

WORLD TRADE ORGANIZATION

WT/L/415
18 September 2001

(01-4399)

General Council
10 October 2001

Original: Spanish

CUBA – ARTICLE XV:6 OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE 1994

Report of the Government of Cuba under the Decision of 14 October 1996¹

The following communication, dated 7 September 2001, has been received from the Permanent Mission of Cuba.

1. Pursuant to Article IX:4 of the Agreement Establishing the World Trade Organization (WTO), Cuba transmits herewith the fifth annual report on the waiver granted on 14 October 1996 in relation to Article XV:6 of the General Agreement on Tariffs and Trade 1994.
2. With economic growth of 5.6 per cent in 2000, Cuba posted the fourth highest growth rate in the Latin American region. Over the last five years, the annual average GDP growth rate was 4.7 per cent, which is one of the indicators bearing out that economic recovery is well under way.
3. The Cuban economy was able to grow in the midst of a highly unfavourable international setting, marked by a 22 per cent deterioration in the terms of trade, essentially owing to the combined effect of much higher oil prices and a sharp drop in world sugar prices.
4. The first of these factors meant that the country had to pay out about US\$500 million more than in 1999 for the same amount of imported oil. Meanwhile, sugar exports during the year, although totalling 283.5 thousand tonnes more than in the previous year, brought in only 98 per cent of 1999 earnings, with sugar prices at their lowest level in the decade.
5. Broadly speaking, this overall performance of the Cuban economy stemmed from the growth achieved in all economic activities, with the highest rate posted in mining and quarrying, 14.4 per cent, and agriculture, forestry, hunting and fishing, with 11.6 per cent. In absolute terms, manufacturing industry and commerce, restaurants and hotels made the biggest contributions to GDP, with 199.2 and 181.1 million pesos, respectively.
6. As regards efficiency, various indicators underpin the process of economic recovery. Labour productivity increased by 3.5 per cent, energy use fell by almost 3 per cent, the return on investment rose by a little over 7 per cent, and foreign currency spending for each dollar of gross income declined by 2.8 per cent, as in 1999.

¹ WT/L/182.

7. Economic growth was buoyed by the rise in investment in strategic projects connected with the oil and gas industry, electricity, nickel production and communications. Investment in 2000 totalled 3,100 million pesos, double the 1995 level and 16.4 per cent higher than in 1999. The principal investments carried out include the completion of 3,273 tourist accommodations, the installation of over 90,000 digital telephone lines, and the extraction of 2.7 million tonnes of crude petroleum and 574.1 million cubic metres of natural gas, representing an increase of 26.2 and 24.8 per cent over the previous year, respectively.

8. Economic growth in 2000 was also accompanied by improvements in social terms. In the labour market, 140,852 new jobs were created and the unemployment rate declined by 0.5 percentage points to 5.5 per cent in comparison with the previous year.

9. The average wage now stands at 359 pesos per month, which, given the decline in retail prices represented an increase in the purchasing power of nominal wages and incomes.

10. The Cuban Government continues to attach the highest priority to social policy. In 2000, it continued to aim at raising the population's standard of living, primarily through new methods and programmes which began to be carried out in education, culture, development of communication media and social welfare. Most of these services are provided free of charge in Cuba, and therefore the valuation of social activities does not make a substantial contribution to the calculation of GDP, unlike the case in developed countries where it has a considerable weight in GDP owing to the high prices of such activities.

11. The following are some interesting social indicators:

- Infant mortality: 7.2 per thousand live births;
- life expectancy at birth: 76 years;
- average number of the population per physician: 172, a figure which covers 98.2 per cent of the population;
- number of pupils per teacher: 10.9;
- school attendance index: 99 per cent;
- 58 universities, institutes, faculties and independent sectors in higher education.

12. Price stabilization continued and there was a 2.3 per cent decrease in the consumer price index in domestic currency.

13. With regard to fiscal policy, maintaining the budget deficit within manageable proportions (2.5 per cent of GDP) remains a priority, in keeping with current economic conditions and avoiding fiscal adjustments prejudicial to social needs. During 2000 the Ministry of Finance and Prices has been working on legal provisions designed to improve the Cuban tax system.

14. Monetary policy was characterized by greater Central Bank use of measures to regulate money supply, contributing to economic growth without inflation, a manageable money supply, and a stable unofficial exchange rate on the domestic market for the population at between 20 and 22 pesos.

15. The Cuban banking and financial system was strengthened and continued to play its important role of intermediation. In 2000 two new resolutions were put into effect on rules covering payment and collection. These represent a real reorganization, as they place collection management in the hands of sellers, introduce new guarantee rules, require discrepancies to be settled at an early stage, and give the banking system a more active role.

16. The Central Bank of Cuba continued to exercise strict supervision over the operations and business of all financial institutions and representative offices authorized to operate in the country.

The regulations for the prevention and detection of unlawful funds were overhauled, and a technical council was established to prevent bank fraud.

17. The country currently has a central bank, eight commercial banks, 16 non-bank financial institutions, and 12 representative offices of foreign banks as well as four non-bank financial institutions.

18. An analysis of the external accounts reveals a deterioration in the goods trade balance caused, *inter alia*, by a worsening of the terms of trade, while surpluses were obtained in services and current transfers. Foreign investment totalled 399.9 million pesos in the year and at the close of 2000 there were 392 international economic associations with partners from 46 countries.

19. The Government has also continued its efforts to find reasonable and realistic solutions for official debt in order to restore and normalize relations with the international financial community, predicated on the need not to enter into refinancing commitments that are not viable and could have the effect of increasing and perpetuating the country's foreign debt.

20. Despite the Cuban economy's improved performance, it continues to face the historical obstacles stemming from the economic blockade maintained by the United States Government against Cuba since 1959, which greatly restricts its economic development possibilities based on its potential. It should be borne in mind that the economic recovery process has taken place with a virtually total absence of external medium- and long-term financing and at a high financial cost as a result of high interest rates.

21. This policy of hostility and genocide maintained by successive United States Governments against the Cuban people has unquestionably adversely affected the Cuban economy. Not content with the Torricelli Act (1992) or the Helms-Burton Act (1996), in October 2000 the United States Congress approved new measures strengthening the prohibition of access for Cuban goods and services to the United States market, contained in Title IX of the Agriculture Appropriations Act for 2001.

22. United States exporters are thus prevented from using public or private credit for alleged sales of foodstuffs to Cuba, which would have to be subject to a licence to be issued by United States government agencies. This has the effect of making them subject to political considerations, which makes it impossible to establish mutually advantageous trade. It gives the status of law to restrictions on the right of United States citizens to travel to Cuba, which until now had been a prerogative of the Executive, so as to close off this source of income earnings for the Cuban economy.

23. For these reasons, the Cuban authorities have been obliged to maintain an exchange rate policy making it possible to encourage the economic growth which commenced in 1994 and ensure that the economy continues to function properly in the current circumstances, in order to preserve the major achievements won in the economic and social fields.

24. Cuba's use of the waiver granted in 1964 has not had any adverse effects on other WTO Members, who have not had any need to hold consultations in that connection; thus Cuba has shown that it has complied with its commitment to make use of the waiver without thereby affecting the objectives of the General Agreement or harming or impairing the rights of the other parties.
