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/70/120)

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In the Doha Mandate (TD/500/Add.1) adopted in April 2012 at thirteenth session of the United Nations Conference on Trade and Development (UNCTAD), UNCTAD indicates that

> 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.

In December 2014 the President of the United States, Barack Obama, announced historic steps to chart a course of normalization in United States relations with Cuba. Subsequently, several new actions were taken to ease some embargo measures. These actions are discussed below in the section on developments in the United States. Most of the economic, commercial and financial embargo imposed by the United States against Cuba, however, remain in place.

Economic and trade 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 reported that the economic damage caused by the embargo up to mid-June 2014 amounted to more than $116,888 million (see A/69/98). Most losses were in the form of forgone revenues from exports of goods and services; the expenses involved in relocating trade, especially expenses incurred due to the immobilization of inventory; and monetary and financial losses due to economic agents' exposure to shifting exchange rates; and increased financing costs.

According to the UNCTADStat general profile on Cuba, it is estimated that the Cuban economy grew by 3.0 per cent in 2013, and the estimate for 2014 is 1.3 per cent.[1] The embargo caused serious financial, economic and social implications to various sectors in Cuba. The food sector was one of the most sensitive areas affected by the embargo as a result of higher costs incurred by relocating to other markets for food imports and being penalized by onerous exchange rates due to the ban on using the United States dollar in transactions. The cost implications of the embargo to the public health sector was estimated at $66.5

[1] Economist Intelligence Unit, Cuba country report, February 2015.

million in 2013, resulting from the necessity of acquiring medicine and health-care-related goods from distant markets through intermediaries. The embargo also acted as a serious barrier to the granting of concessionary loans to Cuba, the transfer of advanced technology, the mobilization of foreign capital, foreign direct investment, protection of the environment, and the country's full integration into the global economy. In addition, the negative impact of the extraterritorial application of the embargo is substantial since United States firms are frequently involved in international mergers and business partnerships.

Cuba exported $5.6 billion worth of merchandise in 2013, down by 5.3 per cent from the previous year. According to the UNCTADStat general profile on Cuba, merchandise trade balance in 2013 was a deficit of $9 billion. For international trade in services, UNCTAD estimates that Cuba exported $12.4 billion in 2013, down by 3 per cent from the previous year Service trade balance in 2013 was a surplus of $10 billion. The sectors that made significant contributions to foreign exchange earnings in Cuba were professional services, especially the export of medical personnel to the Bolivarian Republic of Venezuela, tourism, nickel mining, biotechnology and pharmaceutical sector, and remittances from relatives living abroad, especially from the United States.[2] Damage inflicted by the embargo to Cuba's foreign trade from mid-2013 to mid-2014 was estimated at $3.9 billion (see A/69/98). Dependence on the Bolivarian Republic of Venezuela for oil supplies in exchange for the services of Cuban medical personnel was reduced in 2014. Cuba remained vulnerable, however, to the economic situation of the Bolivarian Republic of Venezuela. Brazil, China and the Russian Federation emerged as the major economic partners.

According to the latest statistics for 2013 and 2014 of the Caribbean Tourism Organization, in 2014, over 3 million international tourists came to Cuba, up by 5 per cent from the previous year. The largest market for international tourism was Canada, followed by Germany, the United Kingdom of Great Britain and Northern Ireland, Italy and France in 2014. With regard to United States nationals, while the travel restrictions had been eased to some extent, they were prohibited from visiting Cuba for tourist activities during the mentioned year. It was estimated that the Cuban tourism sector lost over $2,000 million, including travel agency transactions and logistical support from mid-2013 to mid-2014 (see A/68/98).

Developments in the United States

On 17 December 2014, the President of the United States, Barack Obama, outlined three major steps to move towards normalization: (a) the re-establishment of diplomatic relations with Cuba; (b) a review of Cuba's designation by the Department of State as a State sponsor of international terrorism; and (c) an increase in travel, commerce and the flow of information to and from Cuba. Re-establishment of a United States embassy in Havana is now under way. On 14 April 2015, the President issued a report to Congress for its consideration, in which he

[2] Mark P. Sullivan, "Cuba: U.S. policy and issues for the 114th Congress", Congressional Research Service (27 February 2015).

rescinded Cuba's designation as a State sponsor of terrorism. For the third aspect, the measures set out below were introduced.

Goods and services, which can be exported from the United States to Cuba have been expanded to include certain building materials for private residential construction, goods for use by private sector Cuban entrepreneurs, agricultural equipment for small farmers, certain consumer communications devices, related software, applications, hardware and services. Licensed United States travellers to Cuba are authorized to import $400 worth of goods from Cuba, of which no more than $100 can consist of tobacco products and alcohol combined. The United States-owned or -controlled entities in third countries can generally provide services to, and engage in financial transactions with, Cuban individuals in third countries. The accounts at United States banks of Cuban nationals who have relocated outside of Cuba are unblocked. United States nationals are permitted to participate in third-country professional meetings and conferences related to Cuba. Foreign vessels can enter the United States after engaging in certain humanitarian trade with Cuba. United States institutions will be permitted to open correspondent accounts at Cuban financial institutions to facilitate the processing of authorized transactions. The regulatory definition of the statutory term "cash in advance" will be revised to specify that it means "cash before transfer of title," which will provide more efficient financing of authorized trade with Cuba.

General licenses are now available for all authorized travellers for: (a) family visits; (b) official business of the Government of the United States, foreign Governments and certain intergovernmental organizations; (c) journalistic activity; (d) professional research and professional meetings; (e) educational activities; (f) religious activities; (g) public performances, clinics, workshops, athletic and other competitions, and exhibitions; (h) support for the Cuban people; (i) humanitarian projects; (j) activities of private foundations or research or educational institutes; (k) exportation, importation or transmission of information or information materials; and (l) certain export transactions that may be considered for authorization under existing regulations and guidelines.

The easing of licensed travel and increased trade, although in limited areas, is expected to have a significant economic impact. Moreover, Cuba's removal from the list of State sponsors of terrorism should remove a major deterrent to businesses from outside the United States.[3] Since the relaxation of measures, some business developments between the two countries have been reported in the areas of air and marine transports, tourism service, and information and telecommunications services. But the extent of the benefits from the new measures, in particular as it relates to Cuban exports, is uncertain given that the overall embargo sanctions against Cuba remain in place. The removal of most of the remaining measures requires Congressional approval.

[3] Mark P. Sullivan, "Cuba: U.S. policy and issues for the 114th Congress", Congressional Research Service (28 April 2015); and Economist Intelligence Unit, Cuba country report, generated on 8 May 2015.

Conclusions

The policy change initiated by the President of the United States is a historic step and is expected to bring significant benefits to Cuba and the United States. The majority of the embargo measures, however, are effective causing substantial damage to the Cuban economy and society. The inability to conduct exchange with the United States has profound implications for the country given the eminent position of the United States in the world economy and the geographical proximity of the two countries. Moreover, the extraterritorial application of the United States embargo continues to affect the legitimate interests of entities or persons in third countries and impedes their trade with and investments in Cuba. The embargo also continues to deprive United States citizens of the substantial economic, scientific, and cultural opportunities that would potentially result from having normal relations with Cuba. In short, lifting the embargo measures will bring tremendous benefits not only to Cuba and the United States but also to the world.