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R E P O R T

drawn up on behalf of the Committee on External
Economic Relations

on the ~~/~~significance of economic sanctions, partic-
ularly trade embargoes and boycotts, and their
consequences for the EEC's relations with third
countries

Rapporteur: Mr H.J. SEELER

By letter of 29 June 1981 the Committee on External Economic Relations requested authorization to draw up a report on the significance of economic sanctions, particularly trade embargoes and boycotts, and their consequences for the EEC's external relations.

By letter of 28 September 1981 the President of the European Parliament authorized the committee to draw up a report on this subject. The Committee on Economic and Monetary Affairs was asked, on 28 September 1981, to deliver an opinion.

On 20 October 1981 the Committee on External Economic Relations appointed Mr Seeler rapporteur.

The Committee considered the draft report at its meetings of 27 October 1981, 23 February 1982 and 31 March 1982 and adopted the motion for a resolution and explanatory statement at the latter meeting by 14 votes to 1 with 2 abstentions.

The following took part in the vote:

Sir Fred Catherwood, chairman; Mr van Aerssen and Mr Seal, vice-chairmen, Mr Seeler, rapporteur; Mr Alavanos, Mrs Baduel Glorioso, Mr Bonaccini (deputizing for Mrs Poirier), Lord Harmar-Nicholls (deputizing for Sir Fred Warner), Mr Mommersteeg, Mrs L. Moreau, Lord O'Hagan, Mrs Phlix (deputizing for Mr Jonker), Mrs Pruvot, Mr Rieger, Mr Rogers (deputizing for Mr Radoux), Mr Stella and Mr Welsh.

The opinion of the Committee on Economic and Monetary Affairs is to be published separately.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the significance of economic sanctions, particularly trade embargoes and boycotts, and their consequences for the EEC's relations with third countries.

The European Parliament,

has, in formulating the measures contained in paragraphs 1-8 below, been guided by the following considerations:

- (a) trade embargoes and boycotts are sanctions recognized in international law,
- (b) economic sanctions have a history of failure,
- (c) economic sanctions have proved to be thoroughly unsatisfactory as a means of achieving foreign policy objectives,
- (d) hardly any state can be induced by economic pressure to make radical changes in its policies. Such pressure is much more likely to result in the hardening of political attitudes while the national economies of the state imposing sanctions and of third countries not directly involved are very often as seriously affected and badly damaged as the national economy of the state on which sanctions have been imposed,
- (e) there are many ways of circumventing and undermining economic sanctions. However stringently they are policed, it is impossible to guarantee that they are implemented absolutely consistently and without exception, at least in peace-time,
- (f) for sanctions to be effective, the state on which they are imposed must be dependent on the import and export of the boycotted goods and services, and must be unable-or at least fail-to reduce its need for such goods and services or to find substitutes for them,

- (g) the effects of sanctions - the disruption of trade, the loss of markets, the threat to the economic survival of firms and undertakings, and hence to jobs - often inflict financial losses and irreparable economic damage on a scale out of all proportion to the desired or possible economic objectives,
- (h) economic sanctions often have the effect of rallying the people of the state subjected to them around their country and their government, creating a surge of solidarity which would not otherwise have been possible and enabling the state to greatly reduce its dependence on international trade by such means as increased industrialization or more intensive farming. Thus sanctions can often eventually strengthen, rather than weaken, the position of the state on which they are imposed,
- (i) economic sanctions can have a powerful emotional impact, helping to create a mood of national emergency. This may in turn very often lead to public support for preventive measures being taken within certain limits by the government against its political opponents,

The European Parliament

Having regard to these findings and considerations, and to the report of the Committee on External Economic Relations and the opinion of the Committee on Economic and Monetary Affairs (Doc. 1-83/82), decides as follows:

- 1. The Commission and the Council are urged not to impose or associate themselves with any general and hence, in practice, unenforceable economic sanctions;
- 2. If the imposition of economic sanctions becomes necessary on political grounds, such sanctions should focus on specific selective measures and careful consideration should be given to the prospects of their being successfully enforced and to their possible consequences;
- 3. Such sanctions directed at specific areas of the economy should, however, be used very sparingly; if such sanctions are decided upon by the institutions of the European Community, however, the following principles should be observed:

- the sanctions should be concentrated on precisely defined areas of the economy and products in which the EC and its allies have a strong market position (e.g. markets for gold or diamonds, 'hard' currency loans and highly specialized technology),
 - financial measures, particularly with regard to 'hard' currency loans, must be organized in conjunction with financial and monetary centres outside the Community,
 - the necessary measures must be introduced and implemented both swiftly and vigorously,
 - exemptions must be almost completely ruled out,
 - the unconditional support and full cooperation of all the EEC Member States and other countries involved in the imposition of sanctions must be established before any such measures are taken, and ensured for as long as sanctions are in force by the prompt and detailed exchange of information,
 - efforts must be made to ensure that the economic losses and damage incurred as a result of the imposition of sanctions are borne in equal measure by all the states and national economies involved,
4. All sanctions motivated by the race or religion of natural or legal persons are to be condemned on principle and all national and economic institutions are urged to refrain from doing anything which could encourage or facilitate the imposition of such sanctions;
 5. The Council and the Commission must press for the inclusion of a non-discrimination clause analogous to that included in the Community's cooperation agreements with the Maghreb and Mashreq states in any negotiations on trade and cooperation agreements or financial protocols with third countries;
 6. The Council and the Commission should, when pursuing such political objectives as the elimination of racial discrimination throughout the world, exert stronger pressure on European firms working and investing in other countries, for example South

Africa, to observe the EC Code of Conduct and

- abolish any internal racial or religious discrimination,
- refrain from any pay differentials based on race or sex,
- make strenuous efforts to improve the rights of those workers who are subject to racial discrimination,

7. The Commission is urged to draw up guidelines for commercial policy towards states whose political actions are unacceptable to the EC, and which therefore ought to be induced to change their policies;
8. Its President is instructed to forward this resolution and the report of the committee to the Council and the Commission, the parliaments of the Member States and the Foreign Ministers of the Member States meeting in political cooperation.

EXPLANATORY STATEMENT

I. Definition of terms

1. The terms sanction, embargo and boycott are often confused and used interchangeably. It should be noted that 'trade sanctions' is a general term covering embargoes, boycotts and blockades. All are measures intended to achieve political and economic objectives by forcing other states or their governments to take, or refrain from, certain actions. History provides countless examples of sanctions of this kind: the 'Continental System' or blockade of the UK by France under Napoleon, the sea blockade against the Central Powers by the Allies in the First World War, the League of Nations sanctions against Italy during the Abyssinian war, and the UN embargo imposed on the People's Republic of China and North Korea during the Korean war.

a) Embargo

2. An embargo can be defined as a foreign trade restriction ordered by one or more states, generally in the form of a ban on trade with one or more states or with persons or firms operating on the economic territory of this or these states. The purpose of an embargo is to induce the 'target' state or states to take or refrain from a specific political course. The embargo is therefore an instrument of foreign policy, as the result of an initiative at national level. Economic relations with one or more states are thereby broken off for political reasons.

Any embargo is an aggressive variant of international economic policy, intended to introduce deliberate discrimination into economic transactions. Its purpose is to damage the economy of another state in order to pressure it into changing its political behaviour. It implies that the imposing state is prepared to suffer damage to its own economy in consequence.¹

¹ Detlev Christian Dicke: Die Intervention mit wirtschaftlichen Mitteln im Völkerrecht (Intervention by economic means in international law), Baden-Baden 1971, and Rolf Hesse: Theorie und Politik des Embargos (The embargo, theory and policy), Cologne 1973.

3. Embargoes fall into four categories: export embargoes, import embargoes, capital transaction and financial embargoes, and embargoes on transport services. These can be subdivided further into partial embargoes, which affect only one or two sectors of the economy, and total embargoes. Partial embargoes can be broken down, in turn, into quota embargoes-which impose specific quantitative limits on trade-and selective embargoes, which only affect specific items. Total embargoes can be broken down into total trade embargoes, in which imports and exports are suspended, and total embargoes proper, in which all trade is broken off.

b) Boycott

4. A boycott is not to be confused with a trade embargo. A boycott can be applied to any aspect of social, cultural and economic life at national or international level, and is therefore much broader in scope than an embargo. The boycott and the embargo have certain features in common: their aim is economic discrimination against, and damage to, a specific third party to force that party to take or refrain from certain actions. The crucial difference between an embargo and a trade boycott is the fact that the former is imposed by the state. An embargo is a matter of national policy, a measure taken by the state, whereas a boycott can be conducted by private individuals, firms, unions etc., acting on their own initiative in the exercise of their rights of free association and the freedom to enter into contracts.

Nevertheless it is common usage, in the context of international relations, to refer to the economic sanctions imposed on one state by another as a boycott. The terminological distinction between the two concepts is not always very precise.

5. There are three kinds of boycott: the primary boycott aims to prevent the citizens of a country from engaging in business with the citizens of another country, whether directly or indirectly. A secondary boycott, on the other hand, means the extension of trade restrictions to third countries or persons not directly involved in the dispute. One such example is the trade boycott imposed by Arab states on firms and businessmen in third states who engage in business with Israeli citizens.

A tertiary boycott is directed against natural or legal persons that do business with firms which are the targets of a secondary boycott, e.g. are on the Arab League's 'black list' because they, in turn, do business with Israeli firms.

c) Blockade

6. A blockade is not to be confused with an embargo or a boycott. The legal concept of the blockade derives from an act of sea warfare which entails cutting off access to the enemy's coasts by means of warships: this permits the blockading state to control the shipment of goods outside its own territorial waters. In time of war, the imposition of a blockade can bring an enemy's foreign trade to a complete standstill.

II. The legal status of sanctions

7. The embargo, the boycott and the blockade are sanctions recognized in international law. The Charter of the League of Nations provided (Articles 16 and 17) that all member states of the League should immediately break off all state and private economic and financial relations with any state, or nationals of a state, which had infringed the charter of the League by going to war, regardless of whether the state was a member. Since mandatory provisions of this kind proved to be unworkable in practice, and the sanctions imposed by the League seldom achieved the desired results, the Charter of the United Nations preferred a more cautious formula. Under Article 41 of the UN Charter, where a breach of the Charter has led to war or the threat of war the Security Council can oblige all members of the UN to impose mandatory economic sanctions against the offending state.

In practice, however, this rule has never been applied up to now. The embargo imposed on Albania and Bulgaria in 1949 was recommended by the General Assembly, not the Security Council. The same applies to the recommendation that an embargo should be imposed on the People's Republic of China and North Korea, during the Korean war.

8. Economic sanctions are instruments of foreign policy and economic policy. As an institution acknowledged in international law, sanctions are to be interpreted either as an act of reprisal or a gesture of solidarity with international organizations or alliances. Economic sanctions work - or are intended to work - by the withdrawal of goods and services, which has the effect of forcing the target country to seek alternative supplies, provoking structural change, and exacerbating unemployment and inflation. They are also intended to affect production by producing a shortage of raw materials and spare parts, and causing important machines and plant to be idle as a result.

9. One of the main justifications for the admissibility of the embargo and the boycott in international law is the principle of the freedom to enter into contracts. It follows from the concept of state sovereignty that a state has the right to enter or refrain from entering into trade or supply contracts. The same right is available to every citizen and every legal person. But it also follows from this right that embargoes and boycotts imposed in peace-time should not affect existing contractual commitments. So, for example, the US went ahead with its previously agreed grain deliveries to the USSR in spite of the grain embargo it had imposed on that country after its invasion of Afghanistan.

10. Secondary and tertiary boycotts directed against natural or legal persons not directly involved in disputes which have religious, racial or other origins are of particular interest. A few states have introduced laws expressly prohibiting boycotts of this kind. For example, the US Export Administration Amendments of 1977, which became law on 22 June 1977, tightened up the anti-boycott provisions of the Export Administration Act of 1969. This prohibits practically all acts and practices which could serve to implement or support the Arab States' secondary and tertiary boycott. France passed a law against economic boycotts in 1977. This law prohibits any discrimination on grounds of race, religion or nationality which leads to the disruption of economic activities. The law has little or no practical effect, however, because of another provision that such action is not punishable if it is the result of government instructions. The British attempt to bring in legislation on the subject foundered when the Foreign Boycotts Bill 1978 failed to get through all its parliamentary stages.

11. The European Community's response to secondary and tertiary boycotts has been threefold:

- (a) The cooperation agreements with the Maghreb and Mashreq countries includes a non-discrimination clause which, if strictly applied, prohibits both sides from conducting secondary or tertiary boycotts. However the Maghreb States, in an exchange of letters, weakened this clause by claiming that laws which had entered into force before the agreement was signed, and matters considered vital to the security interests of the states involved, were not affected by it. A similar fate befell the equivalent provisions of the cooperation agreements with the Mashreq countries. It should be noted, however, that the obligation placed on both sides by the non-discrimination clause cannot be waived by unilateral statements by either party. The derogation in favour of protecting national security interests echoes Article 21 of the GATT agreement. But, apart from this proviso, the Arab signatories to these agreements cannot, in effect, conduct secondary boycotts against any persons or firms in the EC states. The financial protocols concluded with the Mahgreb and Mashreq countries also expressly state that participation as regards projects and measures financed by the Community shall be open on equal terms to all natural and legal persons of the states party to the agreements.
- (b) Also, the EC has invoked the competition rules of the EEC Treaty against such cases of boycott. The Commission has always taken the view that the rules contained in Articles 85 and 86 of the Treaty prohibit the imposition of any kind of boycott or other discrimination by third countries on European firms or citizens on grounds of race, religion or nationality.

(c) The Commission is also endeavouring to counter boycotts of this kind by the application of the Treaty rules regarding the harmonization of legislation. The Commission is anxious to afford European citizens and firms greater protection against such boycotts by introducing EC directives to bring the great variety of national provisions into alignment. One of its principal concerns is to prevent third countries from singling out for boycotts the Member State or States whose legislation is least restrictive in this area.

12. Neutral states are in a special position in so far as the legal status of sanctions is concerned. Their neutral status in international law requires them to refrain from taking sides in international conflicts. Their commercial policy towards other states must be based on the principle of 'business as usual'. Their neutral status does not oblige them, on the other hand, to step up their trade with a nation which is subject to an embargo or other sanctions in order to counteract the effects of such sanctions. But in fact neutral states often become the focus of 'sanction-busting' operations, since trading companies in these states are subject to no geographical restrictions and little or no control. Nowadays as in the past, sanctions present neutral states with a great temptation to draw benefit for themselves and their economies from other countries' mutual disagreements. Many examples could be quoted of neutral states profiting considerably from situations of this kind.

To sum up, embargoes and boycotts are legitimate sanctions in international law, subject to the reservations mentioned above. But before drawing any conclusions for the commercial policy of the European Community, we should first consider eight important cases of sanctions which the EC was directly or indirectly involved in imposing, or by which it has been affected.

III. Sanctions imposed by, or affecting, the European Community

a) The 'pipe embargo'

13. In 1963 the NATO Council unanimously decided that it would henceforth cease to supply steel pipes to the USSR because such pipes served strategic as well as economic purposes, since they could be used, among other things, to improve the supply of fuel to the troops. The Council decision touched, therefore, on an area already covered by the embargo on strategically important products supervised by the Coordinating Committee for East-West Trade Policy (COCOM).

As a result of the pipe embargo, the export of pipes, chiefly from the Federal Republic of Germany, dropped from 255,400 tonnes in 1962 to 8,300 tonnes in 1964, and to nil by the end of 1966. But the embargo was undermined, principally by Sweden and Japan. Sweden's exports of pipes to the USSR were:

1962	7,000 tonnes
1963	60,000 tonnes
1965	48,300 tonnes,

while Japan's were:

1962	14,300 tonnes
1965	142,000 tonnes.

The UK also ignored the pipe embargo, despite the unanimous decision by the NATO Council. The UK did not pick up any extra orders, however.

14. The USSR reacted to this embargo by converting the pipelines it was constructing to larger-gauge pipes, which it began to produce itself in greater quantities. Stepping up the production of pipes imposed a strain on the supply of raw materials and led to increasing shortages in other sectors of industry such as mechanical engineering. It also noticeably slowed down the rate of pipeline construction thus delaying the development of the oil and gas industry and the construction of irrigation works. There

was no significant reaction from the USSR, however. The exercise demonstrated that a specific embargo of this kind is pointless, particularly if the states imposing it show a lack of solidarity. The brunt of the NATO decision was borne by the Federal Republic of Germany and some of those who spoke of the need to protect the strategic interests of the Alliance were much more concerned with protecting themselves against competition from that country and, to an even greater extent, from the USSR, an increasingly significant exporter of energy. The pipe embargo was therefore lifted at the end of 1966. The export of pipes to the USSR was resumed in the course of the following year.

b) The Arab boycott of Israel

15. As early as 1946 the Council of the Arab League launched a permanent boycott of 'Zionist' goods and products. In 1951 the boycott was extended to third states in an effort to prevent them from supporting Israel. The anti-Israel boycott central office in Damascus sought to give impetus to the boycott by compiling so-called 'black lists' of Western firms whose trade with Israel was helping to develop the economic and military potential of that country. This secondary boycott was accompanied, in some cases, by a tertiary boycott intended to restrain firms from doing business with other firms which were on the black list.

After the Arab-Israeli war of 1973 the Arab states stepped up the boycott once again. The number of American firms black-listed by the Damascus boycott office rose from 785 in 1974 to 25,000 in 1976.

16. The EC has taken no firm measures to put an end to this boycott, apart from inserting the above-mentioned 'non-discrimination' clauses in the cooperation agreements with the Mahgreb and Mashreq countries, and continuing to insist on the binding nature of the competition rules contained in Articles 85 and 86 of the Treaty of Rome. Former Commissioner Cheysson, addressing the European Parliament on behalf of the Commission on 15 May 1975, declared that the boycott ran counter to the spirit

and principles of the cooperation which the Community was endeavouring to establish with the Arab states. The Commission also announced that it would take firm action on every case of discrimination reported to it by the Member States or their firms, undertakings or private citizens. The Commission has not so far received any complaints about the effects of the boycott.

17. In fact the Arab boycott against Israel has been weakened to a considerable extent. This is due to the fact that the Arab League had drawn up only an outline agreement on how the boycott was to be operated; each member state was left to pass a law of its own containing more detailed provisions. Self-interest and pragmatism tended to prevail over anti-Zionist ideology since Arab businessmen were often reluctant to stop doing business with firms which were also doing business with Israel. Coca-Cola, Xerox, Ford and various big hotel chains and airlines fell into this category.

In 1978, Kuwait was the first Arab League state to remove some of the restrictions on trade with the USA. Kuwait decided that in future it would no longer require proof that a firm had no business relations with Israel, not least because no such proof could be forthcoming without the active cooperation of the public authorities in the other state. Experience shows that the Arab boycott of Israel can only be implemented if the industrialized countries' public authorities or chambers of commerce actively cooperate in it. But if, for example, chambers of commerce are reticent about so-called 'Israel clauses' and refuse to accept discriminatory clauses in business documents, it is almost impossible for an Arab state to find out which firms do business with Israel or might be liable to a secondary or tertiary boycott for other reasons.

c) The embargo imposed on Rhodesia

18. In 1953 Great Britain, acting against the wishes of the black population, formed a federation from the three protectorates of Northern Rhodesia, Southern Rhodesia and Nyasaland. It was only in Southern Rhodesia that the White minority succeeded in holding on to power. Nyasaland became independent on 6 July 1964, and Northern Rhodesia on 24 October 1964; Southern Rhodesia refused to comply

with the British Government's demand for a majority-i.e. preponderantly Black - government, and made its Unilateral Declaration of Independence on 1 November 1965, after Winston Field had been replaced as Prime Minister by Ian Smith. Britain reacted by imposing economic and financial sanctions which did not, however, achieve their purpose, since Rhodesia began to lean increasingly on South Africa, which had withdrawn from the Commonwealth on 31 May 1961 and naturally supported the White minority régime.

19. Immediately after Ian Smith's unilateral declaration of independence, the UN Security Council condemned this action and on 20 November it passed Resolutions calling on all states to break off economic relations with Rhodesia and to impose an embargo in respect of oil and oil products (S/Res/216 of 12.11.1965; S/Res/217 of 20.11.1965). These Resolutions were not binding, however; it was not until the end of 1966 that the Security Council, under pressure from Britain, imposed selective mandatory sanctions on Rhodesia, after negotiations between Britain and its colony to find an acceptable solution had foundered. The UN sanctions prohibited member states from importing into their own territory Rhodesian asbestos, iron ore, chromium, pig iron, sugar, tobacco, copper, meat and meat products, hides and leather; the transport of such products, and any action to further trade in them, was also forbidden. UN states were also required to prevent the export to Rhodesia of military equipment, motor vehicles and aircraft.

20. When it became apparent that these measures were having no effect, the Security Council launched a full-scale embargo. No more transfers of funds or capital to Rhodesia were to be allowed (S/253 of 29.5.1968), although exceptions on humanitarian grounds were to be permissible. In Resolution 333, the Security Council drew member States' attention to the fact that certain of them were not complying with their obligations under Article 25 of the UN Charter; South Africa and Portugal were steadfastly refusing to cooperate with the UN to enable the implementation of sanctions against Southern Rhodesia to be supervised effectively (Resolution 333 of 22.5.1973). The Security Council urged member states to comply with their legal obligations and to take action against natural or legal persons who sought to evade the economic sanctions imposed by the UN.

21. The implementation of the Resolutions of 1966 and 1968 by the Community of 'the Six' varied both from the point of view of timing and that of the method chosen; some states used existing import and export rules (France, Germany the Netherlands), another incorporated the Resolutions into domestic law (Italy), while the rest applied both methods (Belgian-Luxembourg Economic Union).

22. This situation gave countries the opportunity of avoiding the imposition of sanctions via the Community's internal market since no uniform measure had yet been introduced; whereas Italy had immediately imposed sanctions on payments, for example, it was five years before the Netherlands passed legislation to this effect.

23. The accession of Britain to the EEC did not raise problems. As a British colony in a state of rebellion, Rhodesia was not included among the countries listed in Annex IV to the EEC Treaty (which is a list of overseas countries and territories to which the provisions of Part IV of the Treaty apply : OJ L 73/19, 1979).

In November, 1979, the British Government brought the embargo to an end by the passing of the Southern Rhodesia Act. The Southern Rhodesia Sanctions (Amnesty) Order was passed in May 1980. This measure could make it difficult for the British government to apply economic sanctions effectively in future, however, since an amnesty of this kind guarantees British firms and citizens freedom from prosecution in connection with past offences against sanctions legislation.

24. The purpose of the embargo imposed by the UN was to bring down Ian Smith's White régime and bring about the self-determination of the Zimbabwean people. In practice, however, this embargo was a failure. South Africa and Portugal, with its colonies of Angola and Mozambique, supplied Rhodesia with necessities and channelled Rhodesian exports through their ports. Switzerland, as a non-member of the UN, also took no part in the embargo. She did, however, consent not to increase the volume of her trade with Rhodesia beyond the average level of the years before the embargo.

25. The most vulnerable sector of the Rhodesian economy was energy, particularly oil supplies. But big oil companies like BP and Shell broke the embargo by delivering oil via South Africa, partly by means of a 'swap' arrangement with the French oil company, Total. One important effect of the embargo, however, was that Rhodesia made strenuous and successful efforts to reduce her dependence on imports of essential products. Rhodesia eventually succeeded in achieving the second highest level of industrial development of any African state, after South Africa. By the end of the fifteen years which sanctions lasted the country was producing 80% of all the industrial products it needed itself. The GNP increased at an average annual rate of 6% in real terms from 1965 to 1975, while the number of employed persons rose over this period from 748,000 to 1.1 million. Rhodesia provided an increasing number of jobs to migrant workers from neighbouring states. It was only with the recession (from 1975), together with the escalating civil war and finally the closing of Zambia's and Mozambique's borders with Rhodesia (in 1973 and 1976), that the development of the Rhodesian economy was slowed down. The country's GNP and number of jobs fell in the years after 1975.

26. The main reason for the failure of the UN embargo against Rhodesia was the fact that Rhodesia was not dependent on foreign trade, except for the supply of oil. Several of its neighbours were, on the other hand, dependent on trade with Rhodesia to a considerable degree, and were not therefore interested in reducing this trade, much less in bringing it to a halt. Rhodesia also has supplies of valuable and scarce raw materials: chromium, asbestos, nickel, graphite. The loss of Rhodesian exports of these commodities damaged the economy of many countries involved in the embargo, and led to sanction-breaking. Finally Rhodesia had an efficient agricultural sector, which was capable of producing enough food for the population. Added to this was the fact that Rhodesia had sufficient time to adapt to the embargo. The UN Security Council took 13 months to decide on a selective embargo and 17 months to launch a total embargo.

Many states took several months more to implement the Security Council's Resolution, and a number of states did not fully comply with the terms of the embargo. Australia continued to supply wheat to Rhodesia, for example, justifying this action by reference to the humanitarian grounds mentioned in the Security Council Resolution while the US and West Germany (which was not yet a member of the UN and hence was not bound by the decisions of the Security Council) referred to existing contracts in justifying their failure to break off trade relations abruptly, although such action was specifically ruled out by the Security Council Resolution. Moreover the system of supervising the implementation of the embargo was ineffective, and there was no provision for the equalization of the economic burden to be borne by member states, or for support for countries which were particularly severely affected. It was only at a very late stage that aid was granted to Rhodesia's neighbours, Zambia and Mozambique, in order to persuade them to close their borders with Rhodesia in the interests of the embargo, and cease trading with that country.

d) The trade embargo imposed on Iran

27. After the storming of the American Embassy in Teheran by a band of Iranian revolutionaries on 4 November 1979 the then President of the United States, Jimmy Carter, announced on 7 April 1980 - after all attempts to free the hostages had failed - that various sanctions, including a trade embargo, would be imposed on Iran.

It was only after sustained pressure from the US Administration that the Member States of the European Community, acting in the context of European Political Cooperation, accepted a two-stage plan for sanctions, as follows:

- The first stage consisted of diplomatic sanctions including a reduction of the staff of the Teheran embassies of the EC states, and a corresponding reduction of the number of Iranian diplomats accredited to European capitals, the introduction of a visa requirement for Iranians wishing to travel to EC countries, and a ban on the conclusion of new export contracts and arms sales,

- if the hostages were not released at an early date, the second stage would come into operation with the imposition of more comprehensive economic sanctions.

28. On 17 April 1980, the European Parliament adopted a resolution calling on the governments of the Member States to break off diplomatic relations with Iran if the American hostages were not released.

The second stage of the Community's plan of action was set in train on 18 May 1980. However, the sanctions only applied to contracts which had been concluded after 4 November 1979 and exemptions were made for foodstuffs and medicinal products.

The release of the hostages early in January 1981 was followed by the lifting of sanctions against Iran.

29. Apart from the significance of the Community's solidarity with the US as a political gesture, the European sanctions had little effect. Community exports to Iran rose in the period from January to May 1980 by 106%, from 760 million to 1,562 million units of account. In particular the Netherlands, Britain, France and Belgium increased their exports over this period by more than 100% compared to the previous year. One reason for this increase was certainly the expectation at the beginning of 1980 that an embargo would be imposed. Firms were anxious to transact as much as possible of the business they had already arranged with Iran.

30. After the embargo had been introduced, in the period from June to September 1980, EC exports to Iran did not rise significantly: the rate of increase was 9.4% from 1,507,200,000 to 1,649,500,000 units of account. One reason for this increase was that so-called long-standing contracts, those that had been concluded before 4 November 1979, were not covered by the embargo, and that there were no restrictions on the export of food or medicaments. These unrestricted items accounted for 32% of total exports in the second half of 1980, compared to 20% of the total in 1979.

The export of agricultural products alone doubled in this period by comparison with the figures for 1979.

Special export licences were also granted, however, in order to alleviate the situation of firms affected by the embargo. (These licences were restricted to the implementation of contracts concluded between 5 November 1979 and 24 May 1980, the day on which the decision to impose the embargo was published).

31. The slight impact of the embargo is also explained by the growth of 'backdoor' trade. For example, US exports to the Arab Emirates in February 1980, when US trade sanctions against Iran were first being discussed, rose by about US\$ 100 million. However, circuitously routed imports of this kind meant a considerable rise in the price of such products for Iran, which had repercussions on that country's already strained foreign exchange situation. Iran therefore made extensive efforts to diversify its imports, and concluded agreements to this end with the USSR, Romania, India and Turkey during this period.

32. Nor should it be overlooked that Iran continued to be in a strong position as an oil supplier on the world market. Many Western states were still dependent on Iranian oil supplies at that time. Nevertheless, even before the capture of the hostages, Iran's oil exports had dropped considerably by comparison with earlier years as a result of revolutionary changes within the country, so that the 'oil weapon' no longer possessed the immense impact that it would have had a few years earlier. This emerges clearly from the following figures:

The European Community imported 97 million tonnes of oil from Iran in 1976, 78 million tonnes in 1977, 33.94 million tonnes in 1979 and only 11.3 million tonnes in 1980. In other words, EC oil imports from Iran dropped to one third of the previous volume after the Islamic revolutionaries seized power in Iran. Whereas in 1977 16.1% of all the EC's oil imports came from Iran, this percentage had dropped to about 2.4% in 1980. In conclusion, it can be said that it was not the trade embargo launched by the US and supported by the European Community and certain other countries which caused the Iranian leadership to release the American hostages. A combination of internal political developments

in Iran, the war with Iraq and the agreement reached with the US over the release of frozen Iranian assets eventually led to the hostages being released early in 1981. It becomes apparent how greatly American humiliation over the hostage-taking was outweighed by America's economic interest in trade with Iran when it is seen that, in the course of that same year of 1981 US grain deliveries to Iran totalled US\$ 300 million.

e) The grain embargo imposed by the US on the USSR
after the invasion of Afghanistan

33. On 27 December 1979 Soviet troops occupied Afghanistan. The American reaction followed on 4 January 1980, when President Carter ordered a ban on all deliveries of agricultural products to the USSR. This ban did not, however, cover the 8 million tonnes of grain which the US was due to deliver to Russia in accordance with a contract concluded on 20 January 1975. The ban affected a total of 17 million tonnes of grain and 1.3 million tonnes of soya beans, contracts for which had mostly already been agreed. The American grain embargo therefore extended to current contractual agreements. On 8 January 1980, President Carter ordered a review of the controls on the export of technologically and strategically important products. The aim was to investigate the extent to which American exports were contributing to the military potential of the USSR.

On 12 January, representatives of the US, Argentina, Australia, Canada and the EC met to discuss cooperating in the grain embargo imposed on the USSR. The EC, Australia and Canada agreed not to make up for lost American exports by increasing their own exports. Argentina refused to give any such undertaking. Argentina has since increased its grain exports to the USSR considerably and has even concluded long-term export agreements.

Australia's grain exports also increased substantially although mainly because Australia was obliged to fulfill contractual commitments entered into before the embargo was imposed. Canada also practically doubled its overseas grain deliveries compared with 1978/1979, although the level remained below that of 1975.

The European Community adhered fairly closely to its undertaking not to undermine the embargo, but to maintain its exports at around their customary level. It should be borne in mind that the volume of EC grain exports to the USSR has never been particularly great. Moreover, as early as January 1980 the EC stopped subsidizing agricultural exports to Eastern bloc countries, resuming them later only at a level corresponding to exports in previous years. On the other hand, the EC sharply increased its exports of soya flour and sugar to the USSR.

34. Even the US exported considerably more grain to the USSR in 1979/1980 (a total of 15.3 million tonnes) than in the previous year (11.2 million tonnes). However, the US did not exceed the stated limit of 8 million tonnes after 1 April 1980.

The grain embargo was strongly opposed by the US agricultural lobby, in spite of various relief measures introduced by the Carter Administration. During the presidential election campaign, the Republican candidate, now President Reagan, promised that he would lift the embargo if he was elected. He did so on 10 April 1981, although meanwhile events in Poland and the threat of a Soviet invasion of that country had begun to raise the possibility of a further grain embargo being imposed on the USSR.

35. The effects and consequences of this grain embargo varied greatly. The US, for example, had to spend about US\$ 1,000 million to buy up its own grain surpluses, step up the production of alcohol from grain, and thus stabilize the domestic price of grain.

The EC's losses were much smaller. Problems only really arose when, shortly before the embargo was lifted, France tried to dispose of its surpluses before the next harvest by selling 600,000 tonnes of wheat to the USSR.

36. The grain embargo imposed on the USSR in response to its invasion of Afghanistan was not a great success. Not only did the USSR have considerable strategic reserves, it was also able to buy the quantities of grain which the US refused to supply from other countries - mainly Argentina, but also Australia and Canada. The USSR's actual import shortfall is estimated at about 2.5 million tonnes. Short-term problems arose only in

connection with feed grain. The following figures give a clear indication of the position of the Soviet grain market; the USSR's grain production amounted to:

1978	237.2 million tonnes
1979	179 " "
1980	189.2 " "
1981	182 " "

These figures show that the last three years, but particularly 1981, resulted in bad grain harvests for the USSR and produced high import requirements. The USSR imported the following quantities of grain in these four years:¹

1978	18.9 million tonnes
1979	15.6 " "
1980	31 " "
1981	34.5 " "

37. The only really telling effect of this grain embargo for the USSR was the higher price to be paid for imports from third countries. It is estimated that the additional cost of these imports amounted to about US\$ 1,000 million.

f) The COCOM Lists

38. Trade in so-called strategic technology plays a special role. Because of the strict confidentiality of the 'COCOM lists' (Consultative Group Coordinating Committee, i.e. Coordinating Committee for East-West Trade Policy), it is not possible to ascertain the exact volume of trade which the Western industrialized nations forego by preventing exports of strategical technology to Warsaw Pact countries. It seems, however, that this ban affects only a fairly small proportion of potential industrial exports. It appears unlikely, in any event, that the USSR would be major market for such products.

¹Source: Toepfer International, Statistische Informationen zum Getreide- und Futtermittelmarkt (Statistical Information relating to the grain and feedstuffs market).

39. Since the EC countries were unwilling to agree to extend the embargo on technology over and above the COCOM-lists, it is probable that the US has lost part of its share of the market in this sector to other Western exporting countries. The 1980 figures for the export of industrial goods to the USSR from the US show a marked fall compared to 1979. In 1979 the US exported industrial products to the value of US\$ 656 million, whereas in 1980 it exported only US\$ 424 millions' worth. In the same period, US exports of machines and motor vehicles dropped from US\$ 362 million to US\$ 269 million.

40. At the so-called World Economic Summit in Ottawa in July 1981, the prime ministers or heads of state of the seven main industrial nations agreed to a review of the catalogue of exports covered by the COCOM lists. Talks on this subject were held in Paris in January 1982. These talks were particularly topical because they included discussions on the possibility of imposing economic sanctions on the USSR and Poland in response to the declaration of martial law by the Polish military government.

Although the results of this conference have not yet been published, it seems that the participating states agreed on tighter export controls for strategically important material of this kind. The conditions under which such products may be exported are also to be more stringent in the future. It does not seem that the participants agreed to an extension of the COCOM lists or to a clearer distinction being made between militarily sensitive exports and ordinary goods, as some states wished.

41. A recent study by the Rand Corporation for the US Defence Department states that Soviet imports of technology do not enable the Soviets to overcome dependence; but may actually increase it. It therefore advocates removal of non-essential restraints on US exports. The inability of the Soviet Union to encourage innovation and to make use of high technology throughout its economy, which lies at the root of the need to import industrial goods, has much to do with the nature of its economic system. As a result Soviet imports of industrial goods have been growing rather rapidly and offer an important market to Western exporters.

However, any ban on high-technology exports from the US or other countries seems to be of rather low importance for the Soviet economy as a whole at present, since most of the items it requires are still readily available from many sources.

In any case it is unlikely that even with a ban on imports such as those necessary for constructing pipelines any change in Soviet policy with regard to Afghanistan would have occurred.

Apart from the impact of a boycott, there remains the more general issue of developing trade with a potential enemy. The US Administration tends to take the view that exports of Western industrial goods should be restricted because they strengthen the Soviet economy and therefore its military capacity. In Europe there is more emphasis on the beneficial effects of trade with the Soviet Union in terms of increased interdependence and reduced tensions.

g) Sanctions imposed on South Africa.

42. For many decades now, the governments and parliaments of the world have been engaged in a keen debate on how to counter apartheid in South Africa. The repressive policy of the Republic is rooted in unprecedentedly strong racism which disregards elementary human rights. The leading nations of the West have made numerous attempts to impose economic and military sanctions in order to bring South Africa to change this policy, but so far without success. The United Nations has now declared 1982 the year of sanctions against South Africa. The intention is to force the country to give up its apartheid policy. Whenever such attempts have been made in the past, third countries have very soon proved only too willing to benefit from the situation, for example by increasing their arms sales to South Africa. South Africa would be very vulnerable to an arms embargo. For this reason, whenever such moves have been threatened by foreign powers in the past, South African arms buyers have stockpiled arms and spare parts, buying from any supplier who could provide suitable material.

43. In recent years, however, South Africa has succeeded in building up its own arms industry, and thus becoming less dependent on imports.

An oil embargo would probably also have considerable impact. But such a measure would also be pointless unless a sufficient number of major countries took part.

44. The UN Security Council has passed Resolutions calling for political as well as economic measures to end apartheid policy. The increasing pressure to which South Africa has been subjected in the UN as a result of its apartheid policy has led to several Security Council Resolutions. After the disturbances of March 1960 a Security Council decision was passed in the following April in which the South African government's policy was 'regretted', but not, however, condemned. The Security Council emphatically demanded an end to racial discrimination. A proposal by the Afro-Asian group, calling for the expulsion of South Africa from the UN and the breaking-off of diplomatic and economic relations with that country, was not adopted: the US and Western European countries voted against it. In 1964, the UN General Assembly set up a Commission of Inquiry consisting of representatives of Sweden, Britain, Ghana and Morocco. But South Africa refused the Commission permission to enter the country, claiming that this was interference in domestic affairs. A resolution calling on Member States of the UN to break off existing cultural agreements with South Africa and to introduce a visa requirement for South African visitors, and the other calling on the UN Special Commission against Apartheid to organize, in cooperation with the Organization of African Unity, an international conference on sanctions against South Africa were only partially supported by the member states. Since then, South Africa has regularly - almost every year - been condemned by the General Assembly of the UN. The most recent move by the UN has been the designation of 1982 as the year of sanctions against South Africa and hence as the year of campaign against apartheid policy.

45. It appears doubtful, however, whether this new measure will be more successful than those taken in previous years. Economic sanctions would have an enormous impact on South Africa's neighbours, which are economically dependent on her. Botswana, Lesotho, Malawi, Swaziland and Zimbabwe have therefore frequently expressed reservations in the General Assembly of the UN about

any resolution imposing sanctions. Comprehensive economic sanctions against South Africa would also involve problems for the European Community because of its dependence on several South African raw materials. Germany, for example, derives one third of its chromium and uranium ore, and as much as half of its unrefined copper from South Africa. Economic links with South Africa are, moreover, very numerous. The EC's foreign trade with South Africa amounts to about US\$ 10,000 million per year. There are about a thousand firms and subsidiaries in which European companies hold an interest operating in South Africa; 60% of all foreign investment comes from European countries. Given the rising unemployment figures in the Community, many firms, but also many governments, would undoubtedly do anything to prevent, or at least sidestep, economic sanctions. The evasion of the Rhodesian sanctions provides many examples of such behaviour.

46. Consistently applied sanctions would, on the other hand, have considerable effects on South Africa, since 54% of the country's gross national product derives from imports and exports. Unemployment would rise, particularly among the Black population. Repercussions would be felt by South Africa's neighbours, which as mentioned above, are closely connected with the Republic, and are dependent on imports from that country. About 50,000 migrant workers from these neighbouring states work in South Africa. South Africa could seriously affect her neighbours to the north by taking retaliatory measures, since these countries are not only reliant on trade with South Africa, but also need South African ports for their exports. The European Community could also be affected by retaliatory action by South Africa. A considerable proportion of the EC's principal imports of raw materials comes from South Africa. The EC imports 80% of its platinum, 90% of its manganese, 91% of its chromium ore and 36% of its vanadium from South Africa. Even if it were possible to achieve almost universal agreement at international level and to implement effective diplomatic, military, economic, cultural, academic and sports sanctions against South Africa, success would not necessarily be assured, as experience has shown in connection with many other similar measures.

47. But even without imposing sanctions, the European Community could make a considerable contribution to the elimination of racial discrimination by compelling firms which have invested in South Africa or hold a major interest in South African companies to comply with the EC Code of Conduct. These firms could set a good example by abolishing racial discrimination for their own employees by paying them all the same wage rates and above all by actively endeavouring to improve the rights of workers who are the victims of apartheid policy.

h) Sanctions against Poland and the USSR

48. In the night of 12 - 13 December 1981, the military authorities took over the government in Poland, the activities of the free trade union 'Solidarity' were banned and a state of emergency declared in the whole country which is still being maintained in many areas.

The Community is following developments in Poland with close attention and concern. The Community initially adopted a wait-and-see approach to economic sanctions. On 4 January 1982, the Council of Foreign Ministers issued a communiqué condemning the events in Poland as a violation of the Final Act of Helsinki and demanding an end to martial law, the release of those arrested and genuine consultation by the Government with the Church and the Solidarity trade union. The communiqué also noted that the USA had announced economic sanctions and warned of the possibility of measures by the Community against Poland and the USSR depending on how the situation developed.

49. As events in Poland still have not changed for the better owing to Soviet pressure, the Council, acting on proposals from the Commission, decided on 15 March 1982 on the following economic sanctions against the USSR:

- restrictions on approximately 58 categories of goods, including consumer goods and capital goods;
- a 25% reduction in imports of such goods on the basis of 1980 figures;

- an 'ad hoc' arrangement to be made in the case of Greece, which has refused to implement sanctions;
- these sanctions to remain in force from 16 March to 31 December 1982.

50. When assessing these measures by the Community, it is essential to bear in mind experience to date with sanctions of this kind.

Even if the Council and Commission are not considering general economic sanctions but specific selective measures, these too should be governed by paragraph 3 of Parliament's motion for a resolution. Hasty and ill-considered measures against Poland and the USSR could have far more serious economic and political economic repercussions on Europe than the present coercion of Poland to confirm the European balance of power established at the end of the Second World War.

IV. Economic sanctions over the last few decades: the lessons to be drawn

51. Economic sanctions have practically never achieved their objective of forcing a political opponent to take or refrain from a certain action and thereby bring about a change in policy. The reasons for this failure are many and various, and are the fault both of the state or states imposing sanctions, and the state or states subjected to them. The following reasons for failure lie with the countries imposing sanctions:

- (a) Too long a delay between the decision to impose sanction and their entry into effect. This delay is occasioned by the time required to make the necessary legal and administrative arrangements; embargo lists have to be drawn up, and terms-such as the concept of a 'strategically important product' - have to be defined. Thus the 'victim' has time to prepare for sanctions. He can build up reserve stocks, make available stocks last longer and conclude alternative contracts with other states. It is this possibility of 'roundabout' imports which often makes it easier for him to tolerate or overcome the effects of sanctions;

- (b) a lack of solidarity between the political partners involved in the imposition of sanctions, and a lack of adequate cooperation in their implementation. Cooperation between all the partners is, however, necessary if sanctions are to be effective. It presupposes mutual trust, agreement on the political objective to be attained, and readiness, if need be, to take steps to equalize the burdens borne by each partner;
- (c) the absence of the necessary mutual support among the states imposing sanctions is yet another cause of the failure of such sanctions. Burdens are not distributed equally among the states imposing sanctions and hence the costs and damage incurred vary from one partner to another according to the volume of trade involved. If no attempt is made to share the economic burden accordingly the most seriously affected states become correspondingly less eager to participate fully in sanctions;
- (d) there is often very strong opposition from businessmen affected by the sanctions. Traditional markets are lost to competitors; current trade relations are interrupted. Even parties not involved in the dispute, such as shipping and trading companies, are affected by sanctions to some extent. This often results in considerable losses in income for the persons or businesses concerned. If the state makes good such losses from public money the financial consequences of sanctions will be felt by the whole country.
- (e) these consequences of sanctions cause those affected by them to seize every conceivable opportunity to sidestep sanctions, and thus reduce the impact of such measures on their own business activities. So, instead of trading directly with the state on which sanctions have been imposed, trade is channelled through neutral countries, or neighbouring countries become involved. This method of sidestepping sanctions can only be prevented if third

countries are prepared to say that they will not allow the re-export of goods into the country on which sanctions have been imposed, and that they will not increase the volume of their trade beyond usual previous levels.

In cases where the rules are broken in this way, the extension of the embargo to third countries may be considered. This is not always possible, however;

- (f) the failure of sanctions is often due to the lack of adequate means of policing them. It is not practicable, in peace time, to subject land and sea communications to control by military forces in the manner of a blockade. Attempts to create an international body to exercise the requisite supervision of trade often come to nothing because of the time taken to set such machinery up. The only effective method of control up to now has proved to be the exercise of self-restraint by the exporting companies themselves. But even this form of control can be undermined, if subsidiaries of the same company are set up under different names in different countries and products are sold under other brand names in other countries. In this way trade channels can be altered to such an extent that in practice it is no longer possible to police the implementation of the sanctions which have been imposed;
- (g) a decisive factor for the success or failure of sanctions is the extent of the target country's dependence on the imports involved. For example, Iran was dependent to a high degree on the import of basic foodstuffs (25%), raw materials and semi-finished goods in the metal-working industry (80%), the construction industry, (57%), the paper industry (60%) and the chemical and pharmaceutical industry (85%). Even before the trade embargo was imposed on Iran, the country's foreign trade had dropped sharply because of the confused political situation. Imports were almost entirely restricted to replacement parts and foodstuffs.

As a consequence of these developments there was a marked increase in the under-utilization of production capacity in many industrial sectors in Iran which depended on the import of raw materials and semi-finished goods. The embargo exacerbated this situation but did not materially change it. The embargo did not produce any political results.

1) Reasons for the failure of sanctions which have their origins in the target country.

52. (a) The states against which economic sanctions are directed often have ample time to adapt to such sanctions since considerable periods generally elapse between the official political announcement and the entry into force of sanctions. 'Target' countries can build up stocks and reserves in good time; they can also secure their supplies by entering into contracts with exporting countries which are not parties to the sanctions;
- (b) the effectiveness of economic sanctions depends on the existence not only of a sufficiently large volume of trade, but also of a sufficiently high degree of dependence on imports. Such dependence can be reduced by the target state taking certain domestic measures. These include for example, measures to increase industrialization, the restructuring of industrial production, the stepping-up of agricultural production and the deliberate reduction of the consumption of imported goods by rationing and other means;
- (c) retaliatory sanctions by the target state can be very effective, particularly as a means of destroying solidarity among its opponents. The supply of important and scarce raw materials to the world market can be disrupted, for example, if the country on which sanctions have been imposed plays a large part in the production of such commodities. This can result

in trade relations being maintained, directly or by subterfuge, in spite of sanctions. In this way the target country is able to procure the foreign currency it requires in order to pay for urgently needed imports such as spare parts and other embargoed products.

2. Economic and political consequences of sanctions

53. Although sanctions do not as a rule achieve their political objective and are generally ineffective for the reasons outlined above, they can nevertheless produce significant economic and political changes. Patterns of trade are disrupted, and the pattern of demand in the affected state changes as a result of the state's increased self-sufficiency and the replacement of embargoed imports by substitute products. The chronic shortages produced by sanctions often produce a surge of solidarity among the people of the affected state in support of their country and their government. This motivates the population to make great efforts to replace imported products by other goods and alternative methods.

This process eventually leads to the permanent loss of the market and eliminates the country's previous dependence on imports. Looked at from this point of view, sanctions can also lead to a strengthening of the economic and political position of the country on which they are imposed, and hence achieve the opposite result to that intended, the weakening of the target country.

54. Sanctions also often have the effect of making the target country feel increasingly threatened. This heightens existing tensions. Imposing an embargo can also lead to unforeseen changes in the adversary's outlook. For example, the USSR's growing dependence on imported oil has increased her interest in exercising influence in the OPEC countries, particularly the Middle East, and hence contributed to the increase of tensions between the Super Powers in this area.

55. In real political terms, economic sanctions often represent no more than a ritual gesture devoid of serious consequences. This can weaken the political credibility of the countries imposing sanctions and in the long run place an intolerable strain on solidarity and cooperation between them. It also becomes apparent that the emotional connotations of economic sanctions are generally more powerful than their economic effects.

The imposition of sanctions is seen to be an end in itself, an act taken to meet the public's expectations. Their efficiency in political terms is often due to the fact that the target state interprets sanctions as a political gesture, and is restrained from pursuing certain political actions. The economic consequences of the sanctions imposed on the USSR were negligible.

Admittedly, the fact that grain imports became more expensive and difficult to obtain exacerbated the problems of Soviet agriculture and had repercussions on livestock rearing, but the impact of sanctions was not such as to compel the authorities to change their policy.

56. Nor was this effect achieved by the lists drawn up by COCOM in the Cold War years, 1950-1965, imposing an embargo on strategically important products. This emerges clearly from the following figures, which show the expansion of the USSR's major industries over that period¹:

	<u>1950</u>		<u>1965</u>	
Electricity generation	91,200	m. kwh	506,600	m. kwh
pig iron	19,1	m. tonnes	66,1	m. tonnes
raw steel	27,3	m. tonnes	91,0	m. tonnes
rolled steel	17,9	m. tonnes	61,6	m. tonnes
oil pipelines (in thousands of kms)	5,4	m. tonnes	28,2	m. tonnes
gas pipelines (in thousands of kms)	2,3	m. tonnes	41,8	m. tonnes

57. The European Community is considerably more dependent on imports and exports, and hence on the maintenance of foreign trade, than

¹Source: The Soviet Economy, 1980, p. 40

the US or the USSR. Any disruption of this trade, and consequently any form of economic warfare would affect the EC more severely than the two Superpowers. Foreign trade and economic processes are therefore closely bound up with political developments within the Community. For this reason, the EC will have to strengthen political cooperation as a back-up to common economic policies if it is to have any hope of taking timely and effective action to counter such threats.

3) Remaining potential applications of economic sanctions

58. The arguments outlined above indicate that the vulnerability of a country's economy to sanctions is dependent on the percentage of that country's requirements met by imports and its chances of reducing such requirements or switching to alternative commodities. It follows that very selective sanctions aimed at particular products can be effective, if only a few countries export the product in question and they can all be relied upon to act in concert. Highly specialized technology would be a case in point, at least in the long term. But, even so, the economic and political consequences of such sanctions need to be considered carefully.

59. Sanctions can, moreover, be effective when they are imposed by countries which have a monopoly on the production of certain raw materials. Such sanctions will be successful if all the producer countries act in concert, or can be compelled to do so if need be. The fewer possibilities the target country has of foregoing the embargoed goods or switching to alternative commodities, the more effective such sanctions will be.

60. Sanctions aimed at the money and loan market or even the gold and diamond market can also produce results if the state on which they are imposed is dependent on international loans for its economy and trade. Measures which could be effective in the context of a selective embargo of this kind include restricting or completely freezing currency movements, limiting or prohibiting the supply of credit, and also refusing to guarantee loans advanced by private banks and blocking sales of gold and diamonds for 'hard' currencies. The US and the EC are particularly well-placed to enforce measures of this kind because of their central

role on the world currency and gold markets. But, here again, it must not be overlooked that there are means of circumventing such measures, and that these loopholes cannot be entirely closed.

61. The essential precondition for any degree of success for economic sanctions is total agreement among those imposing sanctions on the political objective in view, and absolute mutual trust. This implies that the states involved must be prepared to inform each other, reciprocally and in good time, prior to any steps they intend to take and that the parties to sanctions should not be confronted with 'faits accomplis' and then required to support them out of solidarity.

