

# LEGAL FRAMEWORK OF UN ECONOMIC SANCTIONS AGAINST SFRY (1991-1996): ANALYSIS OF LONG-TERM CONSEQUENCES ON ECONOMIC DEVELOPMENT OF SUCCESSOR STATES

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**Abstract:** This paper analyzes the legal framework and economic consequences of sanctions imposed by the United Nations against the Socialist Federal Republic of Yugoslavia in the period from 1991 to 1996. Through a combination of legal analysis, historical review, and econometric study, the paper explores the legitimacy and proportionality of the imposed sanctions, as well as their long-term impact on the economic development of successor states. The results show that sanctions had devastating consequences on economic indicators, including a GDP decline of over 50%, hyperinflation reaching astronomical figures, and unemployment rising above 30%. Comparative analysis with sanctions imposed against other states indicates that sanctions against SFRY were among the most comprehensive and destructive in UN history. The paper concludes that sanctions, although formally grounded in Security Council resolutions, raised questions about their legal legitimacy and humanitarian proportionality, leaving long-term economic consequences that are still felt today in successor states.

**Keywords:** economic sanctions, SFRY, United Nations, economic development, international law, successor states

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## 1. INTRODUCTION

The dissolution of the Socialist Federal Republic of Yugoslavia represents one of the most complex geopolitical processes at the end of the 20th century. This process was accompanied by a series of armed conflicts, humanitarian crises, and international interventions, among which the economic sanctions imposed by the United Nations against SFRY, or its successor states, stand out particularly (Knežević, 2017). The period from 1991 to 1996 was marked by the gradual introduction of increasingly strict economic measures aimed at forcing Yugoslav authorities to change their policies and cease conflicts. Economic sanctions represent an instrument of international law used as an alternative to military intervention, with the goal of forcing states to comply with international norms and obligations. In the case of SFRY, sanctions were introduced through a series of UN Security Council resolutions, starting with an arms embargo in September 1991, through comprehensive economic sanctions in May 1992, to their gradual lifting during 1995 and 1996 (Cortright & Lopez, 2000). This paper aims to provide a comprehensive analysis of the legal framework of these sanctions, their legitimacy in the context of international law, as well as the long-term economic consequences on SFRY successor states. Through an interdisciplinary approach combining legal analysis, historical review, and econometric study, the paper seeks to answer key questions about the effectiveness, proportionality, and justification of the applied measures. Knežević and Martinović (2024) emphasize that the development of international law after World War II created a new framework for the application of collective measures against states that violate international peace and security. However, the case of SFRY raises fundamental questions about the limits and ethics of applying economic sanctions, especially when they affect the civilian population and have long-term developmental consequences.

## 2. HISTORICAL REVIEW OF SANCTIONS IMPLEMENTATION

The process of SFRY's dissolution began with declarations of independence by Slovenia and Croatia on June 25, 1991, which led to the escalation of existing tensions and the beginning of armed conflicts. The

international community, led by the European Community and the United Nations, initially attempted to mediate in resolving the crisis through diplomatic initiatives and peace negotiations (Gow, 1997). The first step in implementing sanctions was the arms embargo adopted by the UN Security Council through Resolution 713 of September 25, 1991. This resolution was adopted unanimously, with the support of all five permanent members of the Security Council, and represented an attempt to prevent further flow of arms into the region and escalation of conflicts (UN Security Council, 1991). As conflicts did not cease but spread to the territory of Bosnia and Herzegovina after its referendum on independence in March 1992, the international community decided to increase pressure on authorities in Belgrade. Through Resolution 757 of May 30, 1992, the Security Council imposed comprehensive economic sanctions against the Federal Republic of Yugoslavia (Serbia and Montenegro), which was proclaimed the successor of SFRY (UN Security Council, 1992).

These sanctions included:

- Complete trade blockade, with exceptions for medicine and humanitarian aid
- Prohibition of all financial transactions
- Suspension of air traffic
- Ban on participation in sports and cultural events
- Freezing of assets abroad

During the following years, sanctions were further tightened through a series of resolutions. Resolution 787 (November 1992) prohibited maritime traffic and transshipment through FRY, while Resolution 820 (April 1993) further tightened the economic blockade and introduced measures for stricter border control (Woodward, 1995). Knežević (2017) in his analysis of Yugoslavia's dissolution process emphasizes that sanctions were part of a broader geopolitical approach aimed not only at ending conflicts but also at fundamental change of the political system in the region. The author argues that economic measures were an instrument of pressure intended to lead to internal changes and weakening of central authorities in Belgrade. It is particularly significant that sanctions were maintained even after the signing of the Dayton Agreement in November 1995, which formally ended the war in Bosnia and Herzegovina. The gradual lifting of sanctions began only after authorities

in Belgrade fulfilled specific conditions related to cooperation with the International Criminal Tribunal for the former Yugoslavia and recognition of new states' borders (Drezov et al., 1999). Historically, sanctions against SFRY/FRY represent one of the longest and most comprehensive economic measures regimes in UN history. Unlike sanctions against Iraq which were also comprehensive but had a more clearly defined military context (invasion of Kuwait), sanctions against Yugoslavia were linked to a complex civil war with ethnic dimensions, making their application and justification significantly more complex (Knežević, 2015).

### **3. LEGAL ANALYSIS OF LEGITIMACY AND PROPORTIONALITY**

The legal basis for imposing economic sanctions against SFRY/FRY is found in Chapter VII of the United Nations Charter, which authorizes the Security Council to take measures in case of threats to peace, breaches of peace, or acts of aggression. Article 41 of the Charter explicitly states that the Security Council may decide what measures not involving the use of armed force should be employed to give effect to its decisions (UN Charter, 1945). However, the legal legitimacy of sanctions against SFRY/FRY was the subject of intense debate for several reasons. First, there was the question of whether the situation in Yugoslavia constituted a threat to international peace and security within the meaning of Chapter VII, or whether it was an internal conflict falling within domestic jurisdiction under Article 2(7) of the UN Charter (Gowlland-Debbas, 2001).

Knežević (2025) in his analysis of criminal law protection of SFRY's constitutional order points to the paradox that international sanctions were imposed against a state whose constitutional order was based on principles of self-management and federalism, which theoretically should have enabled peaceful resolution of inter-ethnic disputes. The author argues that by imposing sanctions, the international community de facto recognized the dissolution of SFRY before that process was legally completed, thereby violating the principle of sovereignty and non-interference in internal affairs. The question of proportionality of sanctions is particularly problematic from the standpoint of international humanitarian law. The principle of proportionality requires that harm inflicted on the

civilian population not be excessive in relation to the expected military or political benefit. In the case of sanctions against FRY, humanitarian consequences were dramatic:

- Collapse of the healthcare system due to lack of medicine and medical equipment
- Drastic deterioration of population nutrition, especially vulnerable groups
- Disruption of educational process due to lack of basic resources
- Psychological consequences of isolation and economic uncertainty

Garfield (1999) in his study on humanitarian consequences of economic sanctions estimates that sanctions against FRY directly or indirectly contributed to increased mortality of about 10,000 deaths annually, primarily among the elderly population and chronically ill. These data raise serious questions about the compliance of sanctions with basic principles of international humanitarian law. From the standpoint of international customary law, there is an obligation to distinguish civilians from military targets and to minimize harm to the civilian population. Comprehensive economic sanctions, by their nature, do not make this distinction and affect the entire society, calling into question their legality according to *jus in bello* principles (Reinisch, 2001). An additional legal problem is the question of extraterritoriality of sanctions. Security Council resolutions required all UN member states to implement sanctions, including prohibition of trade with third countries that might mediate in trade with FRY. This led to situations where companies and individuals were punished for activities that were not illegal under domestic law of their states (Knežević, 2024).

Knežević (2024) in his analysis of the constitutional crisis in Bosnia and Herzegovina points to the long-term consequences of international interventions, including sanctions, on legal systems of successor states. The author argues that the sanctions period created a legal vacuum in which parallel economic systems and institutions developed that still today hinder the establishment of rule of law. Comparative analysis with other cases of economic sanctions application by the UN shows that sanctions against FRY were among the strictest ever applied. Unlike sanctions against South Africa which were directed at specific sectors (arms

embargo, oil, and sports isolation), or sanctions against Rhodesia which were limited to certain products, sanctions against FRY were total and comprehensive (Cortright & Lopez, 2002).

#### 4. ECONOMETRIC ANALYSIS OF CONSEQUENCES ON GDP, INFLATION AND UNEMPLOYMENT

The economic consequences of UN sanctions against SFRY/FRY represent one of the most dramatic examples of economic collapse in modern history. Through econometric analysis of available data, it is possible to quantify the devastating effects that sanctions had on key macroeconomic indicators. The gross domestic product of FRY experienced a catastrophic decline during the sanctions period. According to World Bank data and estimates of domestic economic institutes, real GDP fell by over 50% in the period 1991-1993, representing one of the most dramatic economic declines recorded in peacetime conditions (World Bank, 1996). Econometric analysis of time series shows the following:

- 1991: GDP decline of 11.1% compared to 1990
- 1992: GDP decline of 27.9% compared to previous year
- 1993: GDP decline of 30.8% compared to previous year
- 1994: minimal growth of 2.5%
- 1995: growth of 6.1%
- 1996: growth of 5.9%

Cumulatively, during the period of strictest sanctions (1991-1993), the FRY economy lost over 60% of its value. Industrial production, which formed the backbone of the Yugoslav economy, fell by over 70%, while agricultural production declined by about 30% (Dinkić, 1995). Knežević (2017) in his analysis indicates that the GDP decline was the result not only of direct effects of the trade blockade, but also indirect effects through:

- Disruption of production chains due to lack of raw materials and spare parts
- Inability to invest in maintenance and modernization of production capacities
- Brain drain of qualified labor force
- Collapse of the financial system

The most dramatic economic phenomenon during the sanctions period was hyperinflation that reached astronomical proportions. FRY experienced one of the worst hyperinflations in human history, comparable only to the Weimar Republic in 1923 or Zimbabwe in 2008. Monthly inflation rates reached incredible levels:

- January 1993: 100% monthly
- December 1993: 3,130% monthly
- January 1994: 313,000,000% monthly

At the peak of hyperinflation, prices were doubling every 34 hours. Econometric analysis shows that hyperinflation was the result of a combination of factors:

1. Monetization of budget deficit under conditions when sanctions eliminated the possibility of external financing
2. Production collapse that led to drastic reduction in supply of goods
3. Psychological factors and complete loss of confidence in domestic currency
4. Development of black market with enormous margins

Avramović (1994), architect of the stabilization program, estimates that during 1993 the money supply increased by 20,000,000,000,000,000 times ( $2 \times 10^{16}$ ), representing one of the largest increases in money supply ever recorded.

Unemployment represented the third pillar of economic catastrophe during the sanctions period. According to data from the Republic Statistical Office and estimates of independent economists, the unemployment rate rose from about 16% in 1991 to over 30% by the end of 1993. However, these data do not show the full picture of employment problems:

- A large number of formally employed did not receive salaries for months
- Many enterprises operated at minimal capacity (10-20%)
- It is estimated that an additional 20-30% of the labor force was in the category of "hidden unemployment"

Econometric analysis shows that unemployment was unevenly distributed:

- Industrial centers: unemployment over 40%

- Rural areas: relatively lower due to possibilities of natural economy
- Youth (18-25 years): unemployment over 50%
- Highly educated: mass exodus ("brain drain")

Econometric analysis of long-term effects of sanctions shows that SFRY successor states are still facing consequences of economic collapse from the 1990s:

1. Deindustrialization: Industrial capacities destroyed during sanctions were never restored. The share of industry in GDP fell from over 40% before sanctions to less than 20% today.
2. Technological lag: The isolation period led to technological lag of 10-15 years in key sectors.
3. Institutional erosion: Development of gray economy and corruption during sanctions created institutional problems that persist.
4. Demographic losses: It is estimated that over 300,000 highly educated people emigrated from FRY during the 1990s.

Knežević (2024) in his analysis of the prime cause indicates that economic sanctions were not just an instrument of foreign policy, but a catalyst for fundamental changes in social structure that had lasting consequences on the development of the region.

## **5. COMPARISON WITH SANCTIONS AGAINST OTHER STATES**

Comparative analysis of UN sanctions against SFRY/FRY with sanctions imposed against other states provides important insight into their nature, intensity, and consequences. This analysis enables better understanding of the specificity of the Yugoslav case and its implications for international law and practice. Sanctions against Iraq, imposed after the invasion of Kuwait in 1990, represent the closest parallel to sanctions against FRY in terms of comprehensiveness and duration. However, there are significant differences:

Similarities:

- Total trade blockade with humanitarian exceptions
- Dramatic GDP decline (over 40%)
- Humanitarian catastrophe with estimated hundreds of thousands of victims

- Long-term developmental consequences

Differences:

- The Iraqi case had clear military aggression as cause (invasion of Kuwait)
- "Oil for food" program enabled partial relief from 1996
- Iraq had oil resources that represented potential for recovery
- Sanctions were finally lifted by military intervention in 2003

Knežević (2015) in his analysis of the war in Syria and Iraq points to parallels between Iraq's destabilization through sanctions and later regional conflicts, arguing that economic sanctions are often a precursor to deeper geopolitical changes. Sanctions against the apartheid regime in South Africa represent an example of gradual and selective approach that significantly differs from total sanctions against FRY:

Characteristics:

- Gradual introduction over three decades
- Focus on arms embargo and sports isolation
- Limited economic sanctions (oil, technology)
- Strong moral dimension (fight against apartheid)

Results:

- Relatively limited economic impact (GDP decline 10-15%)
- Gradual political change through internal pressure
- Successful transition without economic collapse
- International support for post-sanctions recovery

The Iranian case represents an example of long-lasting but oscillating sanctions with varying intensity:

Phases of sanctions:

1. Unilateral US sanctions (1979-2006)
2. Multilateral UN sanctions (2006-2015)
3. Renewed unilateral sanctions (2018-present)

Economic impact:

- Moderate to serious economic decline (20-30% in worst periods)
- Development of bypass strategies through regional partners
- Strengthening of domestic production in some sectors
- Persistent inflation and unemployment

## Sanctions against Libya (1992-2003)

The Libyan case shows how limited and targeted sanctions can be a more efficient instrument:

### Characteristics:

- Focus on air traffic and diplomatic isolation
- Limited economic measures
- Clear conditions for lifting (extradition of Lockerbie suspects)

### Results:

- Limited economic impact
- Eventual cooperation and lifting of sanctions
- Preservation of economic capacities

Comparative analysis shows several unique characteristics of sanctions against SFRY/FRY:

1. Complexity of context: Unlike clear cases of aggression (Iraq) or systemic discrimination (South Africa), the Yugoslav case involved complex civil war with ethnic dimensions.
2. Speed of implementation: Sanctions escalated from arms embargo to total blockade in less than a year, which is unprecedented.
3. Geographic isolation: Unlike Iran or Iraq which had land borders with friendly countries, FRY was surrounded by countries that strictly enforced sanctions.
4. Absence of natural resources: Unlike Iraq, Iran or Libya, FRY had no significant energy resources that could cushion the economic blow.
5. Institutional collapse: No other country experienced such complete collapse of monetary system and institutions.

Knežević and Martinović (2024) in their analysis of international law development indicate that the case of sanctions against SFRY/FRY led to reconsideration of the entire concept of economic sanctions within the UN system, resulting in a trend toward "smart" or targeted sanctions in the 21st century.

## 6. CONCLUSION

The analysis of the legal framework of UN economic sanctions against SFRY (1991-1996) and their long-term consequences on the economic development of successor states reveals a complex picture of one of the most controversial examples of economic measures application in modern history of international relations. Through comprehensive review of historical context, legal analysis, and econometric studies, this paper has identified key aspects and consequences of sanctions that still shape the economic and political reality of the region today. The historical review showed that sanctions evolved from limited arms embargo to total economic blockade in record time, representing a unique case in UN practice. This speed of escalation, combined with the complexity of the Yugoslav conflict, raises questions about the decision-making process in the Security Council and the role of great powers in shaping international response to regional crises. Legal analysis of legitimacy and proportionality of sanctions revealed fundamental problems in their application. While formal legal basis existed in Chapter VII of the UN Charter, questions of proportionality, discrimination between civilian and military targets, and humanitarian consequences call into question the compliance of sanctions with basic principles of international law. Particularly concerning is that sanctions continued to produce devastating humanitarian consequences even after their nominal goal - cessation of conflicts - was achieved through the Dayton Agreement. Econometric analysis quantified the catastrophic consequences of sanctions: GDP decline of over 60%, hyperinflation reaching 313 million percent monthly, and unemployment rising above 30%. These indicators make the economic collapse of FRY one of the worst in modern history, comparable only to wartime devastation. Long-term consequences - deindustrialization, technological lag, institutional erosion, and demographic losses - still burden the development of successor states. Comparative analysis with sanctions against other states showed the unique nature and intensity of measures against SFRY/FRY. Unlike gradual and selective sanctions against South Africa, or sanctions with clear military context against Iraq, the Yugoslav case represents an example of rapid, total sanctions in the context of com-

plex internal conflict, without natural resources that could cushion the economic blow. This paper confirms the thesis that UN economic sanctions against SFRY represented an instrument that exceeded its nominal goals and produced disproportionate humanitarian and developmental consequences. While the international community may have achieved short-term political goals, the long-term price paid by the peoples of the region raises fundamental ethical and legal questions about the use of economic sanctions as an instrument of international policy. The results of this analysis have important implications for future application of economic sanctions. First, more rigorous assessment of humanitarian consequences is necessary before introducing comprehensive economic measures. Second, mechanisms for monitoring and adjusting sanctions must be built in from the beginning to avoid unnecessary human cost. Third, post-conflict recovery must be an integral part of sanctions planning, with clear support mechanisms for economic reconstruction. Finally, the case of sanctions against SFRY/FRY remains a reminder of the limits and dangers of economic warfare as an instrument of international policy. While sanctions may be a legitimate response to violations of international law, their application must be guided by principles of humanity, proportionality, and long-term sustainability. Only through such an approach can the international community avoid creating new humanitarian catastrophes in the name of preserving peace and security.

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