

Statement

Secretary of
State for
External Affairs



Déclaration

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**NOTES FOR A SPEECH BY
THE RIGHT HONOURABLE JOE CLARK,
SECRETARY OF STATE FOR EXTERNAL AFFAIRS,
ON THE EFFECT OF SANCTIONS ON IRAQ
BEFORE THE STANDING COMMITTEE ON
EXTERNAL AFFAIRS AND INTERNATIONAL TRADE
OF THE HOUSE OF COMMONS**

**OTTAWA, Ontario
December 10, 1990**

I am pleased to have the opportunity to appear before the Standing Committee on External Affairs and International Trade to provide information on the sanctions imposed on Iraq following its invasion of Kuwait. As I mentioned in the House, I am also prepared to arrange further briefings, on a strictly confidential basis, to provide elected Members of Parliament with information whose publication might aid those who would break sanctions, or violate Canadian laws respecting privacy. However, I wish to assure members that nothing of this nature which we have seen contradicts or, for that matter, adds substantially to the picture that I will outline for you today.

Sanctions are one part of a concerted world policy, working through the United Nations, to cause Iraq to withdraw peacefully from Kuwait. Other measures include the presence in the Gulf of military forces from 29 countries, and Security Council Resolution 678, adopted a week ago today, which combines the authorization of force with what Mr. Gorbachev calls "a pause of goodwill," to allow time and incentive for a peaceful solution. In addition, several countries including Canada are pursuing initiatives to resolve this crisis peacefully, and to prepare for the challenges of the post-crisis.

Different elements of this concerted policy support one another. For example, one important reason sanctions work against Iraq is because the naval blockade allows enforcement. As of December 3, Canadian ships alone had intercepted 1,085 vessels in the Gulf and boarded nine to help maintain the naval embargo. As members of this Committee know, sanctions are notoriously hard to have respected, and, so far, the Iraq embargo has been one of the most successful the world has known. But all our evidence is that it has been more successful on the outside than it has been on the inside. Other nations respect the UN sanctions, but Iraq has diverted the effects of sanctions away from its military capacity and political leaders. There is no evidence that sanctions are persuading Iraq to comply with the Security Council resolutions and withdraw from Kuwait.

The question now is whether the combination of sanctions, plus the authorization of force, plus the pause of goodwill, can lead together to a peaceful solution. We believe that combination offers the best prospect for a peaceful withdrawal from Kuwait.

To save the time of the Committee, I will circulate, but not read, information available to Canada, and which we believe to be reliable, respecting the effect of sanctions on particular sectors of the Iraqi economy and society. Before that, let me summarize the actions taken by Canada and the world, and then deal with the question as to whether we should wait for sanctions to force Saddam Hussein to change.

What has been the result of the collective decision to impose economic sanctions?

Sanctions are, unquestionably, having an impact on economic conditions and living standards within Iraq. But there is no reason to believe that sanctions alone are going to bring the economy to its knees or be sufficient in and of themselves to force Saddam Hussein to withdraw from Kuwait. All the available evidence suggests that it would be a considerable time before sanctions had a truly decisive effect on Iraq's economy and military machine.

Iraq's trade links have been severed. Its funds abroad have been frozen. Iraqi and stolen Kuwaiti vessels and aircraft have been denied port and airport facilities. The only authorized exceptions to the sanctions are for the import of medical supplies; and, in humanitarian circumstances, for foodstuffs, delivered through appropriate humanitarian agencies; and the transport of released hostages.

A committee of the Security Council, co-chaired by Finland and Canada, monitors implementation of sanctions. I can make summary records of its deliberations available to the Committee. This Security Council sub-committee, chaired by Canada, considers requests (under Article 50 of the UN Charter) for assistance from countries which have to make serious economic sacrifices in order to implement sanctions. Jordan, Egypt and Bulgaria are examples.

All Iraqi and Kuwait government assets are frozen. The value of Iraqi government funds held by Canadian banks and financial institutions and now frozen, is approximately C\$15 million. The value of Kuwait government assets, frozen to prevent Iraqi pilferage, is considerably more, in excess of C\$4 billion.

Financial transfers are prohibited. Certificates are being issued for transactions with Kuwaitis or approved Kuwait controlled companies, on the clear understanding that the funds will not be used to benefit Iraq. The objective is to facilitate legitimate commerce and transfers to Kuwait citizens living abroad.

Trade with Iraq and occupied Kuwait is banned and all permits to export controlled goods to Iraq or Kuwait remains suspended. Canadian exporters have suffered considerable losses, particularly grain exporters, as Iraq was Canada's fourth largest market for grain.

An air embargo is in place for Iraqi aircraft. Exceptions have been made for humanitarian reasons on several occasions, for example a refuelling of Iraqi aircraft carrying freed hostages.

Any Iraqi or stolen Kuwait aircraft found in Canadian airports will be detained. Canada pressed successfully in the International Civil Aviation Organization for effective measures to ensure that other countries act in a similar way.

Effective enforcement measures are being taken by Canadian enforcement agencies including the Royal Canadian Mounted Police (RCMP) and Revenue Canada Customs and Excise. Close international co-operation is being maintained. To date, no violations in Canada have been reported and no prosecutions are pending.

As I mentioned earlier, Canadian ships and personnel enforced the naval embargo. In the company of others, we are reporting on these activities to the Security Council and can, again, make copies of our report available to the Committee.

The question that has been repeatedly asked is: "Why don't we simply wait until sanctions force Saddam Hussein to withdraw?"

That question involves two assumptions: first, that sanctions will ultimately work; and second, that time is neutral, and that nothing else will happen while we wait.

Time is not neutral, and not cost-free. Consider just four factors:

First, every day the sacking of Kuwait continues -- a deliberate campaign to obliterate the records and the reality of a sovereign nation, a member of the United Nations. Two-thirds of the Kuwait people have already been forced to flee. Many others have been killed. Those who remain -- and the great majority are not wealthy, not privileged -- watch the relentless looting of their land, and suffer appalling human rights violations every day peace is delayed.

Second, time is not neutral for the people of Iraq. As honourable members pointed out in the debate last week, Saddam Hussein is not noted for his compassion towards his own people. Wherever possible he will direct the consequences of sanctions against those who are weakest and least vital to the machinery of war and state. Canada pressed for the provisions in UN Resolution 666 that allow for the supplies of food and medicines by appropriate international organizations such as the International Red Cross. Saddam Hussein has not agreed to such assistance and as I said in the House, the human cost of sanctions will inevitably rise as the weeks and months pass.

Third, the economic impact of uncertainty, at high oil prices, is costly everywhere including in Eastern and Central Europe where it threatens basic economic reform. But its impact

is most cruel in the developing world -- in Senegal, in Zimbabwe, in Bangladesh, in Sri Lanka, where there is a devastating combination of expensive oil and lost remittances.

Finally, this is the most volatile and heavily armed region of the world. An accident could trigger a tragedy. A week ago, Iraq's testing of SCUD-type missiles simply triggered an alert which was stood down this time. With every day that passes, that danger grows, and it is extremely risky to argue that we can wait for months and months and months in the hope that sanctions alone can take effect.

Sanctions, in sum, are necessary but not sufficient to meet our declared objectives: The withdrawal of Iraq from Kuwait and the restoration of its sovereignty and legitimate government.

Now is the time for resolve. Collective action stopped Iraqi aggression at the Saudi border. Unequivocal pressure has resulted in the decision to release all -- not some -- of those detained in Iraq and Kuwait. If it has demonstrated anything, the policy which we and other governments followed of not negotiating on the release of some hostages has proved that Saddam Hussein does respond to positions clearly stated and firmly held. Partial solutions based on support for some and not other Security Council resolutions would send mixed messages and signals of false hopes to Saddam Hussein. This could result in the very consequences we seek to avoid. The Government, for its part, intends to hold to the full range of policies which we have helped to fashion in the Security Council. A comprehensive approach based on all the UN Resolutions, including Resolution 678, passed last week, represents the best hope of a peaceful outcome to this crisis.

In the interest of time, I will now circulate information on the economic background of Iraq; domestic food supplies; military capabilities; essential services; industry and manufacturing sectors; the petroleum sector; public morale; the impact of sanctions on exports; and sanction busting.

**BACKGROUND NOTES ON
THE EFFECT OF SANCTIONS ON IRAQ**

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

to be able to increase domestic production by a significant degree.

The government has instituted the death penalty for individuals found hoarding basic foodstuffs or attempting to sell them privately. Popular committees have been established to report on any violations of the ration system.

Right from the beginning, there has been no intention to starve Iraq into submission or to use food as a weapon. The UN sanctions resolution provides for the supply of food to Iraq under humanitarian circumstances. Iraq, however, has vetoed any UN role and has even denied permission for the UN to investigate claims of civilian deaths due to shortages of food and medicine. We have no evidence to substantiate these claims, and treat them as little more than propaganda.

Military Capabilities

Iraq's top priority is ensuring that its military forces are well supplied. The military is given priority over other sectors for petroleum products, spare parts and personnel.

At the same time that Iraq has reduced food rations for civilians, it has increased those for military personnel. Soldiers now receive 120 per cent more flour than civilians, 160 per cent more rice, 340 per cent more legumes and 20 per cent more tea.

Iraq can produce some military products domestically. However, its more sophisticated equipment is imported and is susceptible to shortages of spare parts.

To date, sanctions do not appear to have had an impact on Iraq's military capabilities, or its willingness to use its military. The launching of three SCUD missiles cost more than \$3 million. In short, although minor shortages are bound to show up, Iraq can probably maintain its present level of military activity for at least six months.

Essential Services

There is no evidence that sanctions have caused disruptions to essential services. There have been no major disruptions in electricity supply. Isolated power disruptions may occur due to shortages of spare parts and skilled labour (mostly foreign).

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

less than one week. Public opposition played at least some part in this decision.

Iraq's main refineries are still operating and are expected to be able to meet military and civilian needs well into 1991. By reducing the amount of additives and catalysts used in the refining process, this period could be extended further, although this will necessarily entail reduced performance for military and civilian vehicles.

As in other sectors of the economy, shortages of spare parts and skilled labour could shorten the period Iraq is able to maintain petroleum production. Equipment confiscated from Kuwait will probably be of little value to Iraq's less technologically advanced refining sector.

Public Morale

With the notable exception of gasoline rationing, the public response to the deterioration in economic conditions has been muted.

Living standards have declined as a result of the sharp rise in prices for goods on the free market. As plants are forced to close, more Iraqis will face unemployment and the loss of income.

The Iraqi public has had considerable experience coping with shortages and is aware of the possible consequences of criticizing Saddam Hussein and his regime. Therefore, as long as essential services are maintained and basic necessities are available, widespread public discontent is not likely to surface.

Pressure for change is more likely to come from within Saddam Hussein's own Ba'ath party and among the ruling elite. In the past, Saddam has been able to insulate his party supporters from the economic hardships suffered by others. As the impact of sanctions widens, Saddam will find it increasingly difficult to shield the party elite from deteriorating economic conditions.

Impact of Sanctions on Exports

Since sanctions were imposed, Iraq's crude oil exports have virtually stopped.

Iraq has made several attempts to entice countries to purchase oil. These include offering to sell it to developing countries at a discount. To date, there is no

evidence that any country has accepted Iraqi oil shipped after sanctions were imposed.

Iraq has also attempted to persuade Iran to export oil on its behalf, but we have been assured that Iran has not and will not acquiesce.

Iraq's non-oil exports are limited to a few agricultural products (primarily dates). Annual foreign exchange earnings from non-oil exports totalled a little more than US\$400 million. Most of these exports will now be used to meet domestic needs.

Sanction Busting

Compliance and enforcement of sanctions have dramatically reduced Iraq's trade.

Most goods reaching Iraq are being smuggled from neighbouring countries and although it is not possible to determine the exact nature of these goods, we suspect they are mostly foodstuffs.

There is potential for strategic imports, such as chemical additives, lubricants, water purification chemicals and spare parts to reach Iraq undetected. Because these goods are needed in relatively small volumes, they can be transported by air, overland (by truck or pack animal), or by small boats capable of eluding naval interdiction.

Most sanction busting is organized by private intermediaries. Goods are routed through ports in the Mediterranean Sea, the Red Sea and the Persian Gulf and transported overland through Jordan, Iran, Syria and Turkey. Overall, however, they amount to only a trickle and are not significant economically.