

## **UNCTAD's contribution to the Report of the Secretary-General to the Seventy-second 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/72/94, 26 July 2017**

In the Nairobi Maafikiano ([TD/519/Add.2](#) and Corr.1), adopted at the fourteenth session of the United Nations Conference on Trade and Development (UNCTAD) held in July 2016, states 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, President Barack Obama initiated historic measures to normalize the diplomatic relations between the United States of America and Cuba and to ease the embargo. Although diplomatic, social and commercial exchanges between the two countries are growing, most parts of the embargo continue to be applied and significantly affect the lives of Cuban people.

### **Economic and trade trends in Cuba**

The Cuban Government reported that the cumulative economic damage caused by the embargo up to mid-2016 had surpassed \$126 billion, an increase of \$5 billion from the previous reporting period. The external trade balance damage caused by the embargo from mid-2015 to mid-2016 was estimated at \$4.1 billion, which was slightly greater than the previous period. A large part of this damage was the result of forgone revenues from exports of Cuban goods and services to the United States or third countries (See [A/71/91](#)).

In 2016, the Cuban economy was affected by hardships such as austerity measures, lower export earnings and reduced support from the Bolivarian Republic of Venezuela.<sup>1</sup> In addition, Hurricane Matthew ravaged the eastern provinces of Cuba in October 2016 and caused huge damage.<sup>2</sup> It is estimated that Cuba's economic growth over the year was a mere 0.5 per cent, in contrast with the robust growth of 4.4 per cent in the previous year.<sup>3</sup> It is projected that the economy will remain under strain in 2017.<sup>4</sup>

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<sup>1</sup> Mark P. Sullivan, "Cuba: issues and actions in the 114th Congress", Congressional Research Service, 18 January 2017, p. 14.

<sup>2</sup> Caribbean News Now!, "UN development agency working with Cuban government in areas hard-hit by Hurricane Matthew", November 14, 2016. The Hurricane affected more than 600,000 people and damaged 38,000 homes.

<sup>3</sup> Sullivan, "Cuba: issues and actions in the 114th Congress", p. 14.

<sup>4</sup> Economist Intelligence Unit, Country report: Cuba. Available from <http://country.eiu.com/cuba> (accessed 1 May 2017).

In international trade, Cuba is a goods-importing and services-exporting country. As observed in the trade data from 2012 to 2016 provided in tables 1 to 4, UNCTAD estimates that the country had a deficit of \$9.6 billion in trade in goods and a surplus of \$9.2 billion in trade in services in 2016, leaving a deficit of \$402 million in total trade balance in 2016. The deficit was reduced by \$1 billion since 2015. The main export items were ores and metal. The main destination for Cuban goods was the European Union. The main import items were manufactured goods and fuel. The main source of import was the Latin America and Caribbean region.

Major sources of Cuba's foreign currency earnings included the export of professional services, tourism, nickel, biotechnology and pharmaceutical products.<sup>5</sup> These are supplemented by remittances from the United States, which are estimated at \$3 billion for 2015.<sup>6</sup> According to the Ministry of Tourism of Cuba, the country received a record 4 million foreign visitors in 2016, an increase of 13 per cent from the previous year. UNCTAD estimates that the revenues from travel exports were \$2.6 billion and \$3.0 billion in 2015 and 2016, respectively. While the largest source of international tourism in Cuba was Canada, the biggest increase came from the United States.<sup>7</sup> The increase in tourist arrivals was attributed to the resumption of regular commercial flights from the United States to Cuban cities, and to an increase in stops by cruise ships from Canada, the Russian Federation, Spain and the United States.<sup>8</sup> However, the country still has a low level of tourism relative to other Caribbean countries. The ratio of international tourists to the local population for Cuba was 0.26, whereas the corresponding numbers for the Dominican Republic, Costa Rica and Jamaica were 0.49, 0.53 and 0.76, respectively.<sup>9</sup>

The Cuban Government has taken measures to promote the non-State sector which, at the end of 2015, included more than half a million people. This figure is expected to rise over time as activities included in the non-State sector gradually expand.<sup>10</sup> Remittances are, and are likely to remain, the major source of financing for activities in the non-State sector.<sup>11</sup> The United States is the largest source of remittances for Cuba, estimated at between \$1.5 billion and \$3 billion in 2015.<sup>12</sup> This figure places remittances as the largest source of cash in the Cuban economy.<sup>13</sup>

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<sup>5</sup> Sullivan, "Cuba: issues and actions in the 114th Congress", p. 13.

<sup>6</sup> United States, Department of State, Bureau of Western Hemisphere Affairs, "U.S. relations with Cuba", fact sheet, 7 September 2016. Available from [www.state.gov/r/pa/ei/bgn/2886.htm](http://www.state.gov/r/pa/ei/bgn/2886.htm).

<sup>7</sup> Cuba Journal, "Cuba attracts record visitors in 2016", 31 December 2016. Available from <http://cubajournal.co/cuba-attracts-record-visitors-in-2016>.

<sup>8</sup> Ibid.

<sup>9</sup> Richard E. Feinberg and Richard S. Newfarmer, "Tourism in Cuba: riding the wave toward sustainable prosperity" (The Brookings Institution, 2016), p. 11.

<sup>10</sup> See World Trade Organization (WTO), document WT/L/850; document G/C/W/734, para. 2.14.

<sup>11</sup> Economist Intelligence Unit, Country report: Cuba.

<sup>12</sup> Mark P. Sullivan, "Cuba: U.S. Restrictions on travel and remittances", Congressional Research Service, 7 February 2017, p. 15.

<sup>13</sup> Jack Evans, "Remittances support budding Cuban economy", *Miami Herald*, 11 July 2016. Available from <http://www.miamiherald.com/news/nation-world/world/americas/cuba/article88891862.html>.

## Developments in the United States [[H2]]

The major shift in bilateral relations introduced by the administration of President Barack Obama in December 2014 eased the embargo in several phases. The relaxation measures included (a) the restoration of diplomatic relations and (b) the easing of the travel and commerce restrictions. In order to implement the second measure, the Departments of the Treasury and of Commerce eased the embargo regulations five times, most recently in October 2016, in such areas as travel, remittances, trade, telecommunications and financial services (see [A/71/91](#)). However, the easing has been limited and the embargo continues to prohibit most potential transactions between the two countries.<sup>14</sup>

Goods that can be exported to Cuba from the United States without government authorization are confined to telecommunications products and services, construction materials and equipment and tools for use by the agriculture sector and the non-State sector (see [A/71/91](#)). The export of other United States products and services to Cuba are prohibited, unless authorized by the government through the issuance of specific licences for a limited time. The resulting loss of commercial opportunities for the United States is substantial.<sup>15</sup> Some United States airlines and cruise ships started to operate between the two countries last year. However, the embargo maintains that travel of United States citizens to Cuba must fall under one of the permissible categories of travel, which do not include tourism.<sup>16</sup> Also prohibited are most imports from Cuba and goods originating in Cuba, For example, merchandise purchased or otherwise acquired in Cuba or of Cuban origin acquired in a third country.<sup>17</sup> The financial restrictions and extraterritorial aspects of the embargo remain in place and are fully applied.<sup>18</sup>

In October 2016, President Obama issued a presidential policy directive on the normalization of relations with Cuba and outlined the roles and responsibilities for various departments and agencies of the Government of the United States in moving the normalization process forward.<sup>19</sup> The directive can be viewed as an attempt to maintain the momentum towards normalizing relations in the new administration and to protect the changes that have been made to date in policy towards Cuba.<sup>20</sup> At the seventy-first session of the General Assembly, the United States abstained, for the first time, on the vote concerning the Assembly resolution on the United States embargo against

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<sup>14</sup> See <https://ustr.gov/countries-regions/americas/cuba>.

<sup>15</sup> United States, International Trade Commission, "Overview of Cuban imports of goods and services and effects of U.S. restrictions" (Washington, D.C., 2016) p. 19. It estimates that losses are about \$1.8 billion annually for the goods sector.

<sup>16</sup> Sullivan, "Cuba: issues and actions in the 114th Congress", p. 42.

<sup>17</sup> United States, Department of State, "U.S. relations with Cuba".

<sup>18</sup> See WTO, document G/C/W/734, paras. 1.2 and 1.3.

<sup>19</sup> Sullivan, "Cuba: issues and actions in the 114th Congress", p. 34. The policy directive addressed six elements: (a) government-to-government interaction; (b) engagement and connectivity; (c) expanded commerce; (d) economic reform; (e) respect for universal human rights, fundamental freedoms, and democratic values; and (f) Cuba's integration into international and regional systems.

<sup>20</sup> Sullivan, "Cuba: issues and actions in the 114th Congress", p. 34.

Cuba.<sup>21</sup> In addition, in January 2017, President Obama ended the special treatment for Cuban migrants entering the United States.<sup>22</sup>

Donald Trump was sworn in as the forty-fifth president of the United States on 20 January 2017. The direction of United States policy towards Cuba under the new administration is uncertain.<sup>23</sup> Given that much of the economic embargo on Cuba remains in place, the new administration might choose to keep the changes that have already been made but refrain from approving any additional easing of restrictions, pending economic or political changes in Cuba.<sup>24</sup>

## Conclusions

While the easing of the embargo initiated by the Obama administration substantially increased transactions between the two countries, the essential elements of the embargo remain in force and greatly limit the potential for expanded commercial relationships. Consequently, the embargo continues to have a severe impact on Cuba by inhibiting the normal development of its economy. It is hoped that the policy initiated by the Obama administration will be supported and advanced by the current administration and the Congress of the United States, which would be consistent with the resolutions adopted by the General Assembly over the past 25 years.

Table 1

### Cuba: trade balance

(Millions of United States dollars)

|                | 2012         | 2013         | 2014         | 2015          | 2016        |
|----------------|--------------|--------------|--------------|---------------|-------------|
| Goods          | -8 720       | -9 399       | -8 112       | -10 724       | -9 563      |
| Services       | 10 354       | 10 720       | 10 589       | 9 349         | 9 161       |
| <b>Balance</b> | <b>1 634</b> | <b>1 321</b> | <b>2 477</b> | <b>-1 375</b> | <b>-402</b> |

*Source:* Calculations are based on the figures in tables 2, 3 and 4 on trade in goods and services

<sup>21</sup> However, the Permanent Representative of the United States to the United Nations, stated that abstaining on the resolution did not mean that the United States agreed with all the policies and practices of the Cuban Government. See Sullivan, “Cuba: issues and actions in the 114<sup>th</sup> Congress”, p. 20.

<sup>22</sup> United States, Office of the Press Secretary, “Statement by the President on Cuban immigration policy”, 12 January 2017. Available from <https://obamawhitehouse.archives.gov/the-press-office/2017/01/12/statement-president-cuban-immigration-policy>. This treatment was the so-called “wet foot, dry foot” policy, in which thousands of undocumented Cuban migrants have entered the United States in recent years.

<sup>23</sup> Sullivan, “Cuba: issues and actions in the 114<sup>th</sup> Congress”, p. 74.

<sup>24</sup> *Ibid.*, p.36.

Table 2

**Cuba: merchandise exports**

(Millions of United States dollars)

| <i>Partner</i>                  | <i>Commodity group</i> | <i>2012</i>  | <i>2013</i>  | <i>2014</i>  | <i>2015</i>  | <i>2016</i>  |
|---------------------------------|------------------------|--------------|--------------|--------------|--------------|--------------|
| European Union (EU 28)          | All food items         | 522          | 566          | 433          | 399          | 345          |
|                                 | Ores and metal         | 1 491        | 1 528        | 1 494        | 1 190        | 1 030        |
|                                 | Fuels                  | 10           | 6            | 3            | 5            | 4            |
|                                 | Manufactured goods     | 56           | 71           | 64           | 51           | 44           |
|                                 | <b>Total</b>           | <b>2 078</b> | <b>2 172</b> | <b>1 995</b> | <b>1 644</b> | <b>1 423</b> |
| Latin America and the Caribbean | All food items         | 34           | 30           | 43           | 28           | 24           |
|                                 | Ores and metal         | 24           | 18           | 14           | 15           | 13           |
|                                 | Fuels                  | 69           | 95           | 80           | 65           | 56           |
|                                 | Manufactured goods     | 585          | 531          | 522          | 431          | 373          |
|                                 | <b>Total</b>           | <b>712</b>   | <b>677</b>   | <b>659</b>   | <b>539</b>   | <b>467</b>   |
| 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            |
|                                 | <b>Total</b>           | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     | <b>0</b>     |
| Rest of the world               | All food items         | 753          | 566          | 537          | 485          | 420          |
|                                 | Ores and metal         | 2 036        | 1 764        | 1 612        | 1 418        | 1 228        |
|                                 | Fuels                  | 36           | 16           | 29           | 21           | 18           |
|                                 | Manufactured goods     | 46           | 60           | 63           | 45           | 39           |
|                                 | <b>Total</b>           | <b>2 871</b> | <b>2 406</b> | <b>2 241</b> | <b>1 970</b> | <b>1 705</b> |
| World                           | All food items         | 1 309        | 1 162        | 1 013        | 913          | 790          |
|                                 | Ores and metal         | 3 550        | 3 310        | 3 120        | 2 623        | 2 271        |
|                                 | Fuels                  | 115          | 118          | 112          | 91           | 79           |
|                                 | Manufactured goods     | 687          | 662          | 649          | 526          | 455          |
|                                 | <b>Total</b>           | <b>5 661</b> | <b>5 252</b> | <b>4 894</b> | <b>4 152</b> | <b>3 594</b> |

*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); manufactured goods (SITC 5 to 8 less 667 and 68).

All figures are estimates.

Table 3  
**Cuba: merchandise imports**

(Millions of United States dollars)

| <i>Partner</i>                  | <i>Commodity group</i> | <i>2012</i>   | <i>2013</i>   | <i>2014</i>   | <i>2015</i>   | <i>2016</i>   |
|---------------------------------|------------------------|---------------|---------------|---------------|---------------|---------------|
| European Union (EU 28)          | All food items         | 564           | 580           | 588           | 615           | 544           |
|                                 | Ores and metal         | 45            | 36            | 29            | 39            | 34            |
|                                 | Fuels                  | 80            | 66            | 49            | 69            | 61            |
|                                 | Manufactured goods     | 2 471         | 2 648         | 2 221         | 2 595         | 2 295         |
|                                 | <b>Total</b>           | <b>3 160</b>  | <b>3 330</b>  | <b>2 888</b>  | <b>3 318</b>  | <b>2 935</b>  |
| Latin America and the Caribbean | All food items         | 732           | 775           | 758           | 804           | 711           |
|                                 | Ores and metal         | 40            | 34            | 23            | 34            | 30            |
|                                 | Fuels                  | 5 177         | 5 202         | 4 870         | 5 403         | 4 779         |
|                                 | Manufactured goods     | 1 196         | 916           | 1 047         | 1 122         | 992           |
|                                 | <b>Total</b>           | <b>7 145</b>  | <b>6 927</b>  | <b>6 699</b>  | <b>7 362</b>  | <b>6 511</b>  |
| United States of America        | All food items         | 565           | 296           | 235           | 385           | 341           |
|                                 | Ores and metal         | 0             | 0             | 0             | 0             | 0             |
|                                 | Fuels                  | 0             | 0             | 0             | 0             | 0             |
|                                 | Manufactured goods     | 12            | 14            | 12            | 13            | 11            |
|                                 | <b>Total</b>           | <b>577</b>    | <b>310</b>    | <b>248</b>    | <b>398</b>    | <b>352</b>    |
| Rest of the world               | All food items         | 226           | 389           | 358           | 346           | 306           |
|                                 | Ores and metal         | 77            | 57            | 46            | 63            | 56            |
|                                 | Fuels                  | 57            | 51            | 46            | 54            | 48            |
|                                 | Manufactured goods     | 3 139         | 3 587         | 2 723         | 3 335         | 2 950         |
|                                 | <b>Total</b>           | <b>3 498</b>  | <b>4 085</b>  | <b>3 173</b>  | <b>3 799</b>  | <b>3 360</b>  |
| World                           | All food items         | 2 087         | 2 040         | 1 940         | 2 150         | 1 902         |
|                                 | Ores and metal         | 162           | 127           | 98            | 136           | 120           |
|                                 | Fuels                  | 5 314         | 5 319         | 4 965         | 5 526         | 4 888         |
|                                 | Manufactured goods     | 6 818         | 7 165         | 6 003         | 7 065         | 6 249         |
|                                 | <b>Total</b>           | <b>14 381</b> | <b>14 651</b> | <b>13 006</b> | <b>14 876</b> | <b>13 157</b> |

*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); manufactured goods (SITC 5 to 8 less 667 and 68).

All figures are estimates.

Table 4  
**Cuba: service exports and imports**

(Millions of United States dollars)

|         |                 | 2012   | 2013   | 2014   | 2015 <sup>a</sup> | 2016 <sup>a</sup> |
|---------|-----------------|--------|--------|--------|-------------------|-------------------|
| Export  | Total services  | 12 760 | 13 027 | 12 663 | 11 369            | 11 242            |
|         | of which travel | 2 326  | 2 344  | 2 367  | 2 601             | 2 990             |
| Imports | Total services  | 2 406  | 2 306  | 2 074  | 2 021             | 2 081             |

Source: UNCTADstat.

<sup>a</sup> Estimates (Figures for 2012-2014 are national reported data).