

Cuba's international trade

Cuba's main imports are machinery, food and fuel products, while its major exports are refined fuels, sugar, tobacco, nickel and pharmaceuticals. In addition to merchandise exports, Cuba pays for much-needed imports through the export of services (tourism, medical personnel working abroad), remittances from Cubans living out of the country and finance from outside benefactors. The island recently reformed its foreign investment law and opened a Chinese-style 'special economic zone' around the new container terminal in Mariel with the aim of attracting additional foreign direct investment. President Obama's new policy on Cuba does not amount to lifting the US embargo as such, but rather expands and facilitates a specific range of possibilities for commercial and private exchange.

Cuba runs a large deficit in merchandise trade...

As one of the world's last socialist economies, Cuba's exports and imports are part of a centrally planned economy which [functions](#) very [differently](#) from consumer-oriented market economies. Enterprises wanting to engage in foreign trade must be licensed by the [foreign trade ministry](#) through an elaborate [administrative procedure](#). Cuba is a member of the World Trade Organisation and the United Nations, but not of the International Monetary Fund or the World Bank. Consequently, internationally comparable data are harder to come by than for most other countries in the world. Moreover, 'special trading arrangements' with [Venezuela](#), which provides oil in exchange for Cuban medical personnel serving in Venezuela, blur available trade statistics. Barter-type arrangements also exist with [China](#) and [Brazil](#).

In 2013, Cuba's main trading partners were Venezuela, the European Union, China and Brazil. Direct imports from Cuba are forbidden under US law, but some US exports to Cuba – mainly healthcare and [food products](#) – were authorised by the Cuban Democracy Act of 1992 (CDA) and the 2000 Trade Sanctions Reform and Export Enhancement Act (TSRA). Cuba used to benefit from preferential access to the EU market under the generalised system of preferences (GSP), but [lost that privilege](#) after being listed by the World Bank as an 'upper middle income' economy for three consecutive years.

Table 1: Cuba's main trading partners, 2013

Imports	€ million	in %		Exports	€ million	in %
total	9 542	100.0		total	2 323	100.0
Venezuela	3 537	37.1		EU	621	26.7
EU	1 977	20.7		Canada	371	16.0
China	1 159	12.1		China	352	15.1
Brazil	446	4.7		Venezuela	328	14.1
Canada	384	4.0		Guyana	80	3.4
Mexico	314	3.3		Belize	77	3.3
USA	302	3.2		Brazil	74	3.2

Source: [European Commission, 2014](#)

Cuba runs a large deficit in merchandise trade. Exports are highly concentrated on a small range of products: 82% of exports fall under seven product categories, while imports are more diversified. Cuba imports machinery, fuel and manufactured goods in particular, but also has to import cereals and processed foodstuffs due to [low productivity](#) in domestic agricultural production and the destruction caused by hurricanes in recent years.

Despite being a [net importer](#) of oil, Cuba [exports refined fuels](#) based on oil from Venezuela. Cuba has large reserves of nickel. Hence, that commodity accounts for a significant share of exports, as do [pharmaceuticals](#) and better-known Cuban exports such as sugar, tobacco and beverages (hard liquor). In 2013, the EU predominantly [exported](#) machinery and chemical products to Cuba, while the EU's imports were concentrated on agricultural (foodstuffs, beverages, tobacco) and mineral products.

Table 2: Cuba's global imports and exports by product, 2013

Imports	in %		Exports	in %
Machinery	16		Fuel products	16.6
Cereals	8.2		Sugar products	15.2
Electrical equipment	7.1		Commodities, unspecified	15.1
Vehicles	4.4		Pharmaceutical products	11.7
Fuel	4		Nickel	9.4
Plastic products	4		Tobacco products	9.2
Meat products	3.2		Beverages	5.4

Source: [International Trade Centre, 2015](#), author's calculations

...and pays with tourism receipts, remittances and Venezuelan support

In addition to merchandise exports, Cuba pays for imports through the export of services (tourism, medical personnel working abroad), remittances from Cubans living abroad and financing from outside benefactors – the Soviet Union in the past, Venezuela in recent years.

In 2013, 2.9 million tourists visited Cuba. Most tourists [arrived](#) from Canada (1.1 million) and the EU (~730 000). Although tourist travel to Cuba is [prohibited](#) for US citizens under US law, over 90 000 'US Americans' were permitted to visit the island in 2012 through a specific [licensing procedure](#). In addition to tourists from abroad, an estimated [300 000](#) Cuban Americans visit the island every year. In 2012, Cuba earned some US\$[2.3 billion](#) in tourist receipts, a figure which has risen slightly over recent years. Estimates for remittances by Cuban Americans range from US\$[1.4](#) to [3.5 billion](#) annually, while [estimates](#) of Venezuelan [support](#) to Cuba are around US\$3.5 billion per year.

Cuba is currently trying to make more use of its strategic position on the shipping routes between the Panama Canal and North America/Europe, by creating the Caribbean's [biggest container](#) port, at Mariel. This, along with other [infrastructure projects](#), was implemented in close cooperation with [Brazil](#). Cuba recently opened a Chinese-style [special economic zone](#) at Mariel Bay and reformed its [foreign investment law](#) to attract more [foreign direct investment](#).

Short-term outlook

The [new US policy on Cuba](#) can be expected to have a significant, though not enormous, impact on Cuba's external commercial relations. Although the embargo as such will not be lifted, the new US regulations expand and facilitate a specific range of possibilities for commercial and private exchange. Measures [include](#):

- Easing in people-to-people and business visits to Cuba
- Remittance levels will be raised from the current US\$500 to US\$2 000 per quarter
- Travellers to Cuba are authorised to import US\$400 worth of goods
- US credit and debit cards will be permitted for use for travellers to Cuba

The high number of tourists arriving from Canada shows the huge interest in tourist travel from North America to Cuba, even if, at present, travel from the US still has to be for a [specific reason](#) such as family visits, and visits for journalistic, educational, humanitarian, artistic and selected export activities. The most immediate effect will probably come from an expected increase in remittances from Cuban Americans together with some stimulus from additional spending by (licensed) US-American travellers. As it stands, Cuba will be in dire need of these additional sources of foreign exchange as support from Venezuela is expected to [decrease](#) significantly in the very near future.