



General Assembly

Distr.  
General

A/42/660  
19 October 1987

ORIGINAL: ENGLISH

Forty-second session  
Agenda item 82 (a)

DEVELOPMENT AND INTERNATIONAL ECONOMIC CO-OPERATION:  
TRADE AND DEVELOPMENT

Economic measures as a means of political and economic  
coercion against developing countries

Report of the Secretary-General

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## I. INTRODUCTION

1. The present report has been prepared in response to General Assembly resolution 41/165 of 5 December 1986. In that resolution, the Assembly deplored the fact that some developed countries continue to apply and, in some cases, had 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 subjected to those measures. The Assembly called upon the international community to adopt urgent and effective measures in order to eliminate the use of coercive measures against developing countries, 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.

2. In the same resolution, the General Assembly requested the Secretary-General to prepare a comprehensive, in-depth report on effective measures to eliminate the use of coercive measures against developing countries, taking into account relevant information provided by Governments and the relevant organs and organizations of the United Nations system, suggestions for monitoring the application of coercive economic measures, as well as a compilation of the norms, rules, regulations, resolutions and other decisions of the relevant organs and organizations of the United Nations system that are being violated by the use of coercive economic measures against developing countries. 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), pursuant to Assembly resolution 38/197 of 20 December 1983, at its fortieth session (A/40/596), pursuant to Assembly resolution 39/210 of 18 December 1984 and at its forty-first session (A/41/739), pursuant to Assembly resolution 40/185 of 17 December 1985.

3. Pursuant to the request of the General Assembly, the Secretary-General, in a note verbale, invited the Governments of all States and the relevant United Nations organs and organizations to provide relevant information. At the time of preparation of this report, replies had been received from the following States: Byelorussian Soviet Socialist Republic, Cuba, Democratic Yemen, Ecuador, German Democratic Republic, Hungary, Mexico, Nicaragua, Nigeria, Rwanda, Tunisia, Ukrainian Soviet Socialist Republic, and Union of Soviet Socialist Republics. Replies had also been received from the following United Nations organs and organizations: Department of Technical Co-operation for Development, Economic and Social Commission for Asia and the Pacific (ESCAP), Economic Commission for Latin America and the Caribbean (ECLAC), Economic Commission for Africa (ECA), United Nations Conference on Trade and Development (UNCTAD), United Nations Centre for Human Settlements (Habitat), United Nations Development Programme (UNDP), World Food Programme (WFP), Office of the United Nations High Commissioner for Refugees (UNHCR), United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), International Labour Organisation (ILO), Food and Agriculture Organization of the United Nations (FAO), United Nations Educational, Scientific and Cultural Organization (UNESCO), Universal Postal Union (UPU), International Maritime Organization (IMO), International Atomic Energy Agency (IAEA), General Agreement on Tariffs and Trade (GATT), and International Trade Branch of the United Nations Commission on International Trade Law at Vienna.

II. SUMMARY OF RESPONSES FROM GOVERNMENTS AND UNITED NATIONS  
ENTITIES RELATING TO THE FORMS AND IMPACT OF COERCIVE  
ECONOMIC MEASURES

4. In their responses,\* Governments emphasized that the distinguishing feature of coercive economic measures arises from their intended purpose. This purpose is the exercise of political and economic coercion through the application of economic instruments with the purpose of inducing changes in the domestic or foreign policies of other States. This perceived intention distinguishes coercive economic measures from other restrictive economic instruments taken for basically economic reasons. In general, coercive economic measures constitute deliberate government inspired withdrawal, or threat of withdrawal, of customary trade and financial relations.

5. Governments stressed that coercive economic measures take a variety of forms such as trade and credit embargoes, discriminatory restriction of exports and imports, technology export controls, economic blockades and boycotts, unilateral denunciation of existing agreements and specific restrictions imposed upon scientific-technological co-operation agreements.

6. The Governments that responded expressed the view that coercive economic measures are incompatible with and contravene basic principles of international law and principles set forth in the Charter of the United Nations.

7. Some Governments emphasized the negative effect of coercive economic measures on a climate of trust and confidence in international economic relations. The elimination of coercive economic measures would contribute to the strengthening of international economic security characterized by stability, predictability and reliability in international economic relations. The required management of interdependence, in their view, is not compatible with the application of coercive economic measures.

8. Some Governments expressed concern at the increasingly frequent recourse by some developed countries to the threat or implementation of coercive economic measures. They stressed that coercive economic measures appear most frequently in the relations between market-economy countries and developing countries on one side and between market-economy countries and planned-economy countries on the other. It was underlined that the application of coercive economic measures has specific, severe detrimental effects for affected developing countries, owing to their high economic vulnerability as a consequence of their relatively low state of economic development and the existing degree of economic dependence.

9. Some socialist countries stressed that the application of coercive economic measures in the context of East-West economic relations is often based on differences in socio-economic systems and concomitant policies.

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

10. The Government of Nicaragua referred to the trade embargo imposed by the United States of America and the Judgment of the International Court of Justice of 27 June 1986, which determined that the United States trade embargo against Nicaragua constitutes a violation of obligations under Article XXI of the Treaty of Friendship, Commerce and Navigation between the United States and Nicaragua. The economic losses suffered by Nicaragua amount to \$US 2.8 billion. Because of United States pressure, international financial organizations (the International Bank for Reconstruction and Development (IBRD), the Inter-American Development Bank and the Central American Bank for Economic Integration) had suspended the granting of loans.

11. Some Governments referred to the purported legitimization of coercive economic measures by invoking national security interests, especially article XXI of GATT (Security Exceptions). The respective article of GATT was not considered by these Governments to be adequate for the justification for coercive economic measures. The national security interests invoked often proceeded from an arbitrarily narrow definition without due regard for legitimate security interests of other States.

12. Some Governments referred to the level and magnitude of coercive economic measures as contained in reports of the Secretary-General on the subject (A/41/739, A/40/956, A/39/415), and indicated the costs inflicted on the affected countries caused by limitations on exports, the restriction of imports, and the impediment of financial flows including the reduction of aid. The coercive economic measures engendered costs to the target countries in terms of lost export markets, denial of critical imports, lower export earnings as a result of embargoes and higher prices paid for substitute imports.

13. In their replies, some Governments deplored the fact that some developed countries increasingly resort to the application of coercive economic measures in order to exert political and economic pressure. They stressed that coercive economic measures do not qualify as legitimate means in the pursuance of foreign policy goals. The perception of coercive economic measures as "economic weapons", as a lower stage in an escalation scale leading ultimately to the application of military force in inter-State relations, contravenes basic principles of international law concerning the conduct of inter-State relations.

14. The Government of Cuba indicated in its response that the legislative and executive provisions adopted by the United States against Cuba, which have been increased since 1981, cover a number of areas which not only have an adverse effect on the main sectors of the Cuban economy but also affect many social aspects, including medical care and food supply. The Government of Cuba expressed its concern about draft law No. 1228 submitted to the Finance Committee of the United States Senate on 19 May 1987. The provision would prohibit vessels that call at Cuban ports from calling at United States ports for a period of six months and stipulated that any such vessels entering United States customs during that period could be penalized. This provision would increase the shipping costs of transport from Cuba. Furthermore, the provision of the draft law would permit a reduction in United States financial assistance from the emergency security fund to any country buying Cuban sugar. This reduction would be equal to the value of the sugar imported. The purpose of this provision would be to reduce the Cuban export market for sugar and its income in convertible currency. The law would also impose sanctions on any country that receives loans from the United States and has

subsequently granted subsidized credits to Cuba. This measure would constitute a financial blockade against Cuba and would affect trade relations with a large number of countries. The United States Department of Commerce would be instructed to convey, as a matter of high priority, to the United States trade partners the displeasure of the United States at the fact that they trade with Cuba. According to this view, this amounts to an effort to coerce Cuban trading partners and to try to include them in the régime of economic blockade against Cuba.

15. ECLAC submitted a chronological list of economic sanctions applied during the period 1954-1983, with an indication of the countries affected, a list of decisions adopted in the Latin American Economic System (SELA) on the subject of coercive economic measures, the constituent act of the Action Committee of Support for the Argentine Republic established in connection with the conflict in the South Atlantic in 1982, the statement by the Minister for Foreign Affairs of Suriname at the ninth regular meeting of the Latin American Council of SELA denouncing the suspension by the Government of the Netherlands of the development aid it has been granting to Suriname, and information describing the trade sanctions adopted by the United States Government against Nicaragua.

16. ECLAC pointed out that, since 1960, there have been at least 18 cases in which the Latin America and Caribbean countries were affected by coercive economic measures. In 16 of these cases, the country applying coercive economic measures was the United States and in the other 2 cases the countries were the United Kingdom of Great Britain and Northern Ireland and the Netherlands.

17. ESCAP referred in its response to the Meeting of the Ministers of Trade of the ESCAP region, held at Bangkok in June 1986, as well as to the forty-third session of ESCAP. The Ministers of Trade, in an unanimously adopted declaration, considered that the increasing trade conflicts, the continuing infringement, circumvention and distorted interpretation of the existing principles and rules of the international trading system posed a serious threat to the development projects of the region.

18. ECA referred in its response to article 32 of the Charter of Economic Rights and Duties of States, which states that "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" (see General Assembly resolution 3281 (XXIX)). ECA advocated a broad interpretation of the term "coercion", to include its direct and indirect impact on national economies. The precarious state of African economies compels a vast majority of them to yield to political and economic pressures from developed countries. Many African countries have to contend with severely adverse consequences of the policy of economic destabilization perpetrated by the racist minority régime in South Africa and its illegal occupation of Namibia. ECA discussed in some detail protectionism and structural adjustments, including restrictive business practices, the role of transnational corporations and problems related to commodities, debt and resource flows. ECA concludes that the bulk of the African countries are increasingly being exposed to outside economic and political pressure from developed countries. The correction of this situation requires a package of urgent measures in the areas of trade, development finance, commodity arrangements and debt relief.

19. GATT referred in its response to paragraph 7 of the Ministerial Declaration, adopted on 29 November 1982, by the Contracting Parties to GATT at their thirty-eighth session, which includes the stipulation that "in drawing up the work programme and priorities for the 1980s, the contracting parties undertake, individually and jointly, to abstain from taking restrictive trade measures, for reasons of a non-economic character, not consistent with the General Agreement". 1/ This undertaking was made, individually and jointly, by contracting parties, without distinction as to their being "developed" or "developing". GATT indicates that article XXI of the General Agreement entitled "Security Exceptions" ((b) (iii)) may also be considered as relevant. It provides, inter alia, 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". In May 1985, Nicaragua asked the GATT Council to examine measures imposed by the United States prohibiting all trade with Nicaragua and transactions relating to air and sea transportation between Nicaragua and the United States. For this purpose, the Council established a Panel, which submitted its report in October 1986 to the Council where it is presently under consideration.

20. UNCTAD noted that various discriminatory measures continued to be applied in the field of intersystem-trade, including trade with socialist developing countries. Some of them were imposed for non-economic reasons. This action includes suspension of the most-favoured nation status, the imposition of economic sanctions or embargoes and the extension in the scope of controls exercised by a number of market-economy countries over the export to socialist countries of certain types of equipment which are considered by the exporting countries to be sensitive in terms of their national security. These controls have notably restricted the access of socialist countries to certain types of equipment incorporating advanced technology.

21. UNCTAD pointed out that the United States extended the two-year declaration that Nicaragua was a threat to national security, a step necessary to continue trade sanctions against this country. As noted in paragraph 19 above, this matter is under consideration by the GATT Council.

22. UNCTAD referred to the Declaration of the Sixth Ministerial Meeting of the Group of 77, held at Havana from 20 to 25 April 1987, which referred to the need for:

"... the strict observance of the inalienable right of every State to social and economic development, to choose its economic and social system and to promote the welfare of its people in accordance with national plans and policies. It is unacceptable that this right should be constrained by the application by other States of economic measures intended to exert political and economic coercion, for purposes incompatible with the Charter of the United Nations and in violation of multilateral and bilateral undertakings and international law (see TD/335)."

### III. COMPILATION OF RELEVANT PROVISIONS IN UNITED NATIONS DOCUMENTS

23. International law does not explicitly cover the issue of coercive economic measures except in cases of sanctions imposed by the international community (United Nations) or to a limited extent, by article XXI of GATT (trade policy measures in relation to national security considerations).

24. The Charter of the United Nations does not explicitly refer to coercive economic measures. There have been discussions 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. There exists however no generally agreed interpretation. 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 obvious that measures decided upon by the Security Council would not fall within the scope of coercive measures as envisaged in General Assembly resolution 41/165.

25. Relevant General Assembly resolutions contain the following stipulations:

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

"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."

(b) 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, the third principle, second paragraph of the preamble of which states:

"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."

(c) General Assembly resolution 3171 (XXVIII) of 17 December 1973 on permanent sovereignty over natural resources, paragraph 6 of which:

**"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."**

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

**"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."**

(e) General Assembly resolution 3281 (XXIX) of 12 December 1974, containing the Charter of Economic Rights and Duties of States, article 32 of which states:

**"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."**

(f) General Assembly resolution 36/103 of 9 December 1981, containing the Declaration on the Inadmissibility of Intervention and Interference in Internal Affairs of States.

26. In addition, the United Nations Conference on the Law of Treaties adopted the Declaration on the Prohibition of Military, Political or Economic Coercion in the Conclusion of Treaties, and made it part of the Final Act of the Conference on 23 May 1969.

27. The application of coercive economic measures in international trade relations has arisen in the context of the General Agreement on Tariffs and Trade (GATT). GATT in principle prohibits discriminatory trade actions between contracting parties. Notwithstanding this principle (enshrined in articles I, II and XIII), a certain leeway for the application of discriminatory action for essentially non-economic reasons is provided under the "non-application clause of article XXV" and the "security exceptions of article XXI".



28. In a decision adopted at the GATT Ministerial Meeting in November 1982, it was recognized that "until such a 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.

29. In paragraph 7 (iii) of the GATT 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". 1/

30. UNCTAD resolution 152 (VI) of 2 July 1983 2/ determines a wide range of measures that can be taken with the intent to coerce or can be perceived as such. This includes trade restrictions, blockades and embargoes which are incompatible with the Charter or in violation of multilateral contractual undertakings.

31. The general and specific principles governing international trade relations and trade policies conducive to development adopted by UNCTAD at its first session, 3/ especially General Principle One, General Principle Two and General Principle Three, are of relevance in the context of the application of coercive economic measures.

#### IV. SUMMARY OF RESPONSES FROM GOVERNMENTS AND UNITED NATIONS ENTITIES RELATING TO MEASURES TO PREVENT THE APPLICATION OF COERCIVE ECONOMIC MEASURES

32. Governments expressed the view that the imposition of coercive economic measures contravenes basic principles established in international law, in the Charter of the United Nations and other relevant United Nations documents. They stressed that decisive to the elimination of coercive economic measures is the political commitment of States to condemn the application of coercive measures as incompatible with basic principles of international law, to guarantee the strict observance of existing principles and to renounce the application of coercive economic measures. Relevant United Nations bodies should take determined steps to ensure the establishment and implementation of respective political commitments by Member States.

33. Some Governments requested the specification of existing principles and rules in order to deal explicitly with the specific nature of coercive economic measures and their implications. In their view, GATT article XXI (Security Exceptions) would need a more precise interpretation to prevent its abuse as a justification for the application of coercive economic measures. The main purpose of specific rules should be to prevent the application of coercive economic measures as instruments for the exertion of political and economic pressure in pursuance of political goals.

34. Some Governments proposed the establishment of a mechanism for monitoring the application of coercive economic measures (types, forms, perceived intentions, consequences, imposing and affected countries). This would provide a basis for an objective evaluation of such measures and for common efforts to reach agreements in order to reduce and eliminate existing coercive economic measures and to prevent the imposition of future ones.

35. The Government of Nigeria proposed that the United Nations should institute an early warning mechanism, possibly through the Secretary-General, which could monitor and advise on potential conflict situations that could lead to the unilateral imposition of coercive economic measures. If coercive economic measures are applied, the Secretary-General should immediately alert the international community to consider and determine the multilateral agreements that are violated. This should enable individual Governments to assess the problem and decide on the adequate action in response to the situation.

36. The Government of Cuba proposed the following measures:

(a) The United Nations should establish an internal mechanism which, within the intergovernmental framework, would make it possible to pursue the subject of coercive economic measures on a permanent basis, for as long as this type of violation of international law continues;

(b) A flexible system should be devised to establish the practice of immediately informing the Secretary-General when a developing country is the target of such measures so that appropriate information can be circulated to Member States of the United Nations.

37. ECLA submitted the following conclusions:

(a) The vast majority of Latin American countries are prepared to condemn coercive measures applied against a country belonging to the region;

(b) There is as yet no agreement on a channel for expressing these common intentions, although the countries of Latin America have tried to use for this purpose many of the existing regional and subregional institutions, such as the Latin American Council of SELA, the Permanent Council of the Organization of American States and the Latin American Integration Association. In almost all cases, regional action has gone no further than a joint declaration or condemnation;

(c) There is a need for appropriate forums to bring together the countries that hope to give effect to their solidarity and support for the affected country, and a clearer view is needed of the instruments and measures that are available for opposing coercive economic measures. The firm determination of developing countries to approve and implement concrete actions in order to confront the coercive economic measures is essential.

38. UNCTAD proposed that, taking into account the scope of coercive economic measures and the range of instruments involved, the application of such measures should be kept under regular review by the General Assembly and consideration given to appropriate action to prevent their spread.

39. Continued monitoring of coercive economic measures would be enhanced by a better understanding of the concept. Work on the elaboration of the concept may therefore be undertaken in connection with the monitoring of measures.

Notes

1/ See General Agreement on Tariffs and Trade, Basic Instruments and Selected Documents, Twenty-ninth Supplement (Sales No. GATT/1983-1), document L/5424.

2/ 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.

3/ Ibid., First Session, vol. I, Final Act and Report, third part, annexes, recommendation A.I.1. (United Nations publication, Sales No. 64.II.B.11).

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