

SECRET ~~ADVANCE~~ COPY

SECRET
FM AMMAN
TO DESKBY 131630Z FCO
TELNO 414
OF 131420Z AUGUST 90

INFO IMMEDIATE BANK OF ENGLAND, TREASURY, DTI, MODUK, UKDEL IBRD
INFO IMMEDIATE WASHINGTON, UKMIS NEW YORK, ACTOR, CABINET OFFICE
INFO IMMEDIATE BAGHDAD, CAIRO, TEL AVIV, KUWAIT

SIC

JORDAN AND SANCTIONS

SUMMARY

1. CONVERSATION WITH GOVERNOR OF CENTRAL BANK AND WITH MINISTER OF FINANCE. THE LATTER MAKES CLEAR THAT, APART FROM EXPORT LICENCES TO IRAQ, SANCTIONS ARE NOT YET BEING APPLIED AND THAT JORDAN CANNOT APPLY THEM WITHOUT GUARANTEES OF COMPENSATION.

DETAIL

2. I CALLED TODAY (13 AUGUST) ON THE GOVERNOR OF THE CENTRAL BANK AND ON THE MINISTER OF FINANCE. MIFT CONTAINS A SUMMARY OF THE MAIN PROBLEMS (AND COSTINGS) WHICH JORDAN WILL FACE IN APPLYING SANCTIONS.

3. IT WAS CLEAR FROM THESE DISCUSSIONS THAT, ALTHOUGH THE JORDANIAN GOVERNMENT HAS INFORMED US OF THEIR INTENTION TO APPLY SANCTIONS, NOTHING IN PRACTICE HAS YET BEEN DONE, WITH THE EXCEPTION OF CANCELLING EXPORT LICENCES TO IRAQ, TO IMPLEMENT THIS DECISION. JARANEH SPELT OUT THE SITUATION VERY CLEARLY. HE SAID THAT THIS WAS NOT A MANAGEABLE CRISIS FOR JORDAN. UNLESS JORDAN RECEIVED COMPENSATION, THE APPLICATION OF SANCTIONS WOULD BRING THE COUNTRY TO ITS KNEES WITHIN 3 MONTHS. AN ALTERNATIVE SUPPLY OF OIL ALONE WOULD COST DOLLARS 600 M PER YEAR. THE TOTAL COST OF SANCTIONS TO THE BALANCE OF PAYMENTS WOULD BE AT LEAST DOLLARS 1BN. UNLESS COMPENSATION COULD BE GUARANTEED, HE, AS FINANCE MINISTER, WOULD HAVE TO ADVISE HIS HIS GOVERNMENT THAT JORDAN SHOULD NOT APPLY THE SANCTIONS.

4. I POINTED OUT TO JARDAEH THAT THE DECISION HAD ALREADY BEEN TAKEN AND NOTIFIED TO WESTERN GOVERNMENTS. NEVERTHELESS, HE REPLIED APART FROM THE WITHDRAWAL OF EXPORT LICENCES, THE COUNTRY

CONTINUED TO FUNCTION AS USUAL: IT HAD NO CHOICE IN THE MATTER. I ALSO POINTED OUT THAT A DECISION TO CONTINUE OPERATING WITH IRAQ WOULD MEAN THAT JORDAN WOULD FORFEIT ALL SUPPORT FROM THE REST OF THE WORLD (INCLUDING ARAB STATES) WITH NO GUARANTEE THAT THE EXISTING RELATIONSHIP WITH IRAQ WOULD BE SUSTAINABLE. JARDANEH CONCEDED THAT THIS WAS A POSSIBILITY. WHATEVER JORDAN DID, SHE WOULD LOSE. THE TIME-SCALE WAS ALSO IMPORTANT. THERE WAS NO DOUBT THAT IN THE SHORT TERM (WHICH HE DEFINED AS 6 MONTHS) THE FINANCIAL/ECONOMIC ARGUMENTS WERE STRONGLY IN FAVOUR OF JORDAN CONTINUING TO CONTINUING TO COOPERATE WITH IRAQ. IN THE LONGER TERM, HE CONCEDED THAT THE ARGUMENTS MIGHT POINT IN THE OTHER DIRECTION. HE EMPHASISED THAT MANY OF THESE CONSIDERATIONS WERE OUTSIDE HIS OWN RESPONSIBILITY AND THAT OTHERS PROBABLY HAD A DIFFERENT VIEW.

COMMENT

5. THE KING HAS MADE NO PUBLIC PRONOUNCEMENT ON SANCTIONS OTHER THAN HIS INITIAL REFERENCE TO JORDAN UNDERSTANDING THE IMPLICATIONS OF THE UN CHARTER (MY TELNO 397). THE RESULT IS THAT THE POPULATION AT LARGE, AND MUCH OF THE COMMERCIAL/INDUSTRIAL SECTOR, IS PROBABLY UNAWARE OF THE DECISION TO APPLY SANCTIONS. THE REASON FOR THE KING'S FAILURE TO SPEAK UP IS CLEAR: GIVEN THE OVERWHELMING SUPPORT FOR SADDAM IN JORDAN, AN UNEQUIVOCAL PUBLIC STATEMENT IN SUPPORT OF SANCTIONS WOULD PROBABLY BRING THE MOBS OUT ON THE STREETS IN VERY QUICK TIME.

6. IN ANY CASE, WHAT MATTERS, I SUGGEST, IS NOT SO MUCH THE PUBLIC STATEMENT BUT THE EARLY APPLICATION OF THE SANCTIONS, IN FULL. IF WE ARE TO ACHIEVE THIS, WE SHALL NEED TO MOVE QUICKLY TO STIFFEN THE RESOLVE OF THE JORDANIAN GOVERNMENT. BUT WE SHALL ONLY SUCCEED IF, IN CONJUNCTION WITH THE OTHER MAJOR WESTERN PLAYERS, WE CAN OFFER THE NECESSARY ASSURANCES THAT BY APPLYING SANCTIONS, JORDAN WILL NOT SIMPLY BE COMMITTING SUICIDE. THE QUESTION OF OIL SUPPLIES (WHICH AT PRESENT COST JORDAN NOTHING SINCE THEY ARE IN LIEU OF DEBT REPAYMENT FROM IRAQ) IS PARTICULARLY CRUCIAL. UNLESS EARLY HIGH LEVEL DISCUSSIONS ARE ORGANISED TO CONSIDER ALL THE IMPLICATIONS FOR JORDAN APPLYING SANCTIONS, THE GOVERNMENT WILL PROBABLY TRY TO FUDGE THE ISSUE, WHICH WILL LEAVE A GLARING HOLE IN THE SANCTIONS FENCE. THE FACT THAT THIS MAY LEAD TO JORDAN LOSING WESTERN AND ARAB SUPPORT WILL CUT LITTLE ICE UNLESS WESTERN OFFERS OF SUPPORT ARE TRANSLATED INTO FIRM COMMITMENTS.