

CEPC

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Foreign and Commonwealth Office

London SW1A 2AH

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Richard

CDP 18/10

Aca Charles,

Gulf Crisis: Burden-sharing

/ You may be interested to see the enclosed table that we have prepared to compare the costs of the crisis that we are bearing (military, resettlement of refugees and economic assistance to countries affected by the imposition of sanctions against Iraq, taken together) with the costs being borne by others. This shows clearly that, leaving aside the Gulf States whose territory is actually being defended, our share of the overall costs is second only to that of the US and ahead of that of France, Germany, Japan and Canada. The other countries fall well short, with the notable exception of Korea, whose response ought to shame a considerable number of much wealthier countries.

The table incorporates contributions from member states towards the EC Budget packages for economic assistance and refugees. The breakdown of these contributions is shown on a separate page.

Most of the military figures are not in the public domain and there is even sensitivity about some aid pledges (particularly some made by Saudi Arabia and Kuwait). The figures are, therefore, subject to amendment and should be read as our best estimates. We will update the table from time to time.

On Monday 22 October, there is a meeting in Washington of the Technical Group that feeds into the Gulf Crisis Financial Coordination Group (FCG), set up by the US. This Technical Group meeting will review the position on commitments by donors, ready for the next meeting of the FCG in early November. In the light of that review, we will wish to take stock of the difficulties facing the countries most directly affected by the imposition of sanctions (ie Jordan, Egypt and Turkey) and whether the amounts of assistance being committed and actually paid out are adequate to meet those needs.

I am copying this letter to John Gieve (Treasury), Simon Webb (MoD) and Sonia Phippard (Cabinet Office).

Jaw.
Stephen Wall

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BURDEN-SHARING	Military (US\$m)	Economic (US\$m)	Refugees (US\$m)	TOTAL (US\$m)	GDP (US\$bn)	% of GDP (%)
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THOSE PARTICIPATING IN MILITARY EFFORT

USA	36,000	—	10.0	36,010	5,166	0.70
UK	1,805	113	22.5	1,941	831	0.23
France	1,676	224	17.7	1,918	948	0.20
Canada	622	50	18.0	690	546	0.13
Italy	205	245	10.6	461	864	0.05
Spain	103	55	9.0	167	376	0.04
Australia	85	—	0.8	86	283	0.03
Netherlands	17	54	4.6	76	225	0.03
Denmark	10	32	6.2	48	105	0.05
Belgium	12	26	4.9	43	151	0.03
Norway	3	—	20.0	23	93	0.02
Greece	N.A.	9	0.9	10	54	0.02
Portugal	N.A.	8	0.7	9	37	0.02

GULF STATES

Saudi Arabia	3,000	3,500	155.0	6,655	87	7.65
Kuwait	2,500	2,500	—	5,000	26	19.23
UAE	1,000	1,000	—	2,000	24	8.33

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BURDEN-SHARING	Military (US\$m)	Economic (US\$m)	Refugees (US\$m)	TOTAL (US\$m)	GDP (US\$bn)	% of GDP (%)
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THOSE NOT PARTICIPATING IN MILITARY EFFORT

Japan	2,000	1,978	22.0	4,000	2,812	0.14
FRG	1,083	1,013	26.6	2,123	1,200	0.18
Korea	120	100	—	220	150	0.15
Austria	—	91	1.0	92	127	0.07
Switzerland	—	75	5.4	80	174	0.05
Sweden	—	20	16.9	37	190	0.02
Taiwan	—	30	—	30	—	—
Ireland	—	4	1.3	5	33	0.02
Iceland	—	—	2.4	2	5	0.05
Finland	—	—	2.2	2	115	0.00
New Zealand	—	—	1.6	2	41	0.00

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BURDEN-SHARING: EC COUNTRIES

	Economic (US\$m)	Refugees (US\$m)	% of EC contribution	
			Economic	Refugees
FRG	185	19.3	27.79	25.03
France	124	14.2	18.70	18.45
UK	113	17.2	16.99	22.34
Italy	95	10.6	14.34	13.71
Spain	46	4.3	6.96	5.58
Netherlands	39	4.6	5.82	6.01
Belgium	26	3.0	3.98	3.91
Denmark	12	1.5	1.80	1.89
Greece	9	0.9	1.38	1.22
Portugal	8	0.7	1.21	0.89
Ireland	6	0.6	0.86	0.83
Luxembourg	1	0.1	0.16	0.15
TOTAL	665	77.0	100.00	100.00

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NOTES TO THE TABLES

- The £/\$ exchange rate used is 1.90.
- The figures for military contributions are drawn from MOD information. Where figures are available only for costs to the end of 1990, they have been doubled to give an estimate of annualised costs. (This is in line with the procedure we have used for UK).
- The EC budget contributions for refugees (58 MECU, \$77 million) and economic assistance (500 MECU, \$665 million) have been broken down on a separate page to show the additional contributions by member states resulting from additions to the EC budget. These additional contributions are included in the members' figures in the main table.
- The EC member states have also agreed in principle to provide 1 BECU (\$1.3 billion) in national contributions. The bilateral contributions already announced by Germany, France and Italy already amount to over \$1 billion.
- 1989 GDP figures for OECD countries are drawn from OECD's "Main Economic Indicators (March 1990 edition)". For the Gulf countries GNP figures for 1988 are drawn from the World Bank Atlas.
- The US has offered to write off \$7 billion of Egypt's military debt. This will have little immediate cash flow benefit. Qatar has offered to write off \$200m of debt owed by a range of countries.
- In addition to the 16 countries listed in the table, the following 13 countries are also participating in the military effort: Afghanistan; Argentina; Bangladesh; Bahrain; Czechoslovakia; Egypt; Morocco; Oman; Pakistan; Poland; Qatar; Senegal; Syria.
- The following countries also have offered or are considering offering military assistance: Hungary; Lesotho; Niger; Nigeria.

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NOTES TO THE TABLES (CONTINUED)

- Information on the concessionality of economic assistance contributions is as follows:

EC	\$665m	largely grants
France	\$100m	probably loans
Canada	\$50m	n/a
Italy	\$150m	probably loans
Netherlands	\$15m	n/a
Denmark	\$20m*	n/a
Saudi Arabia	\$3,500m	apparently grants
Kuwait	\$2,500m	n/a
UAE	\$1,000m	n/a
Japan	\$1,978m	\$600m loan at 1% interest; \$30m grants; \$1348m less concessional loans
FRG	\$828m	\$350m grants; \$478m probably loans
Korea	\$100m	\$40m loans \$60m in kind
Austria	\$91m	n/a
Switzerland	\$75m*	n/a
Sweden	\$20m*	n/a
Taiwan	\$30m	n/a

* To be confirmed

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