IMPACT OF TRADE EMBARGO AND TRADE SANCTIONS ON IN-TERNATIONAL RELATIONS, INTERNATIONAL ECONOMY, TRADE AND BUSINESS LAWS

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INTRODUCTION TO INTERNATIONAL TRADE

According to Wasserman and Haltman, *"International trade consists of transaction be-tween residents of different countries"*.

According to Anatol Marad, *"International trade is a trade between nations"*.

According to Eugeworth, *"International trade means trade between nations"*.

Exchange of goods, capital and services across the boundaries of the state is called foreign trade or international trade .International trade has been around since centuries and is progressing at a rise of economic, social and political importance with Industrialization, advanced transportation, globalization, multinational corporations, outsourcing and technology advancement.

Every Nations need goods and services to satisfy the day to day purposes and as no country has unlimited resources and cannot produce all goods and services here's when international trade comes into play. Usually no nation is self-sufficient and produces all kinds of goods and services. The state has to buy resources from other countries which cannot be produced or are less than the quantity demanded. Similarly, the state sells good and resources which are in surplus quantities to other countries.

International trade is the most significant determinants of economic rise of any state world-wide. The trade consist of inward flow of resources in need (import) and outward flow of resources in surplus (export), which results into outflow and inflow of foreign currency .It is also called EXIM Trade.

Several Acts have been placed for providing, regulating and creating necessary environment for its rise. International trade of India is governed by the Foreign Trade (Development & Regulation) Act, 1992 and the rules and orders issued there under Payments for import and export transactions are governed by Foreign Exchange Management Act, 1999. Customs Act, 1962 which governs the physical movement of goods and services by various transportation methods.

WTO

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements which negotiated and are signed by the bulk of the world's trading nations and is ratified by their parliaments, the goal is to ensure that trade flows as smoothly, predictably and freely as possible.

Functions Performed by WTO

While the WTO is driven by its part states, it couldn't work without its Secretariat to arrange the exercises. The Secretariat utilizes more than 600 staff, and its specialists legal advisors, financial specialists, analysts and correspondences specialists help WTO individuals every day to guarantee, in addition to other things, that arrangements advance easily, and that the guidelines of worldwide exchange are accurately connected and upheld.

Trade negotiations

The WTO understandings cover goods, administrations and protected innovation. They spell out the standards of advancement, and the allowed exemptions. They incorporate individual nations' responsibilities regarding lower traditions taxes and other exchange boundaries, and to open and keep open administrations markets. They set methodology for settling question. These under-standings are not static, they are renegotiated occasionally and new agreements can be added to the bundle. Numerous are presently being consulted under the Doha Development Agenda, propelled by WTO exchange serves in Doha, Qatar, in November 2001.

Implementation and monitoring

WTO agreements expect governments to make their exchange strategies straightforward by in-forming the WTO about laws in power and measures embraced. Different WTO gatherings and boards try to guarantee that these prerequisites are being taken after and that WTO agreements are by and large appropriately actualized. All WTO individuals must experience occasional investigation of their exchange arrangements and practices, each survey containing reports by the nation concerned and the WTO Secretariat.

Dispute Settlement

The WTO's technique for settling exchange squabbles under the Dispute Settlement Understanding is essential for authorizing the guidelines and in this manner for guaranteeing that exchange streams easily. Nations convey question to the WTO in the event that they think their rights un-der the understandings are being encroached. Judgements by uniquely named autonomous specialists depend on elucidations of the understandings and individual nations' duties.

Building trade capacity

WTO agreements contain uncommon arrangement for creating nations, including longer eras to execute understandings and responsibilities, measures to expand their exchanging openings, and support to enable them to assemble their exchange limit, to deal with debate and to actualize specialized guidelines. The WTO sorts out many specialized collaboration missions to creating nations yearly. It additionally holds various courses every year in Geneva for government authorities. Help for Trade intends to enable creating nations to build up the aptitudes and foundation expected to grow their exchange.

Outreach

The WTO keeps up standard exchange with non-administrative associations, parliamentarians, other global associations, the media and the overall population on different parts of the WTO and the progressing Doha transactions, with the point of upgrading participation and expanding consciousness of WTO exercises.

Trade Embargo and Sanctions

A ban are the prevention, deterrent, and so on in a general sense, an exchanging boycott in exchange wording and truly "distrait" in juridical speech is the incomplete or finish denial of business and exchange with a specific nation or a gathering of nations.

Sanctions: origin and purpose

Sanctions can be forced by the UN Security Council, the European Union (EU) and individual states. Practically speaking, sanctions are normally first initiated by the Security Council and later received by the EU as Council choices and directions. Once in a while, be that as it may, the EU will force authorizes alone with no earlier activity with respect to the UN - for instance, regarding the circumstance in Syria. In specific cases, the Netherlands will establishment sanctions, with no earlier activity by either the UN or the EU. In these cases, the objective of the authorizations is frequently an individual associated with psychological oppression in the Netherlands.

1) The reason behind the authorizations is regularly: to change unwanted conduct (e.g. Syria)

2) To confine open doors for unfortunate conduct (e.g. Iran, broad confinements on innovation/information in the atomic part)

3) To dissuade different nations from picking an unfortunate strategy.

Types of Sanctions

1) Arms ban (prohibition on weapons, defensive clothing, military vehicles, and so forth.)

2) A ban on the import and additionally fare of specific products, programming and innovation. For instance, gear expected to create rockets or nuclear weapons. Bans can likewise cover products that create cash for a nation's pioneers, similar to oil or timber.

3) An extra allow necessity for touchy products, programming and innovation, which could be utilized as a part of arms programs.

4) Limitations on advances and credit for specific individuals/organizations

5) Solidifying the advantages of specific individuals/organizations.

6) Travel and visa limitations (visa bans) for specific individuals.

Effect of Trade Embargoes on a Developing Economy

This investigative article breaks down the monetary impacts of an exchange ban on a creating economy (consequently alluded to as the objective nation). The expression “exchange ban” means the fractional or finish barricade on the imports as well as fares of a nation by at least one nations.

Exchange embargoes have many impacts for both the country(s) forcing them (from now on alluded to as the focusing on country(s)) and the objective nation. Hence, when a nation chooses to force an exchange ban, it should above all else compute the advantages and expenses of such a move. In the event that the advantages exceed the costs, at that point it would force the ban. In this way, if nations x and y are the main two accomplices in universal exchange, and nation x forces a full barricade on the imports and fares of nation y, a bar would have a totally damaging impact on nation y’s global exchange. In any case, if nation y had other exchange accomplices, at that point the aftereffects of the ban on the economy of the focusing on nation would be re-solved in light of the accompanying condition:

The financial consequences for the focusing on a nation (the monetary effect in the objective nation) where one speaks to the relative significance of the economy of the objective nation in the ex-change of the focusing on one, i.e. its relative significance as a worldwide accomplice for the focusing on nation before the burden of the ban. The higher the estimation of a, the more hesitant the focusing on nation is in its choice to force the ban. The focusing on nation would not force any ban if the estimation and would be more disposed to force one if the estimation of a reductions. As the esteem diminishes, the more motivator there is to force the ban keeping in mind the end goal to understand certain objectives.

The examination concerning the monetary impacts of the exchange ban on the economy of the objective nation will break down five purposes of effect:

1-the size, system, and topographical dispersion of exchange

2-the states of global exchange

3-the adjust of instalment and the global estimation of the national money

4-the national pay, its strategy for dispersion, and its impacts on monetary extravagance

5-the conveyance of assets and the impacts on monetary development

EFFECT ON THE SIZE, STRUCTURE, AND TOPOGRAPHICAL CONVEYANCE OF THE OBJECTIVE COUNTRY'S GLOBAL EXCHANGE

What is at first expected is that a fractional or finish barricade on the objective nation's imports or potentially fares would prompt a diminishing in the volume of worldwide exchange (as showed in the decline of the real measure of universal exchange the objective nation) for the time being. For instance, the United States General Accounting Office reported that the U.S's. 1985-1990 exchange ban against South Africa brought about a $417 million decrease in that nation worldwide exchange (Shepherd 1991).

However the rate of diminishing of the measure of worldwide exchange the objective nation relies upon various components, the most critical of which are:

1-the relative significance of the focusing on country(s) in the economy of the objective one

2-the presence of nations that are unbiased or in partnership with the objective nation

3-the likelihood of sneaking products from and to the objective nation.

In the event that the exchange ban is forced by all exchange accomplices of the objective nation and is on all imports and fares, if there is control over the carrying of these goods from and to the objective nation, and if there is no obstruction with respect to nonpartisan nations, at that point a decrease in the measure of the objective nation's universal exchange to zero would be normal. Be that as it may, this is an exceptionally unlikely outrageous case, particularly if the objective nation has a generally high extent in the universal exchange of the focusing on nations (along these lines influencing their financial circumstance). In such a case, the ban would not be extensive on all products and not forced from all nations. Additionally, it might be conceivable to carry barricaded goods from and to the objective nations through worldwide mediators, regardless of the objective nation obtaining the authorized products at high costs that by a wide margin exceed their esteem. Besides, it would need to offer its fares at costs that are much lower than their world-wide esteem. The objective nation may likewise import the barricaded goods from unbiased nations, on the off chance that they have interchange products there. Moreover, it can send out barred goods to these impartial countries, on the off chance that they have a need to them. All the past elements have as their objective the diminishing of the normal size of the objective nation's worldwide exchange, and they may keep it from achieving a state of independence.

On the off chance that we take a gander at the system of the objective nation's imports and fares, we find that the effect of the exchange ban on it relies upon various variables, the most essential of which are:

1-the accessibility of interchange fare and import scenes for the barricaded goods

2-the likelihood of carrying the barricaded goods from and to the objective nation

3-the adaptability of the creation instrument in the objective nation, and the smoothness of the generation factors inside different monetary areas.

On the off chance that a ban is forced on the import or fare of a specific decent in the objective nation, at that point what might be normal is that this great would vanish from that nation's universal exchange the here and now, because of the suspicion that there would be no substitute set-tings for the import of the barred great, and no plausibility for the sneaking of this great from or to the objective nation.

For the situation where the objective nation could discover interchange scenes for the import and fare of the barricaded products, or in the event that it can discover a method for sneaking these goods from and to the objective nation, the worldwide exchange structure of the objective nation might be adjusted.

On the off chance that the objective nation can deliver products that would substitute for the barricaded imports, or interchange goods to its typical fares for which there would be a market among different nations not associated with the bar, at that point the system for the objective nation's exchange could be changed.

In any case, if the exchange ban isn't finished in the land sense, at that point the objective nation might have the capacity to redistribute its worldwide exchange to nations with which it has not managed earlier and in which it might have the capacity to open new markets. This relies upon the accessibility of such new markets, regardless of whether for imports or fares.

EFFECT ON THE STATES OF WORLDWIDE EXCHANGE

The examination of the impacts of an exchange ban on the states of worldwide exchange the objective nation relies upon the accompanying factors:

1-the relative weight of the focusing on nations inside the exchange of the objective nation

2-the likelihood of sneaking barricaded products from and to the objective nation

3-the obstruction of unbiased nations in exchanging with the objective nation.

In the event that we accept that the focusing on nations force an entire exchange ban on the objective nation (on all imports and fares), that there are no settings for carrying barricaded products to and from that nation, and that nonpartisan nations don't meddle in exchanging with the objective nation, at that point for this situation the objective nation will be compelled to the point of independence, and accordingly the states of its exchange will crumble opposite the pre-ban rate of global exchange to the inside rate of worldwide trade in it.

As to more practical suspicions, for example, a ban that is halfway as to geology or products, the mediation of nonpartisan nations in exchanging with the objective nation, or the likelihood of sneaking barred goods from and to the objective nation, this would diminish the cost of the objective nation's fares and increment the cost of its imports, i.e. achieve the weakening of its ex-change conditions.

THE IMPACT ON THE BALANCE OF PAYMENT AND THE INTERNATIONAL VALUE OF THE NATIONAL CURRENCY

The trade embargo includes blockades on the imports and/ or exports of the target country, which affects the balance of payment of the target country due to the impact on the current account. This is because such an embargo can affect concrete and in concrete goods, as in the case of the air embargo that the United States imposed on Libya in 1990 as a result of the Locker by incident.

Here, I will limit my analysis to the embargo on concrete imports and exports only, since these were the most abundant in previous embargo cases. The analysis here depends on the following factors:

- The status of the balance of payment of the target country before the imposition of the embargo
- the relative importance of the targeting countries in the international trade of the target country
- the possibility of smuggling blockaded goods from and to the target country
- the availability of alternate markets, especially in neutral countries, for the target country.

Thus, we have assumed that the target country suffers from a deficit in the balance of payment in the pre-embargo stage, that a group of its trade partner countries that represent a significant portion of its trade relations have undertaken a trade embargo on it, that there is no possibility for the smuggling of blockaded goods from and to the target country, and there is no possibility to open new markets for the target country. If, according to the previous assumptions, we can assume that upon the imposition of a trade embargo that consists of an embargo on the exports of the target country only, then the deficit in the balance of payment will increase. But if the embargo is imposed on the imports of this country, then the deficit in the balance of payment will decrease (in the short run, immediately following the imposition). If the embargo is imposed on both the exports and imports of the target country, then the effect on the balance of payment will depend on the rate of the decrease of each in relation to the other. Thus, if the rate of exports of the target country becomes lower than the rate of its imports, the deficit will increase, and vice versa if the rate of imports becomes lower than the rate of exports.

But in light of a more precise and realistic analysis, it is necessary to know whether the trade embargo is being imposed on the necessary imports that do not have international alternatives and that the target country cannot produce internally, or whether it is being imposed on unnecessary goods that have close substitutes, that can be produced internally, or that can be dispensed with without noteworthy economic effects.

If the trade embargo is imposed on imports such as spare parts, primary materials and capital goods that factor into the production of goods manufactured for export, if there is no other country from which the target country can obtain these, and if it cannot produce them internally, then this will lead to a decrease in exports, even if there is no embargo on the latter. If the rate of the decrease in exports is greater than the rate of the decrease in imports, then the deficit in the balance of payment of the target country will increase.

If the embargo is imposed on functional imports that are not vital, or on imports that can be easily obtained from neutral nations without unfair conditions, or that can be easily produced locally, then this in itself will lead to a decrease in the deficit in the balance of payment of the target country, if the rate of the decrease of imports is greater than the rate of the decrease of exports. In other words, this embargo would have a positive effect on the balance of payment of the tar-get country in the short term. The decrease in exports can lead to a decrease in the revenue of the foreign currency, which can in turn lead to a decrease in imports, whether in important capital commodities, spare parts, or unimportant goods.

In the case of smuggling the blockaded goods from and to the target country, the target country may have to buy the blockaded goods at a price that is higher than usual, and higher than its pre-embargo figure. It would also need to sell its blockaded imports at a lower price, due to the international intermediaries who would smuggle these goods. This would also lead to an increase in the balance of payment of the target country, due to the rise in the price of imports and the decrease in the price of exports of the target country.

If there exist alternate markets in which the target country can exchange its blockaded imports and exports for a price that is comparable to the pre-embargo status, then it can overcome the negative effects of the balance of power that result from the imposition of this embargo. This would not occur before the passing of a sufficient amount of time to enable a transition from old to new markets. The effect on the balance of payment in this case would depend on the length of this stage, assuming that the imposed embargo would continue for a period of time that is long enough to allow for this shift and for its results to be apparent on the balance of payment of the target country.

As for the impact of the trade embargo on the international value of the local currency, this de-pends on the following factors:

- the pre-embargo condition of the balance of payment in the target country
- the extent to which the target country has carried out a policy intended to lower international value of its currency in order to increase exports
- the state of the target country’s balance of payment after the imposition of the trade embargo on it.

Assuming that the target country was suffering from a previous deficit in its balance of payment, and that the value of its national currency is determined by supply and demand, and assuming that the final result of the trade embargo is the increase in the deficit of the balance of payment of the target country, then the rate of decrease of the local currency’s international value will in-crease. On the other hand, if the final result is the decrease in the deficit of the balance of payment after the imposition of the embargo, then the rate of the decrease of the local currency’s international value will decrease.

THE NATIONAL INCOME, ITS METHOD OF DISTRIBUTION, AND ITS EFFECTS ON THE LEVEL OF ECONOMIC LUXURY

The partial or complete imposition of the economic embargo on imports aims to decrease the country’s national income through weakening international trade. The decrease of exports aims to decrease the numbers of workers (including holders of capital) of such projects, leading to a decrease in internal spending on goods and commodities, so that production of exports and other products would also decrease. This in turn would lead to a decrease in production and revenue in this sector. Thus the initial decrease in exports that result from such an embargo will lead to successive decreases in national revenue.

However, if the trade embargo is imposed on imports only, the situation differs. Assuming that the embargo is imposed on unimportant imports that have local substitutes or that can be produced locally, then the national income of the target country will increase since imports will count in this case as a flow factor in the national income of the target country. But if the trade embargo is imposed on capital or primary goods and on spare parts (which do not have local or national alternatives, and which cannot be produced in the target nation), and if the circumstances are used to produce goods that are intended to be used locally or exports, then the net result of the change in the national income of the target country will depend on the following:

- the effect of the increase in revenue resulting from this initial decrease in imports
- the effect of the decrease in revenue resulting from the decrease in production of the goods that are based on these imports.

If the first effect is higher than the second, then the result of this on the change in the national revenue of the target country will be positive. If the second is higher than the first, then the result will be negative.

Yet what would be expected is that if an embargo is imposed on the exports of the target country and on its imports of previously mentioned important goods, then the final result on the change in the national revenue of the target country will be negative.

As for the effect of the embargo on the distribution of revenue in the target country, this will de-pend on the following factors:

- the flexibility of the production mechanism, and its ability to change the production factors in the various sectors of the target economy
- the fluidity of wages, and subsequently the role of unions in the target economy.

The analysis will occur in light of the following assumptions:

- there is no interference on the part of neutral countries
- Preventions goods smuggling from and to the target country.
- the production mechanism in the target nation is flexible
- the production sectors in the target economy are not working under the circumstances of full employment, and the non-trade sectors can absorb the workforce directed to them with facility
- the unions in the target economy are weak and unable to secure the rights of their members, so that the workers can accept lower wages due to the embargo.

Under these assumptions, we find that the imposition of the trade embargo on the exports of the target country aims to redistribute revenue against the benefit of the producers of export goods. Likewise, the embargo on imports endeavors to redistribute revenue in favor of producers of substitute goods. Furthermore, in accordance with previous assumptions, it strives to redistribute revenue in favor of the employees in some sectors and against those in other sectors. The financial embargo on exports aims to decrease the production of goods for export, assuming that these goods require heavy labor. This thereby harms employees in these sectors and increases unemployment in these and related sectors, or at least decreases their wages and forces them to accept this lower pay. If the embargo is imposed on imports, then it is according to the previous assumptions, so that the target country can move to production in lieu of the imports if possible, leading to increased demand on workers in this sector. Such was the case in the trade embargo that was imposed on South Africa from mid-1985 until 1990-1991 that led to an increase in the demand on workers in the sectors that were producing materials in lieu of previous imports.

Yet on the other hand, we find an increase in the price of these materials, most of which can be seen as the starting points in the production of local goods, leading to an increase in the prices of these goods in general. As a result, real revenue declines for all workers in different rates. This, in turn, leads to a decrease in spending on unimportant consumer goods and a move towards spending on important goods, thereby affecting their level of economic luxury. Likewise, the inability to import any new products used by those in other nations leads to a decline in the level of economic luxury, as those in the target nation are obliged to accept the harsh economic conditions imposed by the embargo.

The increase in demand on important goods due to their limited quantity in-country leads to an increase in price, resulting in the appearance of a black market for these goods, and thereby once again weakens the distribution situation. This situation creates a poorer class, as well as a richer class composed of black market traders.

If the production mechanism in the target country is not flexible, and there is no possibility for the absorption of unemployed workers from the trade sector to the other sectors in the economy, the effects of the embargo on the target country are greater. In the case of the neutral nations intervening in trade with the target country, the possibility of international alliances with the target country, or the secret collaboration of some countries with the target country, then these emerging effects regarding distribution of income and the luxury level of consumers resulting from the trade embargo will decrease significantly from what is expected in the absence of these venues.

THE EFFECT ON THE DISTRIBUTION OF RESOURCES AND ON ECONOMIC GROWTH

If the target nation mainly relies in its exports and imports on a particular group of nations, then the imposition of a trade embargo on it on the part of these nations will lead to a decrease in the relative price of exports and an increase in the relative price of imports internally, resulting in a redistribution of resources that, as a whole, would be in favor of non-trade goods and substitute goods produced in lieu of imports. This is based on the following assumptions:

1- The production mechanism for these goods is flexible, and can absorb an increase in production factors from the trade sector

2- The possibility of shifting production factors from the trade goods production sector to the sectors of non-trade and substitute goods.

An example of this is what occurred in Rhodesia during the economic embargo that was imposed upon its tobacco exports by Great Britain between 1965. Tobacco was one of the most important of Rhodesia's exports, representing approximately a third of the value of exports. This led to a 47% decrease in the production of tobacco just between 1966 and 1967, resulting in farmers switching to other crops such as corn, wheat, and cotton, all with the encouragement of the government. The embargo on some industrial imports led to a growth in alternative local industries such as the production of train carriages, auto bodies, buses, aluminum sheets, and metalware, The shift of the target nation from trade production to non-trade and substitute production aims to affect the rate of economic growth in the target country. Generally, the purpose of looking to-ward the outside is the creation of economic growth in the target country, but in this case it can-not enjoy this due to the embargo. Many studies have proven the importance of looking to the international realm for economic purposes. These studies have concluded the effectiveness of the growth of exports for realizing economic growth. For example, Bela Balassa argues that the policy of encouraging exports leads to an improved capacity in allocating resources according to relative advantages, the benefit from large scale operations, the introduction of technological advances to deal with external competition, and the availability of employment resources to fight unemployment. Likewise, William G. Tyler sees that following a strategy for import substitutions created economic problems that can be seen as burdens and expenses on growth. He clarifies that the spectacular success that the policy of encouraging exports in some countries as well as the spectacular failure for the policy of substitution of imports merits an examination of the role of international trade in realizing economic growth for developing countries. This is what leads to a need to refocus on the advantages of trade for developing countries. An embargo on the exports of the target country aims to lower the rate of export, and thus decreases the long-term ability of the country to compete in the international market, resulting in its loss of global markets and thus its ability for production that is governed by breadth of the market.

On the other hand, the effect of the embargo on imports on the rate of economic growth depends on whether these imports are intermediary or capital goods, and whether they have local or national substitutes that can be imported by non-targeting nations. Many studies have been under-taken to research the relationship between foreign imports and the rate of economic growth, among which are those by Helpman & Grossman, Batiz & Rivera, and Quah & Rauch.

These studies concluded that an increase of foreign imports aims to increase the rate of economic growth, based on the assumption that either these foreign imports are of better quality than local ones, or that there are no local equivalents.

For example, Jong-Wha Lee undertook an empirical study of a group of developing countries be-tween the years 1960 and 1985, examining the impact of importing capital goods on the rate of economic growth. He concluded that, assuming that the importing nation has a relative rate of production of consumer goods, its national revenue is decreased, and that it faces a decrease of capital, it can then realize a rate that is higher than that of its economic growth if it imports capital goods from those nations that enjoy a higher national income.

Lee also clarified that the increase in the rate of foreign products to local products for investment is an important factor for economic growth, since their use is relatively cheaper and of higher quality than local capital goods. As a result, any trade distortions, such as limitations on the import of capital goods, would lead to a decrease in the rate of economic growth in the long run. This is because of the economy's direction towards using local capital goods in a manner that is higher than the efficiency level determined for it.

As a result, if a trade embargo is imposed on the exports of the country, then the purpose of this would be to decrease the rate of economic growth in it for the following reasons:

1- Perhaps the growth of exports would lead to an increase for external demand for the products of the target nation if no embargo is imposed on it

2- An increase in exports could lead to an increase in the revenue in foreign currency, allowing for the increase of intermediary and capital imports, contributing to the growth of its part in the growth of the real gross national product.

3- The growth of exports is due to the increase of production abilities as a result of the adoption of modern technologies, the development of organizations skills and taking advantage of sur-pluses of volume and other requirements of external competition, resulting in the end in an in-crease in local production. The trade embargo may lead to the loss of this economic advantage.

4- Perhaps the increase in exports, if no embargo is imposed on it may lead to a growth in the workforce, resulting in a rise in the growth rate.

The imposition of a trade embargo on the imports of the target nation with regard to foreign capital goods aims to reduce the rate of economic growth in the target country, even if these goods have local alternatives. This is because imported capital goods enjoy a higher level of production than local capital goods.

This entire analysis assumes that the target nation is a developing country with a low income.

We also find another case where a target nation is in a constantly under the threat of war by not meeting the demands of the targeting nations. In attempting to create a sort of stability and security, it moves some of its civil resources into the defence sector. The size of these resources de-pends on the size of defence spending. In addition to this, this spending on defence aims to crowd out investment spending to ensure the existence of the available foreign funds to import war machinery (from non-targeting nations or through smuggling), that leads to a decrease in the resources available for actual investment. As a result, the rate of economic growth decreases in the target country.

CONCLUSION

This analytical article concludes that trade embargo has the following effects on the economy of the target nation:

1- A decrease in the size of international trade. But the rate of decrease depends on the relative weight of the targeting nations' trade within the international trade of the target nation, the existence of nations that are neighbors or allies of the target nation, and the possibility of smuggling goods from and to the target nation.

2- A change in the framework of international trade. This depends on the possibility of finding alternate resources for blockaded imports and exports, the possibility of smuggling the blockaded goods from and to the target nation, the flexibility of the production mechanism in the target nation, and the possibility of moving the production factors within the various sectors in the economy of the target nation.

3- A geographical redistribution of the international trade. This depends on the existence of a new market as an alternate for the targeting nations.

4- A drop in the conditions of international trade. The rate of deterioration depends on the number of targeting nations and their relative weight in the international trade of the target nation, the possibility of finding alternate markets instead of the targeting nations, particularly among neutral nations, and whether the embargo was imposed on imports, exports, or both.

5- An increase in the deficit of the balance of payment. This occurs if the rate of export decrease exceeds the rate of import decrease due to the embargo.

6- A decrease in the external value for the local currency. This occurs if the final effect of the balance of payment in the target nation after the imposition of the embargo is a deficit. The target nation's local currency is determined according to supply and demand.

7- A decrease in national revenue.

8- A decrease in economic luxury.

9- A local redistribution of resources in favor of non-trade and substitute goods, according to certain factors

10- A decline in the rate of economic growth due to a decrease in exports and imports of spare parts and capital goods, and a reduction in investment, according to certain factors.