dollars)



Source: <http://unctadstat.unctad.org>.