

The government's urging to conserve water suggests Iraq may face difficulties maintaining domestic and industrial water supplies within the next several months. This is likely due to shortages of desalination and purification chemicals. Water shortages should ease, however, with the spring rains.

We cannot verify Iraqi press reports of shortages of medicines. Supplies of medicines designed for medical purposes are permitted under the UN sanctions. Iraqi hospitals, however, are being affected by the departure of foreign medical staff and are being forced to reduce the number of beds available.

Sanitation services in Baghdad have deteriorated as a result of the departure of manual labourers. Most other city services are still functioning.

#### Industry and Manufacturing Sectors

Sanctions have had their strongest and most immediate impact on Iraq's industrial and manufacturing sectors.

Shortages of raw materials, spare parts, equipment and in some instances skilled labour, have affected non-essential industrial production.

Domestic production most seriously affected to date appears to include a variety of petroleum-derived products such as tires and plastics, as well as textiles, cigarettes, alcoholic and non-alcoholic beverages and detergents. In addition, some restaurants, breweries, ice-cream parlors and pastry shops have been forced to close. Most non-essential plants could be forced to shut down entirely by the spring or summer.

Work at most major project sites (dams, petrochemical plants, oil drilling, power plants) has stopped but Iraq appears to be trying to keep military-related project work going.

#### Petroleum Sector

Iraqi oil production has dropped from its pre-invasion level of about 3 million barrels/day to only 400,000 barrels/day. Production is dedicated to meeting domestic requirements in Iraq and Jordan.

Rationing was briefly introduced for gasoline and some petroleum products in October, but was rescinded after