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NECESSITY OF ENDING THE ECONOMIC, COMMERCIAL AND FINANCIAL EMBARGO IMPOSED BY THE UNITED STATES OF AMERICA AGAINST CUBA

Letter dated 29 September 1993 from the Permanent Representative of Cuba to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith a study prepared by a group of Cuban experts on the economic and social cost to Cuba of the economic, commercial and financial embargo imposed by the Government of the United States of America against Cuba (see annex).

I would therefore request that this letter and its annex be circulated as an official document of the General Assembly under agenda item 30.

(Signed) Fernando REMIREZ DE ESTENOZ
Permanent Representative

ANNEX

Study prepared by a group of Cuban experts on the economic and social cost to Cuba of the embargo imposed by the Government of the United States of America against Cuba

Cuban experts have calculated the cost of the embargo since it was unilaterally imposed by the United States and have arrived at a preliminary figure of US$ 40.8 billion, $31.5 billion of which represents direct costs and $9.3 billion, costs which might be called indirect. This calculation is constantly being refined and is one that requires continual updating.

The purpose of this study is to portray the impact of the economic, commercial and financial embargo imposed by the United States of America against Cuba, particularly the loss of preferential prices for sugar exports; the decrease in production and services; the restricted availability of material and financial resources; the increased cost of trade; the substantial increase in transport costs; the immobilization of substantial resources; and the deactivation of installations and equipment for lack of spare parts.

The impact on Cuba's economic and social development, and especially on the population's standard of living, has been extremely negative.

Specific repercussions

The embargo has forced Cuba to seek trading partners elsewhere and, consequently, to seek new markets for export products and to incur greater promotional and sales expenses. It has also meant that Cuba has had to seek imports from new markets where the parameters and specifications are different and prices are higher than the traditional prices for goods manufactured by United States technologies.

The average distance from supplier markets has increased fivefold to around 11,000 kms. This increase, together with United States action regarding foreign vessels transporting goods to or from Cuba, has substantially increased transport, freight and insurance charges, which amounted to US$ 6,207,700,000 by 1992.

The embargo has also led to disproportionate growth in outflows of goods, and in the levels of stocks and reserves, which are estimated at US$ 3,317,100,000.

The immobilization of these resources during the more than three decades that the embargo has been in effect has cost the Cuban economy US$ 4,163,100,000 just for interest on stocks in excess of the level required for the economy to function normally.

In addition, the cost of investments in infrastructure needed in order to adapt to the new market conditions imposed by the embargo (warehouses, port facilities, merchant vessels, cold-storage facilities, repair shops) as sources of supply became more remote was an estimated US$ 1,778,000,000 for nickel and petroleum, the chemical and electrical industries, light industry, and the transport and domestic trade sectors alone.

From the outset, the embargo plunged the country into a critical external financial situation. On the one hand, its lack of access to the United States market deprived it of what had been its main source of foreign currency earnings, which could not easily be replaced or found elsewhere. On the other hand, the bans imposed by the United States sharply increased the level of expenditures in the economy, but that did not increase the supply of goods and services in Cuba because the embargo had pushed up prices.

In imposing the embargo, the United States cut off Cuba's access to any source of financing from United States financial institutions, either within or outside its territory, by prohibiting United States nationals from effecting transfers, investments and other transactions with Cuba and prohibiting Cuba from using the United States dollar in its economic, commercial and financial transactions.

The United States has also exerted influence over international financial organizations and with specific countries in order to prevent any type of financing from being extended to Cuba through either conventional or non-conventional channels, which has deprived Cuba of financing amounting to US$ 84.4 million during the embargo years.

This in turn has meant that Cuba has been compelled to use other currencies in its international trade and that the financing it has received has been granted on extremely hard terms and has been highly susceptible to foreign exchange fluctuations.

In the current circumstances, Cuba does not receive soft loans from any institution or country. Since it no longer has the option of receiving them from the socialist bloc, the country must virtually live from day to day on the resources it produces and occasionally from certain commercial loans, which are generally short term and whose interest and fees are higher than those charged on financial or soft loans extended by institutions and Governments.

This financial problem has meant that Cuba has had to apply to institutions that grant loans on harder terms, forcing it to lay out an additional US$ 230 million.

Moreover, the depreciation of the dollar (net fluctuations) from the 1970s until 1992 has reduced Cuba's export earnings and increased the cost of imports, resulting in a loss of US$ 1.03 billion.

Furthermore, according to estimates from the Banco Nacional de Cuba, the Cuban external debt, calculated at US$ 7 billion, would be US$ 1,913,000,000 lower, had it been able to pay its debts in United States dollars.

The United States move to freeze all Cuban assets in United States banks has also severely affected the country's finances. The amount corresponding to telecommunications alone is US$ 112 million.

This entire financial situation has had severe repercussions on economic development as a whole and, in particular, on the population's standard of living.

The embargo has seriously impeded the provision of medical services to the population and the obtention of medicines, chemical reagents, medical equipment, non-medical equipment, technology and other essential resources.

In order to satisfy its needs in this area, Cuba has had to turn to distant markets, mainly in Europe and Asia, which has cost it an average of US$ 5 million annually in air and ocean freight alone.

If we consider 32 finished goods of United States origin and the quantities of these goods Cuba was able to obtain in 1991 and 1992, we find that the considerable excess amount paid on freight from Europe could in itself have purchased 10,453 ampoules of methotrexate (5 mg), a drug used in the treatment of acute leukaemia, to give just one example.

The use of intermediaries has also been a major factor contributing to the higher prices of the medical supplies and equipment that Cuba imports, for example chemical reagents, which are essential for the performance of clinical analyses.

In these times, without the market once provided by the former Soviet Union and the socialist bloc, it is even more difficult to acquire such medical supplies as a result of the United States bans on exports to Cuba, which apply not only to sales from the United States but also from third countries if any of the components is of United States origin.

These products include:

Cannulae for extracorporeal circulation;

Artificial vascular grafts;

Peritoneal dialysis catheters (which affects the programme of treatment for chronic kidney failure);

Angiography catheters (which affects diagnostic procedures for the circulatory system and other such procedures);

Cardiac stimulation catheters (which affects the treatment of patients with cardiovascular diseases in critical condition);

Urostomy equipment (which affects patients whose urine must be drained);

Draining for hydrocephaly patients (which affects neurosurgery services);

Silicone implants for retina surgery (which affects ophthalmology services);

Skin expansion sheets (which affects burn units);

Surgical sutures made of special materials for specific uses (which basically affects cardiovascular surgery, ophthalmology, neonatal care, organ transplants);

Graph paper for echocardiography (which affects cardiology services and, in particular, the early-detection programme for congenital defects in fetuses and perinatology and paediatric services);

X-ray plates;

Other supplies such as surgical gauze, cotton, surgical cotton batting, gauze bandages, nebulizers, laboratory reagents, surgical gloves and urine collection bags.

The acquisition of spare parts for medical equipment has also been affected because, inter alia, most of the high-integration electronic devices and circuits for high-technology equipment, including computerized tomography, nuclear magnetic resonance and Gamma chambers, are patented in the United States.

Similarly, non-medical equipment, such as electrogenic units, cold chambers, air conditioning equipment and vehicles, is also subject to restrictions under the embargo.

The embargo has made it especially difficult to obtain drugs. The purchase of third-generation antibiotics (cyclosporin), essential for treating acute infections; cytostatics used to treat cancer patients; radioisotopes used in diagnosis and therapy; non-steroidal anti-inflammatories and others, to name a few, has become more difficult.

As regards the medicines used in endocrinology, insulin, in particular, can be purchased only from a European supplier, since the world's leading producer is a United States company, the Eli Lilly Company.

This has pushed up the cost of insulin considerably and Cuba, which has 16.5 diabetics for every 1,000 inhabitants, many of them insulin-dependent, must spend US$ 3 million annually in order to obtain this product. Corticosteroids, calcium, vitamin D-2 and antidiuretic hormones have also been affected by the embargo.

When a comparative analysis was made of the prices of 24 products as per contract in 1992-1993 and the prices quoted by the firm Talgrex International Export of Florida, it was concluded that in that category alone and without taking into account the difference in freight charges, Cuba would save US$ 986,386.96.

At the time of the neurological epidemic, because it had to go to a European supplier to acquire the necessary medicines, for three products alone Cuba had to spend US$ 111.48 per unit (mg) of each product.

Moreover, in order to transport a shipment of vitamins and excipients for the manufacture of pills, Cuba was forced to spend approximately US$ 237,448.68 for air freight from Europe.

The situation is further aggravated because the manufacturers in the countries from which all these items are obtained have been forced to stop supplying certain items to Cuba, and we therefore have to search constantly for new markets. Some examples are:

In May 1991 the Swedish firm Alfa-Laval cancelled its contract with Cuba for the sale of medical equipment on the basis of the United States Export Administration Regulations which prohibit the export or re-export of parts or components to Cuba and impose a requirement of written approval from the United States office of export licences if the value of the manufactured part in that country is greater than 10 per cent of the total value of the equipment.

The Netherlands firm Enraf Nonius, which for more than 10 years supplied physiotherapy equipment, parts and components to Cuba, representing 80 per cent of the installed equipment in Cuba, suddenly announced in 1991 that it would be unable to continue supplying its products because of difficulties in obtaining a licence for exports to Cuba. This equipment is used mainly for the rehabilitation of disabled patients.

The firm Amsco Canada Inc. notified Cuba in April 1992 that it was unable to supply spare parts for operating tables because they were of United States origin and it could not obtain an export licence.

The firm Janssen Pharmaceutical of Belgium, a subsidiary of the United States firm Johnson & Johnson, has experienced difficulties with its export licences, and its shipments of medicines have therefore been reduced.

The Swiss firm Fluka A.G. Chemical reported in October 1992 that it had great difficulties with its exports to Cuba because it had not been able to obtain export licences.

Furthermore, in the vital area of food supply, for milk, chicken and grain alone Cuba in 1992 spent US$ 40 million more than any other country would have spent on the same volume of imports because of the prices Cuba was forced to pay.

Similarly, as regards food production, the embargo has forced Cuba to go to other markets to acquire important supplies and materials, which has led to higher prices. These supplies include seeds, fertilizers, herbicides, livestock and semen, with costs estimated at US$ 66.5 million.

In the particular case of imports of chemical products used in agricultural operations in connection with the sugar harvest and food production, the price increases have been calculated at US$ 9.2 million, because the products have been imported from distant places and in many cases at higher prices than those prevailing in our region. These products include diammonium phosphate, triple superphosphate, potassium chloride, potassium sulphate, anhydrous ammonia, urea and refined sulphur.

As to other economic areas of vital importance for Cuba, the loss of the United States sugar market and of the preferential prices Cuba had enjoyed in that market since the 1930s has led to a decline of over US$ 5 billion in the income received by Cuba from sugar exports.

In addition there are the losses associated with the measures which the United States Government is applying to block Cuban sugar exports to third countries, which are required, under penalty of losing their quotas, to assure the President of the United States that their exports to the United States do not contain Cuban sugar.

The sugar industry has also been seriously affected because of the need to replace and renovate existing equipment and acquire raw materials, supplies, materials and fuel at an additional cost estimated at between 22 and 30 per cent, which has resulted in an outlay of approximately US$ 1.6 billion.

Costs to the sugar-cane industry are estimated at US$ 2.7 billion because of the need to acquire new agricultural, construction and irrigation equipment, laminates, sugar-harvest supplies and other supplies at higher prices.

The exclusion of Cuban exports of tobacco, rum and other traditional products from the United States market has led to income losses which, for tobacco alone, amount to US$ 252.5 million, considering only the portion not reallocated to other markets and also taking into account the fact that for some of these products, the United States market was the natural outlet.

In the case of nickel, another traditional export product, it is estimated that expenditure of US$ 400 million was incurred simply because of having to move the market to Europe, along with production losses caused by the lack of supplies and spare parts.

In addition, losses calculated over the past two years (1991-1992) in respect of nickel exports which could potentially have been placed in the United States market amount to US$ 3.2 million, taking into account the differences in freight and insurance costs for some exports of nickel sulphate and cobalt, and insurance on sales of suiter/nickel oxide.

The losses arising from the prohibitions imposed by the United States on third countries in respect of the export to its territory of products containing Cuban nickel, in even the most infinitesimal proportion, have not been taken into account.

These requirements have been applied by the United States to member countries of the European Economic Community, such as France and Italy, and to Japan and the former Union of Soviet Socialist Republics, at a resultant cost to Cuba, since the United States is the main importer of steel and the main firms trading in nickel internationally have extensive business with the United States.

As to the electrical industry, a cost of US$ 120 million is estimated simply for replacement of equipment and the lack of spare parts for electric power plants and electricity transmission and distribution networks.

In addition, over the past two years there have been substantial losses in the operation of electricity generating units, mainly because of the lack of fuel, which is all the more significant in that over 90 per cent of the electricity used by Cuba is generated on the basis of fuel use.

It should be noted that since 1991 when Cuba lost its source of petroleum from the Union of Soviet Socialist Republics, the United States has continued to put pressure on potential suppliers to Cuba in order to block imports, resulting in a deterioration of the situation.

Moreover, as regards imports of petroleum products, in freight alone, costs of US$ 81.2 million have been calculated over and above what would have been incurred if there had been no prohibitions under the embargo.

In the chemical industry, there have been costs of US$ 112 million for fertilizers, rayon and industrial gases alone.

In the sphere of transport, the losses inflicted on our economy, which have limited the possibilities of improving the standard of living of the population, amount to US$ 4,842.5 million up to 31 December 1992.

The prohibitions imposed by the United States on the transport of cargo from or to Cuba have made it necessary to charter vessels, paying between 15 and 20 per cent above the freight market, entailing an additional outlay of US$ 375.2 million up to December 1992.

The increased costs of maritime transportation because of the increased distance (dry cargo) and excess freight costs amount to US$ 3,980 million.

In rail transport, the almost total replacement of rolling stock, including locomotives and motor and passenger carriages, required an outlay of US$ 1.8 million.

Meanwhile, the replacement of automotive transport, which is basically of United States origin, required an outlay of US$ 140.4 million.

The limitations imposed on Cuba by the United States in respect of access to aviation technology have led to an additional cost of US$ 82 million, since Cuba is forced to use a technology with fuel consumption parameters that are higher than the equivalent technology of other airlines.

The Cuban population has been adversely affected by the lack of spare parts for the repair and maintenance of domestic equipment of United States origin and the prohibition on the purchase of any such equipment or even of non-United States equipment which contains United States parts, materials or technology.

It is estimated that the cost of goods in this category owned by the population exceeds US$ 374 million, without taking into account secondary economic costs and the implications for the style and standard of living of the population.

Conservative estimates place at between US$ 1.6 and US $1.7 billion the losses caused by the anticipated shortages of equipment resulting from the embargo, without taking into account the cost to the economy in the area of production and services represented by equipment servicing.

The embargo has systematically closed Cuba's access to advanced technology and to any form of scientific and technical exchange, whether to secure higher levels of efficiency and greater volumes of production, or in any sphere of national life.

This is the most significant strategic implication of the embargo against Cuba, since it not only deprives Cuba of opportunities to compete in markets on an equal basis, but also forces it to produce under less efficient conditions, with technologies which involve a greater investment of resources or are less productive, and this sometimes results in a heavy burden since there are no other alternatives.

The measures imposed by the United States entail not only non-access to technologies of United States origin but also prohibitions imposed on the exports of products in which the transfer of United States technology is involved, even when such products originate in a third country.

Non-access to advanced technologies has represented for Cuba a loss of national income equivalent to US$ 2,318 million for each 1 per cent of unassimilated level of production efficiency.
