

ADVANCE COPY

RESTRICTED
FM BAGHDAD
TO IMMEDIATE FCO
TELNO 921
OF 221012Z AUGUST 90
INFO PRIORITY MODUK, DTI (OT4), CAIRO, ALGIERS, BERNE, VIENNA
INFO PRIORITY ANKARA, CANBERRA, AMMAN, OSLO, UKDEL OECD

SIC I9M

MY TELNO 897 (NOT TO ALL): ECONOMIC SANCTIONS

SUMMARY

1. LARGE INCREASES IN FOOD PRICES SINCE 2 AUGUST, BUT FEW OTHER VISIBLE SIGNS THAT SANCTIONS ARE BITING.

DETAIL

2. OECD COMMERCIAL OFFICERS MET AGAIN ON 21 AUGUST TO DISCUSS THE ECONOMIC SITUATION IN IRAQ.

FOREIGN NATIONALS

3. NONE OF THOSE PRESENT CLAIMED THAT THERE WAS ANY MAJOR POPULAR PRESSURE IN THE COUNTRIES THEY REPRESENTED FOR CHANGES IN THEIR EXISTING POLICY ON SANCTIONS AS A RESULT OF RECENT IRAQI STATEMENTS ON FOREIGN NATIONALS IN KUWAIT AND IRAQ. THE AUSTRIAN AND SWISS REPRESENTATIVES SAID THAT ALTHOUGH THE IRAQIS HAD STATED THAT SOME OF THEIR NATIONALS WERE ALLOWED TO LEAVE NONE HAD IN FACT DONE SO. THEY HAD ALSO BEEN TOLD BY THE MFA THAT IN FACT AUSTRIANS AND SWISS CURRENTLY IN KUWAIT WOULD NOW NEED EXIT VISAS. THE SWISS REPRESENTATIVE THOUGHT THAT THE REASON FOR THIS WAS TO ALLOW THE IRAQI AUTHORITIES TO KEEP A CHECK ON THE TOTAL NUMBER OF FOREIGNERS IN THE COUNTRY, SO THAT THEY COULD ENSURE THAT THEY DID NOT RELEASE ALL OF A COUNTRY'S NATIONALS AND LOSE A BARGAINING CHIP.

4. IT ALSO APPEARED THAT EGYPTIAN WORKERS WERE STILL BEING ALLOWED BY THE IRAQIS TO REMIT HARD CURRENCY THOUGH IT WAS NOT CLEAR HOW FAR THIS WAS HAPPENING IN PRACTICE.

FOOD

5. THE AUSTRALIAN REPRESENTATIVE EXPLAINED THAT AUSTRALIA HAD AGREED TO SUPPLY 1.55 MILLION TONNES OF WHEAT TO IRAQ IN 1990. OF THIS, ALL BUT 400,000 TONNES HAD ALREADY BEEN DELIVERED. NO MORE SHIPMENTS WOULD BE SENT. HOWEVER, THERE WAS CURRENTLY 60,000 TONNES ON WHAT WAS BELIEVED TO BE AN IRAQI SHIP HEADING FOR AQABA OVER WHICH THE AUSTRALIAN GOVERNMENT HAD NO AUTHORITY, WHICH WOULD PRESUMABLY BE DELIVERED.

6. IT APPEARED THAT IRAQ'S GRAIN STORES WERE VIRTUALLY FULL. THE AUSTRALIAN WAS AWARE THAT A FREIGHTER CARRYING WHEAT HAD BEEN UNABLE TO UNLOAD ITS CARGO WHEN IT DOCKED AT UMM QASR AT THE END OF JULY, APPARENTLY BECAUSE OF A LACK OF STORAGE SPACE.

7. THE AUSTRALIAN SAID THAT THE IRAQI EMBASSY IN CANBERRA HAD MADE A REQUEST FOR THE AUSTRALIANS TO SUPPLY FURTHER WHEAT ON 'HUMANITARIAN' GROUNDS. THIS HAD BEEN REJECTED. THE SWISS SAID THAT, IN RESPONSE TO AN ENQUIRY, HE HAD TOLD THE MINISTRY OF TRADE THAT THERE WAS NO CHANGE IN THE SWISS POSITION NOT TO EXPORT POWDERED MILK TO IRAQ.

8. THE TURKISH REPRESENTATIVE SAID THAT, FROM A WIDE-RANGING SURVEY HE HAD CONDUCTED, HE ESTIMATED THAT FOOD PRICES HAD INCREASED BY MORE THAN 100 PERCENT SINCE 2 AUGUST.

IRAQI AIRWAYS

9. THE SWISS, AUSTRIANS, DUTCH, FRENCH, ITALIANS AND OURSELVES SAID THAT THEY HAD BEEN ASKED TO ALLOW IRAQI AIRWAYS FLIGHTS FROM THEIR COUNTRIES TO AMMAN TO ENABLE IRAQIS TO RETURN HOME. IN EVERY CASE THE REQUEST HAD BEEN REJECTED ON THE GROUNDS THAT THE IRAQIS WOULD NOT ALLOW OTHER NATIONALITIES TO TRAVEL ON THE FLIGHT FROM AMMAN. THE TURK SAID THAT HIS GOVERNMENT WAS ALLOWING IRAQI AIRWAYS FLIGHTS FROM AMMAN TO ISTANBUL. AS A CONSEQUENCE, IRAQIS HAD TRAVELLED TO ISTANBUL FROM AROUND THE WORLD AND THOUSANDS WERE NOW WAITING AT ISTANBUL AIRPORT FOR FLIGHTS.

SANCTIONS BUSTING

10. THERE WERE A NUMBER OF REPORTS OF INCREASED NUMBERS OF LORRIES TRAVELLING FROM JORDAN TO IRAQ. THE NORWEGIAN, WHO HAD ARRIVED FROM AMMAN THE PREVIOUS DAY, SAID THAT, WHATEVER THE POSITION OF THE JORDANIAN GOVERNMENT, JORDANIAN BUSINESSMEN WOULD CONTINUE TO FIND WAYS TO SHIP GOODS TO IRAQ. HE ALSO SAID

THAT THE CAPTAIN OF A FLOATING NORWEGIAN GRANARY MOORED AT AQABA HAD BEEN PHYSICALLY THREATENED BY JORDANIANS WHEN HE HAD TRIED TO STOP THE UNLOADING OF WHEAT BOUND FOR IRAQ.

11. THERE WAS SOME SPECULATION WHETHER, IN ORDER TO AVOID SANCTIONS, IRAQ MIGHT ASK OTHER OIL PRODUCERS TO SELL OIL ON ITS BEHALF, AS KUWAIT AND SAUDI ARABIA HAD DONE FOR IT DURING THE GULF WAR. ALGERIA, LIBYA AND IRAN WERE ALL CONSIDERED COUNTRIES THAT MIGHT BE BOTH CAPABLE AND WILLING TO DO THIS. IT WAS REMARKED THAT SADDAM HAD SENT A LETTER TO PRESIDENT BENJEDID OF ALGERIA ON 20 AUGUST (MY TELNO 898).

BAGHDAD FAIR

12 A NUMBER OF THOSE PRESENT HAD BEEN ASKED BY THE MINISTRY OF TRADE IN THE LAST WEEK ABOUT THEIR PARTICIPATION AT THE BAGHDAD INTERNATIONAL TRADE FAIR. IT WAS GENERALLY THOUGHT THAT, TO EMPHASISE THE SOLIDARITY OF SUPPORT FOR SANCTIONS, AS MANY COUNTRIES AS POSSIBLE SHOULD SEEK TO INFORM THE MINISTER FOR TRADE COLLECTIVELY OF THEIR DECISION NOT TO TAKE PART (SEE MY TELNO OTEX 35)

COMMENT

13 AS WELL AS THE APPROACHES TO THE SWISS AND AUSTRALIANS FOR FOOD, THE IRAQIS HAD ALSO ASKED THE TURKS TO PROVIDE SPARE PARTS FOR BUSES AND LORRIES. WE CAN EXPECT STEADILY INCREASING NUMBERS OF SIMILAR REQUESTS OVER THE COMING WEEKS AS SANCTIONS BEGIN TO BITE. DESPITE THIS, ALL PRESENT AT THE MEETING AGREED THAT IT WOULD BE A LONG HAUL. IT IS NOT CLEAR, FOR INSTANCE, WHETHER CURRENT FOOD SHORTAGES RESULT FROM A LACK OF STOCKS RATHER THAN PROBLEMS ARISING FROM A CHANGE IN THE SYSTEM OF DISTRIBUTION. THERE HAVE BEEN FEW OTHER INDICATIONS THAT SANCTIONS ARE HAVING AN EFFECT: THERE APPEARS TO HAVE BEEN NO NOTICEABLE DETERIORATION IN ESSENTIAL SERVICES (EG ELECTRICITY, WATER, ETC), AND SHOPS ARE, IN GENERAL STILL WELL STOCKED WITH IMPORTED GOODS (AT A PRICE).

WALKER

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DISTRIBUTION

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