

CUBA MARKET STUDY



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Disclaimer

The Department of Agriculture, Forestry and Fisheries takes no responsibility for any action undertaken based on information from this study. This is a desktop study and own research must be undertaken, before decisions are made based on this study

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1. Introduction

The democratic South African government has a political historical relationship with communist countries like Russia, China and Cuba that supported the struggle for liberation in the country. During a SA-Cuba Economic seminar held in South Africa (SA) in September 2015, there was an indication that Cuba, although a socialist-communist state, is embracing market mechanisms. Ambassador C F De Cossio Dominguez made a presentation focusing on promoting trade and investment relations between the two countries where he indicated that Cuba's trade with Africa and the Pacific was very low at three percent. He stated that there is a need to increase trade with Africa. Cuba's main exports in goods are nickel, biomedical products, sugar, tobacco, rum, fish, natural honey and citrus. Cuba's main exports (70%) are services, in particular tourism and health services.

Cuba is a communist Caribbean island country whereby the state owns most means of production leaving the ordinary people out. The state-owned companies are allowed to participate in agreements with companies from foreign countries and are controlled by the military and rich people. There are a limited number of private owned companies in Cuba; a country characterised by weak infrastructure and low agricultural productivity. Because of its communist alignment, Cuba has isolated itself from any relationship with International Monetary Fund and the World Bank

The main purpose for this study on Cuba is to source data on Cuba in order to assess the trade environment related to agricultural, forestry and fishery products. The study will take a look at the economy, the political position and the infrastructure developments of Cuba. This information will give an idea of how Cuba behaves as a country.

This market study will also look at the agriculture, forestry and fishery sector in Cuba in order to determine which products can be traded between South Africa and Cuba. It will also look at the trade performance between Cuba, South Africa and the world. The trade performance will highlight the main competitors in the Cuban market for South Africa and the main products traded amongst the countries. This market study will give a broader understanding of how the Cuban market can be accessed.

Lastly it will show the products that have the potential to be exported to Cuba from SA.

2. Country facts¹

Cuba is an 110,860 Km² (109,820Km² land and 1,040Km² water) Caribbean island communist state, situated between the Caribbean Sea and the North Atlantic Ocean. The Capital city of Cuba is Havana. The total county's land use is 60.3% agricultural land, 27.3% forest and 12.4% for other. Cuba's population of 11 179 990 (2016) use Spanish as their official language. Eighty five percent of the population are Roman Catholic. The constitution of the population is Whites (64.1%); Mestizo² (26.6%); and Black (9.3%). Cuba's literacy rate is 99.8%.

3. Economic overview³

Table 1 below shows Cuba's economic indicators at 2016 estimates. The table shows that Cuba's economy is highly depended on the services sector, which contributes 71.5%, and 72% to the country's GDP and labour force respectively. Cuba has an unemployment rate of 2.4% and an inflation rate of 4.5%.

Table 1: Economic Indicators of Cuba

GDP	\$US134.3 billion
GDP per capita	\$US11.950
GDP growth rate	1.3%
Inflation rate	4.5%
Exchange rate	1 Cuban pesos per US dollar
Agriculture contribution(GDP)	3.9%
Agricultural contribution(Labour force)	18%
The industry sector Contribution(GDP)	23.6%
The industry sector contribution (Labour force)	10%
The services sector Contribution(GDP)	71.5%
The services sector contribution (Labour force)	72%
Unemployment rate	2.4%

Source: World Factbook, 2017

4. Infrastructure⁴

Table 2: Cuba's infrastructure 2015

¹ World Factbook

² a person of mixed racial or ethnic ancestry

^{3 3} World Factbook

^{4 4}World Factbook

Transportation		Communications	
Airports	133	Telephones	1.295.857 million
Railways	8.825 km	Mobiles	3.335 million
Roadways	60.858 km (29 820km-paved and 31 038km-unpaved)	TV Network	4
Waterways	240 km	Radio stations	6
Merchant Marines	3	Internet users	3.432 million (31% of the total population)
Sea ports	8		

Source: CIA world factbook, 2017

Since the inception of the 1959 trade embargo by the USA on Cuba, the country, regarded as the most advanced in the Latin America deteriorated. The country's infrastructure was not maintained/refurbished in a long time leading to the dilapidation of the infrastructure. The roads that were paved then have not been maintained and improved. The neglect and dilapidation is also evident in the communication systems. .

5 Risk profile⁵

5.1 Economic risk: very high⁶

The Cuban economy has not completely recovered from the 1989 Soviet bloc collapse and the embargo imposed by the United States. The country's financial situation was further affected negatively by the 2007/2008 global economic crisis. Cuba also suffered from an economic crisis in Venezuela, its main trade partner during 2014.

The country's main foreign exchange sources remains: tourism; remittances from the Cuban diaspora; and the foreign sales of medical and professional services.

President Raul Castro reaffirmed his intentions to modernise the Cuban economic model, though the country remains paralyzed by structural problems.

⁵ www.Globaledge.msu.edu

⁶ <http://country.eiu.com/cuba>

The tension in the Cuba-USA diplomatic relations slacked in 2014, enabling American citizens to travel more easily to Cuba. This relaxation led to thousands of Cubans seeking to immigrate to the USA in 2015.

Cuba relaxed the legislation on foreign investment, enabling the country to borrow more easily, leading to improved relationship with the United States.

Presently, the country has a low unemployment rate, whilst the living standards remain very low, with the country importing 80% of its food consumption.

5.2 Political risk: Very high

The removal of Cuba's diplomatic isolation did not reduce the country's repressive political climate, and state censorship. The state retains complete power over the labour market, whilst several strategic sectors are controlled by the military.

The US's decision to ease the restrictions on trade, travel and finances on Cuba will enhance the economic and political relations between the two nations. This move will lead the country to increase foreign investments and will allow direct financing of exports of most products bound for Cuba. The easing of the U.S Embargo is expected to increase the imports of capital goods, fuels and machinery and to widen the current account deficit. The Cuban real GDP is expected to increase under such circumstances boosted by exports and investments.

Having stated the above does not take away the fact that Cuba is still a one party state that does not practice democracy, and any dissent may be vulnerable to repression.

5.3 Currency risk: Very high

Cuba has a complex currency use and exchange situation. The country has two official currencies, the Convertible Peso (CUC) which is a fully convertible currency that exchanges 1 to 1 to the US dollar. This currency is used to pay for exports, imports and is used in the tourism sector. The other one is called the Cuban Peso (CUP) and exchanges at 24CUP to 1CUC for households. For Public enterprise it can be exchanged for 1CUP at 1CUC. Most of the things are paid by CUP, e.g. wages, subsidies, services and pensions. The two currencies are to be unified by devaluing the CUC. The devaluation is aimed at boosting Cuba's exports competitiveness. The Peso currency has high risk for commercial business.

6. Cuba's bilateral, regional & multilateral trade agreements⁷

⁷www.wto.org

Cuba has been a member of the WTO since 20 April 1995 and is a member of various regional trade agreements with countries in West & East Asia, Africa, Caribbean, Middle East, and North, South & Central America. Although Cuba has been a member of the WTO since 1995, there is no record of Cuba's commitments in the WTO website. The table below indicates the various trade agreements which Cuba is a member of, the type of agreement, member countries and the scope of the agreement.

Table 2: Cuba's trade agreements

Name of Agreement	Entry into force	Scope	Type	Member Countries
Global System of Trade Preferences among Developing Countries (GSTP)	19 April 1989	Trade in Goods	Partial Scope Agreement	Algeria; Argentina; Bangladesh; Benin; Bolivia, Plurinational State of; Brazil; Cameroon; Chile; Colombia; Cuba; Ecuador; Egypt; Ghana; Guinea; Guyana; India; Indonesia; Iran; Iraq; Korea, Democratic People's Republic of; Korea, Republic of; Libya; Malaysia; Mexico; Morocco; Mozambique; Myanmar; Nicaragua; Nigeria; Pakistan; Peru; Philippines; Singapore; Sri Lanka; Sudan; Tanzania; Thailand; Trinidad and Tobago; Tunisia; Venezuela, Bolivarian Republic of; Viet Nam; Zimbabwe
Latin American Integration Association (LAIA)	18 March 1981	Trade in Goods	Partial Scope Agreement	Argentina; Bolivia, Plurinational State of; Brazil; Chile; Colombia; Cuba; Ecuador; Mexico; Paraguay; Peru; Uruguay; Venezuela, Bolivarian
El Salvador – Cuba	01 August 2012	Trade in Goods	Partial Scope Agreement	Cuba; El Salvador

Source: WTO, Trade Agreements

7. Agriculture, Forestry and Fisheries (AFF) Trade & Tariff Policies

7.1 Customs tariff

General import policy

Trade with Cuba exists under strict conditions. The exporter must be registered in the Cuban Supplier Data base to be able to export to Cuba. Cuban citizen seeking to import must apply and receive permission from the government.

Import permits

Imports permits are required to import into Cuba and the Minister of Foreign Trade and Investment issues annual import permits to Cuban organisations to import products. Almost 95% of goods imported in Cuba are imported by Government organisations that are responsible for importing into Cuba.

Taxation

Cuba's income tax rate ranges between 50% and 5%. Furthermore, for corporate tax, it is 30% of the taxable net profits and 35% for companies with total foreign ownership. There is no value added tax (VAT) in Cuba but there is a sales tax whose rate varies (from 2.5% to 25%) depending on the type of the product. Cuba charges tax on sales and the rate varies between 5% and 25% depending on the type of products. To convert the US dollar to the Cuban convertible Peso, there is a 10% tax charged.

Import duties

Cuba applies the Most Favoured Nation (MFN) rates to products that are originating from countries that they do not have bilateral agreement with. Furthermore, Cuba applies Duty Free treatment to products acquired through Economic Assistance (Grants).

Special Provisions

Duty free status may be given to the organization that have partnered with a foreign entities. This status may be given to some products or all products depending on their agreement. Exemptions exist in certain cases for foreigners and franchise holders located in free-trade zones or industrial estates are exempt of tax on profits and labor force tax.

Special customs procedures

Customs procedures must be done by an approved Cuban custom broker. The broker makes sure the documents for exporting to Cuba complies with the regulations required. Imports are subject to confiscation if these documents have problems.

The application of Standards and Technical Regulations, Sanitary and Phytosanitary Measures (SPS) as well as other customs measures are enforced at the border. All exports to Cuba must comply with the regulations in place.

7.2 Non-tariff barriers

Foreign exchange controls

Cuba doesn't have foreign exchange controls. Foreigners who want to convert their US dollars are charged a 24% fee and Cubans converting US dollar are charged 10%, while for Government Organisations the charge is 0% fee by the Central Bank. In Cuba businesses are not allowed to accept US dollar.

Labelling and marking requirements

Products exported into Cuba must meet the strict guidelines for labelling that are set by the National standards office in Cuba. Cuba adheres to the application of the World Trade Organisation (WTO) Agreement on Technical Barriers to Trade (TBT). The Standards Code, as the Agreement was called, laid down the rules for preparation, adoption and application of technical regulations, standards and conformity assessment procedures.

7.3 Laws of patents trademark and copyrights

There are three patents to apply for, the patent of invention, the patent of a complement of invention and the patent for industrial models.

Exporters must register their trademark and brand names with the Cuban office of trademarks and patents.

The protection of copyrights and inventions are covered in Cuban laws. Exporters are expected to adhere to the copyright rules.

7.4 Documents requirements

A Copy of a Bill of Laden is required for goods exported to Cuba when transported from a foreign market. Furthermore, a contract or policy of insurance and a commercial invoice as well as a packaging list are required when exporting to Cuba and the latter showing detailed information about the origin of goods, contents and weight.

8. Agricultural profile

Agriculture in Cuba has been the second largest sector contributing to the economy. The main products produced in Cuba are sugar, soybean oilseed, coffee, rice and broiler meat.

Table 3 below shows that on average from 2012 to 2016 Cuba's sugar and coffee production exceeded the consumption. On the other hand Cuba was not self-sufficient in the production of rice, broiler meat and soybean oil.

Table 3: Cuba's Agricultural Production and Domestic Consumption

Product	Average Market year	Average Production(1000mt)	Average Domestic Consumption(1000mt)	Average Self Sufficiency ⁸
Sugar	2012-2016	1625	729.4	223
Coffee	2012-2016	110	97.2	113
Rice	2012-2016	427.4	885.6	48
Broiler meat	2012-2016	34.6	235.2	15
Soybean oil	2012-2016	17.4	106	16

Source: www.Indexmundi.com

9. Cuba's Agriculture, Forestry and Fisheries Trade Structure & Product Analysis

This section looks at Cuba's major agriculture, forestry and fisheries export and import products.

Table 4 below shows Cuba's top ten agricultural export products by average value between 2011 and 2015. Cane sugar (R3.14 billion) topped the list of Cuba's largest agricultural export product to the world by average value in the period under analysis. The top 10 agricultural export products accounted for a combined average share of 87.8% of Cuba's total exports to the world during 2011-2015. The main export markets for Cuba's agricultural products are Spain, France, Brazil, Argentina and Germany.

⁸ For the purpose of this paper and analysis, self-sufficiency is taken as the ratio of production to consumption (i.e. P/CX100). For example if self-sufficiency is 2%, then production only covers 2% of requirement; if ration is 124%, then there is surplus of 24%)

Table4: Cuba's top ten agricultural exports to the world (2011-2015) in Billion Rands

HS Code	Products	2011	2012	2013	2014	2015	Average	Average Share (%)
	Agriculture products	4.52	5.32	7.15	5.75	6.79	5.91	100.0
170114	Cane Sugar	0.00	3.36	4.08	3.86	4.41	3.14	53.2
240210	Cigars	0.69	0.74	1.62	0.52	0.75	0.86	14.6
220840	Rum and Tafia	0.58	0.59	0.78	0.76	0.83	0.71	12.0
040900	Honey (natural)	0.09	0.14	0.15	0.20	0.22	0.16	2.7
170199	Cane/beet sugar	0.00	0.02	0.06	0.15	0.32	0.11	1.8
200929	Grapefruit juice	0.08	0.09	0.11	0.02	0.03	0.07	1.1
220870	Liqueurs and cordials	0.06	0.08	0.08	0.04	0.02	0.06	0.9
200919	Orange juice	0.09	0.05	0.02	0.01	0.01	0.04	0.6
220710	Ethyl alcohol	0.03	0.00	0.03	0.02	0.03	0.02	0.4
240220	Cigarettes containing tobacco	0.02	0.02	0.02	0.03	0.04	0.02	0.39

Source: Global Trade Atlas, 2016

Table 5 below shows Cuba's average top ten agricultural import products between 2011 and 2015. Chicken cuts and edible offal (R1.67 billion) were ranked as Cuba's top agricultural import products by average value from the world. Cuba's top 10 agricultural import products from the World had a combined average value of R7.27 billion and accounted for an average share of 68.6% of Cuba's agricultural product imports from the world between 2011 and 2015. The main suppliers of Cuban imports are the USA, Vietnam, Brazil, Argentina and Canada.

Table 5: Cuba's top ten agricultural imports from the world (2011-2015) in Billion Rands

HS Code	Products	2011	2012	2013	2014	2015	Average	Average Share (%)
	Agricultural products	8.12	10.05	10.62	12.15	12.05	10.60	
020714	Chicken cuts and edible offal	0.91	1.47	1.68	1.97	2.31	1.67	15.7
100199	Wheat and meslin	0.00	1.34	1.55	1.75	1.64	1.26	11.9
230400	Soybean oilcake	0.89	0.89	1.00	1.32	1.06	1.03	9.7
100590	Corn (maize)	1.20	1.63	0.92	0.73	0.22	0.94	8.9
150790	Soybean oil	0.60	0.56	0.69	0.80	0.64	0.66	6.2
100630	Rice	0.16	0.51	0.62	0.63	0.99	0.58	5.5
040221	Milk/Cream	0.13	0.32	0.26	0.77	0.71	0.44	4.1
120190	Soybeans	0.00	0.59	0.36	0.33	0.13	0.28	2.7
090111	Coffee	0.14	0.21	0.28	0.33	0.15	0.22	2.1
160100	Sausages	0.23	0.15	0.18	0.19	0.20	0.19	1.8

Source: Global Trade Atlas, 2016

Table 6 below shows Cuba's average top ten forestry export products between 2011 and 2015. Over the period under analysis, the top 10 forestry export product contributed an average share of 99.6% to Cuba's total forestry exports to the world. Wood charcoal topped as Cuba's largest forestry export products, contributing on average 98% (i.e. R232.65 million) of the total Cuba forestry exports to the World between 2011 and 2015. The main export markets for Cuba's Forestry products are Italy, Spain, Greece, France and Africa (Not elsewhere specified)

Table 6: Cuba's top ten forestry exports to the world (2011-2015) in Million Rands

HS Code	Products	2011	2012	2013	2014	2015	Average	Average Share (%)
	Forestry products	118.42	187.35	236.48	297.25	353.43	238.59	100.00
440290	Wood charcoal	115.07	180.51	225.65	293.10	348.91	232.65	97.51
481920	Folding cartons	1.13	4.18	6.67	1.47	0.70	2.83	1.19
442090	Wood marquetry	0.00	0.02	0.08	0.55	2.22	0.57	0.24
491191	Pictures, designs and photographs	0.34	0.65	0.29	0.63	0.07	0.40	0.17
470790	Waste and scrap paper	0.09	0.38	0.64	0.26	0.40	0.36	0.15
442010	Statuettes and other ornaments	0.27	0.14	0.22	0.28	0.12	0.20	0.09
482110	Paper and paperboard	0.00	0.00	0.65	0.02	0.04	0.14	0.06
490199	Printed books and brochures	0.08	0.05	0.35	0.11	0.08	0.13	0.06
442190	Articles of wood	0.03	0.08	0.10	0.05	0.27	0.11	0.04
481910	Cartons & Boxes	0.12	0.00	0.33	0.03	0.02	0.10	0.04

Source: Global Trade Atlas, 2016

Table 7 below shows Cuba's average top ten forestry import products between 2011 and 2015. Newsprint (R77.58 million) was ranked as Cuba's top forestry import products from the world by average value. Cuba's top 10 forestry import products had a combined average value of R480.18 million and accounted for an average share of 39.1% of Cuba's total forestry product imports from the world between 2011 and 2015. The main suppliers of Cuban Forestry imports are US, Canada, Brazil, Spain and Venezuela.

Table 7: Cuba's top ten forestry imports from the world (2011-2015) in Million Rands

HS Code	Products	2011	2012	2013	2014	2015	Average	Average Share (%)
	Forestry products	844.60	1086.30	1140.32	1033.67	2038.60	1228.70	100.0
480100	Newsprint	74.43	117.71	57.42	66.27	72.05	77.58	6.3
480257	Paper & Paperboard	27.23	53.40	66.49	79.57	114.27	68.19	5.5
482110	Paper & Paperboard (labels of all kinds)	38.27	44.62	65.15	62.62	75.14	57.16	4.7
440710	Coniferous Wood	20.20	42.79	40.40	15.86	145.84	53.02	4.3
481159	Coated paper or paperboard	24.11	34.88	54.17	39.26	59.05	42.29	3.4
481141	Gummed Paper & Paperboard	22.28	27.22	26.25	39.34	80.68	39.16	3.2
490700	Unused postage & check forms	43.11	41.41	18.29	34.96	57.94	39.14	3.2
481920	Folding Cartons	31.25	44.61	35.10	24.60	41.10	35.33	2.9
441114	Medium density fibreboard	26.16	19.53	27.77	10.49	91.31	35.05	2.9
480256	Uncoated paper	25.50	18.54	17.75	30.27	74.23	33.26	2.7

Source: Global Trade Atlas, 2016

Table 8 below shows Cuba's average top ten fisheries export products between 2011 and 2015. The top 10 fisheries export products contributed a combined average value of R343.3 million to Cuba's total fisheries exports to the world during the period under analysis. Rock lobsters (R221.95 million) topped the list of Cuba's top 10 fisheries exports to the world by average value between 2011 and 2015. The main export markets for Cuba's Fishery products are Spain, Japan, Taipei Chinese, Canada and France.

Table 8: Cuba's top ten fisheries product exports to the world (2011-2015) in Million Rands

HS Code	Products	2011	2012	2013	2014	2015	Average	Average Share (%)
	Fisheries product	322.58	311.82	327.77	238.95	519.14	344.05	100.0
030611	Rock Lobster	263.04	199.71	201.59	128.12	317.32	221.95	64.5
030617	Shrimps & prawns	0.00	31.99	73.32	88.39	180.44	74.83	21.7
030612	Lobsters	0.00	63.46	30.18	0.00	0.00	18.73	5.4
030621	Rock lobster & other sea crawfish	10.25	12.79	18.91	18.33	17.22	15.50	4.5
030613	Shrimps & prawns (Including in shell)	46.62	0.00	0.00	0.00	0.00	9.32	2.7
160540	Crustaceans	0.22	0.92	1.07	1.26	1.81	1.06	0.3
030119	Ornamental fish	0.00	1.03	1.15	1.34	1.09	0.92	0.3
030791	Molluscs	0.41	0.34	0.89	0.42	0.25	0.46	0.1
030614	Crabs	0.24	0.76	0.00	0.20	0.23	0.29	0.1
030111	Ornamental fish, live, freshwater	0.00	0.16	0.18	0.46	0.39	0.24	0.1

Source: Global Trade Atlas, 2016

Table 9 below shows Cuba's average top ten fisheries import products between 2011 and 2015. Jack and horse mackerel (R54.81 million) were ranked as Cuba's top fisheries import products by average value from the world. Cuba's top 10 fisheries import products had a combined average value of R136.51 million and accounted for a combined average share of 71.0% of Cuba's fisheries product imports from the world between 2011 and 2015. The main suppliers of Cuban Fishery imports are Chile, China, Spain, Peru and Argentina.

Table 9: Cuba's top ten fisheries product imports from the world (2011-2015) in Million Rands

HS Code	Products	2011	2012	2013	2014	2015	Average	Average Share (%)
	Fisheries product	110.06	129.76	134.97	244.91	342.03	192.35	100.0
030355	Jack & horse mackerel	0.00	16.89	42.61	118.12	96.43	54.81	28.5
160414	Tunas	6.85	2.70	15.79	15.91	55.76	19.40	10.1
160413	Sardines	1.95	6.35	8.50	19.55	23.12	11.90	6.2
160419	Fish	0.19	34.25	3.02	4.39	5.92	9.55	5.0
030749	Cuttle fish & squid	7.34	8.63	11.70	5.17	10.84	8.74	4.5
030541	Pacific, Atlantic & Danube salmon	10.94	8.77	8.45	6.86	8.42	8.69	4.5
030481	Pacific, Atlantic & Danube Salmon Fillets	0.00	5.33	6.37	5.41	19.25	7.27	3.8
160420	Fish (prepared/preserved)	0.63	3.81	6.77	4.47	12.26	5.59	2.9
030799	Molluscs & Edible Flours	2.57	5.79	4.79	5.35	9.30	5.56	2.9
030354	Mackerel	0.00	5.11	0.71	4.49	14.77	5.02	2.6

Source: Global Trade Atlas, 2016

10. SA – Cuba trading relationship in agriculture, forestry and fisheries (AFF) products

Table 10 below shows South Africa's top ten agriculture, forestry and fisheries export products to Cuba between 2011 and 2015 in terms of average value and share. During 2015, Cuba was ranked as the 146th destination for SA's AFF products. South Africa's top 10 AFF export products accounted for a combined average share of 92.7% (i.e.R478 475) of SA's average total AFF exports to Cuba. Lemons and limes (22.9%), followed by oranges (16.7%) and Rum & Tafia (14.5%) were on average the top three SA AFF export products to Cuba during the period under analysis.

Table 10: South Africa's top 10 AFF exports to Cuba (2011-2015) in R'1000

HS Code	Products	2011	2012	2013	2014	2015	Average	Average Share (%)
	AFF products	539.83	206.58	347.78	238.30	1249.32	516.36	
080550	Lemons and limes	0.00	0.00	0.00	0.00	591.98	118.40	22.9
080510	Oranges	0.00	0.00	0.00	0.00	430.01	86.00	16.7
220840	Rum and Tafia	374.08	0.00	0.00	0.00	0.00	74.82	14.5
100590	Corn (Maize)	0.00	0.00	0.00	0.00	202.14	40.43	7.8
220421	Wine from grapes	6.74	0.00	1.81	189.62	3.16	40.27	7.8
482090	Blotting pads/book covers	0.00	182.81	0.24	0.22	0.00	36.65	7.1
490199	Printed books & brochures	0.00	0.00	142.66	1.10	2.67	29.28	5.7
070190	Potatoes	0.00	0.00	118.80	0.00	0.00	23.76	4.6
220860	Vodka	97.02	0.00	0.00	0.00	0.00	19.40	3.8
220870	Liqueurs and cordials	0.00	0.00	0.00	47.34	0.00	9.47	1.8

Source: Global Trade Atlas

Table 11 below shows South Africa's top ten AFF import products from Cuba between 2011 and 2015. Cigars and Rum & Tafia with average values of R10.97m and R2.78m respectively, were the top SA AFF import products from Cuba. The top ten SA AFF product imports from Cuba accounted for an average combined share of 100% of total SA's AFF imports from Cuba during the period under analysis.

Table 11: South Africa's top 10 AFF imports from Cuba (2011-2015) in Million Rands

HS Code	Products	2011	2012	2013	2014	2015	Average	Average Share (%)
	AFF products	8.29	8.50	16.93	15.72	21.78	14.24	
240210	Cigars	6.08	6.49	12.66	11.53	18.07	10.97	77.0
220840	Rum and Tafia	1.54	1.56	3.68	3.55	3.55	2.78	19.5
220300	Beer made from malt	0.39	0.32	0.00	0.00	0.00	0.14	1.0
090111	Coffee	0.00	0.10	0.19	0.26	0.15	0.14	1.0
240220	Cigarettes containing tobacco	0.27	0.00	0.36	0.00	0.00	0.13	0.9
071333	Kidney beans & white pea beans	0.00	0.00	0.00	0.38	0.00	0.08	0.5
220421	Wine from Grapes	0.00	0.00	0.02	0.00	0.01	0.01	0.1
491191	Pictures, designs and photographs	0.00	0.01	0.00	0.00	0.00	0.00	0.0
491110	Trade advertising material	0.00	0.00	0.00	0.00	0.00	0.00	0.0
490199	Printed books & brochures	0.00	0.01	0.00	0.00	0.00	0.00	0.0

Source: Global Trade Atlas

11. Agricultural Market Accessibility⁹

The simple average MFN applied tariff for agricultural product did not change between 2014 and 2015, it stayed at 10.6% and for non-agricultural products it increased from 10.2% in 2014 to 10.6% in 2015. The dairy products, coffee-tea, sugars and confectionary, and beverages and tobacco had the highest average MFN applied rates at 22.7%, 20.5%, 20.9% and 23.4% respectively.

12. Trade potential analysis

⁹ World Tariffs profiles 2015

Table 12 below shows South Africa's top ten AFF products with the highest trade potential to Cuba by Trade Potential Index (TPI) score. Vodka, food preparations, wine of fresh grapes, preparation for sauces, other articles of wood, liqueurs and cordials with TPI scores of 4, had the highest AFF trade potential for export to Cuba by South Africa during the period 2011 to 2015.

Table 12: South Africa's AFF products with potential for export to Cuba according to the TPI

HS Code	Products	Existence of trade	Growth in Cuba's imports from SA 2011-2015	Cuba's growth in imports from world 2011-2015	SA's exports growth to world 2011-2015	Indicative potential Trade > 1 million	Total TPI
220860	Vodka	1	0	1	1	1	4
210690	Food preparations	1	0	1	1	1	4
220421	Wine of fresh grapes	1	0	1	1	1	4
210390	Preparations for sauces and prepared sauces	1	0	1	1	1	4
220870	Liqueurs and cordials	1	0	1	1	1	4
442190	Other articles of wood	1	0	1	1	1	4
482010	Registers, account books, notebooks & order books	1	0	1	1	1	4
020220	Frozen bovine cuts	0	0	1	1	1	3
020230	Frozen, boneless meat of bovine animals	0	0	1	1	1	3
020322	Frozen hams, shoulders and cuts of swine	0	0	1	1	1	3

13. Conclusion

Though a communist country not affiliated to the IMF and World Bank principles of good governance, Cuba is a member of the WTO. The lifting of the USA's trade embargo propelled the country to adopt an open market system, which may pave the way for Cuba to further liberalise and open its market for other countries including SA. Opening its markets could also benefit the country which is highly reliant on the services industry, which contributes 72% to the GDP and 71% to the labour market, whilst the agricultural sector contributes 3.9% and 18% to the GDP and labour force, respectively.

Cuba's simple average MFN tariff on agriculture is 10.6%, and 10.2% on non-agriculture products. South Africa and Cuba have been trading on an MFN basis, with Cuba's basket to SA dominated by Cigars and Rum at 96%, whilst SA's basket to Cuba is spread over several products including Lemons and limes, Oranges, and Corn (Maize).

Statistical indications show that Cuba is a net importer of AFF products, raising possibilities that SA export products could benefit from an open and reliable Cuban market. This observation is supplemented by the TPI, which indicates there is potential for SA products like Vodka; food preparations; wine; preparations for sauces & prepared sauces; and condiments & seasonings.

However, it is envisaged that SA traders could be faced with difficulties in that market, as Cuba has not committed on tariffs and non-tariff barriers (SPS, Standards, Rules of Origin, and customs valuation etc.), as the country seem to be indifferent towards WTO rules.

ANNEXURE II

HS Code	Products	Existence of trade	Growth in Cuba's imports from SA 2010-2015	Cuba's growth in imports from world 2010-2015	SA's exports growth to World	Indicative potential Trade > 1 million	Total TPI
220860	Vodka	1	0	1	1	1	4
210690	Food preparations	1	0	1	1	1	4
220421	Wine of fresh grapes, incl.	1	0	1	1	1	4

	fortified wines, and grape must whose fermentation has been arrested						
210390	Preparations for sauces and prepared sauces; mixed condiments and seasonings	1	0	1	1	1	4
220870	Liqueurs and cordials	1	0	1	1	1	4
442190	Other articles of wood	1	0	1	1	1	4
482010	Registers, account books, notebooks, order books, receipt books, letter pads, memorandum pads, ...	1	0	1	1	1	4
020220	Frozen bovine cuts, with bone in (excluding carcasses and half-carcasses)	0	0	1	1	1	3
020230	Frozen, boneless meat of bovine animals	0	0	1	1	1	3
020322	Frozen hams, shoulders and cuts thereof of swine, with bone in	0	0	1	1	1	3
020443	Frozen boneless cuts of sheep	0	0	1	1	1	3
020712	Frozen fowls of the species Gallus domesticus, not	0	0	1	1	1	3

	cut in pieces						
021012	Bellies "streaky" and cuts thereof of swine, salted, in brine, dried or smoked	0	0	1	1	1	3
021019	Meat of swine, salted, in brine, dried or smoked (excluding hams, shoulders and cuts thereof, ...	0	0	1	1	1	3
040221	Milk and cream in solid forms, of a fat content by weight of > 1,5%, unsweetened	0	0	1	1	1	3
040229	Milk and cream in solid forms, of a fat content by weight of > 1,5%, sweetened	0	0	1	1	1	3
040291	Milk and cream, concentrated but unsweetened (excluding in solid forms)	0	0	1	1	1	3
040390	Buttermilk, curdled milk and cream, kephir and other fermented or acidified milk and cream, ...	0	0	1	1	1	3
040410	Whey and modified whey, whether or not concentrated or containing added sugar	0	0	1	1	1	3
040490	Products consisting of	0	0	1	1	1	3

	natural milk constituents, whether or not sweetened, n.e.s.						
040510	Butter (excluding dehydrated butter and ghee)	0	0	1	1	1	3
040520	Dairy spreads of a fat content, by weight, of $\geq 39\%$ but $< 80\%$	0	0	1	1	1	3
040620	Grated or powdered cheese, of all kinds	0	0	1	1	1	3
040630	Processed cheese, not grated or powdered	0	0	1	1	1	3
040690	Cheese (excluding fresh cheese, incl. whey cheese, curd, processed cheese, blue-veined cheese)	0	0	1	1	1	3
040891	Dried birds' eggs, not in shell, whether or not sweetened (excluding egg yolks)	0	0	1	1	1	3
050400	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof, fresh	0	0	1	1	1	3
051191	Products of fish or crustaceans, molluscs or other aquatic	0	0	1	1	1	3

	invertebrates; dead fish, crustaceans						
060319	Fresh cut flowers and buds, of a kind suitable for bouquets or for ornamental purposes	0	0	1	1	1	3
070110	Seed potatoes	0	0	1	1	1	3
070310	Fresh or chilled onions and shallots	0	0	1	1	1	3
071290	Dried vegetables and mixtures of vegetables, whole, cut, sliced, broken or in powder, but not ...	0	0	1	1	1	3
080810	Fresh apples	0	0	1	1	1	3
081190	Frozen fruit and nuts, uncooked or cooked by steaming or boiling in water, whether or not sweetened ...	0	0	1	1	1	3
090111	Coffee (excluding roasted and decaffeinated)	0	0	1	1	1	3
090121	Roasted coffee (excluding decaffeinated)	0	0	1	1	1	3
090412	Pepper of the genus Piper, crushed or ground	0	0	1	1	1	3
091099	Spices (excluding pepper of the genus Piper, fruit of the genus	0	0	1	1	1	3

	Capsicum or of the genus						
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	0	0	1	1	1	3
110710	Malt (excluding roasted)	0	0	1	1	1	3
110812	Maize starch	0	0	1	1	1	3
120799	Oil seeds and oleaginous fruits, whether or not broken (excluding edible nuts, olives, soya ...	0	0	1	1	1	3
120991	Vegetable seeds, for sowing	0	0	1	1	1	3
120999	Seeds, fruits and spores, for sowing (excluding leguminous vegetables and sweetcorn, coffee	0	0	1	1	1	3
121190	Plants, parts of plants, incl. seeds and fruits, used primarily in perfumery, in pharmacy	0	0	1	1	1	3
121410	Alfalfa meal and pellets	0	0	1	1	1	3
130190	Lac; natural gums, resins, gum-resins, balsams and other natural oleoresins (excluding gum ...	0	0	1	1	1	3
130213	Extracts of hops	0	0	1	1	1	3
130219	Vegetable saps and extracts	0	0	1	1	1	3

	(excluding liquorice, hops and opium)						
130220	Pectic substances, pectinates and pectates	0	0	1	1	1	3
130232	Mucilage and thickeners, derived from locust beans, locust bean seeds or guar seeds, whether ...	0	0	1	1	1	3
130239	Mucilage and thickeners derived from vegetable products, whether or not modified (excluding ...	0	0	1	1	1	3
150710	Crude soya-bean oil, whether or not degummed	0	0	1	1	1	3
150910	Virgin olive oil and its fractions obtained from the fruit of the olive tree solely by mechanical ...	0	0	1	1	1	3
150990	Olive oil and fractions obtained from the fruit of the olive tree solely by mechanical or other ...	0	0	1	1	1	3
151190	Palm oil and its fractions, whether or not refined (excluding chemically	0	0	1	1	1	3

	modified and crude)						
151590	Fixed vegetable fats and oils and their fractions, whether or not refined, but not chemically ...	0	0	1	1	1	3
151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, ...	0	0	1	1	1	3
151620	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, ...	0	0	1	1	1	3
151800	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated	0	0	1	1	1	3
160231	Meat or offal of turkeys "Gallus domesticus", prepared or preserved	0	0	1	1	1	3
160239	Prepared or preserved meat or meat offal of ducks, geese and guinea fowl of the species domesticus	0	0	1	1	1	3
160241	Hams of swine and cuts thereof, prepared or preserved	0	0	1	1	1	3

160249	Prepared or preserved meat and offal of swine, incl. mixtures (excluding hams, shoulders	0	0	1	1	1	3
160290	Prepared or preserved meat, offal or blood (excluding meat or offal of poultry, swine and bovine ...	0	0	1	1	1	3
170230	Glucose in solid form and glucose syrup, not containing added flavouring or colouring matter ...	0	0	1	1	1	3
170410	Chewing gum, whether or not sugar-coated	0	0	1	1	1	3
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)	0	0	1	1	1	3
180610	Cocoa powder, sweetened	0	0	1	1	1	3
180631	Chocolate and other preparations containing cocoa, in blocks, slabs or bars of <= 2 kg, filled	0	0	1	1	1	3
180632	Chocolate and other	0	0	1	1	1	3

	preparations containing cocoa, in blocks, slabs or bars of <= 2 kg (excluding ...						
180690	Chocolate and other preparations containing cocoa, in containers or immediate packings of <= ...	0	0	1	1	1	3
190110	Food preparations for infant use, put up for retail sale, of flour, groats, meal, starch or ...	0	0	1	1	1	3
190120	Mixes and doughs of flour, groats, meal, starch or malt extract, not containing cocoa or containing ...	0	0	1	1	1	3
190190	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing ...	0	0	1	1	1	3
190219	Uncooked pasta, not stuffed or otherwise prepared, not containing eggs	0	0	1	1	1	3
190410	Prepared foods obtained by swelling or roasting cereals or cereal products, e.g.	0	0	1	1	1	3

	corn flakes						
190420	Prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted cereal flakes ...	0	0	1	1	1	3
190490	Cereals (excluding maize [corn]) in grain or flake form or other worked grains, pre-cooked ...	0	0	1	1	1	3
190520	Gingerbread and the like, whether or not containing cocoa	0	0	1	1	1	3
190531	Sweet biscuits	0	0	1	1	1	3

Source: Global Trade Atlas, 2016