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LETTER DATED 4 NOVEMBER 1994 FROM THE SECRETARY-GENERAL ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit herewith the text of a note verbale dated 4 October 1994 from the Secretariat of State for Foreign Affairs of the Dominican Republic that was delivered to me on 11 October 1994 by the Permanent Representative of that country to the United Nations.

In the letter, the Government of the Dominican Republic submits an application under Article 50 of the Charter of the United Nations for consultations with the Security Council regarding economic losses sustained by the Dominican Republic as a result of the mandatory sanctions imposed until recently on Haiti by the Council.

Since consultations under Article 50 fall within the purview of the Security Council, you may wish to bring the matter to the attention of the members of the Council.

(Signed) Boutros BOUTROS-GHALI

[Original: English and Spanish]

Annex

Note verbale dated 4 October 1994 from the Secretariat of State for Foreign Affairs of the Dominican Republic addressed to the Secretary-General

The Secretariat of State for Foreign Affairs of the Dominican Republic presents its compliments to H.E. Mr. Boutros Boutros-Ghali, Secretary-General of the United Nations, and requests that, with his approval, the attached Memorandum of the Government of the Dominican Republic relating to the implementation of Security Council resolutions 841 (1993) and 917 (1994) on Haiti be transmitted to the Security Council.

[Original: English and Spanish]

Appendix I

Memorandum of the Government of the Dominican Republic concerning the economic losses of the Dominican Republic associated with the application of the United Nations embargo against the Republic of Haiti

1. The Government of the Dominican Republic fully supports Security Council resolutions 841 (1993) and 917 (1994). The Dominican Republic, as the only neighbouring State of Haiti, plays a crucial role in ensuring international compliance with the Security Council resolutions. The Dominican Government is committed to accepting its obligations under these resolutions and has re-enforced the embargo against the Republic of Haiti in the best possible way.

2. The Dominican Government had made this commitment despite the direct and indirect losses to the Dominican economy caused by the embargo imposed on Haiti (see appendix II).

3. Traditionally, over the centuries, Haiti and the Dominican Republic have been major trading partners. Formal and informal trading has been a way of life and a source of livelihood in the border area, and nationals of both countries have been accustomed to crossing the border to attend national festivals and practice their traditions and customs. The embargo has put an end to these activities and led to the collapse of trade throughout the border area. The situation has brought about a serious decline in economic production in various sectors and growing unemployment and has made it extremely difficult for the inhabitants of this vast region to eke out a living.

4. The Dominican Republic has complied with Security Council resolutions 841 (1993) and 917 (1994) regarding this as an absolute necessity and deploying its Armed Forces to guard the border between the two Republics in faithful, full observance of the terms of the embargo. This has meant that the entire budget for our Armed Forces for 1994 has been spent on such operations.

5. We also wish to inform you that, under the Lomé Convention, joint plans for development in the border area were being implemented; these activities have been brought to a standstill, depriving both nations of their benefits and causing the inhabitants of this part of the country to endure significant hardship.

6. All the aforementioned economic losses are unprecedented and have greatly impoverished the economy of the Dominican Republic, because the latter is the only country bordering on Haiti.

7. In view of the foregoing considerations and in conformity with Article 50 of the Charter of the United Nations, which provides that "if preventive or enforcement measures against any State are taken by the Security Council, any other State, whether a Member of the United Nations or not, which finds itself confronted with special economic problems arising from the carrying out of those

measures shall have the right to consult the Security Council with regard to a solution of those problems", the Government of the Dominican Republic requests the Secretary-General that consideration be given to the possibility of providing economic compensation to the Dominican Republic for the major financial outlay and losses we have suffered to date as a result of the implementation of the aforementioned resolutions.

8. Under separate cover, we are submitting the report of the Central Bank of the Dominican Republic on this subject (see appendix II).

[Original: Spanish]

Appendix II

Central Bank of the Dominican Republic

Departments of National Accounts and Monetary Planning

Report dated 3 October 1994 on

"The economic impact of the embargo against Haiti on the Dominican Republic"

I. OBJECTIVE AND SCOPE

1. This report constitutes an initial effort to quantify the effect on the Dominican economy of the economic embargo against Haiti after it was imposed by a decision of the Security Council.

2. The Dominican Government began complying with the aforesaid measure on the date required; however, because of difficulty in reconciling the data available at the time that this report was prepared, only the period from January to September 1994 will be considered for purposes of analysis.

II. METHODOLOGY

3. In order to fulfil the objective set, the impact in three major areas has been taken into consideration. First, the direct effects on governmental finances have been quantified through budget outlays. Next, the effect on foreign trade, both formal and informal, has been measured and, lastly, some side-effects linked to the application of the embargo have been listed.

III. EFFECTS OF THE EMBARGO

4. Because of the need to strengthen actions to ensure strict compliance with the embargo, the Dominican Government sharply increased the 1994 budget allocations for the Secretariat of the Dominican Armed Forces for such items as personnel services, non-personnel services and equipment and supplies. There were also large increases in similar items for the hospitals serving the border area, in the budget of the State Secretariat for Public Health and Social Welfare and in the social expenditure by the Office of the President of the Dominican Republic aimed at the part of Dominican territory most affected by the embargo.

5. Moreover, the informal trade in essential goods which had traditionally existed between the two countries collapsed. This exerted tremendous pressure on national producers of poultry meat, eggs, rice, pasta and toilet articles, among others, who were prevented from selling their goods at the weekly fairs (travelling markets) held in border localities or through visits by Haitians to local shops. The damage to formal trade was no less severe.

6. In social terms, the direct effects of the embargo were felt in the area through a substantial decrease in the income of residents of the border area. This, together with governmental restrictive measures aimed at controlling fuel costs, is said to have encouraged speculative activities, especially the transfer of fuel which, as it turned out, led to more than one tragedy.

A. Effect on governmental finances

7. The net result of the budget outlays of the national governmental bodies is estimated at 468.1 million Dominican pesos in current terms and at 425.5 million pesos after adjusting for inflation from January to September 1993 and from January to September 1994.

1. Military expenditure

8. As a result of the need to deploy a number of troops to ensure compliance with the embargo, the Dominican Armed Forces were compelled to increase their personnel by 2,763 persons. This was the basic cause of the increase of 45.7 million pesos, or 14.2 per cent, in outlays for personnel services 1/ under the armed forces budget for the period from January to September 1994 as compared with the same period in 1993.

9. The most notable increase in military expenditure was for equipment and supplies. 2/ The budgetary outlays for January to September 1994 showed an increase of 196.9 million pesos, or 129.1 per cent, over the same period in 1993.

10. In addition, the budget item relating to non-personnel services, which includes travel allowances and minor construction and repairs, increased by 11.8 million pesos, or 83.7 per cent, over the same period in the previous year.

11. Overall, the increases in the three items amounted to 248.6 million pesos, or 56.6 per cent. Even after adjusting for inflation from September 1993 to September 1994, this yielded an increase of 226 million pesos in the amount spent by the Secretariat of the Armed Forces from January to September 1994, as compared with the same months in 1993.

2. Health expenditure in the border area

12. Because of the pressures stemming from the demand for health services for Haitian nationals in the border area, the State Secretariat for Public Health and Social Welfare nearly doubled its budget estimates, which went from 86.3 million pesos in September 1993 to 166.5 million pesos in September 1994, for current expenditure by the hospitals located in the region of the country adjacent to Haitian territory.

13. It is estimated that the amount spent by the border hospitals from January to September 1994 on personnel services, equipment and supplies, and other items increased by 60.2 million pesos, or 93 per cent, over the same period in 1993 and by 54.7 million pesos after adjusting for inflation.

3. Outlays by the Office of the President of the Republic

14. The central Government, through the social welfare programme, incurred substantial costs in assisting the population of the border area affected by the decrease in economic activity. For example, mention can be made of Decree No. 210-94, in which the executive authority authorizes the Banco Agrícola to carry out a programme of rice sales at a cost of 2.15 pesos per pound, at a time when the domestic market price was 4.25 pesos per pound.

15. It is estimated that for this and other reasons, including the amount spent on maintaining and rehabilitating many of the main and local roads in the area, the central Government incurred costs of over 150 million pesos.

B. Foreign trade

16. As noted above, the foreign trade of the Dominican Republic with Haiti is conducted at both the formal and informal levels, with the latter clearly predominating. This segmentation does not, in principle, denote any difference between the two markets as regards the kind of goods traded. Foreign exchange losses in respect of trade between the two countries in the period January-September 1974 as compared with the same period in 1993 are estimated at some US$ 63.6 million.

1. Formal trade

17. The figures concerning formal bilateral trade with Haiti indicate a decrease of US$ 3.6 million in exports for the period January-September 1994 as compared with the same period in 1993. Moreover, such trade has been virtually non-existent since May 1994.

2. Informal trade

18. There are no figures which systematically reflect the informal trade between Haiti and the Dominican Republic. Nevertheless, experts on the subject estimate that such trade generates an amount seven or eight times greater than that generated by formal trade. On the basis of this ratio and considering that in 1993 the value of formal exports totalled US$ 8 million, the goods traded at border fairs and through other channels would account for a value of some US$ 60 millions.

19. Although it is difficult to determine what percentage of the total estimated amount was actually generated by trading during the application of the embargo, the enormous political pressure brought to bear on the Government in the early months of the year by political and civic organizations in the area calling for greater flexibility in the application of the embargo leads to the conclusion that the amount was virtually zero.

C. Side-effects of the embargo

20. The application of the embargo had many effects in the border region, some of the most important being:

(a) Reduction of the average income of wage-earners and salaried employees in the main production sectors of the area;

(b) Need for government subsidies for basic consumer products, such as rice;

(c) Fuel shortage;

(d) Deterioration in the quality of health services;

(e) Small business failures;

(f) Restrictions on travel within the area;

(g) Loss of life.

21. Among these effects, the impact on the income of the inhabitants of the region is particularly noteworthy. The lack of information makes it impossible to quantify the other side-effects mentioned.

22. Labour force inquiries carried out by the Central Bank of the Dominican Republic show that from August 1993 to April 1994 the average hourly earnings of the inhabitants of the area fell by 45 per cent compared with national average earnings. There was a sharp decline in average earnings in the agricultural, manufacturing, trade and transport sectors, and it is estimated that in the trade sector alone, activity declined by more than 60 per cent.

23. The cost of this decline in earnings in the most depressed area of the country is difficult to evaluate, owing to the increased migratory flows it has generated and may continue generating in the future, possibly accompanied by increased Haitian migration.

IV. CONCLUSIONS

24. This approximate quantification of the cost to the Dominican Republic of applying the embargo against Haiti leads to the conclusion that the negative impact on government finances is somewhere in the range of RD$ 468.1 million (US$ 37.4 million), as a result of the increase in budget allocations to cover the rising expenditures of the Secretariats of State for the Armed Forces, Public Health and Social Welfare.

25. Furthermore, the foreign exchange losses resulting from the decline in foreign trade in both the formal and informal markets are estimated at about US$ 63.4 million.

26. Lastly, the embargo has had a series of negative side-effects which have, to a greater or lesser degree, affected the quality of life of the inhabitants of the area and, whose impact cannot be quantified at this stage, except as regards the income of wage-earners and salaried employees in the main production sectors of the area, which declined on average by about 45 per cent immediately after the application of the embargo.

Notes

1/ Basically includes salaries for permanent posts, overtime, daily wages and representation expenses.

2/ Basically includes food, fabrics and clothing, chemical products and related items.

Table 1. Summary of the impact of the embargo against Haiti on the Dominican Republic

	Negative impact	
	Millions of pesos	Millions of dollars a/
Increase in government expenditure	468.1	37.5
Foreign trade losses	795.0	63.6
Decline in income of employees in the area	45%	-

a/ Calculated at the average official exchange rate of RD$ 12.5 = US$ 1.00.
