

The Evolutionary Trajectory and General Principles of International Economic Law

Venkateswaran PK

PhD (Law), 3rd Year

Hindustan Institute of Technology and Science, Chennai

pk_venkateswaran@yahoo.com

Abstract: *This article delineates the structural evolution, foundational principles, and institutional mechanisms of International Economic Law (IEL). Tracking its lineage from ancient bilateral boundary treaties and the medieval Lex Mercatoria to the contemporary architecture of the World Trade Organization (WTO) and Bretton Woods institutions, the study examines the bifurcation of IEL into "hard" and "soft" legal paradigms. It critically evaluates core doctrines such as economic sovereignty, the Permanent Sovereignty over Natural Resources (PSNR), and the development-driven mandates of the New International Economic Order (NIEO). Furthermore, the paper analyzes the regulatory friction between regional frameworks, transnational corporations (TNCs), international watercourses, and the multifaceted dynamics of modern globalization.*

Keywords: *International Economic Law*

I. INTRODUCTION

International economic law operates as an essential sector of public international law, comprising a system of principles and norms established through the collective, agreed will of sovereign states. Its primary objectives are to facilitate the free exercise of state sovereignty within international economic interactions, foster equitable cooperation across diverse socio-economic and political regimes, and stimulate global economic progress, with distinct emphasis on developing nations.

While the modern international legal architecture crystallized over the past four centuries, its conceptual foundations are rooted in antiquity:

- **Mesopotamian Precedent (c. 2100 BC):** A solemn treaty inscribed on stone between the city-states of Lagash and Umma established a legally binding, mutually respected territorial boundary.
- **Egyptian-Hittite Treaty (c. 1100 BC):** Concluded between Rameses II and the King of the Hittites, this instrument established formalized commitments to eternal peace and brotherhood.
- **The Medieval Period:** Transnational commercial expansion in the 10th century necessitated standardized legal structures, prompting the crystallization of the *Lex Mercatoria* (Law Merchant) and customary maritime laws to govern cross-border commerce.
- **The 19th Century Expansion:** Technological acceleration and shifting warfare methodologies drove European powers to codify state behavior. Key milestones included the founding of the International Committee of the Red Cross (1863), the subsequent Geneva Conventions (1864) aimed at conflict humanization, and the Hague Conferences of 1899 and 1907, which established the Permanent Court of Arbitration.
- **The 20th Century Institutionalization:** The Permanent Court of International Justice (1921) laid the groundwork for the International Court of Justice (ICJ) in 1946. The institutional architecture shifted decisively toward trade with the signing of the General Agreement on Tariffs and Trade (GATT) in October



1947. By the early 1970s, IEL had matured into a distinct, autonomous branch of public international law, though certain doctrinal perspectives continue to view it as an evolving field.

II. DOCTRINAL SCOPE, SUBJECT MATTER, AND METHODOLOGY

2.1 The Two Structural Conceptions of IEL

Legal scholarship remains divided into two primary conceptual approaches regarding the exact jurisdiction of IEL:

- **First Concept (Strict Subset):** This approach views IEL strictly as a subset of public international law. It focuses exclusively on economic aspects influenced by public international law norms and completely excludes domestic foreign economic rules and private international law. Key scholarly proponents include G. Schwarzenberger, J. Brownlee, P. Verloren van Themaat, V. Levy, P. Weil, P. Picone, I. Peretersky, M. Boguslavsky, and G. Tunkin.
- **Second Concept (Transnational Synthesis):** This approach views IEL as a transnational synthesis that merges public international law, private international law, and national legal frameworks. It equalizes sovereign states and non-state natural or juridical entities (such as TNCs) engaged in commercial relations transcending borders. Key scholarly proponents include A. Levenfeld, G. Eller, V. Fiktsensher, P. Fisher, V. Friedman, E. Petersman, and P. Reiter.

2.2 Subject Matter and Operational Methods

The subject matter of IEL encompasses both bilateral and multilateral international economic relations where a commercial element is present. These are structurally organized into four distinct subsets:

1. International Contractual & Trade Relations
2. International Monetary & Credit Law
3. International Customs & Transport Frameworks
4. Industry, Agriculture, & Scientific-Technical Cooperation

To regulate these spheres, IEL utilizes two primary legal methodologies:

- **The Conflict Method:** This method does not resolve the substantive merits of a legal relationship; instead, it determines the choice of law, directing the dispute to the legislative framework of one of the contracting states or a third-party jurisdiction.
- **The Substantive Method:** This approach actively harmonizes and re-regulates international interactions through the direct application of international treaty provisions, structural principles of law, recognized commercial trade customs, and international arbitral or judicial precedents.

III. GENERAL AND SPECIAL PRINCIPLES OF IEL

The normative framework of IEL relies on a dual system composed of general public international law principles and specialized economic principles.

3.1 General Principles of Public International Law

- **Sovereign Equality of States:** Enshrined in Article 2(1) of the UN Charter, it dictates that all states possess equal legal status, independent of their economic, military, geographic, or socio-economic configurations. This principle underpins the right of a state to manage its internal and external affairs free from foreign coercion.
- **Peaceful Coexistence:** Obligates states to settle international disputes via non-violent mechanisms and prohibits the threat or use of force against the territorial integrity or political independence of any state.
- **Duty to Cooperate:** Derived from the UN Charter and expanded by the 1970 Declaration on Principles of International Law, this principle mandates that states interact in good faith to preserve global stability, economic progress, and general human welfare, irrespective of systemic differences.
- **Equal Rights and Self-Determination of Peoples:** Grants populations the inalienable right to orchestrate their political, social, and economic development without external interference.



3.2 Special Principles of International Economic Regulation

- **Economic Sovereignty:** The absolute right of a state to execute independent economic determinations, regulate localized business operations, control foreign trade, and determine its domestic socio-economic system without external coercion.
- **Reciprocity:** The structural concept where states respond to favorable or unfavorable treatment from other nations with equivalent measures. It serves to streamline visa processing, facilitate trade, and honor professional credentials, though it can stall if asymmetrical returns are perceived.
- **Permanent Sovereignty over Natural Resources (PSNR):** Formally codified via UN General Assembly Resolution 1803 (XVII) in 1962, this doctrine declares that the right of peoples and nations to own, utilize, and exploit their natural wealth is inherent and subject primarily to domestic national laws.
- **Preferential Treatment for Emerging Countries:** An authorized deviation from pure reciprocity. It integrates specific economic preferences, tariff reductions, and import quota relaxations to offset historic structural disadvantages faced by developing or least-developed countries (LDCs).

IV. THE INSTITUTIONAL ARCHITECTURE OF INTERNATIONAL FINANCE AND TRADE

Global economic governance is functionally divided into two core pillars: trade frameworks and financial/debt frameworks.

4.1 The Trade Framework Pillar

- **GATT (1947):** The General Agreement on Tariffs and Trade (GATT) was executed in 1947 to restore macroeconomic stability post-World War II by reducing tariffs and dismantling trade barriers.
- **WTO (1995):** In 1995, the World Trade Organization (WTO) superseded GATT as an intergovernmental regulatory body. The WTO enforces negotiated, parliament-ratified trade codes to ensure international trade flows predictably, smoothly, and freely.

4.2 The Financial and Debt Pillar

- **The International Monetary Fund (IMF):** Established in 1944 and currently comprising 190 member states, the IMF functions on a joint-stock quota configuration tied to global trade shares. It acts to optimize global monetary cooperation, ensure exchange rate stability, prevent competitive devaluations, and provide short-to-medium-term financing to clear balance-of-payments deficits.
- **The World Bank Group:** Founded in 1944, this institution consists of two primary arms: the International Bank for Reconstruction and Development (IBRD), which issues long-term loans (15–25 years) for structural infrastructure and small business initiatives, and the International Development Association (IDA), established in 1960 to provide preferential loans to LDCs. Auxiliary arms include the International Finance Corporation (IFC, 1956), the Multilateral Investment Guarantee Agency (MIGA/BATI), and the International Centre for Settlement of Investment Disputes (ICSID/ICRIS, 1966).
- **The Paris Club:** An informal international collective of sovereign creditors originating from the 1962 Group of Ten Agreement in Paris. It renegotiates and defers sovereign debt payments for developing nations, working alongside the IMF, World Bank, and UNCTAD.
- **The London Club:** An ad-hoc association of over 400 commercial banking institutions structured to manage and restructure private, non-government-guaranteed external commercial debt.

V. HARD LAW VS. SOFT LAW PARADIGMS

International economic interactions are uniquely shaped by the interplay between binding and non-binding legal instruments:



- **Hard Law Instruments:** Create absolute, legally binding obligations that are enforceable before judicial or arbitral tribunals, allowing for punitive sanctions upon breach. Hard law possesses high domestic legitimacy and can be applied directly to non-state entities like individuals or corporations.
- **Soft Law Instruments:** Comprise declarations, guidelines, recommendations, codes of conduct, and non-binding UN General Assembly resolutions. While legally unenforceable, soft law can be drafted rapidly, offers structural flexibility, and can establish standard normative expectations that influence state behavior as effectively as mandatory codes.

In environmental and economic governance, the limits of soft law instruments—such as the voluntary implementation gaps in the Paris Agreement—have led scholars to advocate for parallel hard law mechanisms (e.g., criminalizing ecocide or severe ecosystem destruction) to establish direct, individual accountability for decision-makers.

VI. THE NEW INTERNATIONAL ECONOMIC ORDER (NIEO) AND THE 1974 CHARTER

Initiated by developing nations under the auspices of the Non-Aligned Movement (a bloc of 120 nations unaligned with either Western or Eastern Blocs during the Cold War), the NIEO emerged to dismantle post-colonial economic dependencies.

Following a 1973 request to the UN Secretary-General, the UN General Assembly adopted the *Programme of Action on the Establishment of a New International Economic Order* in September 1973, followed by the landmark **Charter of Economic Rights and Duties of States** on December 12, 1974 (GA Res. 3281). The Charter was adopted by 115 votes to 6, with 10 abstentions, having been originally proposed by President Luis Echeverría of Mexico at UNCTAD III in 1972.

Structure and Key Articles of the 1974 Charter

The Charter comprises a preamble, 3 chapters, and 34 articles:

- **Chapter I (Fundamentals of International Economic Relations):** Mandates that interactions be governed by sovereign integrity, non-aggression, non-intervention, mutual benefit, peaceful coexistence, and international social justice.
- **Article 1:** Establishes the inalienable sovereign right of every state to choose its economic, political, and cultural systems without foreign coercion or threat.
- **Article 2(1):** Declares that every state freely exercises full permanent sovereignty, including possession, use, and disposal, over all its wealth, natural resources, and economic activities.
- **Articles 9 & 17:** Identifies international development cooperation as a shared responsibility and common duty of all states, requiring developed nations to extend assistance free of sovereignty-derogating conditions.
- **Article 28:** Mandates inter-state cooperation to adjust export-to-import price ratios for developing nations, ensuring fair and remunerative terms of trade.

VII. THE REGULATORY ENVIRONMENT FOR TRANSNATIONAL CORPORATIONS (TNCs)

The structural complexity of TNCs (e.g., Apple, McDonald's, Coca-Cola, Nike, Amazon) complicates traditional municipal legal frameworks. The UN defines a TNC as an enterprise comprising entities across two or more countries operating under a centralized decision-making system that permits coherent, common strategies.

7.1 International Codes of Conduct

Four key institutional bodies developed ethical codes to govern Multinational Enterprises (MNEs):

1. **UN Commission on Transnational Corporations (UNCTC):** Drafted the *United Nations Code of Conduct on Transnational Corporations*, which barred TNCs from interfering in the internal political affairs of host states or engaging in subversive acts. It was never fully implemented.
2. **OECD Guidelines for Multinational Enterprises (1976, updated 2000):** A globally applicable framework governing local law compliance, anti-competitive practices, consumer protection, and tax transparency.



3. **ILO Tripartite Declaration (1977):** A comprehensive set of recommendations on basic labor practices jointly formulated by governments, employer unions, and employee associations.
4. **UN Sub-Commission Norms (2003):** Approved via Resolution 2003/16, the *Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights* represent a non-voluntary framework to hold businesses accountable across environmental, consumer, and anti-corruption law.

7.2 Property Expropriation and Contract Stabilization

Expropriation involves a state taking property belonging to a foreign investor, which requires a public purpose, non-discrimination, due process, and appropriate compensation to be lawful under customary international law. It is divided into two primary types:

- **Direct Expropriation:** Outright mandatory legal transfer of title or physical seizure of an asset.
- **Indirect Expropriation:** Structural actions that permanently deprive an investor of management, use, or control over an asset without altering the legal title. This includes **creeping expropriation** (gradual, incremental regulatory takings) and *de facto* expropriation (abrupt, singular actions).

To manage these political risks in capital-intensive, long-term investments (e.g., production-sharing or concession agreements), investors utilize **stabilization clauses**:

- **Freezing Clauses:** Insulates the investment project by completely exempting it from the application of newly enacted domestic legislation or regulatory changes.
- **Equilibrium Clauses:** Mandates that the host state financially compensate or indemnify the foreign investor for losses resulting from subsequent legislative changes.
- **Hybrid Clauses:** Blends freezing and economic equilibrium parameters to offer a dual-layered contract stability framework.

Under international arbitral jurisprudence, tribunals have limited the freezing reach of these clauses. In *Parkerings v. Lithuania*, the tribunal ruled that investors must anticipate shifting regulatory environments and execute due diligence, while *MTD v. Chile* affirmed that a host state's liability for frustrating legitimate expectations can be offset by an investor's lack of due diligence.

VIII. SPECIALIZED FRAMEWORKS: CONTROL OF RESTRICTIVE BUSINESS PRACTICES

On December 5, 1980, via Resolution 35/63, the UN General Assembly formally adopted the *Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices*, which was originally drafted under UNCTAD auspices.

8.1 Definitions and Scope

- **Restrictive Business Practice:** Action or behavior by an enterprise that limits market access or restrains competition through the abuse or acquisition-and-abuse of a dominant market position, causing adverse effects on world trade and the development of emerging economies. This includes formal or informal, written or unwritten horizontal arrangements.
- **Dominant Position:** A market configuration where an enterprise, acting independently or in collusion with a limited cohort, exercises systemic control over the relevant market for a specific good or service.
- **Scope:** Universally applicable across all states and commercial transactions in goods or services, regardless of state or private ownership. It explicitly excludes intergovernmental agreements and practices directly caused by them.

8.2 Prohibited Anti-Competitive Actions

Enterprises are required to conform to the domestic competition laws of their host states. Under horizontal and vertical arrangements, they must refrain from:

- Price-fixing agreements (including import/export arrangements) and collusive tendering.



- Market or customer allocation arrangements and production/sales quotas.
- Collective boycotts, concerted refusals to supply potential importers, or predatory below-cost pricing to eliminate competitors.
- Discriminatory transfer pricing strategies between affiliated corporations that overcharge or undercharge to distort tax and trade liabilities.
- Trademark restrictions aimed at blocking parallel imports of legitimately marked goods to maintain artificially high domestic prices.

IX. SPECIAL FRAMEWORKS: TRANSNATIONAL WATERCOURSES LAW

The legal architecture governing international freshwater resources underwent a paradigm shift with the adoption of the **UN Convention on the Law of the Non-Navigational Uses of International Watercourses** (1997).

- **Definition:** An international watercourse is defined as any system of surface waters (including lakes, tributaries, or mountain glaciers) that crosses or delineates international borders.
- **Ratification History:** Following a promotional initiative by the World Wide Fund (WWF) launched in 2006 to bridge the gap toward enforcement, Vietnam became the 35th signatory on May 19, 2014. This triggered the official entry into force of the Convention on August 17, 2014.
- **Doctrinal Transition:** The convention institutionalized the doctrine of **limited territorial integrity** over traditional, absolute territorial sovereignty. This framework mandates that all riparian nations enjoy equal rights to utilize shared resources, requiring upstream and downstream states to respect reciprocal rights and prevent transboundary harm.

X. THE MULTIFACETED DIMENSIONS OF MODERN GLOBALIZATION

Globalization represents the accelerated interconnectedness and interdependence of sovereign populations, markets, and governments across five distinct dimensions:

10.1 The Five Dimensions of Globalization

1. **Political Globalization:** The expansion of supraterritorial spaces and co-operation through global "umbrella" bodies (e.g., League of Nations historically; UN, WTO, and EU contemporarily). While hyper-globalists argue that this trend reduces the significance of state boundaries, it functions alongside traditional state sovereignty.
2. **Economic Globalization:** The integration of national economies through cross-border commodity trade, capital flows, and free trade agreements (e.g., NAFTA, Trans-Pacific Partnership).
3. **Technological Globalization:** The cross-border diffusion of technological knowledge and electronic communication systems. A 2008 World Bank report verified that technological integration correlates directly with domestic economic growth rates and poverty reduction, facilitating advances like mobile banking in rural economies.
4. **Cultural Globalization:** The transmission of ideas, meanings, and social norms via digital media, internet access, and international travel, creating a tension between flattening homogenization and local counter-globalizing movements.
5. **Environmental Globalization:** The interconnected management of shared ecosystems, typically governed by Multilateral Environmental Agreements (MEAs) such as the Montreal Protocol or the Basel Convention.

10.2 Technology Transfer Frameworks

Technology transfer remains critical for establishing a viable technological foundation in developing nations. Key international instruments address this process through varied legal approaches:

- **GATS (Articles IV & XXV):** Mandates that developed nations facilitate service-trade participation for developing countries through commercial technology access and infrastructural assistance in telecommunications.



- **TRIPS Agreement (Articles 7 & 66.2):** Explicitly requires developed country members to provide institutional incentives to enterprises within their territories to promote technology transfer to LDCs, enabling them to establish a sound technological base.
- **The Montreal Protocol (Articles 5, 10, & 10A):** Links the mandatory compliance of developing nations regarding the phase-out of ozone-depleting substances to the effective provision of financial cooperation and technology transfer by developed states.
- **UNCTAD Draft TOT Code (1985):** Formulated at its sixth session on June 5, 1985, this draft instrument defines technology as "systematic knowledge for the manufacture of a product, for the application of a process or for the rendering of a service," including entrepreneurial expertise and professional know-how. It outlines national regulatory measures for foreign exchange remittances, pricing structures, and special non-reciprocal treatment for LDCs.

XI. CONCLUSION

International Economic Law continues to develop as a hybrid legal architecture balancing state sovereignty against global economic integration. While foundational principles like sovereign equality and permanent resource control protect state autonomy, the growth of transnational corporate power, anti-competitive practices, shared water resources, and globalization requires structured international frameworks. The ongoing interaction between flexible soft law standards and binding hard law obligations shapes the rules of cross-border commerce, finance, and sustainable development.

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