

Economic Background of Iraq

Iraq's economy is heavily dependent on international trade. Its exports are limited to virtually one commodity, oil, which provides 98 per cent of foreign exchange earnings (US\$15 billion in 1989).

Iraq used approximately US\$10 billion of these earnings last year to purchase imports, primarily from OECD (Organization for Economic Co-operation and Development) countries. The remainder was used to service Iraq's large debt to many of the same countries.

Iraq must import raw materials, spare parts, machinery and transportation equipment in order to keep its industrial, manufacturing and oil refining facilities operating.

In addition, Iraq imports about 70 per cent of its domestic food requirements. Basic foodstuffs which must be imported in large quantities include wheat, rice, barley, sugar, tea and vegetable oil.

Domestic Food Supplies

There is no evidence that Iraq is experiencing serious shortages of basic foodstuffs, although shortages of specific goods, including eggs, poultry, sugar, cooking oil and white flour have either already developed or are anticipated by the end of the year. Existing stocks should enable Iraq to meet basic requirements until at least the spring of 1991. At that time, food stocks will be replenished by the spring harvest.

Although Iraq was able to avoid rationing throughout an eight-year bitter war with Iran, in face of sanctions imposed since August, Iraq has imposed rationing for many basic foodstuffs. Quotas for these goods, which are sold at subsidized prices, have been reduced twice since rationing was introduced.

Most foodstuffs are available on the free market but prices have risen dramatically since sanctions were imposed. A wide variety of food products not normally available in Iraq has appeared in Baghdad stores, as a result of the looting of Kuwait. However, these goods are priced well beyond the means of most Iraqis.

Iraq has introduced a number of measures designed to increase domestic agricultural production. Because of its dependence on imported agricultural inputs, including seed, fertilizer, pesticides and labour, Iraq is not likely