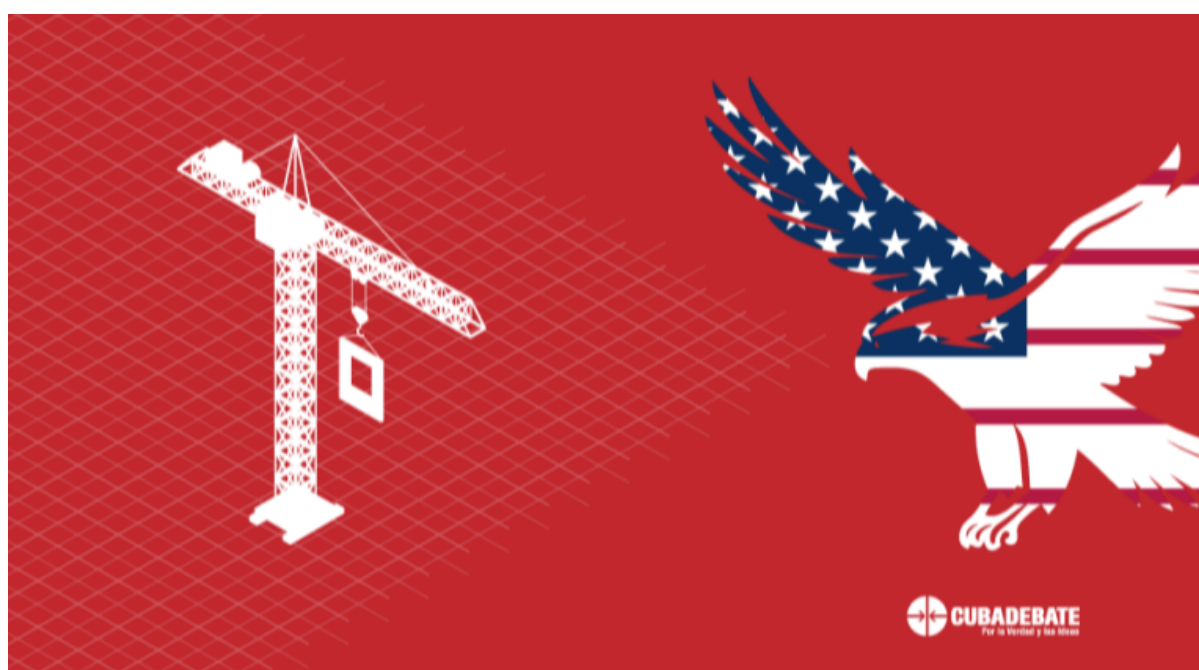


Cuba in data: What is the cost of the blockade to the Cuban economy?



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Images: Cubadebate

by Claudia Fonseca Sosa

In 2023, the Cuban economy performed modestly, reflecting the strong external impact. Limitations in the availability of foreign currency, inputs and fuels meant that the projected economic growth of 3% of gross domestic product (GDP) at constant prices could not be achieved, with an estimated contraction of between 1% and 2% at the end of the year.

Exports continued to fall by more than US\$3 billion compared to 2019 values. Strategic sectors such as agriculture and manufacturing have seen cumulative declines of more than 25% over the past five years.

As a result of the arbitrary inclusion of Cuba in the list of countries allegedly sponsoring terrorism, the economy has been affected by events such as the cancellation of commercial operations, cooperation

activities and investment projects at various stages of implementation.

For the period from March 2023 to February 2024, the losses due to the geographical relocation of trade, given the need to resort to more distant markets, are estimated at US\$581.7 million.

Similarly, the cost of freight, insurance and the use of commercial intermediaries, with the resulting increase in the cost of goods, amounts to US\$485.7 million.

The US government has used tourism, the country's main source of income, as a political weapon against Cuba. In the months analyzed in the State Department report, the blockade's focus on preventing the recovery of this sector caused losses of \$2,499.7 million.

In the agricultural sector, the damage and losses amounted to no less than 441,122,320.38 dollars, particularly affecting access to foreign currency, inputs, raw materials, fertilizers, machinery, fuel, chemical products and technology, which has led to a significant reduction in national food production.

The inability to contract a significant number of shipping companies has interrupted the arrival in the country of supplies already paid for, which has had a negative impact on the security of the basic family food basket.

The blockade has also had an impact on the new players in the Cuban economy. At the end of March 2024, 10,614 micro, small and medium-sized private enterprises were registered in Cuba. Together with other forms of non-state management, they account for around 15% of GDP creation and provide around 35% of employment in the country.

In 2023, 685 MSMEs were registered with losses in their management, representing 7.2% of the total.

What is the cost of the blockade to Cuban industry?

From March 2023 to February 2024, the total damage caused by the US blockade to Cuban industry and the Cuban business system is estimated at more than \$1,309.5 million.

Damage caused by the blockade to the Cuban economic system

The impossibility of accessing technologies with more than 10% of US components, the need to resort to alternative transport routes with high additional costs, and the growing refusal of financial and banking institutions in various countries of the world to process transactions with Cuba, have prevented multiple transactions with suppliers of the necessary inputs for industry, for the production of goods and services.

How much would we have saved if we could have purchased a raw material, technology or product in the United States or in the region, without having to bring it from very distant markets, with the associated freight costs? How much would we have avoided if suppliers and shipping companies were not constantly fearful of heavy fines and other sanctions for violating U.S. regulations?

Here are some examples:

-The Caribe chain stores received 2,247 containers of food and cleaning supplies. Forty per cent of these (898) could have been purchased on the US market at a lower cost, with an estimated loss of US\$1,767,500. Delays in shipments resulted in non-compliance in the supply of goods to commercial units. The cleaning and sanitation program was affected by the supply of toothpaste, chlorine bleach and floor blankets due to the shortage of raw materials in the industry, in addition to the instability of supplies, which caused a significant shortage in the market.

-In addition, the Caribbean chain of stores wrote off a large amount of equipment in 2023 due to the lack of repair parts.

-The telecommunications company COPEXTEL S.A. was only able to import from 75 suppliers out of a portfolio of 687. Of these 75 suppliers, 97.2% are intermediaries, which shows the difficult conditions in which the company operates.

-BRASCUBA stopped the production of 50.8 million cigarettes of the Rothman Fresh range, with a loss of sales of US\$1,491,800, due to the impossibility of obtaining the raw material needed for the cigarette capsules following the supplier's decision to stop selling to Cuba.

In addition to these events, which have a daily impact on people's lives, there are other effects on the building materials industry:

These negative results were determined by the limitations in the supply of energy sources and fuels, the low availability of cement for concrete production, the impossibility of importing spare parts, raw materials and inputs for production, and the lack of financial resources for the fifth consecutive year.

Damage caused by the blockade on the construction of new housing.

In addition, the termination of contracts with foreign suppliers and the difficulties of transport to Cuba.

At the end of 2023, only 48% of wholesale deliveries had been made.

-ACINOX produced a limited amount of steel bars for trade. Deliveries of steel for construction reached only 12% of requirements.

-The materials industry delivered only 25% of sanitary furniture and 60% of ceramic floor tiles.

-The Cement Marketing Company (ECOCEM) delivered 34% of the cement. Of the 115,290 tons planned, only 38,963 tones were delivered.

-As regards the prefabricated housing program, only 62% of the planned housing units were delivered.

-For tanks and roofs, deliveries were 24% of the 2023 plan.

-Of the 586,000 liters of paint planned, only 125,300 liters were received, i.e. 21%.

According to conservative estimates, US\$3,893 million is needed to address the country's housing deficit, or the construction of 467,149 new homes. Nine months without a blockade would make this funding available.

Industry, which affects the whole of society, is also affected by the complex transport situation. In this regard, the damage caused by the blockade to the transport sector in its four branches (maritime, automotive, railways and aviation) amounted to \$167,163,090.

The State Department's report on the blockade states:

"In the last four years, there has been a progressive deterioration of all passenger transport capacities and infrastructures, due to the low technical availability of vehicles, the impossibility of access to spare parts, the lack of liquidity, the refusal of suppliers, as well as the measures taken by the US government since 2019 to impede the supply of fuel to Cuba, which has had a devastating impact in this sector."

In addition, the impact of the blockade on the energy and mining sector has had a notorious effect on the industry's earnings.

In the period from March 2023 to February 2024, the impact on the energy and mining sector amounted to \$388,239,830.

"One of the most repugnant measures, due to its violation of international law and its cruelty, is the obstruction of the transfer of fuel to Cuba from 2019.

This year alone, 53 ships and 27 companies have been penalized by the US government.

"This is a different modality of the blockade, which has not been applied before, but which is a direct response to the efforts to threaten, coerce, instill fear and sanction anyone involved in the supply of fuel to the country, from shipping companies to insurers, reinsurers, banks, individuals and governments. The damage caused by this persecution is considerable."

And the fact is that:

"(...) the economic siege of the United States has also exacerbated the restrictions on access to finance and credit for the repair of the country's thermoelectric plants, the acquisition of the necessary technologies and the fuel required to guarantee a stable supply of electricity to the population and the strategic sectors of the national economy.

"As a result, there have been constant interruptions to the electricity service, causing stress, emotional exhaustion and anxiety among the population, jeopardizing the refrigeration and cooking systems in homes, while at the same time having a transversal impact on productivity and preventing the country from functioning," the report states.

It is a reality. The blockade has an enormous impact on industry, on the production of goods and services for the population, and this US policy continues to be the main obstacle to the development of all the potential of the Cuban economy.

Note: The examples and figures were taken from the Report of Cuba pursuant to Resolution 78/7 of the United Nations General Assembly, entitled "Necessity of ending the economic, commercial and financial embargo imposed by the United States of America against Cuba".

(Taken from Cubadebate)

<https://www.radiohc.cu/en/especiales/exclusivas/368438-cuba-in-data-what-is-the-cost-of-the-blockade-to-the-cuban-economy>



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