Economic and Social Council

The impact of Economic Sanctions on LEDCs

Research Report

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"let us sing songs of freedom together"

Forum: The Economic and Social Council

Issue: The impact of Economic Sanctions on LEDCs

Position: President and Deputy President

introduction

In our days, tensions continue to be an inextricable part of international relations. Those tensions might result from the discordance of countries in regards to their policies, from actions undertaken by a country that another deems to be an infringement or other reasons. With the ultimate goal of avoiding armed conflict, the main means of dealing with these disputes seems to be sanctioning.

Originally, sanctions are imposed from one country to another when it is seen as a threat or when it is treating its citizens unlawfully. Many are the parties in the international scene that have been using sanctions widely throughout the previous years. Some of these are the United Nations (U.N.) , the United States of America (U.S.A.) and the European Union (E.U.). The last example of major sanction utilization in the global scene has been against The Russian Federation for its invasion in Ukraine with the usage of military force.

However, as effective sanctions might seem, most of the times they prove to be insufficient and create much collateral damage. Lower income civilians are the ones that are mostly affected by the aforementioned economic measures, while businesses and institutions usually find solutions to endure. Third party countries also exhibit signs of political instability. In general, the ban of economic activity for a country by either the UN or another major party proves to be catastrophic for the Least Economically Developed Countries (LEDCs), whose development and sustainment is heavily determined by exogenous factors.

Definition of key terms

LEDCs:

"LEDC is an abbreviation for Less Economically Developed Country or we may know it as a developing country. Countries that are claimed to LEDCs are relatively poor countries"[1]

Sanctions:

"Sanctions are restrictions imposed on a country by one or more other countries with the intent to pressure in effect some desirable outcome, or conversely to condemn and punish some undesired action already taken." [2]

Country based sanctions:

"Country-based sanctions are a form of restrictive measure imposed by one country or entity on another with the aim of limiting the target country's trade and business relations." [3]

Targeted sanctions:

"Targeted sanctions aim to reduce collateral damage to the general population and third countries by targeting specific individuals or organizations believed to be responsible for offending behavior"[4]

Extraterritorial sanctions:

"Extraterritorial sanctions are designed to restrict the economic activity of governments, businesses, and nationals of third countries."[5]

Trade restrictions:

"A trade restriction is an artificial restriction on the trade of goods and/or services between two countries. It is the byproduct of protectionism. However, the term is controversial because what one part may see as a trade restriction another may see as a way to protect consumers from inferior, harmful or dangerous products." [6]

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[1] "What is LEDC? | Global Awareness." *Global Awareness*, https://globalawareness1212.wordpress.com/what-is-ledc/ . Accessed 8 September 2023.
[2] Berlin, Maria Perrotta. "The Effects of Sanctions • FREE NETWORK." *free network*, 10 May 2022, https://freepolicybriefs.org/2022/05/10/effects-economic-sanctions/ . Accessed 8 September 2023.
[3] Masters, Jonathan, and Philip H. Gordon. "What Are Economic Sanctions?" *Council on Foreign Relations*, 12 August 2019, https://www.cfr.org/backgrounder/what-are-economic-sanctions . Accessed 8 September 2023.
[4]Masters, Jonathan, and Philip H. Gordon. "What Are Economic Sanctions?" *Council on Foreign Relations*, 12 August 2019, https://www.cfr.org/backgrounder/what-are-economic-sanctions . Accessed 8 September 2023.
[5] Masters, Jonathan, and Philip H. Gordon. "What Are Economic Sanctions?" *Council on Foreign Relations*, 12 August 2019, https://www.cfr.org/backgrounder/what-are-economic-sanctions . Accessed 8 September 2023.
[6] "trade restrictions." *United Nations Economic and Social Commission for Western Asia*, https://archive.unescwa.org/trade-restrictions . Accessed 8 September 2023.

Embargo:

"a government order to temporarily stop trading certain goods or with certain countries" [7]

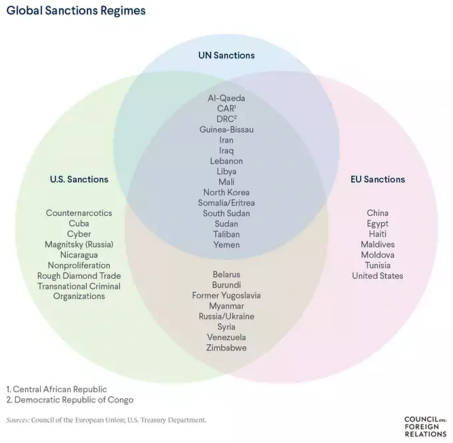

Figure 1: Global Sanction Regimes

General Overview

In recent years, both governments and international organizations have started imposing economic sanctions, which have gradually become one of the most usual tools for countries to respond to disturbing foreign policies. Also sanctioning, has provided a recourse to enforce foreign policies such as counterterrorism, nonproliferation, human rights, cyber security amongst others. However, the expansion of sanctions seems to be disproportionate when taking into consideration its effectiveness, as well as, its impact on vulnerable states and civilians.

To begin with, sanctions take a variety of forms. Some of these forms are asset freezes, arms embargoes, capital restraints, trade restrictions, reductions in foreign aid and finally travel bans. In general, sanctions that reach their implementation have already failed in succeeding their goal in their preliminary stages. If an economical restriction against a country reaches the point of being enforced, it means that the country itself believes that they can endure under it.

In many cases, the incapability of regulating due process for country based sanctions, has enabled those who have been determined to get sanctioned to profiteer, while simultaneously harming the vulnerable and the dependent third countries immensely. This phenomenon is worsened when the economic state of countries is unstable.

The side effects of sanctioning in less economically developed countries :

[7] "EMBARGO | English meaning - Cambridge Dictionary." *Cambridge Dictionary*, https://dictionary.cambridge.org/dictionary/english/embargo . Accessed 8 September 2023.

Sanctioning as a procedure can escalate, depending on both the seriousness of the actions a country has undertaken and the context (for example the international relations between the country making and receiving the sanctions and other factors). When talking about a country that is not economically developed and only partially economically independent, the effects of sanctions could be catastrophic.

Generally, when speaking of economic sanctions the main repercussions are the rise in the value of fundamental goods, such as consumables and water, and the restrictions in international exports which may be banned. The combination of the aforementioned, alongside other pre-existing parameters, could possibly signify the beginning of public outlash, therefore causing political instability.

The country that has been sanctioned may need to follow a policy change since the revenue from other sources, like tourism and occupation of external private companies in the country, may rapidly alter.

In total, the combination of these consequences could possibly lead an LEDC into a crisis from which it would be almost impossible to recover taking into consideration past examples.

Economic repercussions to a Third party country:

Sanctions bare the danger of disrupting Third party countries as well. When a country is excluded from international economic activity that may signify the limitation of foreign companies installing in that country, a general trade restriction or the inability of accepting foreign citizens.

These limitations may very well cause turbulence in the economy but also the society of another non-sanctioning country. Most countries base their economy on international trade of goods that cannot be found within their territories, building up international relations and having standard deals. With the enforcement of trade restrictions in a country, third countries may well have scarcity in vital goods, causing political or economical instability, especially when that country is an LEDC.

Additionally, in some cases, when a country wishes to impose a sanction they might choose to adopt the policy of extraterritorial sanctions. These are specifically designed to limit economic, business and governmental activity of third countries. Many governments consider them to be an infringement of international law.

Major Parties Involved

The United States of America (USA)

The USA has been a consistent imposer of sanctions during the previous years. Having so far enforced economic and financial prohibitions in more than 20 countries, the USA remains the country that uses the most sanctions world wide.

The pattern followed by the US is aiming to sanction countries or individuals that violate human rights or sponsor terrorism. It also utilizes sanctions to weaken

countries that the US considers a threat to its interests, due to their usage of unfair trade practices.

Typically an Executive Order is launched by a president that declares a national level emergency to respond to an unusual foreign threat. The biggest sanctioned issued by the country so far have been against Cuba and Iran

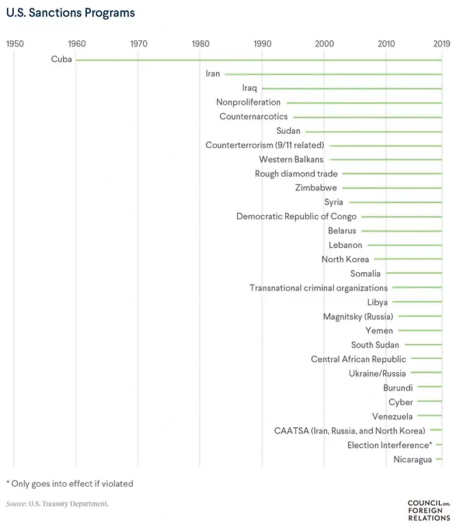

Figure 2: US sanctions

The United Nations (UN)

When the UN considers imposing a sanction the responsibility falls to the hands of the responsible authority, in this case the Security Council (SC). The SC must pass a voting and later might decide to impose economic sanctions by cutting ties with countries or organizations. Generally when the UN issues the possibility of a sanction to a foreign country this happens to pressure it into complying with some foreign policy.

In general, sanctions by the United Nations are deemed to be ineffective, since there is no authority that supervises their enforcement. Instead, the UN relies within the responsibility of neighboring countries to deal with non compliance, which at many times is impossible due to political instability, or lack of political incentive.

Prior to the 1990s, the council had decided on only two cases when sanctioning was imposed. After the cold war their policy altered significantly, enforcing sanctions only in cases of interstate conflict.

The European Union (EU)

The European Union follows a policy similar to that of the United Nations when deciding for the enforcement of sanctioning measures. The responsibility when deciding for economic limitations against an organization or a country, falls under the umbrella of the Council of the European Union.

The Council is represented by the leaders of the EU member states, and must produce a unanimous vote in order for sanctions to be imposed. Since its creation, the European Union

has made wide usage of this technique, having implemented more than 30 sanctions excluding the ones passed by the United Nations.

The Russian Federation

Since Russia's invasion and illegal annexation of Crimea in 2014, the EU has imposed 14 rounds of sanctions over the country in hopes of unabling Russia's ability to continue the aggression. These sanctions include individual, economic sanctions and visa measures.

On the other hand, Russia has put forward counter-sanctions. Vladimir Putin, Russia's current president signed a decree, namely decree 172, also described as "the Kremlin's toughest economic response" which changed the payment schemes of natural gas, and halted its deliveries to Poland and Bulgaria. The decree included entities whose exports and raw materials would be forbidden as well.

Timeline of Events

1960s -1970s	During the Cold War economic sanctions were often imposed by the United States and its allies on LECDs aligned with the Soviet Union or pursuing socialist policies.
1980s-1990s	Due to the end of the Cold War economic sanctions became a commonly used tool by the international community to address issues such as human rights violations, nuclear proliferation and terrorism**.**
1990	Iraq's invasion of Kuwait led to severe economic sanctions imposed by the United Nations sanctions, in place until 2003, devastated Iraq's economy, leading to widespread poverty and a decline in living conditions.
1992-2000	Economic sanctions were imposed on Liberia due to its involvement in arms, trafficking and support for rebel groups, the sanctions contributed to the collapse of the economy, increased poverty levels and political instability.
2000-2016	The United States and other countries imposed economic sanctions on Zimbabwe citing human rights abuses, electoral fraud and land seizures. The sanctions combined with government mismanagement contributed to hyperinflation, unemployment and a decline in the standard of living.
2010	Economic sanctions were imposed on Iran by the United States and other countries due to concerns about its nuclear program. These sanctions severely impacted Iran's economy, leading to the devaluation of the currency, rising inflation, and a decline in living conditions for the general population.
2017-present	Economic sanctions have been imposed on Venezuela by the United States and other countries aiming to pressure the government to address issues of democracy and human rights. The sanctions along with mismanagement and corruption have contributed to a deep economic crisis, hyperinflation, shortages of basic goods and mass migration.

Possible Solutions

International Aid and Assistance

Mobilize international aid and assistance to support LEDCs facing the impact of sanctions. This can include financial support, technical assistance, capacity, building and trade facilitation measures.

Economic Reforms

Implement structural reforms, including good governance practices, anti-corruption, measures and economic policy adjustments to enhance economic stability, attract investment and improve the business environment.

Encourage LEDCs to diversify their economies and reduce dependency on the sanctioned sectors or countries. Promote investments in alternative industries, develop local infrastructure and faster intrapreneurship to stimulate economic growth and resilience.

Regional support, mechanisms and cooperation

Establish regional support, mechanisms such as financial assistance, funds or trade facilitation mechanisms, to provide financial aid, market access, and technical support to LED seas facing sections.

Strengthen regional cooperation and trade agreements among LEDCs has economic integration and lessen the reliance and countries imposing sanctions. This can create alternative markets and sources of investment for LEDCs.

Diplomatic negotiations

Engage in diplomatic, negotiations and dialogues to find peaceful resolutions to the issues that led to the imposition of sanctions. This can help create a conducive environment for the removal or easing of sanctions.

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