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TRADE AND DEVELOPMENTEconomic measures as a means of political and economic
coercion against developing countriesReport of the Secretary-General

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I. INTRODUCTION

1. The present report has been prepared in response to General Assembly resolution **40/185** of 17 December 1985 on the basis of replies received from Governments and the input of the United Nations Conference on Trade and Development (UNCTAD). In that resolution, the Assembly deplored "the fact that some developed countries continue to apply and, in some cases, have increased the scope and magnitude of economic measures that have the purpose of exerting, directly or indirectly, coercion on the sovereign decisions of developing countries subject to those **measures**" and reaffirmed "that developed countries should refrain from threatening or applying trade restrictions, blockades, embargoes and other **economic** sanctions, incompatible with the provisions of the Charter of the United Nations and in violation of undertakings contracted, multilaterally and bilaterally, against developing countries as a form of political and economic coercion which affects their economic, political and social development".

2. The General Assembly requested the Secretary-General to prepare a comprehensive, in-depth report on the economic measures taken **by** developed countries for coercive purposes, including their impact on international economic relations, with a view to appraising the economic effects of such **measures on the** development and development prospects of affected developing countries and with a view to assisting in concrete international action against those measures, and to submit that report to the Assembly at its forty-first session. The Secretary-General was requested, in preparing the present report, to collect **further** comments from Governments and to use inputs from competent organizations of the United Nations system, particularly UNCTAD. At the same time, the General Assembly appealed to Governments to provide the necessary information to the Secretary-General. It should be recalled that earlier reports of the Secretary-General on the same subject were submitted to the General **Assembly** at its thirty-ninth session (A/39/415) in pursuance of Assembly resolution **38/197** of **20 December** 1983, and at its fortieth session (A/40/596) in pursuance of Assembly resolution **39/210** of 18 **December 1984**.

3. Pursuant to the **request** of the General **Assembly**, the Secretary-General, in a note **verbale**, invited the Governments of all States to provide the Secretariat with information on the adoption and effects of the economic measures taken **by developed** countries as a means of political and economic coercion against developing countries, including information on the impact of those measures on international economic relations. At the time of the preparation of the present report, replies had been received from the following 11 States: Afghanistan, Byelorussian Soviet Socialist Republic, Bolivia, Cuba, Cyprus, Czechoslovakia, Ecuador, German Democratic Republic, Romania, Ukrainian Soviet Socialist Republic and Venezuela.* Information was also received from UNCTAD.

* The texts of the replies from Governments are available for consultation in the files **of** the United Nations Secretariat.

II. SUMMARY OF REPLIES RECEIVED FROM STATES AND INPUT FROM THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

4. Most of the Governments that submitted replies to the note **verbale** condemned the adoption of economic measures by any country for the purpose of exerting coercion on another country in order to interfere in its international affairs or to interfere in the exercise of its sovereign rights recognized under international law,

5. They also reiterated their support for General Assembly resolutions **38/197**, **39/210** and **40/185**, and for the actions taken within the United Nations and other international organizations for the elimination from international practice of economic sanctions and other economic measures against developing countries.

A. Scope of coercive economic measures

6. In their replies, many Governments deplored the fact that some developed countries resort to the application of coercive and restrictive measures of increasing scope as an instrument for exerting political pressure on the sovereign decisions of developing countries and demanded the lifting of illegal trade restrictions, blockades, embargoes, sanctions and any other coercive measures. Some Governments stressed that the practice of economic coercion had been intensified and that the measures adopted for this purpose embraced a considerable variety of economic sanctions and other measures taken by one country or group of countries.

7. In its reply, the Government of Afghanistan detailed a number of cases in which some developed countries, directly or through pressure exerted on United Nations specialized agencies and international financial institutions, decided or obtained the suspension of assistance for socio-economic projects.

8. The Government of Cuba enumerated a number of instances in which economic coercive measures were used against it in the fields of trade, money and finance, maritime and aerial transport, health, agriculture, mechanical industry and tourism.

9. In addition to the information presented by Governments replying to the note **verbale**, the information below has come to the attention of the UNCTAD secretariat:

(a) The Government of Nicaragua has reported that coercive economic measures (lost access to credit, lost trade and production losses) and material war damage have cost the country nearly \$2 billion since 1980. 1/ According to one report, direct embargo-related costs were estimated by the Government to amount to some \$40 million to \$50 million in 1985: \$22 million in lost export revenues and \$15 million to \$25 million in higher freight charges and production losses resulting from import shortages. A more recent report cites an estimate by the Minister of Foreign Trade of Nicaragua that the trade embargo has cost Nicaragua \$108.4 million. This amount is made up of additional costs incurred in imparting goods from more distant and expensive sources and in finding alternative markets for goods formerly exported to the United States. 2/ The impact of these costs should be measured against Nicaragua's total annual foreign trade, estimated at \$1.1 billion, and its gross national product of \$2.5 billion. 3/

(b) There has been an extension in the scope of controls exercised by a number of developed market-economy countries over the export of certain types of **equipment**, technical processes and industrial raw materials, which are considered by those countries to be sensitive in terms of their national security. Some countries affected by these controls consider them coercive. Although these controls are not primarily aimed at developing countries, a large number of developing countries are affected by them to varying degrees. Those developing countries subject to the most severe controls include **members** of the **Mutual Council for Economic Assistance** and other developing countries attempting to implement socialist forms of economic and social organization.

(c) It has recently been reported that the 15 developed **market-economy** countries participating in the so-called "COCOM" (**Co-ordinating** Committee on Export Controls) system of export controls have expanded the list of items subject to such control. This list now exceeds **2,000** items, of which **about** half are completely embargoed. There **has** been a shift towards tighter control of "critical technologies", particularly computer technology. Some countries not members of the COCOM system are reported to have introduced similar controls. 4/

B. Identification of coercive measures

10. In their replies, some Governments broadly divided the measures applied against them into those which were decided and applied directly **by some** developed **countries** and those which were adopted by United Nations specialized agencies and international financial organizations under the pressure of some developed **countries**.

11. In the first **case, measures** consisted of a large number of trade restrictions and other measures, such as economic sanctions, embargoes, boycotts, blockades, severance of co-operation in social, economic, scientific and technical fields, prohibition of the importation **from** third world countries of goods containing **products** originating in **the country** against which the coercive measures were undertaken, unilateral denunciation of existing agreements, restriction of trade with foreign branches of the developed country's transnational corporations, pressures exerted against third world countries in order to curtail their trade with the affected developing country, financial and monetary restrictions, and the creation of obstacles to tourism.

12. In the field of transport, **those** measures included a number of decisions and regulations devised to restrict or hamper the maritime or aerial transport of **goods** to and from the developing country affected.

13. **In** the case of the pressures **exerted** on international organizations, the objectives were to achieve the reduction or suspension of **their** financial and technical assistance to the developing country concerned.

14. In their replies, the Governments of the socialist countries of Eastern Europe **advocated** agreement on effective measures to overcome all artificial barriers to the **free** development of international trade, especially all politically motivated barriers. They also resolutely rejected a policy of bans and discrimination in the field of science and technology. They categorically condemned any policy of threat

and force in international economic relations and supported the shaping of **economic** Co-Operation in conformity with the purposes and principles of the Charter of the United Nations. One of the socialist countries of Eastern Europe stated that stringent measures are being applied against the socialist and developing countries pursuing an independent, anti-imperialist course in their domestic and international policies. The **socialist** countries of Eastern Europe stand against any misuse of financial leverage as a means of political pressure and interference in the internal affairs of sovereign States. In this connection, it was pointed out that the "prescriptions" of the International Monetary Fund not only do not seek to solve the existing difficulties but also, by putting emphasis on financial aspects, miss their essential interrelatedness with the efforts of the developing countries to ensure their economic development. One of the socialist countries of Eastern Europe supported the proposal to convene an international conference on money and finance within the framework of the United Nations with equal participation by all States and taking into account their legitimate interests. Others supported the convening of a world conference on economic security. The socialist countries of Eastern Europe were of the view that the foreign debts of the developing countries, which now exceed \$1 trillion, were increasingly used by the creditor States as a means of neo-colonialist exploitation and political coercion. They supported all efforts aimed at a just and comprehensive settlement of the debt problem and supported the immediate commencement of concrete, business-like negotiations to that end within the framework of the United Nations. One of the socialist countries of Eastern Europe held the view that many 'assistance' programmes of certain developed countries were made conditional on the developing countries' pursuing a particular economic policy.

15. In its contribution, UNCTAD pointed out that in any typology of coercive economic measures, there would be several that could be considered intrinsically coercive, in the light of the General Assembly resolutions on the subject. Other measures, however, would not lend themselves easily to identification as coercive on the basis of those resolutions. The same measure taken by one State with intent to coerce might be taken by another on the basis of its perception of national Security or economic prudence; indeed, the measure might even be in conformity with or permitted under multilaterally agreed obligations. Similarly, the same type of measure might, or might not, be perceived as coercive by the State or States affected by it and, more generally, by international opinion.

16. To a significant extent, therefore, the identification of coercive economic measures is a matter of judgement in which the main factors might include, on the one hand, the declared or implied intentions of the State or States taking the measures and, on the other hand, the perceptions of those intentions and of the effects of the measures by the State or States affected by them, as well as, to a lesser degree, the way in which the measures are perceived by international opinion.

C. Impact and purpose of coercive economic measures

17. In their replies, many Governments stated that the application of coercive measures by the developed countries affected the development processes of the developing and least developed countries, and affected directly many social aspects such as medical programmes and training and availability of medical drugs and equipment and alimentation programmes.

18. It was also pointed out that the application of such measures against developing countries had, at the same time, a strong destabilizing impact on the world economy, further aggravated the precarious condition of the developing countries, and undermines their efforts to overcome their economic difficulties.

19. In its reply, one of the Governments held that the evaluation of the impact of the coercive economic measures should be based mainly on the judgement of the affected developing countries themselves.

20. According to the contribution by UNCTAD, there is a wide range of measures that can be taken with the intent to coerce or that can be perceived as such. Among the more evident measures that can have a coercive effect are those mentioned in UNCTAD resolution 152 (VI) of 2 July 1983, 5/ namely trade restrictions, blockades and embargoes, which are incompatible with the Charter or in violation of multilateral contractual undertakings. In general, the intent of coercive economic measures is to exert pressure upon a Government, directly or through the discontent of its citizens, in order to obtain changes in the Government's policies or practices, or even to weaken the Government to the point of encouraging its collapse or overthrow. To the extent that developing countries are politically and economically weak, their Governments are the more vulnerable to such pressures.

21. Pressure can be exerted by action intended to reduce a developing country's foreign exchange earnings (e.g., by banning or curtailing imports from that country or remittances to it), to impede its access to essential supplies (e.g., food, fuel, raw materials, equipment, spare parts, fertilizers and medicines) and to impeded consumer goods, or to hinder its access to external capital (e.g., by banning lending, impairing its international credit-worthiness or freezing its overseas assets). Such actions would slow down economic activity or raise its costs, and provoke economic hardship among different sectors of the population.

22. UNCTAD further pointed out that clearly, actions intended to have an adverse impact on the economy of a particular country can indirectly affect the economies of its trading partners. Furthermore, such actions could be to the detriment of confidence-building in international economic relations and of a strong, predictable international trading system.

D. Coercive economic measures and international institutions

23. In their replies, most Governments were of the view that coercive economic measures could not be justified from the perspective of international law, and violated the principles of the Charter of the United Nations.

24. Some Governments pointed out that such measures were contrary to General Assembly resolution 2625 (XXV) of 24 October 1970, containing the Declaration on Principles of International Law concerning Friendly Relations and Co-operation among States in accordance with the Charter of the United Nations, resolutions 3201 (S-VI) and 3202 (S-VI) of 1 May 1974 containing the Declaration and the Programme of Action on the Establishment of a New International Economic Order, and resolution 3281 (XXIX) of 12 December 1974, containing the Charter of Economic Rights and Duties of States.

25. It was also underlined that the application of coercive measures was in contradiction with the provisions of UNCTAD resolution 152 (VI) entitled "Rejection of coercive economic measures", which condemns the use of economic coercion in international economic relations.

26. It was pointed out that the suspension of the programme of a developing country due to the pressure exerted by a developed country was in violation of the procedural norms of the United Nations Development Programme.

27. The same Government, in its reply, attributed to coercive measures applied against it the fact that it had not yet received any assistance from developed capitalist countries on the basis of the Substantial New Programme of Action for the 1980s for the Least Developed Countries. 6/

28. One Government pointed out that coercive measures applied against it in the fields of maritime and aerial transportation violated maritime and aerial international norms, including article 11 of the Convention on International Civil Aviation. 7/

29. It was pointed out that at the regional level, in the Latin American Economic System, the Latin American Council adopted decision 112 entitled "Coercive economic measures", and thereafter on specific decisions dealing with coercive measures against Nicaragua (decisions 148, 188 and 222) and Suriname (decision 220).

30. In its contribution, UNCAD pointed out that coercive economic measures are referred to in several United Nations texts. The General Assembly has adopted a number of resolutions which reject, in broadly similar language, the use of such measures. Pertinent extracts from some of those resolutions - other than resolutions 38/197, 39/210 and 40/185 - are contained in the annex to the present report. Such measures are also referred to in UNCTAD resolution 152 (VI) entitled "Rejection of coercive economic measures" and in the statement on the world economic situation adopted by the Conference at its sixth session. 7/ These texts, however, do not provide a comprehensive definition of coercive economic measures.

31. The Charter of the United Nations does not explicitly refer to coercive economic measures. There has been discussion as to whether its prohibition of "the threat or use of force against the territorial integrity or political independence of any state" (Article 2, paragraph 4) and its reference to acts of aggression (Article 39) may be interpreted as encompassing economic coercion. This discussion has not yet resulted in generally agreed interpretations.

32. Of course, the Charter itself provides for economic measures to be applied by Member States to give effect to decisions of the Security Council regarding the maintenance or restoration of international peace and security (Article 41). It is clear that measures decided upon by the Security Council would not fall within the scope of the coercive measures envisaged by General Assembly resolution 40/185 or by the resolutions cited in the annex.

33. The problem of coercive measures in the trade field has arisen in the context of the General Agreement on Tariffs and Trade (GATT), which in principle prohibits discriminatory trade action by one contracting party against another.

Notwithstanding this principle, which is enshrined in articles I, II and XIII of the Agreement, discriminatory action for essentially non-economic reasons is permitted under the "non-application" clause of article XXXV and the "security exceptions" of article XXI.

34. Article XXXV permits a contracting party to deny GATT treatment to another at the time of accession of one of them. A contracting party invoking this article is under no obligation to explain the reasons for its action.

35. Article XXI states that "nothing in this Agreement shall be construed . . . to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests (i) relating to fissionable materials . . . (ii) relating to the traffic in arms, ammunition and implements of war . . . (iii) taken in time of war or other emergency in international relations; or . . . to prevent any contracting party from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security".

36. UNCTAD further pointed out that in recent years, restrictive trade action taken by developed countries against developing countries for non-economic motives had prompted renewed interest in article XXI, which had been used to justify such action. In paragraph 7 (iii) of the Ministerial Declaration adopted on 29 November 1982 at the thirty-eighth session of GATT, the Contracting Parties undertook "... to abstain from taking restrictive trade measures, for reasons of a non-economic character, not consistent with the General Agreement". 8/ In a separate decision taken at the same session, the Contracting Parties recognized that "until such time as the Contracting Parties may decide to make a formal interpretation of Article XXI, it is appropriate to set procedural guidelines for its application". 9/ In this decision they also recognized that "when action is taken under Article XXI, all contracting parties affected by such action retain their full rights under the General Agreement". 9/

37. This decision appears to recognize that the distinction between trade action taken for legitimate security interests, as perceived by the State taking action, and coercive economic measures, as envisaged by resolution 40/185, requires further elaboration.

38. The main thrust of the General Assembly resolutions cited in the annex is to reject the use of economic and other measures to coerce States into taking or refraining from essentially political action, affecting their sovereignty, territorial integrity or broad policy choices. In the language of General Assembly resolution 40/185, measures with such intent may be termed "political coercion". As already indicated, such coercion has also been the subject of concern in GATT, as may be understood from the above reference to "reasons of a non-economic character". It may be noted that UNCTAD resolution 152 (VI) refers specifically to "political pressure" and "political coercion".

39. General Assembly resolution 40/185, however, refers to "political and economic coercion", as do resolutions 39/210 and 38/197. If this formulation implies a distinction between the political and economic effects of coercive measures, then "economic coercion" may be presumed to refer to measures intended to coerce States

into changing their economic policies. Economic coercion in this sense may need to be distinguished from such measures as the "conditionality" attached to financial arrangements, measures taken or threatened in the process of commercial negotiations, and perhaps even measures taken or threatened by States with a view to influencing the macro-economic policies of other States.

III. CONCLUDING REMARKS

40. The replies submitted by Governments and the input from UNCTAD concerning General Assembly resolution 40/185 highlighted the following points.

(a) The rejection of economic measures for the purpose of exerting coercion on another country in order to interfere with the exercise of its sovereign rights recognized under international law.

(b) The adverse effects of coercive economic measures on the economic and social development of the developing countries at which they are targeted can be of considerable importance. Moreover, such measures are detrimental to a predictable and supportive economic environment for development, and to the health of the world economy as a whole.

(c) Restrictive measures adopted as coercive instruments for exerting political pressure on the sovereign decisions of developing countries should be lifted. Countries should refrain from threatening or applying trade restrictions, blockades, embargoes or other economic situations.

(d) Improvements in this area, it was pointed out, could be achieved through strict observance by all States of basic principles of international relations, including those embodied in the Charter of the United Nations, respect for national independence and sovereignty, non-interference in internal affairs, non-use of force or of the threat of force, sovereign equality of States and fulfilment of international obligations and international law.

(e) The promotion of international economic co-operation and the application of the basic principles embodied in the General Assembly resolutions, through the adoption of new rules and principles governing trade, assistance and financial and monetary matters, would contribute to progress towards ending the practice of economic coercion.

(f) The prospect of full intergovernmental agreement on the prohibition of such practices might be enhanced by a better understanding of the concept of coercive economic measures in the context of United Nations texts and of GATT.

Notes

1/ Tony Jenkins. "The United States embargo against Nicaragua - one year later", Policy Focus, 1986, No. 3, p. 7.

2/ Financial Times, 1 October 1986, p. 4.

/...

Notes (continued)

3/ Jenkins, loc. cit., p. 2.

4/ UNCTAD/ST/TSC 6, pars. 34.

5/ See Proceedings of the United Nations Conference on Trade and Development, Sixth Session, vol. I, Report and Annexes (United Nations publication, Sales No. E.83.II.D.6), part one, sect. A.

6/ See Report of the United Nations Conference on the Least Developed Countries, Paris, 1-14 September 1981 (United Nations publication, Sales No. E.82.I.8), part one, sect. A.

7/ Proceedings of the United Nations Conference on Trade and Development, Sixth Session, vol. I, Report and Annexes (United Nations publication, Sales No. E.83.II.D.6), part one, sect. A. The relevant extract from the statement reads: "Reinforcement of confidence in international trade relations among all countries requires, inter alia, that Governments abstain from taking restrictive trade measures for reasons of a non-economic character which are not consistent with the General Agreement on Tariffs and Trade and the Charter of the United Nations".

8/ General Agreement on Tariffs and Trade, Basic Instruments and Selected Documents, Twenty-ninth Supplement (Sales No. GATT/1986-1), p. 11.

9/ Ibid., p. 24.

ANNEX

Extracts from General Assembly resolutions relevant to
the question of coercive economic measures

1. General Assembly resolution 2131 (XX) of 21 December 1965 (Declaration on the Inadmissibility of Intervention in the Domestic Affairs of States and the Protection of Their Independence and Sovereignty), **paragraph 2**:

"No State may use or encourage the use of economic, political or any other type of measures to coerce another State in order to obtain from it the subordination of the exercise of its sovereign rights or to secure from it **advantages** of any kind. Also, no State shall **organize**, assist, foment, finance, incite or tolerate subversive, terrorist or armed activities directed towards the violent overthrow of the **régime** of another State, or interfere in civil strife in another State."

2. General Assembly resolution 2625 (XXV) of 24 October 1970 (Declaration on Principles of International Law concerning Friendly Relations and CO-Operation **among** States in accordance with the Charter of the United Nations), third principle, second **paragraph**:

"No State may use or encourage the use of economic, political or any other type of measures to coerce another State in order to obtain from it the subordination of the exercise of its sovereign **rights** and to secure from it advantages of any kind. Also, no State shall organize, assist, foment, finance, incite or tolerate subversive, terrorist or armed activities directed towards the violent overthrow of the **régime** of another State, or interfere in civil strife in another State."

3. General Assembly resolution 3171 (XXVIII) of 17 December 1973 (Permanent **sovereignty** over natural resources), paragraph 6:

"Emphasizes the duty of all States to refrain in their international relations from military, -political, economic or any other form of coercion aimed **against** the territorial **integrity** of any State and the exercise of its natural jurisdiction".

4. General Assembly resolution 3201 (S-VI) of 1 **May** 1974 (Declaration on the Establishment of a **New** International Economic Order), paragraph 4 **(d)** and **(e)**:

"The **new** international economic order should be founded on full respect for the following principles:

"..."

"(d) The **right** of every **country** to adopt the economic and social system that it deems the **most** appropriate for its own development and not to be subjected to discrimination of any kind as a result;

/...

"(e) Full permanent sovereignty of every State over its natural resources and all economic activities. In order to safeguard these resources, each State is entitled to exercise effective control over them and their exploitation with means suitable to its own situation, including the right to nationalization or transfer of ownership to its nationals, this right being an expression of the full permanent sovereignty of the State. No State may be subjected to economic, political or any other type of coercion to prevent the free and full exercise of this inalienable right".

5. General Assembly resolution 3281 (XXIX) of 12 December 1974 (Charter of Economic Rights and Duties of States), article 32:

"No State may use or encourage the use of economic, political or any other type of measures to coerce another State in order to obtain from it the subordination of the exercise of its sovereign rights."
