

**UNCTAD's contribution to the Report of the Secretary-General to
the Seventy-first session of the General Assembly on necessity of ending
the economic, commercial and financial embargo imposed by the United
States of America against Cuba, A/71/91, 21 July 2016**

In the Doha Mandate (TD/500/Add.1), adopted in April 2012 at the 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.

The 18 months prior to the preparation of the present report were marked by historic events in the relationship between the United States of America and Cuba, including the re-establishment of diplomatic relations, the visit of the President of the United States to Cuba and a significant easing of the embargo measures. It is anticipated that the improved diplomatic and commercial relationship could lead to a 2015 growth rate of 4.0 per cent,¹ up from 1.3 per cent in 2014.² For the moment, however, the essential elements of the embargo remain in place pending a decision by the United States Congress.

Economic and trade trends in Cuba

The Government of Cuba reports that the cumulative economic damage caused by the embargo up to mid-June 2015 has amounted to more than \$121 billion (see A/70/120). The external trade balance damage caused by the embargo from mid-2014 to mid-2015 has been estimated at \$3.9 billion. Of this, 70 per cent was a result of foregone revenues from the export of goods and services in the tourism, transportation and agricultural sectors (ibid.). The embargo impeded the transfer of technology, the mobilization of foreign capital and the normal development of all spheres of economic, social and cultural life. The health and food sectors were among those most directly impacted by the embargo, as higher than normal costs resulted from reliance on other markets for imports and the prohibition of the use of the United States dollar.

In respect of international trade, Cuba is a goods-importing and services-exporting country. As illustrated in the trade data for the years 2011 to 2015 (see annex), UNCTAD estimates that the country had a deficit of \$10.7 billion in trade in goods and a surplus of \$8.4 billion in trade in services in 2015. The country had surpluses in its total trade balance during the period 2011-2014,

¹ Economist Intelligence Unit (EIU), "Country report Cuba", 6 April 2016.

² United Nations Conference on Trade and Development, UNCTAD STAT, "General profile: Cuba, 2014". Available from <http://unctadstat.unctad.org/CountryProfile/GeneralProfile/en-GB/192/index.html>.

ranging from \$418 million to \$2.5 billion, but it recorded a deficit of \$2.3 billion in 2015. Total values of exports of goods continuously declined from \$5.8 to \$4.2 billion during the five-year period. Main export items were ores and metal. The main destination of Cuban goods was the European Union. Total values of imports of goods ranged from \$13 to \$14.9 billion during the period. The main import items were manufactured goods and fuel, and the countries of Latin America and the Caribbean were the main source of imports. For trade in services, UNCTAD estimates that the total values of exports ranged from \$10.6 to \$13 billion, while those of imports increased from \$2.1 to \$2.5 billion during the period.

From a sectoral perspective, the key sectors generating foreign exchange include medical services, tourism, nickel mining, biotechnology and pharmaceuticals. International tourism has been particularly robust for several years, reflecting in particular the evolving improvement in relations with the United States. It rose by 9.3 per cent in 2014 and by 15.9 per cent in 2015, when over 3.5 million foreigners visited the country.³ Canada remained the main source of tourists, followed by Germany and the United States. However, the United States market was the fastest growing: after the initial easing of embargo restrictions, 161,000 people arrived in 2015, a 76.6 per cent increase from 2014.⁴ With regard to other sources of international income, remittances from relatives living abroad, especially in the United States, are an important source of hard currency and amount to \$2 billion annually.⁵ Cuba also receives from Venezuela generous oil subsidies in exchange for the services of Cuban doctors. However, this support has diminished since 2014, and Cuba remains vulnerable to the economic crisis in that country.⁶

Cuba can import agricultural products from the U.S. since 2001, though restrictions on U.S. export financing and credit kept suppressed the levels of U.S. exports. Some agricultural experts fear that U.S. agricultural exports to Cuba will be seriously hampered as long as these restrictions remain.⁷

Developments in the United States

During the 18 months prior to the preparation of the report, the United States took significant steps in moving towards normalization of relations with Cuba. The two countries re-established diplomatic relations and reopened embassies in their respective capitals in July 2015. The United States President made an official visit to Cuba for the first time in 88 years in March 2016. Significant measures were introduced to ease the embargo measures on travel, remittances, trade, and finances. Those measures are summarized below.⁸

³ Economist Intelligence Unit (EIU), "Country report Cuba", 6 April 2016.

⁴ "Cuba tourism grows 17.3 per cent in 2015", *Caribbean News Now!* (Dallas, Texas), 15 January 2016. Available from <http://www.caribbeannewsnow.com/headline-Cuba-tourism-grows-17.3-percent-in-2015-28962.html>.

⁵ Mark P. Sullivan, Congressional Research Service, "Cuba: issues for the 114th Congress" (15 March 2016).

⁶ Economist Intelligence Unit (EIU), "Country report Cuba", 6 April 2016.

⁷ Ibid.

⁸ For comprehensive information on the measures introduced see Resource Center: Cuba Sanctions, United States Department of the Treasury, "Fact sheets" (January and September 2015 and January and March 2016). Available from <https://www.treasury.gov/resource-center/sanctions/Programs/pages/cuba.aspx>.

Travel and remittances. Travel to Cuba by the general public solely for the purpose of tourism remains prohibited. However, United States citizens falling into 12 “special case” categories⁹ are now authorized to visit Cuba without applying for permission. They can expend funds in Cuba without limitation, use United States credit and debit cards, and open bank accounts in Cuba in order to access funds for certain transactions. Also now allowed are unlimited remittances to Cuban nationals for donations, humanitarian projects and the promotion of civil society, as well as for certain activities related to private business.

Trade. Restrictions on transportation services have been eased in parallel. The United States and Cuba have signed a bilateral arrangement restoring scheduled air services.¹⁰ The Government of the United States of America has also authorized entry into blocked space, code-sharing and leasing arrangements to facilitate the provision of air carrier services, and the passage to Cuba of ships carrying authorized cargo and visitors. Moreover, travel agents and air and vessel carriers can now provide services for travel to Cuba under a general licence.¹¹ Consequently, new United States businesses have been established in the areas of tourism, telecommunications and transport to connect the two countries.¹²

More generally, the range of goods and services that can be exported from the United States to Cuba has been expanded. Now included are certain building materials for private residential construction; goods for use by private sector Cuban entrepreneurs; agricultural equipment for small farmers; and telecommunications equipment and services. Persons subject to United States jurisdiction engaging in authorized activities in Cuba now are allowed to establish a physical presence such as an office, retail outlet or warehouse. They are also authorized to employ Cuban nationals and to open and maintain bank accounts in the country. An existing general licensing system was expanded to allow businesses to conduct market research, undertake marketing, sales or contract negotiations and engage in delivery, installation and leasing.

Similarly, some imports from Cuba to the United States have been exempted from the embargo. Certain goods produced by independent Cuban entrepreneurs can now be imported into the United States, and certain services can be supplied by independent Cuban entrepreneurs.¹³ The status of independent Cuban entrepreneurs must be demonstrated by documentary evidence. Nevertheless, a great many goods remain prohibited for importation. Moreover, the requirement that authorized goods and services be produced by independent Cuban entrepreneurs is a serious constraint on exports owing to the pervasiveness of government-owned enterprises.

Finances. Although the embargo measures in finances are mostly intact, several significant measures have been introduced to facilitate financial transactions between the two countries. Restrictions were removed on payments and financing terms for authorized exports and re-exports, except for

⁹ Ibid., January 2015.

¹⁰ Scheduled service is expected to commence later in 2016.

¹¹ The first U.S. cruise ship in 50 years docked at Havana harbour on 2 May 2016.

¹² For additional information, see *Caribbean News Now!*, 20 and 22 April, 7, 9 and 25 May and 17 June 2015; and 21 and 22 March 2016.

¹³ For the list of goods authorized for importation and the information on service imports, see the website of the United States Department of State, <http://www.state.gov/e/eb/tfs/spi/cuba/515582/237471.htm>.

agricultural commodities and agricultural items, and United States depository institutions are now able to provide financing for such exports and re-exports. In March 2016, United States banking institutions were given the green light to open bank accounts in the United States for Cuban nationals in Cuba so they can receive payments for authorized transactions. United States banks also can process United States dollar monetary instruments presented indirectly by Cuban financial institutions, while correspondent accounts at third-country financial institutions used for such transactions may be denominated in United States dollars.

Conclusions

The measures introduced by the United States to ease the embargo on Cuba are substantial and were overdue. Cuba's projected 2015 economic growth and the nascent commercial relationships are suggestive of the likely mutual benefits that would ensue from a complete lifting of the embargo. President Obama publicly acknowledged that the long-standing policy of isolating Cuba had failed to achieve its objectives and called on the United States Congress to end the embargo entirely.¹⁴ Ending the embargo would require amending or repealing several United States statutes.¹⁵ It is hoped that the policy initiated by the Obama Administration will be advanced by the United States Congress, consistent with the resolutions adopted by the General Assembly for the past 24 consecutive years, the most recent of which is resolution 70/5 of 27 October 2015.

Annex

Table 1

Cuba: trade balance

(Millions of United States dollars)

	2011	2012	2013	2014	2015
Goods	-8 269	-8 720	-9 399	-8 112	-10 724
Services	8 687	10 354	10 721	10 589	8 426
Balance	418	1 634	1 322	2 477	-2 298

Source: Calculations based on the figures in tables 2, 3 and 4 relating to trade in goods and services.

Table 2

Cuba's Cuba: merchandise exports

(Millions of United States dollars)

Partner	Commodity group	2011 ^a	2012 ^a	2013 ^a	2014 ^a	2015 ^a
European Union (EU 27)	All food items	425	522	566	433	399
	Ores and metal	1 411	1 491	1 528	1 494	1 190
	Fuels	9	10	6	3	5

¹⁴ See <https://www.whitehouse.gov/issues/foreign-policy/cuba>.

¹⁵ These statutes include the Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996, the Foreign Assistance Act of 1961, the Cuban Democracy Act of 1992, and the Trade Sanctions Reform and Export Enhancement Act of 2000. For additional information, see Mark P. Sullivan, Congressional Research Service, "Cuba: issues for the 114th Congress" (March 15, 2016).

<i>Partner</i>	<i>Commodity group</i>	<i>2011^a</i>	<i>2012^a</i>	<i>2013^a</i>	<i>2014^a</i>	<i>2015^a</i>
	Manufactured goods	55	56	71	64	51
	Total	1 899	2 078	2 172	1 995	1 664
Latin America and Caribbean	All food items	26	34	30	43	28
	Ores and metal	25	24	18	14	15
	Fuels	52	69	95	80	65
	Manufactured goods	496	585	531	522	431
	Total	599	712	677	659	539
United States of America	All food items	0	0	0	0	0
	Ores and metal	0	0	0	0	0
	Fuels	0	0	0	0	0
	Manufactured goods	0	0	0	0	0
	Total	0	0	0	0	0
Rest of the world	All food items	804	753	566	537	485
	Ores and metal	2 411	2 036	1 764	1 612	1 418
	Fuels	37	36	16	29	21
	Manufactured goods	38	46	60	63	45
	Total	3 291	2 871	2 406	2 241	1 970
World	All food items	1 256	1 309	1 162	1 013	913
	Ores and metal	3 846	3 550	3 310	3 120	2 623
	Fuels	99	115	118	112	91
	Manufactured goods	589	687	662	649	526
	Total	5 789	5 661	5 252	4 894	4 152

Source: UNCTAD secretariat, based on the United Nations Comtrade and International Monetary Fund — Direction of Trade Statistics (DOTS) databases.

Note: All food items (SITC 0 + 1 + 22 + 4); ores and metals (SITC 27 + 28 + 68); fuels (SITC 3); and manufactured goods (SITC 5 to 8 less 667 and 68).

^a Estimates.

Table 3
Cuba: merchandise imports

(Millions of United States dollars)

<i>Partner</i>	<i>Commodity group</i>	<i>2011^a</i>	<i>2012^a</i>	<i>2013^a</i>	<i>2014^a</i>	<i>2015^a</i>
European Union (EU 27)	All food items	584	564	580	588	615
	Ores and metal	48	45	36	29	39
	Fuels	97	80	66	49	69
	Manufactured goods	2 408	2 471	2 648	2 221	2 595
	Total	3 138	3 160	3 330	2 888	3 318

<i>Partner</i>	<i>Commodity group</i>	<i>2011^a</i>	<i>2012^a</i>	<i>2013^a</i>	<i>2014^a</i>	<i>2015^a</i>
Latin America and Caribbean	All food items	701	732	775	758	804
	Ores and metal	18	40	34	23	34
	Fuels	5 133	5 177	5 202	4 870	5 403
	Manufactured goods	1 115	1 196	916	1 047	1 122
	Total	6 967	7 145	6 927	6 699	7 362
United States of America	All food items	442	565	296	235	385
	Ores and metal	0	0	0	0	0
	Fuels	0	0	0	0	0
	Manufactured goods	13	12	14	12	13
	Total	455	577	310	248	398
Rest of the world	All food items	240	226	389	358	346
	Ores and metal	77	77	57	46	63
	Fuels	55	57	51	46	54
	Manufactured goods	3 127	3 139	3 587	2 723	3 335
	Total	3 499	3 498	4 085	3 173	3 799
World	All food items	1 967	2 087	2 040	1 940	2 150
	Ores and metal	143	162	127	98	136
	Fuels	5 284	5 314	5 319	4 965	5 526
	Manufactured goods	6 664	6 818	7 165	6 003	7 065
	Total	14 058	14 381	14 651	13 006	14 876

Source: UNCTAD secretariat, based on the United Nations Comtrade and International Monetary Fund — Direction of Trade Statistics (DOTS) databases.

Notes: All food items (SITC 0 + 1 + 22 + 4); ores and metals (SITC 27 + 28 + 68); fuels (SITC 3); and manufactured goods (SITC 5 to 8 less 667 and 68).

^a Estimates.

Table 4
Cuba: service exports and imports

(Millions of United States dollars)

		<i>2011^a</i>	<i>2012^a</i>	<i>2013^a</i>	<i>2014^a</i>	<i>2015^a</i>
Exports	Total services	11 149	12 760	13 027	12 663	10 551
Imports	Total services	2 462	2 406	2 306	2 074	2 125

Source: UNCTADstat.

^a Estimates for each year.