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### Report of the Special Committee on the Charter of the United Nations and on the Strengthening of the Role of the Organization

## Implementation of the provisions of the Charter of the United Nations related to assistance to third States affected by the application of sanctions

### Report of the Secretary-General

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## I. Introduction

1. At its fifty-third session, the General Assembly adopted without a vote resolution 53/107 of 8 December 1998, entitled "Implementation of the provisions of the Charter of the United Nations related to assistance to third States affected by the application of sanctions". In the resolution, the General Assembly, *inter alia*:

(a) Renewed its invitation to the Security Council to consider the establishment of further mechanisms or procedures, as appropriate, for consultations as early as possible under Article 50 of the Charter of the United Nations with third States, which were or might be confronted with special economic problems arising from the carrying out of preventive or enforcement measures imposed by the Council under Chapter VII of the Charter, with regard to a solution of those problems, including appropriate ways and means for increasing the effectiveness of its methods and procedures applied in the consideration of requests by the affected States for assistance;

(b) Welcomed once again the further measures taken by the Security Council since the adoption of General Assembly resolution 50/51 of 11 December 1995 and aimed at increasing the effectiveness and transparency of the sanctions committees, invited the Council to implement those measures, and strongly recommended that the Council continue its efforts to enhance further the functioning of the sanctions committees, to streamline their working procedures and to facilitate access to them by representatives of States that found themselves confronted with special economic problems arising from the carrying out of sanctions;

(c) Requested the Secretary-General to pursue implementation of resolutions 50/51 of 11 December 1995, 51/208 of 17 December 1996 and 52/162 of 15 December 1997 and to ensure that the competent units within the Secretariat developed the adequate capacity and appropriate modalities, technical procedures and guidelines to continue, on a regular basis, to collate and coordinate information about international assistance available to third States affected by the implementation of sanctions, to continue developing a possible methodology for assessing the adverse consequences actually incurred by third States and to initiate action in order to explore innovative and practical measures of assistance to the affected third States;

(d) Also requested the Secretary-General to seek the views of States, the organizations of the United Nations system, international financial institutions and other international organizations regarding the report of the ad hoc expert group meeting on developing a methodology for

assessing the consequences incurred by third States as a result of preventive or enforcement measures and on exploring innovative and practical measures of international assistance to the affected third States (see A/53/312, sect. IV);

(e) Reaffirmed the important role of the General Assembly, the Economic and Social Council and the Committee for Programme and Coordination in mobilizing and monitoring, as appropriate, the economic assistance efforts by the international community and the United Nations system to States confronted with special economic problems arising from the carrying out of preventive or enforcement measures imposed by the Security Council and, as appropriate, in identifying solutions to the special economic problems of those States, and decided to transmit the report of the ad hoc expert group meeting to the Economic and Social Council at its substantive session of 1999;

(f) Invited the organizations of the United Nations system, international financial institutions, other international organizations, regional organizations and Member States to address more specifically and directly, where appropriate, special economic problems of third States affected by sanctions imposed under Chapter VII of the Charter and, for that purpose, to consider improving procedures for consultations to maintain a constructive dialogue with such States, including through regular and frequent meetings as well as, where appropriate, special meetings between the affected third States and the donor community, with the participation of United Nations agencies and other international organizations;

(g) Requested the Secretary-General to submit a report on the implementation of the resolution to the General Assembly at its fifty-fourth session.

2. The present report has been prepared in response to General Assembly resolution 53/107.

## II. Measures for further improvement of procedures and working methods of the Security Council and its sanctions committees in the consideration of requests for assistance under Article 50 of the Charter of the United Nations

3. By a note dated 25 February 1999 (S/1999/204), the Secretary-General drew the attention of the members of the Security Council to General Assembly resolution 53/107, in

particular to paragraphs 1 and 2 thereof, which are reproduced in paragraph 1 (a) and (b) above.

4. In a note dated 29 January 1999 on the work of the sanctions committees (S/1999/92), the President of the Security Council stated that all members of the Security Council had indicated their agreement that the practical proposals contained in the note would be used to improve the work of the sanctions committees in accordance with the resolutions concerned. In particular, paragraphs 1, 2, 7, 9 and 10 of the note may be of direct or indirect relevance to the issue of assistance to third States affected by the application of sanctions. As indicated in the note, the members of the Council will continue their consideration of ways to improve the work of the sanctions committees.

### **III. Arrangements in the Secretariat for providing better information and early assessments regarding the actual and potential effects of sanctions on third States and international assistance available to the affected third States**

5. The Secretary-General has taken due note of paragraph 3 of General Assembly resolution 53/107, which is reproduced in paragraph 1 (c) above. In this connection, the Secretary-General reaffirms once again that the arrangements in the Secretariat that were put in place in 1996, as reflected in paragraphs 4 to 11 of his report that year on the matter (A/51/317) and in paragraph 5 of his 1997 report (A/52/308), and as reaffirmed in paragraph 5 of his 1998 report (A/53/312), continue to apply.

### **IV. Views communicated by Governments regarding the report of the ad hoc expert group meeting on assistance to third States affected by the application of sanctions**

6. Pursuant to paragraphs 4 and 6 of General Assembly resolution 53/107, which are reproduced respectively in paragraphs 1 (d) and (f) above, the Secretary-General on 21 April 1999 circulated a note verbale to all States drawing their attention to resolution 53/107 and, in particular, inviting their views regarding the report of the ad hoc expert group

meeting referred to in paragraph 4 of the resolution, as well as any other relevant information pursuant to paragraph 6 of the resolution. The replies received from five States, namely Belarus,<sup>1</sup> Poland, the Russian Federation,<sup>2</sup> Slovakia and Ukraine, are summarized below.

7. **Belarus** considers that sanctions are an exceptional measure to be applied against a target country when the possibilities for the pacific settlement of disputes provided for in Chapter VI of the Charter of the United Nations have been fully exhausted and the continuation of the dispute or conflict in question may endanger the maintenance of international peace and security. The adoption of the relevant Security Council decision should be preceded by, and take into account, an advance assessment of all the consequences of the sanctions both for the target country and for third States that apply them. Belarus considers that Article 50 of the Charter of the United Nations, which provides for assistance to third States affected by the application of sanctions, must be fully implemented. In that connection, it welcomes the report of the ad hoc expert group on developing a methodology for assessing the consequences incurred by third States and on exploring innovative and practical measures of assistance to the affected third States.

8. Belarus supports the methodology proposed by the ad hoc group, with its basis in such methods as: (a) time-series analysis of balance-of-payments changes; (b) sample survey of affected entities; (c) gravity model of bilateral trade flows; (d) regression equation of income shocks; and (e) analytic hierarchy process for perception surveys. Belarus shares the group's opinion that the choice of applicable method(s) will depend on particular circumstances of the affected State in the context of a specific sanctions regime. With a view to minimizing the collateral effects of sanctions and avoiding damage to third States' economies, Belarus considers it necessary that early assessments of the effects of sanctions be carried out by means of on-site inspections by ad hoc missions and of appropriate consultations, including consultations between the sanctions committees established by the Security Council and the parties concerned. That would be of help, in particular, in establishing exemptions from a sanctions regime for third States regarding their transactions with the target State on items of vital importance to the third States. Such measures would in the final analysis obviate the need for subsequent compensation for the damage incurred. Belarus supports the expert group's view that sanctions should be targeted (e.g., freezing of personal accounts, visa-based travel restrictions, etc.) and should avoid, to the extent possible, affecting the civilian population in the target country and the economies of third States.

9. Regarding the group's proposals on practical measures of assistance to third countries affected by sanctions, Belarus feels that the priority step might be to dispatch to the worst-affected third countries special representatives of the Secretary-General accompanied by special missions to elaborate recommendations for alleviating the economic, commercial, financial, social, humanitarian and environmental effects. Consideration should be given to the establishment of a special mechanism to make disbursements, to come from voluntary or assessed contributions, for the purpose of implementing those recommendations. It is to be hoped that major industrialized countries will recognize their special responsibility in this regard. Belarus supports the experts' view that the United Nations Development Programme, specialized agencies of the United Nations system and, in particular, international financial and trade institutions with the requisite expertise and financial resources should support the efforts of third States to cope with the external economic shocks associated with the imposition of sanctions. Belarus is also in favour of the adoption of non-financial measures on behalf of third States, such as the easing of access to international markets for, and the lowering of tariffs on, goods from affected States. Belarus would welcome regional initiatives to assist third States affected by sanctions and views the report of the ad hoc group as a useful basis for further study of the matter in the context of the mandate of the Special Committee on the Charter of the United Nations and on the Strengthening of the Role of the Organization. It would be appropriate to discuss this question in greater detail at the fifty-fourth session of the General Assembly.

10. **Poland** expressed the view that the report of the ad hoc expert group meeting on developing a methodology for assessing the consequences incurred by third States as a result of preventive or enforcement measures and on exploring innovative and practical measures of international assistance to the affected third States constitutes a positive step towards the implementation of the provisions of Articles 49 and 50 of the Charter of the United Nations. However, it considers it useful: (a) to complete a possible methodology for assessing the consequences actually incurred by third States as a result of sanctions with methods for assessing the social costs of sanctions referred to in paragraph 19 of the report, and (b) to provide third States affected by the application of sanctions with the possibility to present their position to the inter-agency arrangement or task force referred to in paragraph 54 of the report.

11. Poland feels that the report of the expert group deals only with technical procedures. Full use of those procedures could be possible only on the basis of an agreed interpretation

by all States Members of the Organization of Articles 49 and 50 of the Charter of the United Nations. Such an interpretation should be based, in particular, on the concept of burden-sharing and equitable distribution of costs, as reflected in the above-mentioned Articles of the Charter. Since sanctions are imposed by the Security Council acting on behalf of all Member States, the costs of sanctions should also be borne by all of them. Adoption of the above-mentioned concept in the practical activities of the United Nations would enhance the effectiveness of the imposed sanctions, since it would encourage third States that might be affected as a result of sanctions to observe strictly the regime of sanctions and to cooperate fully in the implementation of sanctions, by warranting that their potential losses will be compensated in an appropriate manner.

12. In the opinion of Poland, costs borne by the international community in connection with the imposition of sanctions are usually significantly lower — in material as well as in human dimensions — than potential costs of military or peacekeeping operations that could be needed in cases when sanctions are not imposed or the sanctions regime is not fully observed. The costs of peacekeeping operations have been internationally shared, by either voluntary or assessed contributions. Why, then, are the costs of sanctions imposed also for the purposes of maintaining international peace and security on behalf of all Member States to be borne by only some of them?

13. Poland noted that, when considering the imposition of sanctions, the Security Council would greatly benefit from consultations — at the earliest possible stage — with third States that might be potentially affected by sanctions, because those States know best the local realities and specific circumstances of a given case. Such consultations would then enhance the effectiveness of sanctions with regard to a target State and minimize losses and damages of third States, without undermining the political purposes of the contemplated sanctions regime. The Security Council in imposing sanctions should, on the basis of a prior assessment of their possible adverse consequences for third States, and when it might be required by the nature and dimension of those consequences, establish an appropriate arrangement that would comprise competent international institutions, in order to provide those States with immediate as well as long-term assistance.

14. Poland considers that the total costs of a given sanctions regime borne by a third State should be calculated after the sanctions have been lifted and should take into account, in particular, the assessed losses and damages of that State, the assistance received by it from different sources, as well as the assessed costs of long-lasting negative consequences of the

sanctions (e.g., such consequences for third States in the transport sector might come to light long after the sanctions have been lifted). The total costs of a given sanctions regime should then be shared by all Member States in accordance with the above-mentioned concept that the costs of sanctions should be borne on a fair and equitable basis by the international community as a whole.

15. The **Russian Federation** emphasized that the imposition of economic sanctions inevitably impedes external economic relations, not only with the target country, but also with other countries. The Russian Federation has incurred and continues to incur tangible and real losses, both direct and indirect, as a result of United Nations sanctions regimes currently in place, in particular those against Iraq and Yugoslavia. Thus, in the fields of foreign trade and transportation, the direct damages caused by the sanctions include income foregone and losses incurred in connection with the suspension of trade and, consequently, of both export and import shipments (i.e., loss of supplies and customers). The disruption of established external economic relations is leading to rising transport costs because of rerouting and increased delays at border crossing points; losses are being incurred in the most profitable area of export of transport-related services, namely trans-shipment across Russian territory. With regard to the indirect effects of economic sanctions, among the most visible and tangible signs of their adverse impact on the economies of so-called “third” countries are foregone tax and tariff revenues, job losses among both blue-collar and white-collar employees and, as a result, declining living standards among working people and increased social expenditures.

16. The methodology set forth in the report for estimating the level of damages incurred by third countries as a result of the application of sanctions is acceptable overall to the Russian Federation. However, the report does not describe how States indirectly affected by sanctions will be regulated and “codified”, or what scale might be used to determine the amount of compensation payable to them. In particular, it would be interesting to know to what extent the formula used to calculate compensation will take account of the international status of a third country affected by sanctions, its size and level of economic development, and the nature of its relationship with the regime targeted by the sanctions. These issues are of direct concern to the Russian Federation, whose losses as a result of its participation in the sanctions regimes against the Libyan Arab Jamahiriya, Iraq and Yugoslavia far exceed the damages sustained in this connection by the States neighbouring those countries and by Western States.

17. The report also raises the very important question of involving by the United Nations as “sponsors” in the implementation of the principal compensation projects the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). Of course, these international financial institutions must play the leading role in assessing the economic consequences actually incurred by third States as a result of United Nations-imposed sanctions and in rendering financial assistance to the affected countries. At the same time, it is important that, within the framework of the mechanism for providing international support to the indirect victims of United Nations sanctions, the prerogatives of the United Nations Security Council as set forth in Article 50 of the Charter and the principles of impartiality and equality of rights of States should be respected when matters related to the imposition of preventive or enforcement measures under Chapter VII of the Charter are addressed.

18. In the opinion of the Russian Federation, the determining factor in reaching a final decision regarding the “geography” of the distribution of assistance to the indirect victims of United Nations sanctions regimes should be the decisions of the United Nations Security Council and its sanctions committees, the resolutions and recommendations of the General Assembly and its subsidiary bodies (e.g., the Special Committee on the Charter of the United Nations and on the Strengthening of the Role of the Organization) and of the Economic and Social Council and the views of the United Nations Secretariat. The role of the Special Representative appointed by the Secretary-General, as envisaged in paragraph 54 of the report, merits attention in this regard as the person entrusted with responsibility for the whole spectrum of measures of assistance to third countries affected by the application of sanctions. It would also be useful to consider the possibility of developing under United Nations auspices a mechanism for rendering emergency assistance to third countries, giving priority to the creation of conditions for ensuring the provision of finance to specific, deeply affected economic sectors of individual countries. The development of such a mechanism could involve the United Nations international and regional organizations, programmes and agencies working in the field of development and the international financial institutions.

19. **Slovakia** expressed its appreciation to the ad hoc expert group on assistance to third States affected by the application of sanctions for its work. It considers that the summary of the deliberations and main findings of the ad hoc expert group meeting on developing a methodology for assessing the consequences incurred by third States as a result of preventive or enforcement measures and on exploring innovative and

practical measures of international assistance to the affected third States represents an important contribution to the constructive application of Article 50 of the Charter of the United Nations. In this regard, Slovakia reiterates the spirit of those conclusions and recommendations which could lead to the adoption of practical steps in order to implement the provisions of Article 50 of the Charter of the United Nations related to assistance to third States affected by the application of sanctions. Thus, in the implementation of sanctions regimes, the Security Council should take into account the group's proposals with regard to: (a) the drawing up of a tentative list of potential effects of sanctions on third States (para. 50); (b) the preparation, within a short period of time, of an advance assessment of the potential impact of sanctions on the target country and, in particular, on third States (para. 51); and (c) the appointment of a Special Representative of the Secretary-General with the ultimate responsibility for the whole process of assistance to third States affected by the application of sanctions, including the mandate for submitting to the Security Council proposals on the practical measures leading to the concrete assistance to third States affected by the sanctions regime (paras. 54 and 57).

20. The Government of the Slovak Republic, having in mind the primary responsibility of the Security Council for the maintenance of international peace and security under Article 24, paragraph 1, of the Charter of the United Nations, shares the view that the right of the Security Council to impose sanctions has to be closely followed by the effective implementation by the Security Council of Article 50 of the Charter of the United Nations.

21. **Ukraine** regards the in-depth review undertaken by the ad hoc expert group, convened by the Secretary-General pursuant to General Assembly resolution 52/162, on the question of developing a methodology for assessing the consequences incurred by third States as a result of preventive or enforcement measures and exploring innovative and practical measures of international assistance to the affected third States as a significant step forward towards the practical implementation of the provisions of Articles 49 and 50 of the Charter of the United Nations. The outcome of the expert group meeting is instrumental for minimizing the negative effects of the Security Council sanctions on non-target States, mobilizing wider support by the international community to the affected countries, encouraging full cooperation and mutual assistance in the implementation and enforcement of sanctions regimes and other measures imposed under Chapter VII of the Charter, and thus strengthening the powers and the authority of the Security Council, as well as upholding its overriding responsibilities under the Charter. As pointed out by the ad hoc expert group itself, practical and timely

assistance to third States affected by the application of sanctions would further contribute to an effective and comprehensive approach by the international community to sanctions imposed by the Security Council (para. 36).

22. Ukraine considers that the objectives of the international community in this area could be best served by creating a permanent and reliable legal mechanism for addressing, automatically and without delay, special economic problems referred to in Article 50 of the Charter. Recognizing that economic sanctions against any State are likely to result in economic losses or additional costs for neighbouring countries and other trade and economic partners of the target State, Ukraine strongly upholds the view that all States Members of the United Nations should bear equitable and shared responsibility for meeting the consequences of the implementation of sanctions imposed by the Security Council on behalf of the Organization as a whole. Thus, one of the main objectives of the proposed mechanism should be to elaborate specific and appropriate measures conducive to the removal of actual inadequacies in the process and creation of a system of fair distribution of unavoidable economic and social costs of sanctions. The ad hoc expert group during its deliberations and in its agreed conclusions and recommendations has stressed the concept of burden-sharing and, in fact, laid out the main elements of a possible mechanism for this purpose.

23. The group made it clear that the measures of assistance to third States should include both financial and non-financial actions (para. 35). While concurring with the suggestion that the international financial institutions should play the lead role in providing financial assistance to affected countries, Ukraine considers it critically important that the relevant United Nations intergovernmental and inter-agency bodies pursue the implementation of General Assembly resolutions 50/51, 51/208, 52/162 and 53/107, with a view to strengthening the established arrangements within the United Nations to serve as the focal point in coordinating the full range of activities undertaken in implementation of Article 50 by the institutions both within and outside the United Nations system. It is also essential that the relevant United Nations bodies take the primary responsibility for carrying out non-financial measures of assistance.

24. Ukraine fully endorses the approach adopted by the expert group in that the actions aimed at minimizing collateral damage of sanctions should begin at the initial stages of designing the sanctions regimes (paras. 38-41). Such advance actions, as suggested by the group, would include mainly administrative and non-financial measures, such as prior studies and consultations, early assessments and preliminary analyses of possible adverse effects, which indeed do not

require the allocation of additional resources and are not time-consuming. It is very important that the Security Council, when considering the imposition of sanctions, request the Secretary-General to submit, based on available statistical data, an advance assessment of the potential impact of sanctions (para. 51). Following the imposition of sanctions, the Security Council and its organs would benefit from further assessments and analyses so that, while maintaining the effectiveness of the sanctions regime, appropriate adjustments and partial changes may be introduced, taking into account information received from the Secretariat entrusted with monitoring the effects of sanctions (para. 52), with a view to reducing to a substantial degree both the damage sustained by the affected third States and the need to resort to financial measures of assistance.

25. At all stages, the potentially vulnerable and actually affected third States should be able to exercise their right, stipulated in Article 50 of the Charter, to consult the Security Council with regard to a solution of their special economic problems arising from the carrying out of preventive or enforcement measures. Ukraine welcomes the idea of entrusting the Secretariat with the task of providing technical assistance to the interested States invoking Article 50 of the Charter in preparing explanatory materials to be attached to their requests for consultations with the Security Council (para. 53).

26. Ukraine concurs with the conclusion of the ad hoc expert group that, in dealing with assessment of the effects of sanctions on non-target States, the choice of applicable methods depends upon particular circumstances of the affected State and specific features of the sanctions regime. The five methods of impact assessment reviewed by the expert group provide appropriate flexibility and constitute a sufficient basis for further work in this direction. On-site and field assessments by fact-finding missions (paras. 34 and 56) should form an integral part of this work. Ukraine considers that such missions do not necessarily require specific authorization from the Security Council or its sanctions committees, and can be initiated by the Secretary-General upon request from the interested States invoking Article 50 of the Charter.

27. Ukraine fully supports the idea largely shared by the group that, in order to address specifically and directly the special economic problems of third States, IMF and the World Bank could consider establishing a special mechanism which would allow those institutions to mobilize new and additional financial resources, in order to provide, on exceptional and concessionary terms, an emergency financial assistance which would go above and beyond the traditional interventions on account of macroeconomic imbalances or structural

adjustment programmes (para. 44). It is important that such financial assistance (e.g., special credit lines for the affected third States) be supplemented by non-financial measures of trade promotion, including special trade preferences, adjustment of tariffs, allocation of quotas, special commodity purchase agreements, finding new markets, etc. These ideas are in line with the proposals of Ukraine, as contained in its position paper, on the problems of implementation of the economic sanctions imposed by the Security Council (see A/51/226-S/1996/595). Ukraine also recognizes the important role of the United Nations development programmes, funds and agencies in providing emergency relief to enable third States to better cope with the social and humanitarian effects of sanctions (para. 45).

28. The suggestion by the ad hoc expert group that serious consideration should be given to applying, for the purpose of mitigating the adverse effects of sanctions on non-target States, the funding procedures similar to those adopted for peacekeeping operations (para. 46) deserves every support and practical implementation. It proceeds from the premise, which is shared by Ukraine, that the cost of implementing sanctions should be viewed as the opportunity cost of a possible alternative to an international military action or peacekeeping operation. Indeed, since the costs of such military or peacekeeping operations are internationally shared, the cost of carrying out economic sanctions should also be borne on a more equitable basis (para. 37).

29. The strong recommendation of the ad hoc expert group that, in the most severe cases, the Secretary-General should appoint a Special Representative entrusted with the specific tasks, as outlined in paragraphs 54 to 57, to undertake a full assessment of consequences incurred by third States and to identify appropriate and adequate measures of assistance is particularly commendable and should be generally acceptable as the central unifying point in the conclusions of the ad hoc expert group meeting.

30. In addition to the conclusions and recommendations presented by the ad hoc expert group in its report, Ukraine deems it necessary to add the following three points for consideration:

(a) First, Ukraine continues to uphold the idea of creating a standing Security Council sanctions committee, which would carry out its functions with an appropriate degree of transparency and which could be charged, in particular, with the responsibility of monitoring and assessing the political, economic, social and humanitarian effects of sanctions, coordinating the relevant activities within the Secretariat, as well as by the concerned organizations both within and outside the United Nations system, estimating

potential and actual losses and costs incurred by third States, collating information on international assistance available to such States and elaborating ways and means to ensure the effectiveness of sanctions and to minimize their collateral damage. Thus, the proposed mechanism would integrate important elements of both the improved capacity for enforcement of sanctions and the practical implementation of Charter provisions related to assistance to third States affected by the application of sanctions.

(b) Second, exploring innovative and practical measures of assistance to third States should also include the provision of a special or preferential treatment for the suppliers from affected non-target States in allocating them appropriate quotas for legitimate humanitarian supplies to the target countries, material supplies for the United Nations peacekeeping operations and participation in international efforts for post-conflict rehabilitation, reconstruction and development. For example, this concept of broadening access for suppliers from the affected third States to participate actively in the relevant humanitarian, peacekeeping and reconstruction efforts has been an integral part of General Assembly resolutions on economic assistance to States affected by the implementation of the Security Council resolutions imposing sanctions on the Federal Republic of Yugoslavia.

(c) Third, Ukraine would like to recall its previous proposals, which were made in the course of discussions at the United Nations on sanctions-related issues, with regard to possible ways of partial compensation of losses sustained by the affected third countries. In particular, reference is made to the letter dated 8 June 1995 from the President of Ukraine addressed to the Secretary-General proposing a number of practical measures for alleviating the negative impact on third countries of sanctions imposed by the Security Council under Chapter VII of the Charter (see A/50/259-S/1995/517). It is of the strong view that those proposals remain fully valid to date.

31. Ukraine believes that the report of the ad hoc expert group, along with the views, ideas and proposals submitted by States, the organizations of the United Nations system, international financial institutions and other relevant international organizations constitute a sufficient basis for reaching an agreement on the issue of practical implementation of Article 50 and other provisions of the Charter pertaining to the question of assistance in the implementation of sanctions. The time is ripe for turning from discussions to a new phase of formulating agreed guidelines for action.

## V. Comments provided by the relevant international organizations and institutions inside and outside the United Nations system regarding the report of the ad hoc expert group meeting and related issues of international assistance to third States affected by the application of sanctions

32. With a view to implementing further paragraphs 4 and 6 of General Assembly resolution 53/107, the Secretary-General sought the views of the organizations of the United Nations system, international financial institutions and other relevant international organizations regarding the report of the ad hoc group meeting referred to in paragraph 4 of the resolution, as well as any other relevant information pursuant to paragraph 6 of the same resolution.<sup>3</sup> Substantive features of the comments received are summarized below.

### Specialized agencies

33. The **International Labour Organization (ILO)** has been providing support and assistance to the so-called third countries affected by sanctions imposed on one of their neighbouring countries. It is in line with ILO's mandate to focus more on medium-term or longer-term assistance, but occasionally immediate relief is also provided, as appropriate. All its activities are intended to enable third countries to cope better with the social effects of sanctions. It is recognized that there has been considerable strain and pressure on the labour market of those countries owing to sanctions and economic recession in the neighbouring countries. ILO has therefore been supporting and assisting the third countries through a wide range of different activities, aimed at combating the problems of unemployment or underemployment and of social protection. ILO considers social dialogue (bipartite or tripartite negotiation process between the social partners, i.e. workers' organizations and employers' associations and also the Governments) as a means of action as well as an objective. It has been proved that a stable social situation is a prerequisite for social and economic development. It contributes to the integration of social and civil groups into the decision-making process, which is also one way of involving ethnic minorities in society. This last aspect has often been neglected, and more recently, it has been the root of social unrest and civil war in a number of countries.

Through practical and meaningful integration, unrest can be avoided or at least minimized.

34. The **Food and Agriculture Organization of the United Nations (FAO)** has carefully examined the report of the ad hoc expert group meeting on developing a methodology for assessing the consequences incurred by third States as a result of preventive or enforcement measures and on exploring innovative and practical measures of international assistance to the affected third States. FAO concurs that preventive or enforcement measures can be a source of hardship for third countries. Indeed, an increase in the degree of vulnerability to food insecurity is often one of the indirect consequences of such measures. Therefore, FAO does take such circumstances into account in the design and delivery of its humanitarian assistance, and agrees that a more systematic process of impact assessment, including drawing up of a tentative list of potential effects of sanctions on third States, would facilitate humanitarian operations, should these be required. FAO would be pleased to participate in an inter-agency subgroup dealing with the social and humanitarian effects of sanctions, provided the working methods of the subgroup could be managed mainly through the use of electronic communication methods.

35. The **World Health Organization (WHO)** observed that General Assembly resolution 53/107 is in line with the principles contained in the WHO Constitution stating that the health of all peoples is fundamental to the attainment of peace and security. In 1988 and 1989, the World Health Assembly adopted two resolutions dealing with embargoes on medical supplies and their effects on health (WHA41.31 and WHA42.24). Thus, WHO is fully aware of the consequences of macroeconomic deterioration in third States affected by the application of sanctions and of the possible impact of sanctions on the health sector. WHO is equally concerned to ensure that the health budget at all levels should be maintained as a basic essential priority, not treated as an optional or discretionary budget. Increasing evidence shows that the maintenance of accessible public and personal health services constitutes a fundamental element in the economic and social fabric. WHO would like to stress the need for concerted international cooperation and mutual assistance to third States affected by the application of sanctions in order to ensure that the adverse effects of embargo are minimized. In accordance with its mandate, WHO will continue to play a lead role in assessing the health consequences for populations, both in countries under embargo and in third States affected by the application of sanctions, with special reference to the most vulnerable groups (children, migrants, refugees, etc.).

36. The **International Monetary Fund (IMF)** was apprised of the report of the ad hoc expert group meeting on assistance to third States affected by the application of sanctions and found the recommendations to be comprehensive and practical. Regarding the specific requests of General Assembly resolution 53/107, reference was made to the Fund's earlier submissions for the previous reports of the Secretary-General on the subject, particularly with regard to the sanctions imposed on the Federal Republic of Yugoslavia and Iraq. It is recalled that the Fund has in the past provided policy advice and made financial assistance available to countries experiencing balance-of-payments difficulties. At present, Fund staff continue to ensure that the specific needs and circumstances of affected countries are incorporated in the policy advice and technical assistance provided. The Fund continues to work closely with those countries that face difficulties resulting from their implementation of United Nations sanctions, including information on specific ways in which to improve procedures for consultations with those States.

37. The **United Nations Industrial Development Organization (UNIDO)** has been concerned to ensure that its development assistance programmes make a positive contribution to dealing with the special needs of States affected by the application of sanctions. UNIDO's approach of preparing integrated country programmes is in line with the recommendations summarized in the report of the ad hoc expert group meeting and in particular the group's recommendations for improved coordination of agency programming, resource mobilization and assistance delivery efforts for the benefit of affected third States. In relation to the case of sanctions imposed on Iraq, UNIDO activities in the affected countries of the region aim at enhancing the employment opportunities, mainly through the development or strengthening of the private sector, small and medium-size enterprises (SMEs), capacity-building, as well as investment and technology promotion. In Jordan, UNIDO will assist in the creation of job opportunities through the strengthening of the industrial sector at large and in particular through the formulation, implementation and monitoring of the industrial policy and strategy with focus on SMEs. The Integrated Programme for the Syrian Arab Republic will have a similar thrust. In Lebanon, UNIDO is active in the field of investment promotion while a new integrated programme will focus on capacity-building for entrepreneurship and on SMEs in metalworking at the regional level.

38. In addition, UNIDO's response to the expert group meeting's report calls for strengthened regional cooperation and improved dialogue to reduce the negative effects of sanctions on third States. These are reflected in initiatives

undertaken by UNIDO for the planned subregional forums and the upgrading of certain national UNIDO country offices to regional offices, with a view to developing regional integrated programmes to address the special economic problems of the affected countries. UNIDO's experiences in this context suggest that the most effective approach is to combine development cooperation in the area of investment and technology promotion with assistance in other key areas, including: business development centres, with the emphasis on fostering entrepreneurship and supporting the creation of SMEs in the affected countries; the introduction of cleaner production techniques and technologies as well as those related to waste management, with the emphasis on institutional capacity-building; and on strengthening the national capacity in industrial policy-making.

### United Nations programmes and funds

39. The **United Nations Conference on Trade and Development** (UNCTAD) finds the report of the ad hoc expert group meeting on developing a methodology for measuring the impact of sanctions on third parties and on exploring measures of international assistance to the affected third States to be fairly complete in that it covers the many aspects and difficulties of dealing with these issues, is based on relevant information and analyses, and relies on expertise from a geographically diversified group of experts.

40. Regarding the methodology for assessing the consequences incurred by third States as a result of sanctions, UNCTAD observes that the five methods proposed by the group for the impact assessment are fairly solid and are commonly used in various types of economic analyses. Each of them has strong and weak points, hence a combination of several methods should be applied rather than a single one. The "perception surveys" method (paras. 31-34) seems to be the weakest one, given that it depends on inputs based on personal perceptions. It is recognized that a key challenge in the impact analysis would be to separate the effect of sanctions from other factors causing economic change. Another problem is that several methods discussed in the report do not capture offsetting effects that may result from the sanctions. One aspect which is not discussed in the report but which should not be neglected is the likely development of the black-market or underground economy as a result of sanctions. In that event, this will inevitably have economic effects on neighbouring countries and some of the proposed methods should be enhanced to capture these effects.

41. On the measures of international assistance to third States affected by the application of sanctions, UNCTAD

feels that further and more specific reference should have been made throughout the report to the special problems and needs of affected developing countries. Taking preventive action (paras. 38 and 39) is key, especially the suggested prior consultations with non-target countries most likely to be affected by possible sanctions. This would allow such countries to redirect their trade flows early on and take other necessary measures to minimize the impact of sanctions. It could also reduce the assistance needed once sanctions have become effective. On the actual assistance, the report notes that "financial assistance may need to be supplemented by non-financial measures of trade promotion, including granting of special trade preferences, adjustment of tariffs, allocation of quotas ..." (para. 44). The World Trade Organization (WTO) and UNCTAD are equipped to provide the necessary technical assistance, but more resources would be required for this purpose. The question arises as to how these measures could be implemented on an ad hoc basis, given the WTO framework and the existing contractual agreements. Some further clarification may be needed in that regard.

42. The **United Nations Environment Programme** (UNEP) perceives that the consequences incurred by third States in the application of sanctions are both complex and diverse from the environmental perspective. Over the last few years, UNEP has gained valuable experience in assessing the impacts of sanctions on third States, particularly in the field of environment. However, the isolated cases of UNEP's involvement in relevant matters have not yet led to the development of a consistent methodology of impact assessment; instead UNEP has adopted a flexible approach based on the specific conditions of each case.

43. In the case of the Gulf conflict, the sanctions imposed on Iraq under Chapter VII of the Charter of the United Nations were preceded and followed by armed interventions. As a result, third States in the region were affected by economic sanctions as well as by military operations. In that regard, UNEP played a lead role in assessing the environmental impact of the Gulf war in the four countries neighbouring Iraq, namely, Bahrain, Jordan, Kuwait and Saudi Arabia. Reports were prepared on the environmental impact pertaining to soil, air and the marine environment; effects on human health and ecosystems were also documented by an inter-agency task force on the matter.

44. Most recently, UNEP has been assuming an active role in the Balkan region, which was affected by the sanctions imposed under Chapter VII of the Charter on the Federal Republic of Yugoslavia and by the military operation in Kosovo led by the North Atlantic Treaty Organization (NATO). A special team was sent by UNEP to the Balkans to assess the environmental impact of the conflict, not only

on Kosovo, but also on the neighbouring countries of the region, such as Albania, Bulgaria, the former Yugoslav Republic of Macedonia and Romania. The Balkan Task Force has submitted an interim report to the Secretary-General.

45. The **Office of the United Nations High Commissioner for Refugees** (UNHCR) commended the work of the ad hoc expert group and took note with interest of its valuable proposals concerning a possible methodology for assessing the consequences incurred by third States as a result of the application of sanctions. In this context, UNHCR was particularly encouraged by the attention drawn to possible social costs sustained by such States, including those resulting from an influx of refugees (para. 19). On that subject, UNHCR would add that even where sanctions do not cause new outflows of refugees, they may weaken the capacity of countries of asylum to uphold high standards of protection, while complicating the prospects for durable solutions. As regards methods of impact assessment (paras. 21-33), UNHCR recalled that within the Inter-Agency Standing Committee mechanisms, studies had been conducted on methodologies and indicators to assess the humanitarian effects of sanctions on vulnerable groups, including refugees and internally displaced persons. Similarly, and in line with observations of the expert group (para. 34), humanitarian agencies have resorted to assessment missions and found such missions to be an essential means of gaining accurate data, provided of course that access to vulnerable populations has been ensured.

46. UNHCR is also in agreement with the expert group's proposals concerning innovative and practical measures of international assistance to the affected third States and fully endorses the concept of burden-sharing (para. 36). The latter is an issue of ongoing concern to the Executive Committee of the High Commissioner's Programme and was the subject of its annual theme in 1998. UNHCR also supports the various proposals on minimizing collateral damage of sanctions (paras. 39 and 41-42), subject to the limitations of its mandate. As regards the group's discussion of the role of the United Nations development programmes and agencies in providing emergency relief and assistance for alleviating the social and humanitarian effects of sanctions (para. 45), UNHCR recalled the fact that mechanisms for situations that can be characterized as complex emergencies already exist through the Inter-Agency Standing Committee and expressed the view that any future ad hoc arrangements for special assistance purposes could draw on the existing ones.

47. UNHCR has also taken careful note of the conclusions and recommendations of the expert group, notably the proposed appointment of a Special Representative of the Secretary-General in the most severe cases, the establishment

of suitable inter-agency arrangement comprising subgroups of which one would deal with the social and humanitarian effects of sanctions with particular reference to the most vulnerable social groups (including refugees), and the preparation of impact assessments and action-oriented proposals. In this connection, UNHCR has confirmed its willingness to participate in any institutional mechanisms decided upon by the Secretary-General, insofar as the envisaged activities are within UNHCR's mandate.

48. The **United Nations Population Fund** (UNFPA) expressed the view that the report of the ad hoc expert group meeting is a very well-argued treatise on the consequences of preventive or enforcement measures for countries directly as well as indirectly affected as a result of such measures. The presence of both direct and indirect effects makes the task of arriving at a general assessment mechanism very difficult. According to its mandate, UNFPA deals with health-related issues and therefore is primarily concerned with indirect (i.e., social and humanitarian) effects of sanctions on programming countries. Thus, specific examples of factors affecting UNFPA programming could include: reduction in the health budgets of the affected countries in the face of dwindling assistance; difficulties of access to health facilities owing to restrictions on movements or infrastructure; disruption of the education process, especially concerning health and population matters; mass movements of populations and problems associated with making reproductive health facilities available on an emergency basis, where required. Since most of the above factors relate to the area of emergency relief and humanitarian assistance, UNFPA does not see the viability of any quantitative analysis of such factors; instead, it deems it important to continue treating such situations as emergencies and to seek viable solutions with a view to integrating them into a development continuum. As regards the five quantitative methods indicated in the report, UNFPA views the analytic hierarchy process for perception surveys as most promising and of great potential for use in system-wide analysis and prognostication. In general, however, from its own perspective, UNFPA does not favour a quantitative approach to the matter.

49. Regarding innovative and practical measures of assistance to third States affected by the application of sanctions, UNFPA agrees with the expert group's general considerations about the importance of seeking solutions from the development angle and the concept of burden-sharing, especially given the opportunity cost of peacekeeping operations and other alternative measures. With a view to minimizing collateral damage of sanctions, UNFPA welcomes the practice of limited exemptions from the sanctions regime, agrees with the proposal for greater studies of the potential

effects of sanctions on populations prior to the imposition of such measures and supports the concept of targeted sanctions as a better option, for its focus on targeting the offenders without hurting the innocent civilian populations. While recognizing the important role of the Bretton Woods institutions as a venue for limited relief measures, UNFPA considers that the emergency relief and assistance provided by the United Nations development organizations, including UNFPA, could be most significant. In addition, it is essential that regional cooperation be made the basis of any framework for alleviating the adverse effects of sanctions.

50. On conclusions and recommendations of the ad hoc expert group meeting, UNFPA agrees that the issues of developing a methodology for impact assessment and of exploring innovative and practical measures of assistance are equally important and, to an extent, interdependent. However, it feels that a general framework for impact assessment may be difficult to achieve in the absence of a more interactive group within the United Nations, which should include development programmes and funds present in the field. The proposal on appointing a Special Representative of the Secretary-General who would have the ultimate responsibility for the whole process of impact assessment has to be thought out in greater detail, especially in the presence of several smaller actors within the United Nations system who play an important role in the field, but are seldom consulted during the decision-making process on sanctions-related matters in the political realm.

### United Nations regional commissions

51. The **Economic Commission for Europe (ECE)** provided detailed comments on the report of the ad hoc expert group meeting, including some suggestions for improvements in assessing and addressing the special economic problems of third States affected by the application of sanctions. ECE observed that the first substantive part of the report (A/53/312, sect. IV.A) contains a comprehensive and complete summary of the main theoretical findings regarding the methodology of assessing the economic impact of sanctions on third States as well as the applied aspects of this problem. In the view of ECE, the report correctly emphasizes the considerable theoretical ambiguity related to the quantitative evaluation of this impact and the enormous difficulties encountered in its practical application. At the current level of knowledge, the problem is still very much open-ended; the available methodological approaches do not provide straightforward and unequivocal assessments; and in the absence of sound and indisputable estimates, the level

of subjective judgement is often above an acceptable threshold. All this adds to the general problems and difficulties of implementing the provisions of Article 50 of the Charter of the United Nations which implicitly stipulates that affected third States may be entitled to assistance from the international community. Notwithstanding these problems, ECE considers that the report has taken a correct and pragmatic approach, showing that the above difficulties are not insurmountable; it contains valuable observations, conclusions and recommendations regarding the practical steps that need to be taken when assessing the economic effects of sanctions on third States. As such, the report is regarded by ECE as a valuable working guideline for decision-making bodies that are or may be involved in issues related to the quantitative evaluation of such consequences.

52. ECE agrees with the expert group's understanding of the economic impact of sanctions on third States as an external shock to their economies. However, problems may arise when analysts attempt to identify and quantify precisely the impact of this sanctions-specific shock and, in particular, to differentiate it from other shocks that may occur at the same time. In this regard, the impact assessment methodology presented in the report should also take into account possible implications for the affected country of its current position within the phases of the business cycle, for example, if the economy is in a contraction phase and, other factors being equal, applying the "shock impact methodology" may yield a downward bias in the evaluation of negative effects (consequently, the latter may be overestimated); conversely, if the economy is in the expansion phase, and other things equal, the impact of the shock may be underestimated (owing to the possible upward bias). Hence, in practical applications of "shock impact methodology", it may be necessary to introduce an adjustment to the "reference point", in order to reflect the actual cyclical position of the affected country at the moment of assessment.

53. In the opinion of ECE, the section on sources of hardship (paras. 13-20) provides a useful synopsis and categorization of the potential economic effects of sanctions on third States. Measurement problems abound, particularly when the relevant distinction between gross and net losses is made. The problem becomes even more complex if a differentiation is sought between temporary losses and once-and-for-all (permanent) losses. The report is correct to emphasize the need for a benchmark (baseline scenario), i.e. a projection of the most plausible development which would have ensued in the absence of sanctions. In this regard, "direct effects" could be defined as the income (and output) foregone of economic agents in third countries which have legally binding economic relations with counterparts in the target

country at the time when sanctions are being imposed. "Indirect effects" could then be defined as the first-round effects on derived income (and output) of other domestic economic agents in a given third country. "Secondary effects" would then include the spillover effects of these adverse changes from one third country to another via international trade linkages.

54. ECE is not encouraged by the brief description of four main methods to quantify the economic effects of sanctions on third States (paras. 22-30), in view of the elaborate data requirements and, in more general terms, the large standard errors which can surround model-based estimates of economic shocks. Given the envisaged emphasis of assessing the impacts of sanctions on developing countries (and economies in transition), the available statistics will allow, in general, for only a rather crude estimation of losses and costs incurred by those countries. In practical terms, rules of thumb and common sense are more likely to often replace these rather sophisticated approaches.

55. ECE took note of the second substantive part of the report (sect. IV.B), which outlines a number of possible practical measures, some of them indeed innovative, of international assistance that could be provided to third States affected by the application of sanctions. ECE sees it as a critical issue for the effectual implementation of sanctions imposed by the Security Council on a target State, since most seriously affected third States are usually the neighbouring countries whose compliance with the measures envisaged by the sanctions regime is of crucial importance for their effectiveness. The lack of efficient mechanisms of burden-sharing and equitable distribution of costs may undermine the resolution of the affected third States to fully cooperate in the enforcement of all the necessary measures. However, past experience reveals a number of cases when some severely affected third countries have repeatedly voiced their discontent at the lack of adequate response by the international community to the hardships endured by them as a result of sanctions imposed by the Security Council. The sanctions-related problems are particularly acute for developing countries or economies in transition that are already in a difficult economic situation. Hence, there is an urgent need for expanding and improving the efficiency of the existing mechanisms and facilities at the disposal of the international community to respond adequately and swiftly in providing assistance to such third States.

56. ECE agrees with the findings of the expert group that stress the basic concept of burden-sharing and equitable distribution of costs, as stipulated in Articles 49 and 50 of the Charter of the United Nations. The measures proposed by the expert group include those that do not have direct financial

implications for the international community (such as limited exemptions, or preferential access to certain markets) and those that do have such implications (e.g., additional financial assistance from the international financial institutions, including access to finance on preferential terms). In the opinion of ECE, some of the proposals from the second category raise a number of concerns as to their feasibility and long-term efficiency. Although ECE has no doubt that such measures, if adopted, would alleviate to some extent the short-term hardships endured by the affected third States, it believes that some of these measures may not always be sufficient to counterbalance the negative economic effects of sanctions on those countries, since most seriously affected States often incur direct and durable losses. Hence, simply raising the debt burden of these countries (as implied by most of the proposed measures of financial assistance) would not offset the actual losses and may even aggravate the economic situation of the affected country in the long run. Other concerns relate to the operational principles and rules of the international financial institutions and the consequences for the general cost of finance.

57. As an alternative, ECE suggested that a special contingency standby fund be created, so that it could be activated in the case of imposition of sanctions by the Security Council. Such a fund could provide "emergency financial support to those affected third States on exceptional and concessionary terms" (para. 44), without the negative side effects mentioned above. It would also be preferable to provide assistance in the form of grants rather than increase the foreign debt of the affected countries. As the flows related to eventual financial support to third States are not large by international standards, the fund would not have to be very large. The resources of the fund would have to be raised from special contributions by the donor community and would need to be replenished from time to time. The fund could be jointly managed by the international financial institutions and the United Nations in order to ensure consistency and transparency in its operations.

58. ECE emphasized that the key factor of success in implementing any kind of assistance to third States affected by the application of sanctions is a strong political will to provide such assistance by the international community. The spirit of the report also suggests that, given the political will to tackle the problems at hand, efficient and practical solutions that would be acceptable to all the parties concerned can be found and implemented in practice. In order to create and maintain such political will, it is important to give broad publicity to this issue by widely disseminating relevant information on the subject, including the report of the ad hoc expert group meeting and the pertinent resolutions of the

General Assembly, and above all by publicizing the costs borne by a few countries in supporting the decisions of the Security Council adopted in the name of the international community as a whole. In addition, a comprehensive study on the application of Article 50 of the Charter, including a comparative analysis of past experiences in the impact assessments actually carried out and the international assistance actually provided to the affected States, could be a useful handbook for policy makers.

59. The **Economic and Social Commission for Western Asia** (ESCWA) outlined a number of salient points related to the report of the ad hoc expert group meeting. On the issue of methodology for impact assessment, ESCWA emphasized the need for a strong presence of the United Nations regional commissions in the arrangements which may be put in place by the Secretary-General to assess the damage incurred by third States in their respective regions as a result of the imposition of sanctions. ESCWA agrees that the proposed assessment missions should be provided with a specific checklist of items that they should review and follow in carrying out the assessments. Moreover, the affected countries should be informed of the list in advance, to facilitate their cooperation. According to agreed-upon criteria, a list of the affected third States should be drawn up and should include only those countries that are seriously affected by the sanctions. The use of quantitative methods should be limited in scope and applied only when accurate data and information are available. ESCWA endorses the recommendation to designate a representative of the Secretary-General whose functions may include the determination of the appropriate methodology to be used for impact assessment.

60. On the issue of practical measures of international assistance to third States affected by the application of sanctions, ESCWA stressed the need for proper consultations with affected States and proposed to involve the regional commissions in such consultations. In this regard, it strongly endorsed the recommendation for promoting regional cooperation in providing assistance to the affected third States. Such assistance should include measures related to indirect effects of sanctions and should address such areas of concern as employment, displaced populations, returnees, etc. ESCWA also endorsed the recommendation concerning the need for holding special meetings between the affected third States and the donor community, with a view to improving the relevant assistance programmes; in its opinion, the regional commissions are well placed to provide the venue for, and assist in organizing, such meetings. It is also proposed to hold special pledging conferences to mobilize additional resources to help the affected third States to better cope with the effects of sanctions. With a view to minimizing the collateral damage

of sanctions on the population of the target country and on third States, ESCWA supports the recommendations concerning the concept of targeted sanctions. It also shares the view that the task of monitoring the effects of sanctions is particularly important and should be accorded due attention to provide a clear picture of the impact of sanctions and to identify those third countries that have been most seriously affected. Moreover, consideration should be given to the potential impact on the target country and on third States prior to the imposition of sanctions and exemptions from the sanctions regime should be granted, when required, to minimize the hardship of third States.

61. In the ESCWA region, the economic sanctions imposed on Iraq since August 1990 have had a devastating impact on Iraq's economy and its people, and have adversely affected a number of other countries, most notably Jordan, Egypt, Yemen and Lebanon. The third-party effects have been most noticeable in terms of lost export markets (e.g., Iraq accounted for more than 35 per cent of Jordan's total exports prior to the imposition of the sanctions), employment opportunities (e.g., more than 1 million Egyptian workers had been employed in Iraq before the sanctions came into force), as well as in several other economic and social sectors. More specific references to the adverse effects of the sanctions on the economies of its member States have been consistently made in the ESCWA Annual Survey of Economic and Social Developments in the Region.

### **Regional development banks**

62. The **Inter-American Development Bank** (IADB) stated that the report of the ad hoc expert group meeting provides a useful framework for analysing the ancillary impact of sanctions on third countries. As acknowledged in the document, however, it is extremely difficult to provide a "general methodology for impact assessment" because of the complex interactions and factors that must be addressed. Among the factors that require special attention is the impact on trade in both goods and services. In the opinion of the Bank, it might be useful to expand the items cited in this area to include transborder infrastructure assets in power and gas among others, which also create important trade linkages. Increasing globalization of commerce has expanded, and will continue to expand, these dependencies among countries, and thereby the vulnerability of one country to the sanctions imposed on another. Obviously, the analysis of the impact of sanctions must be tailored to the particular country and region on a case-by-case basis. Nonetheless, the methodology

presented in the report appears to be a complete and useful basis for such an analysis.

63. In regard to paragraph 6 of General Assembly resolution 53/107 inviting international organizations and financial institutions to expand collaboration with the affected third States to address their special economic problems arising from the application of sanctions, the Inter-American Development Bank is open to specific requests for assistance. The Bank's current lending programme responds to the impact of various "exogenous" shocks which have beset the region over the past year. In this vein, the Bank is ready to consider specific requests from its borrowing member countries.

### Other relevant international and regional organizations

64. The **European Commission** responded to paragraphs 4 and 6 of General Assembly resolution 53/107. As regards the former, the Commission stated that when the Security Council decides to impose sanctions on a State (or parties within that State), there arises an obligation for all States Members of the United Nations to comply with those decisions. A situation is created whereby a State becomes the target of the sanctions, while all other States become what are often described as "senders". Although it can be stated that the sanctions regime is an issue between the Security Council and the target State(s), the concept of "third States" or "the effects on third States" is misleading, because there is, *strictu sensu*, not a category of States outside the target and the sender States. Therefore, it would be preferable to speak of third parties in the comments on the report of the ad hoc expert group meeting.

65. For obvious reasons, the effects on developing countries deserve special attention. In addition, experience has shown that the category of so-called "front-line" States also deserves special attention. Since economic sanctions almost always include the reduction of trade with the target country, and since trade is often most intensive with neighbouring States, the category of front-line States will normally coincide with the group of neighbouring States. But the issue of the economic effects of universally or worldwide applicable sanctions on third parties is an issue which concerns all sender States. Therefore, the report of the expert group meeting is of interest to all States Members of the United Nations. It quite rightly states that the actual impact of sanctions on individual States and their policy options to cope with the ensuing economic effects may differ substantially from case to case.

66. One may therefore doubt whether a general methodology for assessing the effects of sanctions can be developed, and even, in view of the small number of sanctions adopted by the Security Council, whether it would really be necessary. It may be sufficient to follow the pragmatic recommendations contained in the report in respect of the design phase of the sanctions and the subsequent investigations into their various socio-economic effects.

67. If, on the other hand, there is a reason to believe that the instrument of economic and financial sanctions will be used regularly or more frequently in the future, it may be worthwhile to provide a follow-up to the interesting suggestions in the report on how to measure the economic and social effects of sanctions on sender States. Such a follow-up could possibly lead to a better understanding of the concept of burden-sharing involved for third parties, and therefore to the adoption of more effective sanctions regimes.

68. As regards paragraph 6 of General Assembly resolution 53/107, the European Community shares the concern about the special economic problems of third States affected by sanctions imposed under Chapter VII of the Charter of the United Nations. Such effects as part of the overall economic situation of a country are taken into account in the context of the European Union's regular dialogue, cooperation and assistance with regard to the countries concerned. This applies, for example, to the African-Caribbean Pacific (APC) Group of States within the Lomé Convention framework, to countries under the European Union's enhanced pre-accession strategy and eligible for PHARE assistance, and to those that will benefit from the European Union's Stabilization and Association process for countries of south-eastern Europe. In addition, the economic effects of sanctions are also taken into account in the case of emergency assistance provided through ECHO.

69. The **Organisation for Economic Cooperation and Development** (OECD) stated that, although the impact of sanctions has many implications which are only partly related to aid and development cooperation, some aspects of the ongoing activities of the Development Assistance Committee (DAC) are relevant to General Assembly resolution 53/107. In particular, reference is made to some components of the work programme of the DAC Informal Task Force on Conflict, Peace, and Development Cooperation. At a general level, OECD recalls the relevant elements of its main policy framework in the above area, Guidelines on Conflict, Peace, and Development Cooperation,<sup>4</sup> which was approved by DAC in May 1997. In the section entitled "Bridging the gap between early warning and early action" (para. 32), the document refers to sanctions as one of the possible instruments for multilateral and bilateral preventive

assistance, the others being policy dialogue, démarches supporting peace processes and actions to deal with impeding conflict. The need for a coherent use of such instruments within a clear and sound conflict prevention strategy is stressed in the document, recognizing at the same time the role that effective coordination mechanisms can play in this respect. The last chapter of the Guidelines, devoted to regional approaches to conflict prevention and peace-building, focuses more on the impact of destabilizing factors at the regional level. By paying attention to the needs for a concerted action of the international community to address the regional dimensions of the root causes of conflict, the chapter calls for a coordinated regional approach that should be based on a set of agreed principles. The principles should affirm the commitment of member States to existing norms and standards defined by the United Nations and international law and draw upon existing regional instruments.

70. More specifically, OECD reports that the DAC Informal Task Force has recently launched a study on the role of aid as an incentive and/or disincentive for peace in situations of violent conflict or in conflict-prone areas. It could provide some elements to complement the analysis of the ad hoc expert group on a possible methodology for assessing the consequences actually incurred by third States as a result of preventive or enforcement measures and on exploring innovative and practical measures of assistance to the affected third States. The project is based on four case studies — Afghanistan, Bosnia and Herzegovina, Rwanda and Sri Lanka — and aims at identifying best practices in order to provide lessons for the international community on peace-building and conflict prevention. As the study has not yet been completed, it is too early to draw any general conclusions at this stage. Furthermore, it does not address specifically humanitarian or development aid with respect to the impact of sanctions, whose role depends to a large extent on the nature of sanctions, as well as on the economic relations between the affected third States and the sanctioned country. However, some preliminary results seem to show that aid alone can play only a limited role with respect to the three categories of possible effects of sanctions on third States, i.e. economic, trade and financial effects; social and humanitarian effects; and secondary effects as indicated in the report of the ad hoc expert group meeting. The role of aid should be considered within the framework of the direct and indirect effects of the whole range of instruments used by the international community to build peace, to prevent conflict and to act in conflict situations. When aid can play a role, however, improved donor coordination and increased policy coherence are basic prerequisites for a more effective action based on the principle of local ownership of the peace-building

process. The study takes into account both the regional dimensions of conflict dynamics and the regional impact of violent conflict, calling for greater coordination of international action at the regional level, as well as at the national and local levels, including through mechanisms of joint evaluations and assessments.

## **VI. Recent developments related to the role of the General Assembly, the Economic and Social Council and the Committee for Programme and Coordination in the area of assistance to third States affected by the application of sanctions**

### **Economic and Social Council**

71. By a note dated 12 May 1999 on assistance to third States affected by the application of sanctions (E/1999/51), the Secretary-General drew the attention of the members of the Economic and Social Council to paragraph 5 of General Assembly resolution 53/107, in which the Assembly, *inter alia*, decided to transmit the report of the ad hoc expert group meeting convened in June 1998 pursuant to its resolution 52/162, to the Council at its substantive session of 1999. Accordingly, the Economic and Social Council, at its substantive session held at Geneva from 5 to 30 July 1999, had before it the report of the Secretary-General on implementation of the provisions of the Charter related to assistance to third States affected by the application of sanctions (A/53/312), which included a summary of the deliberations and main findings of the ad hoc expert group meeting in question.

72. In its resolution 1999/59 of 30 July 1999, entitled “Assistance to third States affected by the application of sanctions”, the Economic and Social Council took note of the summary of the deliberations and main findings of the ad hoc expert group meeting on developing a methodology for assessing the consequences incurred by third States as a result of preventive or enforcement measures and on exploring innovative and practical measures of international assistance to the affected third States as contained in section IV of the report of the Secretary-General on implementation of provisions of the Charter related to assistance to third States affected by the application of sanctions (*ibid.*). In the same resolution, the Council reaffirmed the important role of the General Assembly, the Economic and Social Council and the

Committee for Programme and Coordination in mobilizing and monitoring, as appropriate, the economic assistance efforts by the international community and the United Nations system to States confronted with special economic problems arising from the carrying out of preventive or enforcement measures imposed by the Security Council and, as appropriate, in identifying solutions to the special economic problems of those States, and decided to continue consideration of the question taking into account the relevant decisions of the General Assembly.

### **Committee for Programme and Coordination**

73. The Committee for Programme and Coordination, at its thirty-ninth session, held in New York from 7 June to 2 July 1999, considered the annual overview report of the Administrative Committee on Coordination for 1998 (E/1999/48), which included a chapter entitled “Assistance to countries invoking Article 50 of the Charter of the United Nations”. In its conclusions and recommendations, the Committee took note of the overview report’s treatment of Article 50 of the Charter concerning the impact of sanctions on third-party States and conveyed a strong message that it is time to move from words to action and to provide the necessary assistance to the affected countries. At the same time, the Committee noted that it needs to be kept informed on any activities and progress in the field.<sup>5</sup>

#### *Notes*

<sup>1</sup> The original reply was submitted in Russian.

<sup>2</sup> The original reply was submitted in Russian.

<sup>3</sup> On behalf of the Secretary-General, the Under-Secretary-General for Economic and Social Affairs addressed a series of letters to the executive heads of 27 relevant international organizations and institutions, both inside and outside the United Nations system, drawing their attention to General Assembly resolution 53/107 and inviting their views and other relevant information on the issues referred to in paragraphs 4 and 6 of the resolution. As at 20 September 1999, a total of 19 replies had been received.

<sup>4</sup> See “Conflict, Peace and Development Cooperation on the Threshold of the 21st Century”. Development Cooperation Guidelines Series. OECD, Paris, 1998.

<sup>5</sup> See *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 16 (A/54/16)*, para. 565.