Weaponization of Economic Dependencies and International Law: Towards a New Understanding of Coercion

ABSTRACT

Economic coercion is forcing other nations to comply by some economic measures. It has become a bone of contention in international relations and law. Unlike military coercion, which is explicitly framed by international frameworks including U.N. charter for example, economic coercion operates in rather an ambivalent place legally. Such ambiguity makes it possible for powerful states to use economic dependency through such means as sanctions, trade restrictions, and energy leverage against many nations. The changing face of geopolitics, as well as the continuing weaponization of all economic tools, call for a very critical examination concerning their regulation under international law. Thus, this study attempts to investigate the gaps of the existing legal framework that permits economic coercion and its consequences toward global governance and state sovereignty. The analysis included in this particular study is of international treaties, institutional mechanisms, and case law to which prescriptive qualitative research design wave currents of this analysis. Data collection for this research used secondary sources, legal texts, case law, and institutional reports. Techniques of analysis included gap and content reviews and were used to identify ambiguity and inconsistency among provisions of the law governing economic coercion. The findings show that there exist important clear lacunae in international constructs such as the UN Charter, WTO's General Agreement on Tariffs and Trade (GATT), the Energy Charter Treaty (ECT), and Bilateral Investment Treaties. These lacunae would allow coercive practices, infringe upon the state sovereignty, and further persistence of inequalities globally. The study recommends reforms to clarify legal ambiguities, enhance accountability mechanisms, and ensure equitable governance structures to mitigate the exploitation of economic dependencies and foster global stability.

Keywords: Economic Coercion, Weaponization, International Treatise, Economic Dependencies

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CHAPTER NO 01: INTRODUCTION

1.1 Introduction

In particular, economic dependency and weaponization are a significant concerns in international relations. Indeed, states are using increased economic interdependence as an avenue towards political outcomes in other states, such as by manipulating trade, finance, and resources (Farrell & Newman, 2019). Researchers and policymakers are now very interested in studying the implications in legal and strategic terms of this discovery. Economic coercion is arguably the most critical aspect of modern foreign policy, whether manifested in sanctions or disrupted trade. Interdependence between states, which was formerly a stabilizing factor, has now turned into a paradox. Thus, interdependence, whether through trade, investment, or resource flows, may be harnessed politically. It is argued that changing economic relationships for the purpose of coercing specific political decisions could have important repercussions, particularly in areas where international law is weak (Kachan, 2020). This scenario works against the validity of existing foreign legislation concerning economic coercion.

Nation-State Economic Coercion is One Concept, Old One, without New. Such practice has been transformed by market globalization and advances in financial technology. Cyberattacks, trade conflicts, and financial manipulation have become the New Instruments of Economic Coercion compared with sanctions and embargoes (Whyte, 2022). New tactics also challenge international law in terms of enforcement and the establishment of universal legal standards. Economic interdependence is increasingly used as a means of coercion through global economic networks that enable states to leverage economic pressure without necessarily resorting to military measures (Farrell & Newman, 2019). All these trends weaken the utility of international legal systems designed to cope with this type of coercion. The role of international economic and trade law in preventing the weaponization of economic dependence remains unclear (Lee, 2022).

Despite these fears, there is mounting consensus that legal norms often do not adequately govern such practices, nor remedies for the states that suffer from them. Cha -2023- draws attention to the import of dealing with this strategic dependency by establishing a collective resilience in the face of any weaponization of economic interdependence and just as importantly, economic coercion. There is no strong international jurisprudence against economic dependencies being exploited in international politics. Economic coercion has mainly been studied in the terms of coercive diplomacy; however, it has not been examined in the context of international legal systems (Riemer & Sobelman, 2023). Although considerable scholarship has gone into the study of the economic and political consequences of weaponized interdependence, little has focused on the role that international law might play in mitigating global economic coercion. Much theoretical progress has been made, but nothing has emerged from all this in terms of a coherent international framework on weaponizing economic dependence. It is meant to fill this gap by analyzing how foreign laws could be brought to bear against the emerging phenomenon of weaponized economic interdependence and its possible impact on global security and diplomacy.

1.2 Statement of the Problem

This study is concerned with increasing risks of economic dependency weapons in international relations. States tend to use their economic leverage on each other to press for political or strategic alignment as global inter-dependence deepens. They employ trade, investments, and access to their financial systems as strategic levers for pressure, thereby avoiding military or diplomatic approaches. These include sanctions, trade wars, financial blockades, and technological interference with economic systems. Although these methods of coercion are not new, the amount and ever-increasing complexities of the past years have stirred questions about whether current laws can adequately deal with them. Historically, military force and diplomacy fell under the purview of international law and jurisprudence, yet economic coercion introduces new kinds of problems that could prove beyond the reach of existing legal frameworks. This present study investigates whether and to what extent foreign laws can address weaponized economic interdependence. It will also concern itself with an analysis of deficiencies in the legal system and its ability to respond to economic coercion in international relations.

1.3 Research Objectives

This research intends to investigate the existing jurisdictional frameworks that are upholding economic coercion. This involves examining the current international laws, treaties, and all other agreements addressing coercive practices of an economic nature. The most critical issue being examined is: how effective are the legal frameworks in preventing or responding to coercive economic actions from great powers or super-powers? It evaluates the implications of weaponized economic dependencies on global security, specifically stressing that "being reliant on particular economic relationships can be used as ammunition in a fight to destroy international peace and cooperation." This creates awareness that the present global economic and legal systems thus allow such dependencies to be weaponized. Lastly, the study seeks to identify some of the gaps in the regulation of economic coercion and to understand the areas where international law fails to address emerging economic threats to society. This analysis is critical for proposing reforms and developing robust legal mechanisms to counter economic coercion effectively and ensure a fairer and more secure global economic order.

1.4 Significance of the Study

The most important part about this study is that it examines very timely the weaponization of economic dependencies and its relevance for international law. The more states will be interdependent, the more economic instruments such as sanctions, trade disruptions, and financial manipulations will be used as a coercive tool. It is essential to learn how these dependencies will be made political so that effective legal mechanisms to control practices and stabilize the world can be developed. This study, therefore, fills a gap in more work on economic coercion by addressing the adequacy of existing international legal instruments to contend with the growing trend of using economic dependencies as coercive means. The increasing pressure of economic rather than military on conflicts in the global arena makes the question of a legal response for this tactic urgent. Its attention on these legal gaps is to expose shortcomings in the current foreign laws as well as in international jurisprudence concerning their provisions for adequate remedies to states subjected to coercive economic measures.

Studying this aspect-the arms effect of economic interdependence on global security-is also significant. How it goes on to highlight the effect of the tactics on creating instability and its influence on international relations will therefore go on to inform strategic and diplomatic considerations of economic coercion and its direct implications for policymakers, international organizations, and legal scholars in their pursuit of a stable and secure world order. Finally, this study will attempt to provide practical solutions through the reform of international law to the challenges raised by economic coercion. In such an instance, future international legal configurations will shape the base of global governance and ensure that economic interdependency is not politically manipulated.

1.5 Limitations of the Study

The findings of this research are greatly constrained by certain factors within the current literature, as well as research on the aspects of weaponizing economic dependencies and international law. For instance, one major shortcoming of such studies is the absence of a universally and widely applicable legal framework for the weaponization of economic interdependence. Current international law-intrade, sanctions, and financial systems-is to a very minimal extent associated with the strategic manipulation of economic relations to work as a tool of coercion. Insufficiently addressed is the issue of how economic coercion would be regulated, especially in terms of its changing and complex character in a globalized economy. The other limitation relates to the lack of empirical studies that establish a direct connection between weaponization of economic dependencies and real consequences to global security and stability. Although theoretical analyses exist, there are very few studies quantifying or demonstrating the more substantial geopolitical effects of economic coercion. A lot of such research has been done against specific case studies, which limits findings' generalizability across different regions and contexts. Last, much of the literature appears to avoid a detailed exploration of the long-term consequences of the systemic weaponization of economic dependencies, especially as regards to systemic risk to global governance. Thus, there would be a lack of understanding of how sustained economic coercion can eventually upset international relations over time, which is a significant aspect for policymakers or international law scholars to consider.

1.6 Definitions of the Terms

Weaponization of Economic Dependencies:

The use of economic tools like sanctions and trade restrictions by a state to exert political or strategic pressure on another state.

Economic Coercion:

The imposition of economic measures, such as sanctions or tariffs, to influence a state's political behavior.

International Law:

A set of rules governing relations between states and international actors, including treaties and conventions.

Global Security:

The protection of international peace, stability, and the prevention of conflicts or threats to global well-being.

Legal Frameworks:

A system of laws and regulations that govern state behavior and international relations.

1.7 Conceptual Framework

This illustration in figure 1 serves as a framework for this research because it presents an examination of the nexus that involves weaponization of economic dependencies (WED), international legal frameworks (ILF), and global security and stability (GS). WED is taken to mean how countries weaponize economic instruments-such as sanctions (SAN), trade restrictions (TR), and financial blockades (FB)-to achieve political and strategic objectives against other countries. This is when all such countries rely on economic interdependence to put the states under pressure to comply with their political interests. ILF means all extant laws, treaties, and regulations of international economic relations-including trade agreements and sanctions protocols. These frameworks are essential to regulating the use of economic coercion, while loopholes in these frameworks leave a vast area of unregulated exploitation of economic dependencies. GS concerns what weaponized economic interdependence does to international peace, political stability, and economic relations. The model stresses the importance that legal means play in shaping the effects that economic coercion bears on overhead security.

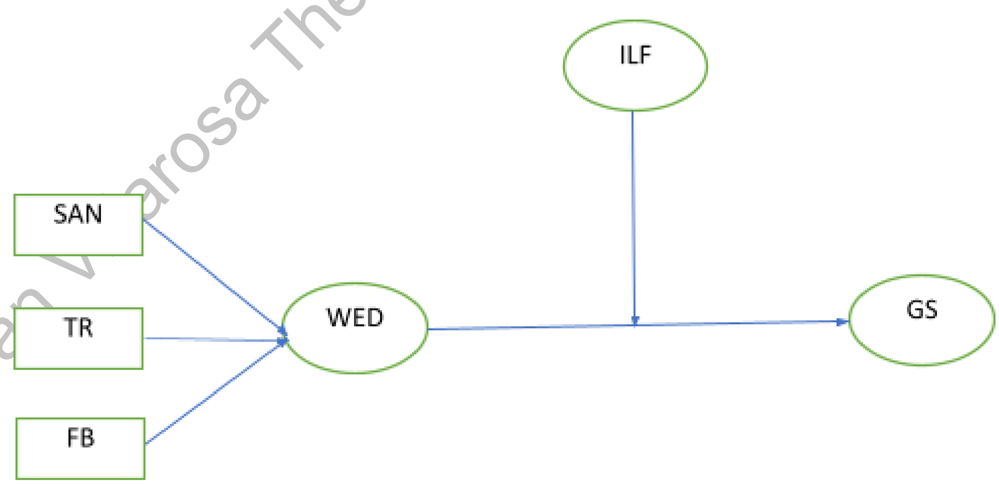

Figure 1. Conceptual Framework of the Study

CHAPTER NO O2: LITERATURE REVIEW

2.1 Economic Dependency

The economic dependency results in the case of which a nation is so much dependent on another nation (Loichinger et al., 2017). This dependence may come from trade, resources, or financial assistance. Most of the time, economic dependence stems from a more unequal relationship between the two nations or from foreign assistance. Economic interdependence and links have been part of the global community for many centuries. Traditionally, several states relied on trade for benefits that were mutual. Historical civilizations like Mesopotamia and Egypt engaged with each other in terms of trade networks. Such exchanges create and foster cooperation and competition among nations. For instance, the Silk Road is the one that links much of Asia and Europe together in ease of economic influx. This influences easy interdependence with luxurious goods like silks and spices. The transatlantic trade connects Europe with Africa and the Americas. Raw materials, manufactured products, and slaves formed a triangle in their trade-forming activities.

Dependent economies globally depend on each other for trade, resources, and finance; this is the hallmark of globalization. Such dependencies are put in place via important treaties, agreements, and the participation of international organizations. Economic interdependence may exist for example within states whereby it will tend to be weaponized leverage against or to coerce other nations. This is the critical yet contentious domain of international law in dealing with the fallout from such interaction. International law attempts to take into account, under the tenets of sovereignty and non-interference, the nature of dependency. The UN Charter (1945) and the International Covenant on Economic, Social and Cultural Rights (ICESCR)(1966) are part of some of the principal documents in international law which underscore silence as to some engagement with dependency principles of sovereignty and non-interference. Dependency can either include reliance upon imports, investments or loans. The weaker states tend to be trapped into oppression and exploitation by such dependencies. The stronger power then threatens such dependencies to either gain political or economically exploitative influence. Commonly, such tools often include sanctions, financial limitations, or conditions attached to aid. These not only pose legal issues, but also create ethical dilemmas under international law. This phenomenon is manifested by tools such as sanctions, financial restrictions, or conditional aid, which, while serving as instruments of coercion, raise significant legal and ethical concerns under international law. The ICJ Judgment of 1986 in Nicaragua v. United States of America (Paramilitary Activities Case) stated clearly the prohibition of intervention in internal affairs of states which reaffirmed principles of state sovereignty.

> *The Court had berefted of 15 judgments, on which it voted. The Court found in its judgment that the United States was "in breach of all debts*

under corresponding international law from using force against another State," "not to intervene in that State's affairs," "not to violate its sovereignty," "not to interrupt peaceful maritime commerce," and "in breach of obligations under Article XIX of the Treaty of Friendship, Commerce and Navigation between the Parties, signed at Managua on 21 January 1956." In Statement 9, the Court mentioned that although the United States encouraged the Contraries, through the manual entitled Psychological Operations in Guerrilla Warfare, to commit human rights violations, this did not attribute such acts to the U.S. (Wikipedia contributors. (n.d.).

International law lays down mechanism to characterize the economic dependency and fairness linking world economy during trade. It is well said that WTO is the most important organ in terms of laying out rules of engagement for all international trade and dispute resolution among member states. Treaties and agreements such as GATT and modern WTO agreements attempt to gradually reduce trade barriers and preclude unfair practices. Bilateral and multilateral agreements also significantly govern economic dependencies. The North American Free Trade Agreement (NAFTA) is an example, now outdated for the incoming USMCA, which set a trade law for its members regarding disputes, trade conditions, and economic integration. The European Union is also a unique entity when it comes to intertwining economies through legal frameworks, as it guarantees a more common market and trade policies.

However, these arrangements are often compromised by the fact that countries use economic dependence as a strategy to gain something more. For example, when China established its Belt and Road Initiative, it raised fears about creating developing countries' debt dependencies and called for stricter lending rules at the international level. The United Nations (UN), International Monetary Fund (IMF), or World Bank play mediation roles in international relations in these dependencies. The UN Code states that no coercion threatening international peace is authorized, but its enforcement mechanisms are limited. In contrast, both the IMF and the World Bank provide rescue funding to nations in crisis and often prescribe structural adjustments that have the potential of producing long-term dependency problems.

A very important example is against Greece during financial crises in Europe during the period of the 2010s. The conditions for financial assistance from the IMF, the European Central Bank, and the European Commission were that Greece had to impose austerity measures. Critics argue that these measures aggravated an already bad economic situation which brings a conflict between financial assistance and sovereignty. Just as international agencies, they also interfere in cases of conflicts that arise due to economic coercion. For instance, WTO panels have dealt with cases related to tariffs or trade restrictions imposed by nations that violate established agreements. However, there is still inadequate enforcement of these rulings, as in the case of the U.S.-China trade war, where both nations accuse each other of unfair practices. Globalization and liberalization under WTO have intensified dependence, not least with regard to institutions such as the IMF and World Bank, which are equally influential in determining the fortunes of economies. Structural Adjustment Programs (SAPs) introduced in the 1980s made countries even more vulnerable; many were caught in a trap of indebtedness and shifted policy space. In the Cold War, such economic aid was also used as leverage; with the U.S. and USSR, for instance, for example, smaller states were influenced through financial dependencies. This is an example of modern dependency models from China through its Belt and Road Initiative.

However, based on these definitions, the UN Charter (1945) presents sovereignty and non-interference principles that do not expressly mention economic coercion in detail. Although sanctions and coercion tend to be synonymous, they are clearly not the same thing; it is crucial to separate them. Whereas sanctions usually involve compulsion of a state to comply with its obligations under international law-very often justifiable-the term coercion means that a state is compelled to take steps which are illegal as most principles of sovereignty and non- interference consider it unlawful. This difference has special relevance as far as Article 18 of the Articles on Responsibility of States for Internationally Wrongful Acts (ARSIWA) and its comments are concerned because that speaks about the prohibitions of coercion in terms of breach under international law. The WTO Agreements, although proclaiming non-discrimination among their member states in trade relations do not actually address the sensitive issues attached to economic coercion directly. The same can be said for the International Covenant on Economic, Social and Cultural Rights (ICESCR) (1966) which talks about the right to economic self-determination, but has weak enforcement mechanism. U.S. sanctions against Iran are usually quoted as an example of coercion from these which, in turn, exhibit the vulnerabilities the dependent states have to economic pressures and legal and moral challenges regarding their compatibility with the international norms. This distinction of sanctions and coercion is thus necessary in discussing a thorough understanding of economic pressures in international relations. Thus, sanctions put pressure on Iran with respect to its nuclear policies. The question of legality under international law was again debatable on this. The Greek debt crisis in the 2010s revealed similar vulnerabilities. The austerity measures imposed by IMF and EU created debates about sovereignty and ethics.

International law has been vague on the regulation of economic dependence, while sovereignty and non-interference systems have stood in the shadow. As much as it is concerned with a number of unfair practices, the WTO and IMF as specialized international organizations do not have specific competence in counteracting the economic coercion. Moreover, international treaties often lack a common understanding on what counts as economic coercion; hence, there are gaping holes in definition and enforcement. Initiatives like the G7 Coordination Platform for Economic Coercion might deal with this issue, but because it is neither a treaty nor legally binding, it falls short of cleansing such regulatory gaps. There tend also to be political sensitivities which make it difficult for tribunes such as the International Court of Justice (ICJ) to settle such matters. For instance, in paragraph 205 of its Nicaragua vs. United States judgment in 1986, the ICJ tried not to mention coercive economic measures; hence, it exemplifies both vagueness and reluctance in dealing with the issue. Much of the contemporary legal scholarship urgently puts forward that definition should be clearer and enforcement mechanisms stronger regarding this principle of economic sovereignty, which is itself endorsed by Article 2(1) of the UN Charter concerning states' equality and their right to sovereignty. Indeed, recognizing and safeguarding economic sovereignty is fundamental for a balanced and just global legal framework.

2.1.1 Trade Dependency

Trade dependency describes the reliance of a country on international trade for its well-being. The dependence impacts the economy, affects the policymakers, and influences international relations. There are various kinds of agreements and treaties besides international laws which have become the mechanism in regulating or managing such trade dependency; all of them aim at fair and equitable trade among nations. One of the strongest frameworks is the World Trade Organization which came into being in 1995 as regards international trade. The platform has functioned to negotiate trade agreements, for a forum for resolving disputes, and as a result, smooth trade for the nations has been assured (World Trade Organization, n.d.).

Either by bilateral or regional trade agreements, trade dependencies are formulated. Thus, the North America Free Trade Agreement (NAFTA), adduced by the North American countries of the United States, Canada, and Mexico in 1994, was meant to eliminate barriers to trade and enhance economic integration among those countries (North American Free Trade Agreement, 1994). It was later replaced by the United States-Mexico-Canada Agreement (USMCA). The final action over the agreement was in 2020, considering the modern needs for the trade provisions (Office of the United States Trade Representative, n.d.). Then, there is also the Trans-Pacific Partnership (TPP). This agreement is a trade agreement among several Pacific Rim countries and is expected to improve commerce and investment, promote innovation, and support economic growth and development (Trans-Pacific Partnership, n.d.). The United States rescinded its membership from TPP in 2017; however, the other countries re-negotiated to come to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) marked by states in 2018 (Comprehensive and Progressive Agreement for Trans-Pacific Partnership, 2018).

As a dynamic subject, trade dependency can be analyzed through different case studies. An example is the 2018 imposition of tariffs on Chinese goods by the U.S. As a result, a trade war ensued, impacting cross-border supply chains and creating economy-wide changes across countries. It reveals the persistent complexity associated with trade dependencies and underlines the adverse effects of protectionism (Bown, 2019). Another case involves the energy dependence of the European Union on Russian imports. Such a dependency signifies potential geopolitical dimensions, particularly highlighted during the Ukraine crisis, which became a factor in specific political decisions within the EU because of the Russian stranglehold on energy supply (European Parliament, 2014). International trade is enveloped within and among laws and regulations superimposed to promote fair competition and not exploitation. An example is the General Agreement on Tariffs and Trade (GATT), which operated before the advent of the WTO, where such international trade-related issues were articulated as the basic tenets of non-discrimination and openness (General Agreement on Tariffs and Trade, 1947).

ISDS mechanisms comprise the discriminated foreign investor sues states in many of the trade agreements. Though, initially intended to protect the investment, ISDS has been controversial because critics claim it undermines national sovereignty and favors corporate interests at the cost of public policy (United Nations Conference on Trade and Development, 2015). Another thing is that trade dependency makes countries experience both opportunities and threats. The first benefit is that it may result in improving economic growth, provision of a wider array of goods and services, and strengthened international cooperation. On the other hand, because countries may overly rely on trade, it can make them more exposed to external economic shocks, restricted policy autonomy, and susceptibility to economic coercion.

During the time of the COVID-19 pandemic, countries that were heavily reliant on international trade suffered from severe impacts as an outcome of global supply chain disruptions and low demand from everywhere on earth. This event further emphasized the need to diversify trade relationships and provide resilient economic policies (International Monetary Fund, 2020). Countries increasingly make use of strategic trade policymaking, sign international agreements, and diversify the economy to effectively manage their trade dependency. Having more than one significant trading partner or sector reduces dependency and this improves the likely resilience of any economy. Participation in multilateral organizations like the WTO is a platform for discussing terms of trade, settling trade disputes, and working on global trade issues. Such participation points to management of dependencies in a rules-based environment and thus to the kind of stability and predictability needed in international trade relations (World Trade Organization, n.d.).

2.1.2 Energy Dependency

Energy dependency defines the reliance of a nation on supplies coming outside the country for electricity, oil, gas, and even renewables. This dependency has a resultant major effect on the economic stability of a country, its national security, and, consequently, its geopolitical maneuvers. There exist several international accords, treaties, and laws that have been created for parsing and even reducing the complications that arise because of energy dependencies. Among such one important international agreement regarding energy dependency is the Energy Charter Treaty (ECT), which was brought into effect from 1998 after two years of signature in 1994. The ECT's purpose is to enhance the guarantee of energy security through the establishment of open and competitive energy markets, protection of investments, and reliable energy transit between member states (Energy Charter Treaty, 1994). Nevertheless, the ECT has been criticized for being biased toward fossil-fuel investments, which have splintered debates on its relevance to contemporary environment-inclined aims (Marhold, 2021).

The World Trade Organization, or WTO, too becomes involved in the energy sector since it offers a legal framework for international trade including trade in energy commodities. Technically, there is no agreement by the WTO solely devoted to allowing energy trading. The rules of the WTO for goods, services, and intellectual property rights would also influence trade and policies on energy. To put it differently, it is justified from Marhold 2021 to assume that the WTO rules somehow influence energy trade and policies. As already indicated, the dependency of the European Union (EU) on Russian natural gas has proven highly political. Historically, Russia has accounted for a large share of the gas supplies to Europe by extending its natural gas distribution network across the continent. It is not surprising that a considerable amount of EU energy has come from Russian natural gas supplies and, with this dependency, energy security has been threatened whenever political tensions arise. This has led EU members to launch REPowerEU, aimed at harvesting not just native-but-common energy supply sources but also reducing dependence on Russian fossil fuels by 2030.

In addition, one notable case is the early 2000s energy dependence of the United States, particularly with regard to oil imports from the Middle East. This dependency manifested itself within a foreign policy framework in initiatives for energy independence and investment in domestic oil production and renewable energy sources. As a result, increased domestic energy supply, mainly shale oil and gas, contributed greatly to the reduction of energy dependency in the U.S. (U.S. Energy Information Administration, 2020). International environmental treaties also interrelate with energy dependency issues; they cover agreements such as the United Nations Framework Convention on Climate Change (UNFCCC), which has subsequent protocols, such as the Kyoto Protocol and the Paris Agreement, that set targets for the reduction of greenhouse gases. These agreements urge countries to use renewable energy resources, and consequently impact on the energy dependencies with the world while promoting sustainable energy independence (UNFCCC, 2015).

Apart from that, it has its own frameworks of legal provisions to address energy dependence and security by the European Union. The energy policy of the EU aims at establishing a common energy market, improving energy efficiency and promoting renewable energy. It could be through legislations such as the Renewable Energy Directive, which sets binding targets for member states to achieve progressively a higher share of renewables in their energy mix, and thereby lowering dependence on external fossil fuel sources (European Commission, 2018). The energy dependency has multifaceted implications. Economically, countries become exposed to unstable market energy pricing due to reliance on energy imports, which influences trade balance and economic stability. Moreover, from the political point of view, the country may compromise its foreign policy independence under energy dependency, which enables energy suppliers to influence dependent countries. Russia's control over its natural gas supplies to Europe is often viewed as the asset used to assert political influence over the continent (Boute, 2022).

It contradicts the global initiatives in fighting climate change as well by dependency on import of fossil fuels. Transitioning into renewable energy sources not only addresses environmental concerns but also enhances energy security by reducing reliance on energy from outside suppliers. However, this transition would require huge investments, supportive policies, and considerations regarding energy justice to ensure fair access and distribution (Heffron & McCauley, 2017). Regarding energy dependency management, countries adopt a range of approaches, including diversification of energy sources, investments in renewable energy, and improvement of energy efficiency. The other half of international cooperation is the creation of treaties and agreements about the frameworks for investment, trade, and technology exchange that support such actions. For example, the International Energy Agency encourages energy security among its member countries by collective response mechanisms and policy recommendations (International Energy Agency, n.d.). Furthermore, regional cooperation can play a vital role in managing energy dependency. Thus, the Energy Community established between the EU and neighboring countries aims at extending the internal energy market rules and principles of the EU to the Southeast European and other areas, promoting energy security, market integration, and sustainability (Energy Community, n.d.).

2.1.3 Financial Dependency

It is the reliance of a nation on external financial resources like foreign aid, loans, investments, etc., for the conduct and progress of its economy. Such dependency bears tremendous impacts on the economic policies, sovereignity, and stability of a country. There are various international agreements, treaties, and legal frameworks to govern and regulate financial dependency with an aim of fostering fair economic relations and sustainable development. One of the major governing mechanisms for international financial relations is BITs (Bilateral Investment Treaties). These treaties are agreements between two countries establishing the rules and principles of private investment by nationals and companies of one state into another state. There are around 2750 BITs worldwide in force by 2020 to offer legal protection to investors and assistance in Foreign Direct Investment (FDI) (Disputes in International Investment and Trade, 2020).

Another major framework was established by the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1966. The International Centre for Settlement of Investment Disputes (ICSID) provides facilities for the arbitration and conciliation of investment disputes between international investors and sovereign states with a view to privatization of such disputes and creating an atmosphere of mutual confidence (International Center for Settlement of Investment Disputes n.d.). The Organization for Economic Cooperation and Development (OECD) has also put in place its guidelines and codes on the different forms of financial dependencies. For example, the OECD Code of Liberalisation of Capital Movements promotes progressive liberalisation of capital movements between member countries through cross-border investments and financial flows. The greatest crisis in the history of Argentina's economy happened in 2001. Unfortunately, the borrowed money resulted in a big financial crisis when Argentina declared its default. Further complicating matters were the efforts to restrain from creditors, who made things more difficult by bringing court cases against the Argentine government to nullify such restructurings (Gallagher, 2011).

Another instance is the debt crisis that afflicted Greece throughout the 2010s. Reliance on international monetary resources availed through the IMF and EU came along with strict macroeconomic adjustments. These policies, rather than buoying economic growth, led to immense socio-economic dislocations and raised important concerns regarding financial dependence and its implications for national sovereignty and economic policy autonomy (International Monetary Fund, 2013). The fact that these multiple international financial relations are knitted up in complex webs of laws and regulations intended to create fair and equitable economic interactions makes them most interesting. The United Nations Commission on International Trade Law develops model laws and conventions about aspects of international payment and financing in harmonization and modernization with international trade law. The Basel accords are international banking standards established by the Basel Committee on Banking Supervision with regard to capital adequacy, stress testing, and market liquidity risk. The accords supposedly strengthened regulation, supervision, and risk management in the banking sector, which addressed some areas of financial dependency and increased financial stability at the same time (Bank for International Settlements, n.d.). Economic sovereignty and autonomy in policy-making have great significance with regard to financial dependence. Outside resources of any kind compel nations to institute policies in the lines of credits or investors, which very few times is found coherent with internal priorities or socio-economic contexts. Tensions arise due to the need for financial resources but with a wish of not compromising upon independent policy-making (Aisbett, Busse, & Nunnenkamp, 2018).

Another area of exposure to external economic shocks is financial dependence. Just like with sudden capital flight or shifts in investor sentiment, financial crises are triggered, as has been noted with the Asian Financial Crisis in 1997. Countries that are dependent on short-term foreign capital inflows have suffered severe economic declines when capital was suddenly withdrawn, underscoring the associated vulnerabilities

(International Monetary Fund, 1998). Countries, therefore, undertake such measures as diversifying their economies, strengthening domestic financial institutions, and building foreign exchange reserves against financial dependency. Participation in regional financial organizations like the Chiang Mai Initiative among the ASEAN+3 countries provides a safety net through multilateral currency swap arrangements that actually enhance financial stability, reducing dependence on external financial institutions (Asian Development Bank, n.d.). Furthermore, funding assistance from these organizations is augmented by technical assistance for building strong financial systems. The IMF, for instance, offers capacity development assistance to its member countries for implementing sound economic policies and for building their institutional frameworks to provide safety against the risks of financial dependence (International Monetary Fund, n.d.).

2.2 Weaponizing Economic Dependencies

Economic dependencies develop when a country chiefly relies on the outside world for resources or subsystems like trade agreements, energy supplies, or financial assistance to maintain its economy. Such dependencies bear threats because countries without diversified economic systems are open to external shocks or manipulations. Yet, when these dependencies are completely weaponized, they become instruments of coercion-a trade in essential commodities, controlling energy supplies, or applying rigorous financial conditions. Sovereignty is compromised in the affected country and global stability is interrupted. The weaponization of economic dependencies exposes some of the profound shortcomings of the present international legal system, with current agreements and treaties proving inadequate to cope with repression or weaponization of economic dependency. Weaponized economic dependencies are effectively defined by the precise concept of strategicizing or leveraging economic interdependence-ties, like trade dependency, energy dependency, or financial dependency, to influence, coerce, or threaten action from other countries. Countries and international organizations can use these dependencies for political or strategic purposes in an increasingly interlocked world economy, often bypassing conventional military engagement or diplomacy. However, such exploitation raises critical issues as to suffice of international laws, agreements, and treaties that concern regulating economic interactions and preventing coercion.

The WTO has a significant part to play in organizing world trade and dispute resolution. Its provisions like Article II of GATT (securing tariff bindings) and Article XI of GATT (prohibiting restrictions on imports and exports) are intended to promote free and fair trade. Yet, the enforcement machinery has some craters in the WTO. For example, in 2018, in the trade war between the United States and China, unilateral tariffs imposed on Chinese imports were contrary to the tenets of the WTO-even though appeals were lodged, the slow dispute resolution process was inadequate to prevent immediate economic harm. It showed the place of the truth in curbing weaponized trade, thus letting coercive measures continue to flourish. The Energy Charter Treaty is a significant legal framework for trade and investment in energy, and was signed in 1994. It aims at energy security, in its Articles, such as article 10-for the protection of investments-and article 7-on ensuring free transit of energy. Criticisms against the ECT include that it is silent over various coercive practices in energy dependency. A notable example in this is that of the use of natural gas supplies by Russia to push and dig through Europe during the Ukraine crisis, which erupted in 2014. Even though the ECT is in existence, Russia was able to use energy exports politically against Europe's dependency position. The treaty's investor-oriented perspective also turns a blind eye to the sovereignty and policymakers' objectives of the dependent nations.

Bilateral Investment Treaties (BITs) and ISDS provisions entrench legal safeguards in favor of investors for undertaking foreign direct investment (FDI). They were supposed to be deployed for mobilizing investments and minimizing risks but have often proved completely contrary, again in terms of results, with respect to public welfare. For instance, during Argentina's economic crisis in 2001, BIT had clauses allowing a foreign creditor to sue the government if it modified the public debt terms. Such legal pressure made the plight of Argentina deeper, limiting flexibility in implementing recovery policies. Similarly, ISDS mechanisms proceed to permit corporations to challenge sovereign decisions, hence infringing national priorities. These cases shape a stark reality among BITs, thereby not having protection for host nations against coercive financial practices.

IMF spends money upon a country under conditions, such as structural adjustment programs (SAP), under which civil servants must be reduced along with deregulation and privatization. These are some of the stabilizing measures but end up causing depression and policy constrictions in economies. A good example is Greece's debt crisis in the 2010s; the conditional lending from the IMF and EU proved to be using the unconditional support weapon as austerity measures worsened the economy to limit policy autonomy and cause deeper public outcry. This is how the national sovereignty can be undermined by financial dependence turning to be weaponized. In addition, IMF has more issues regarding this weaponization due to its lack of transparency and accountability in making conditionality.

The United Nations Framework Convention on Climate Change, with its associated protocols, including the Paris Agreement, persuades countries in reducing greenhouse gas emissions and switching over to renewable energy. While these agreements convene valuable strides toward sustainability, they also indirectly modify energy dependencies. These are the serious problems of fossil fuel dependent countries in the transition to renewable energy since much funding will require hard conditions. For instance, the demands from many international financial institutions and donor nations to tie funding to compliance with specified economic and policy reforms can put additional stress on the bur- child nations and compromise the governments' own policy autonomy. Besides, renewable energy technologies often tend to depend on supply chains for key resources, such as rare earth minerals, which are found only in a few countries. This creates new dependencies. Besides, the absence of binding enforcement provisions in the Paris Agreement does not prevent coercive practices in energy transitions from occurring, and dependent nations remain vulnerable to exploitation. This thus emphasizes the importance of creating fair and inclusive frameworks to enable transitions towards global energy change.

The Russian monopoly in the supply of natural gas to Europe constitutes a typical example of the weaponization of energy dependency. Historically-or in the recent past, as during the 2014 Ukraine crisis-energy supply has quite easily served as a tool for political pressure by Russia. The failure of the Energy Charter Treaty to counter that exploitation has revealed that it is very hollow in dealing with energy coercion. During the 2018 trade war with China, unilateral tariffs imposed by the United States on goods disrupted global trade. The failure of the WTO to intervene effectively in this dispute underlined its limitations as a manager of weaponized trade dependencies. The austerity policies conditioned by IMF and EU imposition during the financial crisis of Greece demonstrated what conditional lending could do as a weapon. The socio-economic effects pointed to the need for financial governance frameworks to rise above the weaknesses of creditors against the borrower.

One of the most important reasons why weaponization of economic dependencies is possible today lies in significant gaps in international law: fragmented trade, energy and financial laws largely contribute to the fragmentation of law. Such laws operate in isolation and do not take into account the interdependence of economic dependencies rather limits their overall effectiveness. Weak enforcement adds more woes: when bodies such as the WTO or the Energy Charter Treaty are found not to be in a position to enforce their decisions very quickly or robustly, the problem becomes almost impossible to remedy, as long unresolved disputes only serve to give rise to coercive practices which are not easily checked. Trust in international frameworks erodes further. Power imbalances as embedded by these laws disproportionately favor powerful nations and multinational corporations. Such imbalances often provide a very weak bargaining position for developing countries as these countries are not able to negotiate better bilateral trade, energy or financial agreements with developed countries. They are consequently locked into dependence. Furthermore, in most existing treaties and agreements, explicit prohibitions against economic coercion are scanty. Most Unilateral sanctions levied outside the WTO framework are generally unregulated as they empower powerful states in threatening or abusing economic dependencies without much fear of retribution. Lastly, conditionalities by institutions such as the IMF and World Bank are imposed without sufficient socio-economic impact assessments for countries receiving loans and aid. These conditions often further increase the vulnerabilities of such dependent countries making them more susceptible to coercive practices and compromising their sovereignty. With all these gaps, weaponized economic dependence can thrive easily and thus endanger the fair functioning of international economic systems.

2.3 Coercion in International Law

Coercion in international law, on the other hand, really refers to the imposition of pressure by one state into adopting externally imposed behavioral, policy or decision frameworks by another state or entity. Economic, political and military pressures can all be classified under categories indicating various forms of coercion. This notion greatly helps in understanding the balance between power and legality in international relations. The progress of international law also has to accord with the evolving definitions of coercion which are influenced by theoretical frameworks such as realism, liberal institutionalism and constructivism. Economic coercion refers to that prescription, which uses economic measures to either compel compliance or exercise influence upon another. This may include trade sanctions or embargoes, and even the imposition of financial restrictions. In that, international law endorsed certain measures of economic action such as sanctions issued by the United Nations Security Council; it decried those measures that violate and infringe the sovereignty of a state. While some argue a distinction between coercion and sanctions, identifying sanctions as compulsion to act and coercion as compelling a state towards an unlawful action according to Article 18 of the Articles on Responsibility of States for Internationally Wrongful Acts (ARSIWA) this distinction gets blurred in practical terms.

In academic contexts of international law, however, the two terms are often seen as synonymous, both referring to the economic pressure used to achieve a desired result. The Nicaragua v. United States judgment (1986) by the International Court of

Justice (ICJ) is a typical example whereby the case of the U.S. trading embargo on Nicaragua was found unconstitutional intervention, showing the thin line drawn between allowable sanctions and coercive acts. Therefore, it has been understood that synonymous meanings help in highlighting global dimensions of economic measures according to international law. Political coercion comprises coercive measures through diplomatic or any other non-military means to manipulate state conduct. An example of coercive diplomacy is threats of punishment or withdrawal of diplomatic relations. Although international law favors negotiation for conflict resolution, acts of political coercion tend to be very much on the edge of limits of acceptable state conduct, especially when linked with force or economic threat. Military coercion is the use or threat of force to achieve political ends. Such action is clearly governed by Article 2(4) of the United Nations Charter which prohibits the threat or use of force except where self-defense prevails or Security Council authorization has been obtained. Compared to economic coercion, military coercion can be understood as governed more clearly by legal restrictions; however, the controversy has not simmered down concerning its applicability to cases like humanitarian interventions and pre-emptive strikes.

International relations theories provide different lenses to analyze coercion in international law. Realism, the point of view focused on the dynamics of power and state interests, views coercion as a natural tool used in the anarchic international system. States, within this perspective primarily exist for survival and thus are often inclined to the use of coercion in their defense of national interests. Movement on this view, realists say that laws have little or no importance compared to the balance of power and the strategic calculations of states. According to this view, organizations like the United Nations and the World Trade Organization help to overcome coercive effects through rules, agreements, and dispute mechanisms. An example is the WTO's dispute system, which is intended to prevent coercive behaviors in trade and promote predictability in international relations. Constructivism deals mainly with social norms, identity, and collective understanding in the state behavior shaping exercise. Constructivists declare that among other aspects, legitimacy and shared values are part of coercion; thus, economic sanctions are made more effective by the presence of a collective normative standpoint that is substantial, as in the cases of sanctions against apartheid-era South Africa. For example, economic sanctions gain effectiveness when backed by a collective normative stance, as seen in the case of economic sanctions for apartheid South Africa which had broad international moral support.

Coercion within International Law would thus have gone these past few decades through significant evolution as manifested in major legal documents and judgments, as well as in the writings of scholars. A cursory reflection at some scholarly journals such as the American Journal of International Law (AJIL), and the European Journal of International Law (EJIL), would reveal some aspects of these developments. For instance, in a paper from AJIL, there is an analysis of the tension between state sovereignty and probably increasing use of sanctions asking whether these can fall under the rubric of economics coercion in international law. In this context, it is also interesting to see how EJIL has dealt with aspects on the interaction between coercion and the emergent norms such as the Responsibility to Protect (R2P), which would justify coercive measures due to mass atrocities. One of the more significant challenges in modern international law would include having to distinguish between permissible and impermissible forms of coercion. The military ones are clearer under the UN Charter, but economic and political coercion operate in a grayer legal space. This, in one way or another, reflects the dynamic nature of international law where power politics, evolving norms, and institutions keep rubbing against one another.

2.4 International Legal Frameworks on Economic Coercion

It refers to the application of economic measures by one state as a means of coercing or coercing another to modify its policy or behavior without resort to military coercion. It takes many forms of sanctions, embargoes, trade, or repressive economic measures to force a change in the target state's action. International law, through such legal frameworks, seeks to regulate these practices for orderly global governance, sometimes at the expense of state sovereignty. However, how effective and exhaustive these legal frameworks are remains debatable. One such prohibitory provision in international law against intervention concerns the internal or external affairs of a state. This particular provision is reflected in the United Nations Charter, especially in Article 2(4), which prohibits threats or uses of force against a state's territorial integrity or political independence. Although its concerns are mainly about military force, it is less clear in terms of the possible implications for economic coercion. The International Court of Justice (ICJ) has interpreted the prohibition of intervention to include coercive economic measures infringing on a state's sovereign rights.

ICJ on the Nicaragua v. United States case held that the U.S. had violated international law for imposing a trade embargo that intended to destabilize Nicaragua's government and, therefore, constituted unlawful intervention (ICJ, 1986). The UN General Assembly have passed several declarations against economic coercive. For example, the 1970 Declaration on Principles of International Law concerning Friendly Relations and Co-operation among States states that no state shall use economic measures to compel another state to subordinate its sovereignty. The 1981 Declaration on the Inadmissibility of Intervention and Interference in the Internal Affairs of States also condemns all kinds of interventions, including economic coercion, as illegal under international law. Though not legally binding, these declarations evidenced a strong consensus against the legality of economic coercion in international relations.

The WTO is aimed at delivering inward trade and f"air t'ade among the nations with agreements which implicitly disclaim economic coercion. The General Agreement on Tariffs and Trade (GATT) has, among its provisions, Article XI, which prohibits the establishing of any quantitative restrictions on imports and exports, hence the restriction on the trade embargo as coercive measures. To this extent, however, Article XXI allows measures taken for reasons of national security. Such provision has invoked justification for economic measures which otherwise would have been seen as a case for coercive pressure as its misuse is under debate. The vagueness surrounding what could constitute a legitimate security exception create some difficulties in differentiating between lawful protective measures and wrongful economic coercion. The role of international financial institutions, such as the IMF and the World Bank, in global economic governance significantly overlaps those countries. It could influence, through their policies and conditional lending practices, the economic decisions taken at the level of these sovereign nation-states. Thus, the criticism that structural adjustment programs suffer under these organizations in the shape of built-in conditionalities of adopting austerity and economic reform measures amount to direct economic coercion and infringe upon the sovereignty of recipient states has been raised. More specifically, this accountability and transparency deficit has been flagged too in regards to such processes because of the questions they induce over the legality of such economic pressure processes under international law.

Thus, in response to the increased occurrence of coerce economic actions among individuals and entities, the European Union is proposing a new instrument: The Anti-Coercion Instrument, which is supposed to deter and counter coercive economic actions of any non-EU countries (European Commission, 2023). Therefore, the instrument will be the legal framework for the Union to respond through tariffs, quotas, or restrictions, among other measures, against economic coercion. This initiative is still in discussion; it is also, however, furthering among an increasing recognition for legal mechanisms that would stand stronger in addressing the economic coercion varying between states in international relations. However, it also raises questions on the escalation into economic conflicts and the definitional and evidential challenges associated with such a form of economic coercion. Despite existing legal instruments, however, there are huge loopholes when it comes to addressing economic coercion as such. The first and most important problem is that definitions and criteria for economic coercion have remained unclear, so that considerable space for subjective interpretations has arisen. This has caused non-uniformity in the applications of the law. The enforcement mechanisms of all prohibitions are weak or nonexistent. For instance, while the ICJ can take cognizance of an unlawful act of intervention, it does not attract a comprehensive jurisdiction, and often compliance fails with its rulings. Further, state sovereignty and non-intervention sometimes clash between the principles with the attempts to regulate the economic coercion in legal and political dilemmas.

CHAPTER NO 03: RESEARCH METHODOLOGIES AND PROCEDURE

3.1 Research Design

The study employs a qualitative exploratory design, which suits the complicated and nuanced dimensions that international law presents. It permits an in-depth understanding of defining, regulating, and tackling economic coercion within the legal frameworks. Except for this, a doctrinal approach is the research base that concentrates on critical studies of primary legal documents, treaties, agreements, and case law as through study. This is to ground the study within the formal structure of international law and seeks to have a comprehensive description of how it positions itself on economic coercion. Besides the doctrinal approach, it has descriptive and analytical methods, whereby the descriptive part identified key legal texts and agreements behind economic coercion, while the analytical component critiques their observable impacts and inadequacies. This amalgamation will ensure a comprehensive grasp of the subject and make the identification of gaps in current legal frameworks possible.

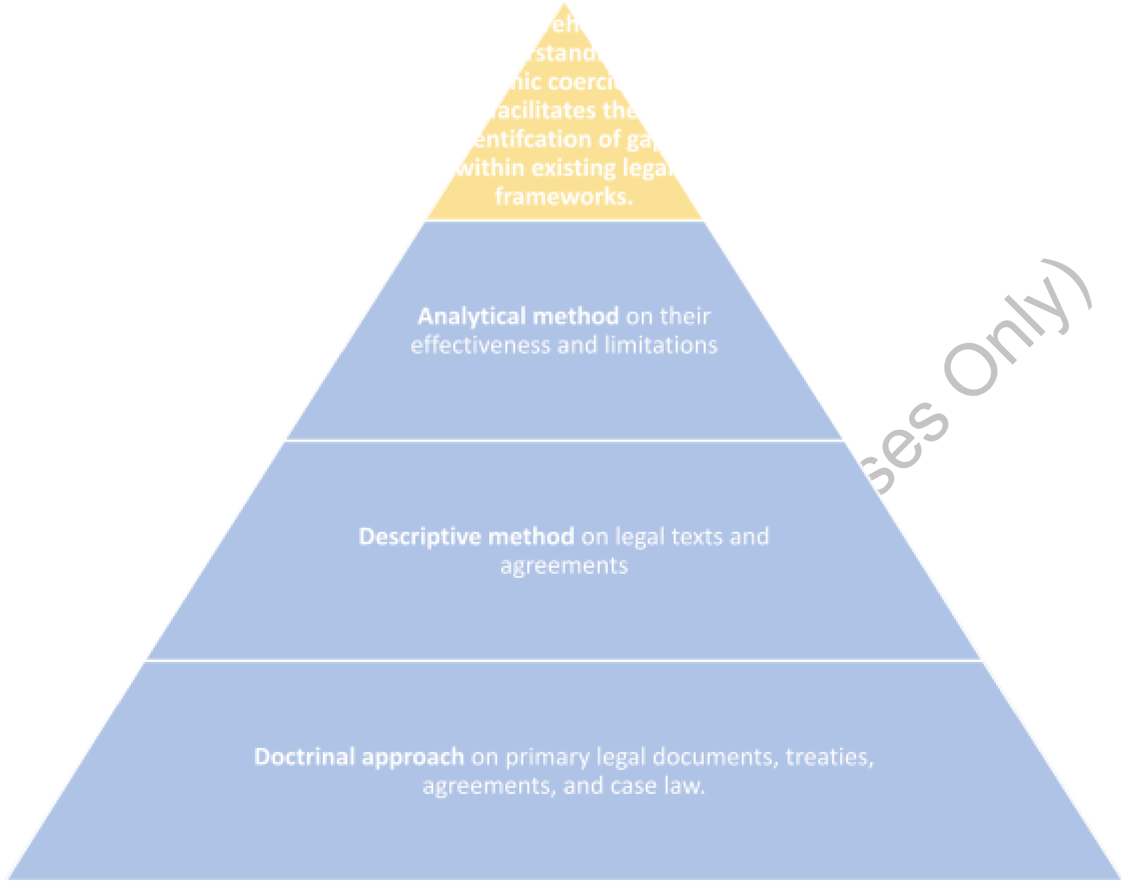

Figure 2. Research design

The research addresses the following core questions:

1. How is economic coercion defined and regulated under international law?
2. What are the gaps in the current legal frameworks that allow for the weaponization of economic coercion?
3. What implications do these gaps have for global governance and state sovereignty?

3.2 Data Collection

The data collection process for this study involves gathering both primary and secondary sources to ensure a comprehensive understanding of the international legal frameworks governing economic coercion. The study relies on the sources of international law for data collection as outlined in Article 38 of the Statute of the International Court of Justice (ICJ), which include (International Court of Justice, n.d.)

1. *The Court, whose function is to decide in accordance with international law such disputes as are submitted to it, shall apply:*
   a. *international conventions, whether general or particular, establishing rules expressly recognized by the contesting states;*
   b. *international custom, as evidence of a general practice accepted as law;*
   c. *the general principles of law recognized by civilized nations;*
   d. *subject to the provisions of Article 59, judicial decisions and the teachings of the most highly qualified publicists of the various nations, as subsidiary means for the determination of rules of law.*

2. This provision shall not prejudice the power of the Court to decide a case ex aequo et bono, if the parties agree thereto.

Research builds a solid foundation for understanding the subject by integrating authoritative legal documents, scholarly studies, and state-of-the-art reports. Primary data sources form the basis of the study in legal texts, treaties, case law, and institutional reports. Such references provide the foundational legal principles and frameworks regulating or failing to regulate economic coercion. The United Nations Charter of 1945 is a critical primary source, especially its Article 2(4), which prohibits the use of force. This article is central to understanding how forced compliance with international law operates under conditions of non-intervention, economic or otherwise.

Another very important primary source in this context is the General Agreement on Tariffs and Trade of the World Trade Organization (hereafter WTO GATT). Particularly interesting for analyzing the potential impact on economic coercion of such articles is: Article XI, forbidding any quantitative restrictions on imports or exports; and Article XXI, which provides exemptions for national security. The former two are of particular relevance in cases where countries meet coercive trade practices under security-maintenance pretexts. The Energy Charter Treaty (ECT) is also included in the study for energy trade, investment, and dispute resolution. The relevance of the treaty to cases of weaponized energy dependencies is manifested in the mechanisms that the treaty has in providing protection over energy investments and ensuring energy transits. Similarly, bilateral investment treaties (BITs) will study these because they show the inclusion of investor-state dispute settlement (ISDS) mechanisms, the provisions of which are often criticized as contrary to national sovereignty in favor of corporate interests, thus worthy under this research.

The case laws further enrich the major data. Landmark cases like Nicaragua v. United States (1986) by the International Court of Justice would give precedent on legality with respect to economic measures. This case is central to understanding how international law explains trade embargoes and other coercive measures. Cases involving the WTO over disputes on coercive trading practices deepens understanding of the efficiency and inadequacies of the trade laws. Secondary sources also add to the primary data by providing critical interpretations, theoretical insights, and context. With regard to the discourses on the dynamics of economic coercion, they include such academic journals as the American Journal of International Law (AJIL) and the European Journal of International Law (EJIL). The journals deal with some analyses regarding principles and frameworks that guide coercive practices in addition to analytical critiques that assess their applicability.

This study is greatly indebted to the writings of highly qualified publicists of their times. These include Ian Brownlie's Principles of Public International Law and Antonio Cassese's International Law, where the evolution of international legal principles, including rules on sovereignty, intervention, and coercion, is put into perspective. They help convey the primary sources against a much wider legal and historical backdrop. Another very important facet of secondary data is the institutional reports from organizations like the United Nations, WTO, IMF, and World Bank, which detail policies followed by the bodies, the disputes that arise between them, and the enforcement mechanisms found within them, providing a glimpse of reality into the practical application of international law. Such conditional lending reports by IMF show how financial dependency sometimes coalesces with coercion, while WTO reports tell a clear tale of how trade disputes are resolved.

For a more thorough examination, the present study adopts external data from non-governmental organizations (NGOs) and reputable media sources. NGOs like Amnesty International and Human Rights Watch are particularly valuable because they present firsthand accounts of the socioeconomic dimensions of economic sanctioning, and their reports look at the human and developmental consequences of coercive practices in often the most vulnerable countries. As such, leading quality news sources provide ongoing close relief coverage of contemporary events of economic coercive actions along with their geopolitical implications. For instance, the news coverage of trade wars, sanctions, and energy disputes helps trace the practical application and outcomes of this legal framework in question. At the same time, these sources furnish a broader public perspective even though they are usually not thought of within legal and academic scope.

3.3 Data Analysis

The qualitative content analysis approach is applied in this study to interpret and critically analyze the data collected. This method is suitable for relating to the complexity of legal frameworks so that patterns, themes and gaps can be identified in their regulation on economic coercion. By systematically examining primary and secondary data, this study attempts to gain an understanding of how international law defines, regulates, and enforces economic coercion measures. It is designed to support an exhaustive or comprehensive evaluation of the topic under three core themes into which the analysis is structured. The first theme entails definition and scope. This will incorporate an examination of the legal definitions provided in international treaties and agreements as well as case law. Economic coercion is analyzed in relation to the regulatory frameworks and enforcement mechanisms set apart from political and military coercion. Article 2(4) of the United Nations Charter clearly provides for military coercion, whereas legal ambiguity surrounds economic coercion. It analyzes, besides others like GATT, how the ECT defines coercion and permissible limits thereof.

Legal frameworks and measures are further assessed in this second scenario as regards the prevention of economic coercion. Specific provisions in agreements such as GATT, ECT, and BITs are thoroughly investigated in order to analyze their effectiveness in regulating coercive practices. Such traditional frameworks have not avoided critically considering the new important arrangement or innovation, such as the G7's Coordination Platform for Economic Coercion preparatory to addressing by means of collaborative exercises among member states the emergence of a new challenge of economic coercion and establishing improved early warning systems and sharing approaches to discourage and counteract coercive measures. Although these are considered fairly serious strides in the right direction, they also need to be contrasted in a significant way by much more serious enforceable legal measures within international law against coercive economic measures considering their nonbinding nature and reliance on voluntary cooperation. For example, Article XI of GATT prohibits quantitative restrictions, but in Article XXI there are exceptions for measures regarding national security, which can be interpreted or abused for coercive purposes. The study will also analyze the scope of the roles played or established by institutional mechanisms such as dispute resolution panels of the WTO as well as the International Centre for Settlement of Investment Disputes (ICSID) with respect to the way they are evaluated as efficient and fair in solving disputes and how either delays or bias could be injurious in their outcomes.

The third theme refers to voids or deterrents engendered within the existing legal frameworks that facilitate the weaponization of economic coercion. The analysis defines ambiguities and inadequacies in treaties and agreements that lend themselves to powerful states or entities in abusing economic dependencies of others. Special mention is made to exceptions like Article XXI of GATT, which permits considerable latitude at the facade of national security, frequently undermining the principle of nonintervention. Examination is, therefore, made of institutional inefficiencies such as the protracted issue that the WTO dispute settlement process has and that of the ICSID arbitration being purely investor-centric, in further keeping nations vulnerable. As such, the analysis is structured under these themes that do not just assess current legal frameworks, but in addition also provide a critique of what they lack. This thematic consideration thus sets the stage for a thorough exploration of all the complexities posed by economic coercion as groundwork for real, applicable recommendations towards tackling the discrepancies.

CHAPTER NO 04: DATA ANALYSIS

4.1 Introduction

"Coercive economic measures" concern the use of economic control or measures by one state against another to force the latter's actions to the way of choice. This definition occupies an indefinable space in the context of international law (Farrell & Newman, 2019). Unlike military coercion, which is explicitly regulated under the United Nations Charter, economic coercion occupies a murkier legal terrain (Fenton, 2017). Powerful states have resorted to such economic dependencies, even manipulated them through trade sanctions, financial restrictions, and energy leverage, often to the detriment of weaker states (Edwards, 2022). The study analyses how international treaties, case law, and institutional mechanisms regulate economic coercion, evaluates their effectiveness, and identifies the gaps exploited for weaponization.

4.2 United Nations Charter (1945)

Under Article 2(4) of the United Nations Charter, "No member of the Organization shall resort to the threat or use of force against the territorial integrity or political independence of any state (Dehn, 2020)." This condition establishes a primary principle of international law, under the protection of states sovereignty and therefore peace in the world. The main context in which this article is explored is military force; however, there have been a lot of discussions on whether it also applies to economic coercion (Bowett, 1972). With economic coercion, contrary to military coercion, a state can likely seriously infringe the sovereignty of another state, raising basic questions concerning the protections intended in Article 2(4). **Article 2(4) states that:**

> *"All Members shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state, or in any other manner inconsistent with the purposes of the United Nations (United Nations, 2023)."*

Article 2(4) thus refers to the use of armed force, without denying the nature of economic force. Such an absence opens the door to varied interpretations and applications of economic measures-for instance, in cases where all economic measures are closed to trade embargos or financial sanctions (Pobjie, 2019). The lack of clear language with respect to economic coercion constitutes a significant gap in the Charter (Abdelrahman, 2023). In this landmark case, as illustrated by an examination and adjudication by the International Court of Justice (ICJ), was on the legality of a trade embargo imposed by the U.S. on Nicaragua. The embargo aimed at crippling the economic capacity of the Nicaraguan government to affect its internal policy (Bolivar, 2022). The ICJ ruled that such actions transgress Nicaragua's sovereignty and the principle of non-intervention and thus equate to unlawful intervention (Naranjo, 2008).

- The court noted that economic measures, when intended to coerce or destabilize a state, could be considered a breach of international law principles.
- However, the ICJ relied on broader principles of sovereignty and non-intervention rather than the explicit text of Article 2(4), exposing the limitations of the Charter in addressing economic coercion directly.

The unilateral sanctions imposed on Iran by the United States constitute an important affront against international law principles, especially within the United Nations Charter context of 1945 (Dashti et al. 2020). These sanctions, that are generally treated as coercion and closely connected with Iran's nuclear program and regional influence, have been enforced through diverse domestic laws, executive orders, and international contexts such as the Joint Comprehensive Plan of Action (JCPOA) (van der Stadt, 2021). Signed in 2015, the JCPOA was a historic agreement between Iran and the P5+1 countries-the United States, United Kingdom, France, Russia, China, and Germany-to restrict Iran's nuclear program in exchange for releasing international sanctions. Some major provisions included stringent limitations on uranium enrichment, reducing Iran's stockpile of enriched uranium, and extensive spying by the International Atomic Energy Agency (IAEA). In this light, sanctions legislation by the United Nations, the European Union and those by the United States would have all been lifted for the economic benefits of Iran (Kamel, 2018).

Even with it being a multilateral agreement, the JCPOA found its own add-backs in 2018 when the United States unilaterally withdrew from the agreement put under the administration of Trump (Khan, 2024). Along with this withdrawal came wide-ranging sanctions as part of the "maximum pressure" campaign. This incident not only complicated American relations with the other P5+1 participants but also manifested the precariousness of multilateral agreements when confronted with unilateral state action (Nematpour & Shariati, 2024). The United States has imposed a variety of sanctions on Iran, targeting its financial, energy, and industrial sectors. For several decades, these sanctions have been built up and have undergone significant expansion since the JCPOA withdrawal. Major sanctions include (Arslanian, 2023):

- ***Iran Sanctions Act (ISA)***

    Initially enacted in 1996, the ISA penalized companies investing in Iran's energy sector. Over time, it was expanded to cover broader economic activities, increasing Iran's isolation from global markets.

- ***Executive Orders***

    Executive Order 13846 (2018) reinstated sanctions lifted under the JCPOA, targeting Iran's oil exports, banking sector, and shipping industries. Executive Order 13902 (2020) extended sanctions to Iran's construction, manufacturing, mining, and textile sectors, further crippling its economy.

- ***Secondary Sanctions***

    These sanctions penalize foreign entities that engage in transactions with Iran. For instance, foreign banks dealing with Iran's central bank risk losing access to U.S. financial markets. This extraterritorial application of U.S. law has *discouraged international trade with Iran, even among nations that remain committed to the JCPOA.*

- ***SWIFT Exclusion****:*

  The United States pressured the Society for Worldwide Interbank Financial Telecommunication (SWIFT) to disconnect Iranian banks from its global payment system. This action severely restricted Iran's ability to conduct international trade and access its foreign assets, effectively paralyzing its financial sector.

Critical issues arise under the United Nations Charter, as article 2(4) refrains from threats or the very use of force against a state. Though it is mainly used in context with military force, there exist many interpretations which say that even such coercion as extremely severe economic sanctions for regime change violates this principle. Related to the issues, the International Court of Justice was addressed in the Nicaragua v. United States ruling of 1986, announcing that economic measures aimed at destabilizing a state constitute unlawful intervention (Naranjo, 2008). In Paragraph 205 of the ruling, the ICJ underscored that the imposition of economic measures by the United States, including a trade embargo against Nicaragua, violated the principle of non-intervention. The court further stated that such actions were meant to coerce Nicaragua to adopt policies according to the national interests of the United States, thus infringing on the sovereignty of Nicaragua. Economic coercion, when used in intervention, violates international law since it compromises independence and freedom in choosing political, economic, and social systems within states, according to the judgment.

The ICJ has recognized actions constituting economic measures paragraphs of coercion in this landmark case, which should be judged within the radius of those principles on sovereignty and non-intervention enshrined in international law. However, as revealed in Paragraph 205, the ICJ is reluctant in going into detail about the wide implications of economic coercion; thus it brings out ambiguities in international legal discourse, hence justifying a need for further clarification and development of legal norms governing such practices. In addition to that, Article 41 of the UN Charter empowers the Security Council to authorize sanctions that restrict actions short of armed force. In this case, the sanctions fall out of unilaterally imposed ones, such as those provided by the U.S. against Iran, for they violate the UN framework, and thereby lead to legal ambiguity while also undercutting multilateralism. The table 4.1 below summarizes the gaps in UN Charter which is silent in varous articles regarding economic coercion.

Table 4.1

Summarizing Legal Gaps in UN Charter in support of Economic Coercion

Sr. No.	Article of UN Charter	Gaps
1	Article 2(4)	Ambiguity on whether "force" includes economic coercion, leaving room for varied interpretations.
2	Article 41	Selective enforcement of sanctions based on Security Council interests, undermining neutrality.
3	Article 1(1)	Lack of explicit mention of economic sovereignty as a component of maintaining international peace.
4	Article 39	No clear criteria for identifying non-military threats like economic coercion, allowing subjective decisions.
5	Article 51	Focus on military self-defense excludes provisions for defending against economic aggression.

4.3 General Agreement on Tariffs and Trade (GATT)

GAAT promoted free trade and perhaps the chief and a very unique pillar in the import and export structures of the future calibration of the trade law at the World Trade Organization (WTO) (Kimatu et al., 2011). Whereas GATT promotes the notion of free and fair trade, some of its provisions, specifically Articles XI and XXI, expose vacuums that purport to enable states to use economic coercion under the banner of national security (Кондрашов, 2023). These have been thoroughly scrutinized in courts because of restrictions on trade and because of retaliatory tariffs. Article XI(1) of GATT states (World Trade Organization, n.d.):

> *"No prohibitions or restrictions other than duties, taxes, or other charges shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party."*

This law disallows any kind of restriction on the number, place, or timing such as quotas or bans on imports or exports within member states. However, the limits of this prohibition do not apply when exceptions are invoked in Article XXI. In practice, on massive bases many states override Article XI by recourse to Article XXI security concerns, throwing out of alignment the WTO's regulatory mandate regarding coercive trade practices (Marceau & Kuelzow, 2018). Article XXI legitimizes restrictions imposed by states on trade on the grounds of national security (World Trade Organization, n.d.). It states:

> *"Nothing in this Agreement shall be construed to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests:*
>
> *(a) relating to fissionable materials or the materials from which they are derived;*
>
> *(b) relating to the traffic in arms, ammunition, and implements of war;*
>
> *(c) taken in time of war or other emergency in international relations."*

The self-judging character of Article XXI is apparent in the phrase "it considers necessary": it empowers states greatly to define a security interest (Wang, 2019). The vagueness enables states to impose trade restrictions or sanctions which may have coercive intentions under the header of national security (Misra, 2022). In this case, Ukraine challenged Russia for its trade restrictions under Article XXI, claiming they were in violation of GATT provisions. The WTO panel ruled that invocation of Article XXI by

Russia was subject to judicial review and rejected the proposition that the provision was entirely self-judging. However, it upheld the Russian measures by finding that the situation constituted an "emergency in international relations (Parrish, 2024). This ruling showed how limited the possibility was for the dispute settlement body (DSB) of WTO to question the substantive validity of security claims, underlining obstacles in regulating coercive practice by Article XXI (Hart, 2024). It was the imposition of tariffs on Chinese goods by the United States that ended up facilitating the retaliatory moves that China took against the United States. The two countries use national security criteria to justify their behavior that alters global supply chains and compromises the credibility of the WTO. This is also an illustration of how security exceptions, and in particular, those left vaguely defined, can be weaponized against economic coercion in a manner contrary to the principles of free trade that count on GATT (Puccio, 2023).

Table 4.2

Summarizing Legal Gaps in WTO GATT in support of Economic Coercion

Sr. No.	Article of GATT	Gaps
1	Article XI	Prohibits quantitative restrictions but is overridden by Article XXI when security exceptions are invoked.
2	Article XXI	Self-judging nature allows states to unilaterally define "essential security interests."
3	Article XXI(a)	Ambiguous definition of "fissionable materials" and its application to modern energy-related disputes.
4	Article XXI(b)	Vague criteria for "traffic in arms, ammunition, and implements of war," enabling broad interpretations.
5	Article XXI(c)	"Emergency in international relations" is undefined, leading to arbitrary and subjective justifications.
6	Dispute Settlement	Prolonged resolution processes allow coercive practices to persist during litigation.

4.4 Energy Charter Treaty (ECT):

Established in 1994, the Energy Charter Treaty (ECT) is an international multilateral instrument with the aim of ensuring energy security, protecting foreign investments in the energy sector, and promoting global energy cooperation (Coop, 2011). The targets match with the perspective of creating a stable market in energy; however, with regards to certain provisions, especially those related to Investor-State Dispute Settlement (ISDS), there have been critiques about its enabling of economic coercion and subversion of state sovereignty (Gazzini, 2014). This paper examines key provisions of the ECT, its deficiencies, and the repercussions on energy-related coercion. The ECT contains several significant articles aimed at facilitating energy commercialisation, investment, and dispute resolution. The most relevant provisions include:

- ***Article 10 (Fair and Equitable Treatment):***

The Article 10 states that (Energy Charter Treaty, n.d.);

> *(a) Each Contracting Party shall encourage and create stable, equitable, favorable, and transparent conditions for Investors of other Contracting Parties to make Investments in its Area. Such conditions shall include a commitment to accord at all times to Investments of Investors of other Contracting Parties fair and equitable treatment. Such Investments shall also enjoy the most constant protection and security and no Contracting Party shall in any way impair by unreasonable or discriminatory measures their management, maintenance, use, enjoyment, or disposal. In no case shall such Investments be accorded treatment less favorable than that required by international law, including treaty obligations.*

(b) A Contracting Party shall not encourage or require any substantial change to the investment conditions by unreasonable, arbitrary, or discriminatory measures.

This article mandates that states provide fair and equitable treatment to foreign investors, ensuring non-discrimination. However, the broad language often creates challenges when balancing investor protection with public welfare regulations.

- ***Article 13 (Expropriation):***

Article 13 states that (Energy Charter Treaty, n.d.);

Investments of Investors of a Contracting Party in the Area of any other Contracting Party shall not be nationalized, expropriated, or subjected to a measure or measures having effect equivalent to nationalization or expropriation (hereinafter referred to as "Expropriation") except where such Expropriation is: a) For a purpose which is in the public interest; b) Not discriminatory; c) Carried out under due process of law; and d) Accompanied by the payment of prompt, adequate, and effective compensation. Such compensation shall amount to the fair market value of the Investment expropriated at the time immediately before the Expropriation or impending Expropriation became known in such a way as to affect the value of the Investment (hereinafter referred to as the "Date of Expropriation"). Compensation shall be effectively realizable and freely transferable. The Investor affected shall have a right to prompt review by a judicial or other independent authority of the Contracting Party making the Expropriation, to determine whether such Expropriation *and any compensation conform to the principles set out in this Article.*

Article 13 prohibits direct or indirect expropriation of foreign investments unless it is for a public purpose and includes adequate compensation. While this protects investors, it can also constrain state regulatory powers, particularly in areas like environmental policy.

- **Article 26 (Investor-State Dispute Settlement - ISDS):**

Article 26 states that (Energy Charter Treaty, n.d.);

> *(1) Disputes between a Contracting Party and an Investor of another Contracting Party relating to an Investment of the latter in the Area of the former, which concern an alleged breach of an obligation of the former under Part III shall, if possible, be settled amicably. (2) If such disputes cannot be settled according to the provisions of paragraph (1) within a period of three months from the date on which either party to the dispute requested amicable settlement, the Investor party to the dispute may choose to submit it for resolution: (a) to the courts or administrative tribunals of the Contracting Party party to the dispute; (b) in accordance with any applicable, previously agreed dispute settlement procedure; or (c) in accordance with the following paragraphs of this Article. (3) Arbitration decisions are binding and enforceable under the 1958 New York Convention or ICSID Convention, as applicable.*

The ISDS mechanism allows for arbitration initiated by investors against states with respect to possible treaty breaches. Indeed, arbitration tribunals like ICSID and UNCITRAL have established venues for disputes of this nature, though their outcome is shown to be biased toward the investor than to the state. The ISDS (Investor-State

Dispute Settlement) mechanism enables investors to file arbitration proceedings against states on account of a breach of treaty. Disputes of this nature can be governed and adjudicated in the assemblies of arbitration known as the International Centre for Settlement of Investment Disputes (ICSID) or the United Nations Commission on International Trade Law (UNCITRAL); yet, the decisions have been criticized for favoring the investors than the state. Several research works have critically evaluated the roles the different arbitration mechanisms play with Van Harten (2008) noting that "The design of these arbitration processes suits the interests of international investors, often disregarding state sovereignty". Furthermore, according to a report by UNCTAD (2015), approximately 60% of all concluded ISDS cases rendered favorable rulings for investors, whether through awards or settlements. Critics have since then become increasingly loud in calling for reforms to the ISDS system to ensure a balance, or at least more favorable treatment of state interests in disputes would be accommodated.

- **Article 7 (Transit)** (Energy Charter Treaty, n.d.)**:**

> *Each Contracting Party shall take the necessary measures to facilitate the Transit of Energy Materials and Products consistent with the principle of freedom of transit and without discrimination based on origin, destination, or ownership. No Contracting Party shall take measures that impedes or interrupts Transit, unless in compliance with applicable international law or for reasons of public safety, environmental protection, or similar exigencies. Transit disputes between Contracting Parties shall, in the first instance, be resolved through consultations and negotiations. If the dispute remains unresolved, it may be referred to a neutral international tribunal or dispute settlement mechanism as specified under the Treaty. Contracting Parties shall respect Transit obligations under previously concluded agreements and avoid taking steps*

that would undermine established Transit operations or routes.

Although Article 7 permits the free movement of energy resources between two countries, even in times of disputes, it was meant to ensure a constant flow and availability of energy supply; however, enforcement has proved to be limited to a degree (Skouzes, 2023). Coupling this with Article 26, the International System for Dispute Settlement (ISDS) has been criticized by various quarters in that the system prioritized corporations' interests at the expense of state sovereignty. Although ISDS purports to protect investors, it often promotes the interest of corporations to evade or challenge national regulations due to their impacts on profitability. Devoid of any transparency, the mechanism tends to be until otherwise demonstrated as arbitration processes are usually confidential and without much accountability to affected populations. One major challenge that is the possibility of investors challenging any regulation in public interest, say, for example, health, safety, or the environment (Ciocchini & Khoury, 2018). For instance, a state pursuing renewable energy policies or prohibiting projects determined on fossil fuel may have a claim under ISDS because such measures adversely affect investor profits. Such dynamic conditions put severe constraints on states regarding their capacity to regulate the public interest (Tienhaara et al., 2023).

Article 7 of the ECT emphasizes the free transit of energy resources. It obliges states to ensure that their border is open to cross-border energy flows regardless of their political disputes or economic ones. The article, however, lacks a sound mechanism for enforcing the settlement of transit-related disputes (ESCAP, 2020). This limitation became abundantly clear during the Russia-Ukraine energy crisis, where natural gas transit routes were disrupted and European energy security was compromised. Although the treaty provided for such limitations, it did not provide an effective remedy, thereby demonstrating the chinks in Article 7 (Skouzes, 2023).

Though the ECT mentions the weaponization of energy resources as a significant current concern in modern geopolitics, it remains an issue with few mentions in the ECT itself. This enables backward dependence on a state-determined geopolitics by the powerful energy suppliers. An example of this has been seen in how Russia has utilized its natural gas exports during the crisis with Ukraine. This shows how energy can now be made available to pressure a country. The absence of an articulation in the ECT in this respect compromises the very reason it was established-to promote stable and equitable energy markets (Duurkoop, 2024).

All this reveals the failure of the Energy Charter Treaty (ECT) in its address of coercion in the context of energy during the Ukraine crisis. Such as a supplier, Russia dominated the European natural gas market as a means whereby energy influence could be translated into geopolitical dynamics. The Prime Measure in this was to cut natural gas supplies from Russia to Ukraine in very critical winters, thus creating shortages that worsened the economic vulnerability of that country (Zisis, 2024). Such high-level manipulation of natural gas prices, thereby increasing it even to Ukraine amounts to economic pressure and dissuasion against Western Europe orientation. Added up, through control of critical routes of energy transmission, Russia limited the ability of Ukraine to function as an independent state with regards to transit, further compromising its position and enhancing dependence on Russian energy. Power through energy dependencies is evident from what is portrayed above, even though the ECT provisions cannot prevent such practices nor ensure that affected states in this regard receive energy security from them. This shows major loopholes in the ability of this treaty to regulate coercive actions in the energy sphere (Tynkkynen, 2023).

This has left the ECT with gaps in its legal structure, and hence the limitations regarding energy-related coercion. For example, due to the unavailability of sovereignty protections to the states, it leaves the treaty against coercive acts of energy suppliers and investors, including the great scope available for types like certain ISDS mechanisms to pressure states to consider the interests of investors above public welfare priorities - another critical gap is ISDS itself. Dispute resolution standards are not clear, which has led to inconsistent rulings that mostly favor investors and undermine effective regulation of states. Explicit prohibition from the treaty prohibits weaponizing energy resources and then leaves states vulnerable to the exploitation of powerful energy suppliers. That has opened doors for manipulation in geopolitical terms, like that witnessed in the Ukraine crisis. Poor enforcement of transit obligations, per Article 7, further limits the scope of the treaty. This promotes free transit of energy resources within its provisions while lacking strong mechanisms for enforcement in the case of disputes, thereby rendering the provisions impotent as far as uninterrupted energy flow during conflicts is concerned.

The loopholes of the Energy Charter Treaty have globally significant implications. Without any guarantees against energy coercion, an entire web becomes created denying security of energy supplies, leading into the intricate web of geopolitical divisions, in particular for smaller or energy- dependent states. At the same time, they will become more susceptible to coercion by stronger energy suppliers or investors, increasing the instability of their economies and politics. Also, the notion of bias-steering ISDS mechanisms toward investors erodes the whole treaty's trust, in both fairness and efficacy. Increasingly, this mistrust has led many to call for reforms or, in some cases, a total exit from the treaty. Without remedying these severe loopholes, there is a high likelihood of the ECT becoming irrelevant and ineffectual as a framework incentive for facilitating co-operation and security in this new, interlinked global energy marketplace.

Table 4.3

Summarizing Legal Gaps in ECT in support of Economic Coercion

Sr. No.	Article of ECT	Gaps
1	Article 10	Fails to balance fair treatment of investors with states' ability to regulate in public interest.
2	Article 13	Broad interpretation of expropriation allows challenges to public welfare regulations.
3	Article 26	ISDS mechanisms lack transparency, favor investors, and undermine state sovereignty.
4	Article 7	Promotes free energy transit but lacks robust enforcement mechanisms for dispute resolution.

4.5 Bilateral Investment Treaties (BITs):

Bilateral Investment Treaties (BITs) are meant to be agreements between two sovereign states to promote and protect investments made by nationals of one of those states within the other state. Such agreements seek to achieve certainty of legal status and provide means of dispute settlement. In this regard, many BITs have ISDS clauses entitling the concerned investors to sue host states for possible violations of their obligations under the treaty (Akinola, 2023). Although BITs are to provide for secure environments in which investments are made and will operate, they can be brutal tools of economic coercion. By enabling as well as mitigating coercion, BITs provide further evidence of how complex these legal frameworks can be (Harrell et al., 2022).

A standard bilateral investment treaty has just been contracts among states that have not just vital provisions assuring investment regulations and protection for foreign investments. Such essential provision of these treaties includes fair and equitable treatment clauses, which require states immediately upon investment to make sure that a stable and predictable legal framework is provided for consideration by the investor, barring any arbitrary or discriminatory measures likely to cause harm to investments. Although it often leads to disputes about legitimate regulatory measures, a broad approach to the meaning of FET causes the debate about many issues towards it. In another similar provision, a state cannot, directly or indirectly, expropriate all foreign investments without giving 'just' compensation (Bodea & Ye, 2017). Even when it assures an investor free access to investments, it makes regulatory actions, whether for environmental measures or health measures, increasingly challengeable and borderline on indirect expropriation. Several other provisions that such treaties might have include national treatment and most-favored-nation treatment which obligates a host state to treat all foreign investors with, at the least, the same treatment such investments would receive from citizens of that country or countries third to it. Lastly, there exist mechanisms of dispute settlement through foreign investment, which allow the investor to access ISDS or the settlement of the dispute in international arbitration rather than domestic courts and, thus, by a neutral body without allegations of bias (Salacuse, 2017).

BITs can function as instruments of economic coercion, wielded by strong states or companies, to oppose regulatory measures in host countries. These bilateral treaties usually provide investors with extensive rights, permitting them to bring ISDS claims against states whenever adopted policies have effects on their financial investments. Claims have been filed by investors against enacted environmental laws, public health measures, and worker protections, which force governments to repeal or relax such legislation. This situation results in a chilling effect in the regulation intended for expenditures that states abandon due to the fear of arbitration at considerable costs. Furthermore, the inequitable power relations between investors and host states add to this scenario. BITs inherently have a partial inclination towards the corporations from the wealthier counties, and developing countries have a limited advantage in negotiating fair provisions of such treaties. Thus, it ends up driving host states into favoring considerations of investor interests over that of the public good, therefore undermining the sovereignty and regulatory autonomy of these states.

However, it is no less true that BITs open avenues to coercion through providing legal protection of investors; it certainly also mitigates coerce-in as BITs create an environment that is appropriately stable and predictable for investments in the future-an environment that tends to eliminate the arbitrary and retaliatory actions host states likely will employ. A fact vital in confirming an assertion of an injury is that BITs contain clear mechanisms for dispute resolution, e.g., ISDS, where investors are permitted access to neutral forums to voice their grievances; otherwise, by blocking by all unilateral measures against investments by BITs, those practices become less and less prominent. However, these protections failed to reflect the fact in competition with one another. Not having explicitly stated in BITs safeguards against coercion means any such evidence or protection has virtually no value in regard to its functioning against the objective intended. The effect of such approaches will render the duality of BITs between enabling whatever state might do or mitigating those actions opposing to whatever state might do unbalanced.

Such structures and executions of BITs demonstrate some significant legal loopholes that facilitate economic coercion. One among others is the very narrow interpretation of the FET clause, which suffers from vague definitions. Such ambiguity welcomes even legitimate public welfare measures, such as environmental or health regulations, to be challenged as violations of treaty obligations. Another loophole relates to insufficient safeguards for sovereignty, as BITs do not explicitly protect states' regulatory autonomy. This lacuna permits investors to place pressure on governments bending them away from actions for public interest. Another major issue revolves around a lack of transparency in ISDS mechanisms. Most arbitration proceedings are often cloaked in confidentiality, raising doubts as to the accountability and fairness of the proceedings. There are also no specific provisions in BITs that expressly prohibit the common practice of coercion, hence exposing states to victimization by some strong investors. Moreover, one-sided negotiations in treaties, as especially experienced by many developing countries, continue to create dependency entanglements in the countries' development processes and bind them in the very limited space from where they could claw out better terms.

Table 4.4

Summarizing Legal Gaps in BIT in support of Economic Coercion

Sr. No.	Article of BIT	Gaps
1	Fair and Equitable Treatment (FET)	Ambiguity in definition allows broad interpretation, enabling challenges to legitimate regulations.
2	Protection Against Expropriation	Broad interpretation of "indirect expropriation" constrains state regulatory powers.
3	National Treatment and Most-Favored-Nation Treatment	Limits states' ability to prioritize domestic industries or policies.
4	Investor-State Dispute Settlement (ISDS)	Lack of transparency and accountability in arbitration proceedings favors investor interests.

4.6 The SWIFT Financial System and Economic Coercion

As a result, the Society for Worldwide Interbank Financial Telecommunication or SWIFT has become a core foundation in making international financial transactions possible. While SWIFT is not a legal individual, its usage percolates everywhere into the halls of international financial governance (Lastra, 2024). SWIFT facilitates cross-border payments between banks and, being unplugged from it, can cripple a country's economy. For instance, in 2012, similar action decimated the Iranian economy by severely restricting oil trading and access to world markets when its banks were removed from SWIFT at the insistence of US and EU pressure (Skinner, 2023).

SWIFT is a cooperative organized in Belgium under Belgian law, but its working conditions are consistent with the needs of the member institutions. It is an efficient system in accordance with the global financial governance principles. A service provider but not actually involved in any transactions would be financial messaging infrastructure. Although privatelier decisions on access to SWIFT are usually influenced by politics and legal arms of states that have commanding geopolitical weight. Such a case is weaponization of SWIFT's infrastructure against economic sanctions where providing access to its network is denied to specific countries. The salient example, as already stated above, is the exclusion of Iranian banks from SWIFT in 2012 after U.S. and EU sanctions. Though SWIFT said the decision was based on the EU regulations, the geopolitical motivations exhibit the system's susceptibility to external influence. The legal framework under which SWIFT operates does not concern itself with its contributions to economic coercion. Its decisions, although backed with compliance with applicable legislation, tend to be driven by political priorities of states with more power. A structure like this raises questions in regard to SWIFT's neutrality, so too with respect to fairness principles in international financial governance.

The exclusion highlighted the absence of safeguards against the misuse of critical financial infrastructure for coercive purposes. SWIFT's susceptibility to external influence raises broader questions about its role in international law and economic governance. The lack of an international regulatory framework leaves the system open to exploitation, enabling powerful states to use it as a tool of economic coercion. This undermines the principles of equality and fairness that underpin global financial systems. Furthermore, the use of SWIFT as a coercive instrument disproportionately affects smaller or weaker states, exacerbating existing economic inequalities.

Table 4.5

Summarizing Legal Gaps in SWIFT System in support of Economic Coercion

Sr. No.	Aspect/Article of SWIFT	Gaps
1	Neutrality Principle	SWIFT's decisions are influenced by geopolitical pressures, undermining its claim of neutrality.
2	No Specific International Framework	Absence of a global legal framework to regulate the use of SWIFT for sanctions or coercive practices.
3	Governance Structure	Dual dependency on private management and state influence creates operational vulnerabilities.
4	Access Restrictions	No independent mechanism to review or appeal decisions related to exclusion or access restrictions.
5	Accountability	Lack of oversight or accountability for decisions influenced by political motivations.

4.7 IMF and Conditional Lending

The IMF is said to play a vital role in stabilizing international financial systems by offering financial assistance to countries in the throes of an economic crisis (Pillah & Djebah, 2024). However, lending practices, particularly Structural Adjustment Programs (SAPs), lend themselves to criticisms for tying its condition for financial assistance, thus, infringing upon the sovereignty of its member nations and worsening their socio-economic vulnerabilities (Elias et al., 2024). Such SAPs often enjoin borrowing countries to adopt austerity measures, privatization, and deregulation, among other things, before granting them loans. Consequently, there is scant autonomy left for these countries to pursue their own economic policies. The conditionalities would qualify at the very least for ensuring fiscal prudence and economic remodeling; however, certain implications of these conditions touch on the sovereignty of the affected nation and the principle of equitable international cooperation.

IMF conditional lending operates under the platform of its Articles of Agreement, primarily Article I(v), stating that the IMF "shall make general resources of the Fund temporarily available, under adequate safeguards, to members." Although the provision is about financial stability, the term "adequate safeguards" tends to be interpreted widely, thereby granting substantial discretion to the IMF regarding the conditionality it imposes. These conditionalities frequently prioritize fiscal discipline over socio-economic considerations, mandating borrowing nations to achieve some reforms as prerequisites to receiving financial assistance (Denters, 2023). According to Pillah and Djebah (2024), one common austerity-related conditionality entails a cutback in public expenditures, which often results in negative effects on provision and availability of essential services, including health and education, thus worsening social vulnerabilities. Another important conditionality involves privatization where public enterprises are sold off in pursuit of efficiency, with the concomitant job losses and reduced public control over important sectors.

Also, the deregulation reduces barriers to trade and pulls back all government intervention; it would, however, make economies vulnerable to external shocks leading to an increase in susceptibility to global market fluctuations. Such conditions are inherently geared towards restoring economic stability but, in reality, affect the socio-economic fabric and national sovereignty of the borrowing nation (Hemming & Mansoor, 1998). Constraining conditionalities under SAPs radically restrict the policy-making autonomy of borrowing countries. By imposing specific fiscal and structural reforms, the IMF directs economic strategies, leaving governments with little flexibility to address their unique socio-economic challenges. This erosion raises serious questions with regard to balance of power between IMF and member states, especially in view of the principle of state sovereignty adopted in international law (Kelleh, 2012).

Just as in Greece during its debt crisis in the 2010s, severe austerity measures imposed as conditions for financial assistance from the IMF, European Central Bank, and the European Commission are chronic among others. Decanting the benefits rather well-timed using loans associated reductions of pensions, increases of taxes, and cuts in sector budgets increased strife in the already difficult economic Greek landscape. The conditionalities dragged the depth of the recession even more and constrained the very government from putting a national alternative strategy toward recovery. This also goes to show how IMF conditional lending could leave borrowing countries short of sovereignty; in effect, getting them to comply with policy dictated by outside forces. The Greek debt crisis typifies the coercive arm that has the conditionalities of IMF. The country, after the 2008 global financial crisis, had a major dip in its economy which led to a need to seek financial help from the IMF, the European Central Bank, and the European Commission. This included conditions from the IMF:

- **Pension Cuts:** Reducing public pensions to decrease government spending.
- **Tax Increases:** Implementing higher taxes to boost revenue.
- **Public Sector Reductions:** Downsizing public sector employment to reduce fiscal deficits.

But these measures instead aided in deepening Greece's recession, increasing unemployment, and creating far-reaching social unrest. The crisis revealed limits of IMF conditionalities in their quest to address core structural issues of borrowing nations while teaching that a more balanced approach had to be undertaken. One such critical gap, however, is that of the process, whereby IMF lending conditions are not easily visible. When unclear, the parameters for defining both the form and scope of conditionalities leave borrowing nations stranded and relatively powerless in the negotiation. Getting rid of an independent reviewing or appeal mechanism on these conditions adds to the perception of bias and inequity in the operations of the IMF. Such situations most disadvantage borrowing countries as they include, but are not limited to, weaker countries' economies that don't have much room to maneuver when trying to go against IMF decisions or implementations.

Table 4.6

Summarizing Legal Gaps in IMF in support of Economic Coercion

Sr. No.	Article of IMF	Gaps
1	Article I(v)	Broad interpretation of "adequate safeguards" allows stringent conditionalities without proportionality or necessity.
2	Article V (3) Conditionality Guidelines	No requirement to assess or mitigate socio-economic impacts of austerity, privatization, or deregulation.
3	No specific article	Lack of transparency in decision-making for imposing conditionalities and limited accountability mechanisms.
4	No specific article	Absence of an independent review or appeal mechanism for borrowing nations to challenge IMF-imposed conditions.
5	Article XII Governance Structure	Power asymmetry in voting rights disproportionately favors economically dominant nations, limiting representation for developing countries.

CHAPTER NO 05: CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

1. How is economic coercion defined and regulated under international law?

Economic coercion is meant when one state uses economic measures to enlist the cooperation of another state through trade sanctions, financial restrictions, or dependence on energy. Economic coercion does not have as much definition in law as military coercion, which has a legal framework under the United Nations Charter (Article 2(4)). Article 2(4) prohibits the use of force against the territorial integrity or political independence of any state and remains ambiguous and open to differing interpretations on economic coercion. The General Agreement on Tariffs and Trade (GATT) of the World Trade Organization (WTO) contained provisions like Article XI forbidding such quantitative restrictions on trade and Article XXI allowing exceptions for national security. However, being a self-judging article, it sliced an allowance for reasons of security under which states could justify such coercive trade measures, nullifying GATT's regulatory mojo. Armed by a commitment to energy security and cooperation, the Energy Charter Treaty (ECT) has no provisions barring a country from resorting to weaponizing energy resources against another country, thus making it null and void against influential countries. Other examples are the channels created by the International Monetary Fund (IMF) and Bilateral Investment Treaties (BITs), like Structural Adjustment Programs (SAPs) and Investor-State Dispute Settlement (ISDS), which can be used for economic coercion while ostensibly aiming at securing stable economics and investment protection.

2. What are the gaps in the current legal frameworks that allow for the weaponization of economic coercion?

Gaps in United Nations' Charter 1945

International law's cornerstone is the United Nations Charter. It has been instituted to promote peace and security for state and sovereignty. Nevertheless, significant gaps in the provisions of the Charter create loopholes for exploitation by the principle of economic coercive measures. For example, Article 2(4) of the Charter prohibits the threat or use of force against the territorial integrity or political independence of a state, although its actual language focuses mainly on military actions, which makes it unclear about other forms of coercive economic measures such as trade sanctions or financial restrictions. These powerful states weaponize economic measures on a technically compliant basis with the provisions of the Charter while exposing a critical gap in its regulatory framework for member states. Article 41, which permits sanctions as measures short of armed force, leaves much to be desired in the Charter. Sanctions are placed to prevent threats to peace but are seldom left to be on grounds of imposition by the Security Council members according to geopolitical interests rather than neutral international grounds. This undermines the neutrality and fairness of the sanctions mechanisms of the United Nations, even as they affect a weaker state disproportionately, with more powerful nations generally avoiding accountability. Thus, the selective-inactiveness undermines the Charter's aim of ensuring equality of treatment among member states.

Moreover, Article 1(1), which sets forth the purpose of the United Nations, i.e. to preserve international peace and security, is silent on economic sovereignty. And while this is certainly a nagging omission, it has far-reaching effects, as it disregards the indispensable part economic stability and independence play in world peace. Its absence of economic sovereignty thus leaves an important segment of state vulnerability unprotected, under which economic coercional access goes unregulated. Equally, Article 39, which empowers the Security Council to determine threats to the peace, does not have specific indicia for such nonmilitary threats as economic coercion. This latitude enables individual interpretations susceptible to being twisted coerce economies, thereby enhancing the already evident inadequacy of the Charter in grappling with contemporary problems. Another major omission is Article 51, which recognizes only the right of a state to self-defense against armed attack. With the absence of provisions on the defense against economic aggression, the Charter is silent on the defense of a state against activities that undermine its economic viability and compromise its sovereignty. Thus, there lies an important aspect of economic coercion, with considerable bearing on a nation's political and social stability, that remains neglected in the current form of the law.

Gaps in GATT of WTO

Encouraging multilateral free and fair trade, the WTO, via GATT, is aimed at abolishing, as feasible, restriction of trade against trade non-fundamentals. Nevertheless, this has not been possible owing to loopholes in the framework for economic coercion on principles of trade between countries. As per table 4.2, there are articles and mechanisms in GATT that are very likely susceptible to misuse and especially for coercive purposes. Article XI prohibits quantitative restrictions on trade in goods and services by members, such import and export quotas. However, its requirement could be overridden by ceiling XXI. And this implicitly nullifies the essence of Article XI, for states can defeat the proscription by invoking loosely defined security concerns through creating a loophole that shall accommodate coercive trade practices under the premise of national security.

Article XXI, which lays down the juridical foundation for the invocation of security exceptions, is particularly self-judging. It enables states to unilaterally set up what they consider to be their "essential security interests", thus giving them a broad and largely free hand in determining the circumstances under which these exceptions can be applied. This broad latitude undermines not only the enforceability of rules governing trade but thereby allowing other countries to impose restrictions that may be pursued for coercive rather than genuine security purposes. Another subclause of Article XXI aggravates it further. Article XXI(a), relating to fissionable materials, is neither defined in clarity nor in modern terminology, thereby leaving it open to arbitrary application in disputes over energy resources or nuclear materials. Article XXI(b), relating from which flows traffic in arms, ammunition, and implements of war, uses vague terminology which lends itself to broad applications. This vagueness has allowed countries to impose trade restrictions that would otherwise have come under challenge as contrary to GATT principles. Article XXI(c), which allows exceptions for "emergencies in international relations," fails to give a precise definition of what constitutes such an emergency.

This lack of clarity results in subjective justifications for coercive trade practices, further undermining the regulatory framework of GATT. The Dispute Settlement mechanism under the WTO, while designed to resolve conflicts between member states, also presents significant challenges. The prolonged nature of the dispute resolution process allows coercive practices to persist during litigation, often causing substantial economic harm before any resolution is achieved. This delay in resolving disputes disproportionately affects smaller or less powerful states, which may lack the resources to endure prolonged economic restrictions.

Gaps in ECT

The object of the Energy Charter Treaty (ECT) is to fuel cooperation, secure investments, and ensure stability in the worldwide energy sector. However, there are several loopholes within its framework that enable coercive actions against its mission. The key clauses of the ECT, pointing to some critical vulnerabilities and shortcomings, are highlighted in Table 4.3. Article 10, with respect to its investors', lays down the principle of fair and equitable treatment, protection, and stable investment conditions, but this failed, most of the time, to hold in check the investor's rights by the regulatory autonomy of states. Article 10 provides protection for foreign investments, its general tenor being easily taken advantage of by investors to question legitimate public welfare regulations on health, safety, or environmental grounds. This imbalance creates undue fetters on the states' ability to regulate in the public interest, which effectively favors transnational corporate profit over broader societal needs.

The Article 13 talks about giving protections against expropriation; it prohibits nationalization or expropriation of foreign investments except for a purpose of public nature; is non-discriminatory; and has adequate compensation. Broad interpretation of indirect expropriation permits investors to challenge many actions of the State, which may indirectly affect their profits-overall conditions of the environment, renewable energy initiatives, and so on. The effect would be chilling on regulation-needed reforms would not be implemented for fear of costly arbitration claims, thus limits approaching critical public welfare issues. Article 26 is one of the chief targets of criticism, as it deals with ISDS. ISDS allows the investor to go directly to sue a state through international arbitral tribunals instead of their domestic court. However, the inherent opacity of ISDS proceedings, coupled with a strong inclination to favor the investor against the state, undermines state sovereignty. Arbitration decisions are also highly unaccountable and explicitly favor the investor, leaving little to states in applying regulations conflicting with corporate interests. This environment is in favor of the state, particularly a developing one, making it worse in power imbalances in the energy sector worldwide. The principle protected by Article 7 is free transit of energy resources, which countries are to honor for uninterrupted cross-border energy flows. However, the article lacks strict mechanisms for enforcement to address cases of transit-related disputes. This limitation became evident during the Russia-Ukraine energy crisis, where disruptions in natural gas transit routes significantly impacted European energy security. Despite the treaty's intent, the absence of clear and enforceable mechanisms to address transit conflicts undermines its effectiveness in ensuring stable energy markets.

Gaps in BIT

Bilateral Investment Treaties (BITs) are agreements between two states meant to put foreign investments into potential legal security and dispute resolution measures. Generally, these agreements promote economic stability and increase investment;

however, there are many problematic clauses that reinforce economic coercion, as well as favor investors even more than host states. Table 4.4 presents several key articles in refusing BITs that have the most significant challenges and limitations. Most BITs famously have ''fair and equitable treatment provisions.'' This means that host states should promote rather stable and predictable legal framework without prejudice to foreign investors. However, because the language is typically vague and open for wide interpretation, it can easily be taken for granting too much rights from the host country perspective. Typically, this provision on investors' part has been resorted to contest entirely legitimate measures directed towards public welfare such as environmental and labor standards, or health policies, by claiming that those measures infringe the rights of those investors. This creates a chilling effect; states then hesitate to take much reform action, being afraid of putting themselves into potential costly arbitration claims. Not being properly defined, FET fails its very purpose and gets weaponized against state sovereignty.

BITs deny direct or indirect deprivation along with due payment. This provision aims at protection of the investor against arbitrary actions of the host state; however, it imposes heavy obligations on the regulatory functions of the state. This is because indirect expropriation is interpreted very broadly under BITs. For example, public interest regulatory measures such as prohibitions on the use of harmful substances or environmental restrictions are usually claimed to be infringing the protection of indirect expropriation. This very broad interpretation significantly limits the regulations of states in the public interest, as they would face the risk of sanction for indirect effects on investor profits. BITs between state parties would also mean that foreigners are treated by the host states at least as favorably as nationals or foreigners from other countries. The provisions do provide for non-discrimination; however, it prevents a state from providing any special treatment to its domestic industries or for other policy decisions to advance local economic development. Therefore, the equal treatment clauses restrict the discretion of the state in executing such strategies relevant to its particular socio-economic requirements. Developing countries with their domestic policies are likely to face adverse consequences, since these countries otherwise use the domestic economy as a source of encouragements in nationalization to lessen dependence from foreign investments.

The ISDS apparatus allows investors to skip domestic courts and sue host states directly in international arbitration for breach of treaty obligations. While ISDS provides a neutral platform to settle disputes, it has significant shortcomings. The arbitration proceedings are often devoid of transparency, with decisions made in confidential settings and public accountability lacking. Furthermore, ISDS disadvantages states, with arbitration panels frequently privileging investor rights over concerns about state sovereignty and public welfare. This deprives the system of faith and the capacity for states to defend their decisions on regulation.

Gaps in SWIFT System

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) is among the platform that is primarily meant for international transactions and provides a secure and efficient communication facility for cross-border payment. However, from the analysis in Table 4.5, there are many legal and structural loopholes that compromise the way these systems operate in making them very susceptible to economic coercion. The systems are compromised in their neutrality, transparency, and accountability and allow for stronger states to keep exploiting the system for any desired political and economical gains. Although SWIFT claims to provide a neutral financial infrastructure, its operations are often dictated by geopolitical considerations, especially the influence of great powers like the United States and the European Union. Exclusion of Iranian banks from SWIFT in 2012 after sanctions was an example of such access by an external influence. These are actions that can be legitimate in terms of domestic or regional legal frameworks but, at the same time, compromise SWIFT neutrality making smaller or weaker states exposed to economic coercion.

It has no international legal framework governing the use of it with respect to sanctions or coercive action, even though it claims to serve the developed world. The corporation will apply to its decisions Belgium law and policies governing member institutions, thus potential entry into politics. An absence of international instruments means that there are no globally accepted guidelines or checks to prevent the misuse of SWIFT for coercive means, creating legal uncertainties and inconsistencies in its operations. The dual dependency of SWIFT both on private management but also on state influence creates significant operational vulnerabilities. It is about a company by the cooperative society of its member financial institutions while decisions are often ruled by the geopolitical interests of dominant states. Thus, this hybrid governance model compromises the independence of SWIFT and places it in contradiction with conflicting interests, therefore endangering further its capability to function as a neutral service provider.

At present, there is no independent mechanism within SWIFT to review or appeal decisions relating to access restrictions or completions. For example, a procession of Iranian banks disconnected from the SWIFT network. There was no transparent process for reviewing or challenging this decision. The lack of such a mechanism will intermittently disproportionately affect the excluded states trellising them with no way to access restoration what adds to economic dislocation further. A major shortcoming in SWIFT's operations pertains to the complete absence of oversight or the lack of accountability towards political motivation-influenced decision-making processes. Specific exclusions of entities or states from the ambit of the network showcase the present political mores of dominant international actors, vice versa showing impartial principles. Having more confidentiality in the decision-making process of SWIFT thereby further complicates the lack of transparency but accountability for the institution's action accountability.

Gaps in IMF

The International Monetary Fund, or the IMF, stands as a giant when it comes to offering financial assistance to a nation during critical moments when that particular country is caught in economic crisis. However, lending practices engage the IMF within major topics like Structural Adjustment Program, which is currently being criticized for inducing an economic coercion or benefiting largely economically dominant nations. Table 4.6 highlights some gaps that run through the IMF framework in the context of unequal global financial governance as well as reinforcing socio-economic vulnerabilities. Article I(v) of the Articles of Agreement for the International Monetary Fund not only allows but may also prescribe "adequate safeguards" for conditions on financial assistance. The sweeping interpretative potential of this clause has led to rigorous conditions, which are not subject to tests of proportionality or necessity. Such conditions include austerity measures, privatization of state-owned enterprises, and deregulation, among many others, which have amplified socio-economic hardships within borrowing countries. This flexibility also allows a wide interpretation of the term "appropriate safeguards," thus permitting the Fund to institute policies that may suit the purposes of powerful states or financial institutions while ignoring the necessities of borrowing countries.

They do not advise in the IMF Conditionality Guidelines over adequate and comprehensive assessment of socioeconomic impacts of prescribed reforms. Austerity measures usually cut public spending for critical services such as healthcare and education-most affecting the poor. Similarly, privatization and deregulation may cause job losses and increased inequality. But there are no such safeguards against impacts mentioned here, which demonstrate a major gap in the IMF way to ensure that its interventions really create ways for sustainable development and social equity. The instructions are not contained in any specific article requiring transparency in the IMF decision-making process for imposing conditionalities. The major issues faced by borrowing nations are that they do not understand most of the reasons behind the conditions, leading to bias and inequity perceptions among the countries. Few accountability mechanisms also allow the IMF to enforce policies without adequate scrutiny or oversight. It goes without saying, therefore, that the lack of transparency and accountability undermines trust in the organization and enhances the coercive potential of its lending practices.

At present, there is no autonomous mode for borrower countries to review or appeal conditions attached by the IMF. These characteristics restrict countries' possibilities to contest or negotiate the terms of financial assistance when such terms conflict with their national priorities or socio-economic needs. In particular, this absence of mechanisms hits small and poor countries hardest, as they do not have the leverage to withstand IMF decisions, thus deepening such power imbalances. The governance architecture of the IMF heavily favors developed states due to the voting system that ties the influence of countries in the organization to their financial contributions. Power asymmetries resulting from this have the effect of limiting the representation and voice of developing countries in decision-making processes. Thus, it becomes frequent that policies and conditionalities reflect priorities of wealthier countries instead of the diverse needs of the global community. Such kind of balance will definitely undermine the credibility of the IMF itself to be an equitable international financial institution.

3. What implications do these gaps have for global governance and state sovereignty?

Economic coercion legal gaps greatly affect governance by states globally and often structure international relations and economical dependency. All these cushion inequality, injustice, and self-determination which are essential pillars of stable and cooperative global order. Its biggest implication would be in weakening the sovereignty of states since this type of coercion sets the prerogative of targeted nations aside. For instance, the International Monetary Fund (IMF) conditions most of its assisting agreements with fiscal and structural reforms: austerity, privatization, and deregulation. These often contravene priority domestic policy by borrowing nations and force the governments to let go of important decision-making regarding their economies. Much like unilateral sanctions, under which power states assert their position without respect to a multilateral governance framework, for example, the United Nations Security Council, thus robbing weaker states of the full application of their sovereignty. These practices leave states with little room to consider the net interests of their own policy and create dependencies on other actors outside themselves.

These legal gaps also exacerbate unequal power dynamics within the global system. Economically dominant states and multinational corporations exploit these gaps for disproportionate influence over less powerful states. Bilateral Investment Treaties (BITs) tend to favor wealthier countrys' investors with extensive rights and protections, while developing nations have little to bargain for equity. This prevents such states from using their regulatory capacity to protect the interests of weaker parties in the domestic arena. The additional issue raised is that the Investor-State Dispute Settlement is constructively provided in BITs to enable investors to challenge public policies that may affect their profits further curtailing the policy-making capacity of host states. One of the major outcomes of these gaps is the fragmentation caused in global governance. Moreover, the principles of inconsistent application of laws under the various legal systems, such as GATT and ECT, also undermine trust in international institutions. Like, GATT security exceptions are widely used, by which states can impose coercive trade measures under the pretext of national security. The ECT lacks strong enforcement mechanisms to prevent energy-related coercion. This makes them credible as instruments for fostering equity in international cooperation while simultaneously creating a veritable ground by states for selective adherence to rules based on strategic considerations.

It is also possible to use these gaps for the achievance of political or strategic goals through weaponization of economic tools such as trade, energy resources, or financial systems. This can be clearly demonstrated through the case of Iranian banks that have been shut from the financial network SWIFT under pressure from the U.S. and EU. Russia, on the other hand, showcased that energy dependency can be employed as a leverage to coerce compliance with political and economic ends when it used its natural gas supplies during the Ukraine crisis. These all lead to destabilization of the targeted nations and subsequently affect global stability while pushing fairness principles in international governance towards the direction of disrespect. Another important consequence is the chilling effect on regulation, as states fear retaliation or arbitration claims. Poor governments may also hesitate in implementing environmentally critical measures or labor reforms, as they will lead to costly disputes under BITs or objections from international financial institutions, such as the IMF. This reluctance to regulate in public interest undermines the sovereign states' ability to solve urgent problems like climate change, public health, or economic inequality, because they put so much focus on investor or lender interest rather than on the public good. The greater the distance of such alignment of interests by the two parties concerned, the more vulnerable the states become to social and economic vulnerabilities.

Among the fundamental resolutions to these challenges is filling in the legal loopholes ensuring that a country would have just inclusive global governance systems protecting state sovereignty. Reforms must also include clarifications of ambiguous treaty and agreement provisions. One example is deepening the definition of "essential security interests" under GATT, as well as narrowing the parameters under which "indirect expropriation" is defined in BITs. Also, accountability mechanisms in terms of independent review and appeal proceedings for IMF conditionalities and ISDS claims would balance the interests between states and investors. These also include establishing international regulatory frameworks for systems like SWIFT and strengthening the enforcement provisions of the ECT so that coercive practices cannot be adapted easily. All these would contribute to a system of governance that should be made more just and resilient as it attends to and prioritizes all states irrespective of their financial or political power.

5.2 Recommendations

The gaps in existing legal frameworks that enable economic coercion have profound implications for global governance and state sovereignty. To address these challenges, comprehensive recommendations are necessary to mitigate the risks posed by these gaps and promote a more equitable and sustainable global order. One of the first priorities is to redefine and regulate economic coercion under international law. There is an urgent need to establish a comprehensive definition of economic coercion that includes practices such as sanctions, trade embargos, and financial restrictions aimed at destabilizing states. This definition should be integrated into key international legal frameworks, including the United Nations Charter, General Agreement on Tariffs and Trade (GATT), and Bilateral Investment Treaties (BITs). Updating existing legal frameworks is equally essential, particularly revising Article 2(4) of the UN Charter to explicitly include economic coercion as a prohibited form of force. Additionally, the establishment of a multilateral oversight mechanism to monitor and regulate the use of economic measures would ensure that coercive actions are consistent with international legal standards and do not disproportionately harm weaker states.

Closing legal gaps across various frameworks is vital to restoring balance and fairness. In the UN Charter, the ambiguity surrounding "force" under Article 2(4) and the selective enforcement of sanctions under Article 41 must be addressed to prevent the misuse of these provisions. Similarly, GATT's Article XXI, which allows states to invoke national security exceptions, requires reform to limit its self-judging nature and establish objective criteria for its application. In the Energy Charter Treaty (ECT), enforcement mechanisms should be strengthened to ensure uninterrupted energy transit and explicitly prohibit the weaponization of energy resources. BITs should also be revised to provide clear definitions of ambiguous clauses, such as Fair and Equitable Treatment (FET), and to enhance the transparency and accountability of Investor-State Dispute Settlement (ISDS) mechanisms.

Addressing the unequal power dynamics that underpin global governance structures is another critical area of reform. Institutions like the IMF and WTO should undergo governance restructuring to ensure greater representation for developing nations in decision-making processes. This would enable weaker states to assert their interests more effectively and reduce the dominance of economically powerful countries. Fair negotiations in BITs are also crucial, as these treaties often disproportionately favor investors from wealthier nations. Capacity-building programs could empower developing countries to negotiate more equitable terms, safeguarding their economic sovereignty while fostering foreign investment.

Strengthening global governance requires the development of a unified legal framework that harmonizes trade, investment, and financial governance principles. Such a framework would address inconsistencies across existing treaties and promote equity, fairness, and accountability in their application. Multilateral institutions like the United Nations, WTO, and Energy Charter Conference should be empowered to regulate economic measures effectively and prevent their misuse as tools of coercion. Independent monitoring bodies within these organizations would ensure compliance with legal standards and provide recourse for states subjected to coercive actions.

Preserving state sovereignty is paramount in mitigating the effects of economic coercion. BITs and other treaties should include explicit provisions to protect states' regulatory autonomy, allowing them to implement public welfare measures such as environmental protections and labor reforms without fear of arbitration claims. Similarly, IMF conditionalities must be restructured to include socio-economic impact assessments before loan terms are imposed. An independent appeal mechanism should also be established to allow borrowing nations to challenge conditions that conflict with their national priorities.

Combatting the weaponization of economic tools such as energy resources and financial systems requires targeted reforms. The ECT should be amended to explicitly prohibit the use of energy resources as geopolitical leverage and ensure robust enforcement of transit obligations. For systems like SWIFT, international oversight should be established to prevent the exclusion of states without justified legal grounds, ensuring that financial infrastructure remains neutral and impartial. Finally, transparency and accountability must be prioritized across all frameworks. Greater transparency in the operations of multilateral organizations and arbitration mechanisms is essential to ensure decisions are made publicly and fairly. Simplifying and expediting dispute resolution processes under GATT, BITs, and the ECT would prevent prolonged conflicts that exacerbate economic harm. By enhancing accountability mechanisms, states can rebuild trust in international institutions and foster cooperation.

The Coordination Platform for Economic Coercion established by the G7 provides valuable insights into how global cooperation can mitigate the risks of economic coercion. The G7 platform focuses on the coordinated use of sanctions and economic measures to address geopolitical and security challenges, with an emphasis on compliance with international law and the protection of state sovereignty. The following recommendations align with the G7's approach to creating a fairer and more transparent global order:

1. **Multilateral Sanctions Regimes**: The G7's approach underscores the importance of coordinating multilateral sanctions regimes that target specific state actions without disproportionately harming civilian populations. This aligns with the need for establishing clear, objective criteria for sanctions and ensuring that they are applied in a transparent and consistent manner under international law.

2. **Strengthening International Cooperation**: The G7 emphasizes the value of multilateral cooperation in addressing economic coercion, with a focus on supporting international institutions that regulate and oversee the imposition of economic measures. The creation of an independent monitoring body within institutions like the **United Nations** or the **World Trade Organization (WTO)**, in line with G7 recommendations, would help ensure that economic measures are applied fairly and in accordance with international standards.

3. **Regulating Weaponized Economic Tools**: The G7's approach calls for reforming the use of critical economic tools, such as energy resources and financial systems, to prevent their weaponization. The **Energy Charter Treaty (ECT)** should be updated to explicitly prohibit the use of energy resources as geopolitical leverage, reinforcing the G7's stance against the manipulation of vital resources for economic coercion.

4. **Enhanced Transparency in Global Governance**: The G7 has called for greater transparency and accountability in global governance, especially in institutions like the **International Monetary Fund (IMF)** and the **World Bank**. By

strengthening transparency in arbitration mechanisms and simplifying dispute resolution processes under GATT, BITs, and the ECT, these recommendations reflect the G7's emphasis on ensuring that decisions are made fairly and publicly, with clear processes in place for states to challenge actions that undermine their sovereignty.

5. **Empowering Developing Countries**: The G7 has acknowledged the importance of empowering developing nations by providing them with the tools and support needed to participate effectively in global decision-making processes. In line with this, capacity-building programs for developing countries should be expanded to help them negotiate more favorable terms in **BITs** and other international agreements, ensuring that these nations are not marginalized by the global economic system.

Incorporating these insights into the legal frameworks for economic coercion will strengthen global governance and ensure that international law evolves in a way that respects state sovereignty, promotes fairness, and mitigates the harmful effects of economic coercion.

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