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Iraq: Impact of the Sanctions
23 October 1990

The UN sanctions are taking a heavy toll on Iraq's economy.

--Iraqi imports of food and industrial goods have been slashed by roughly 90 percent compared with precrisis levels.

--Practically all of Iraq's foreign assets have been frozen, severely limiting Baghdad's ability to pay for imports even if it finds sellers willing to circumvent the sanctions.

--The embargo has cut off 98 percent of Iraqi oil exports since the invasion and is costing Baghdad at least \$1.5 billion each month (at preinvasion prices) in foregone revenues.

\$2.5 billion at 31 d/c

--The sanctions have brought most of Iraq's development projects to a virtual halt. (U)

\$2.1 billion at 26 d/c

Iraq's severely reduced access to foreign raw materials, semi-finished goods, and machinery is leading to a steady decline in Iraqi industrial activity and is probably undermining Baghdad's efforts to offset lost food imports with increased agricultural output.

--Shortages of imported lubricants, spare parts, and chemicals are hampering machinery operations and causing production difficulties at refineries, petrochemical plants, and probably water purification facilities.

--Iraq faces developing shortages of ball bearings, batteries, tires, and plastics.

--Winter plowing and planting are likely to be hampered by a shortage of spare parts for the country's 42,000 tractors and other agricultural machinery. (U)

The sharp reduction in imports is also causing Iraqi consumers to suffer a steady rise in hardship.

--Baghdad began rationing rice, flour, potatoes, beans, powdered milk, sugar, tea, cooking oil, soap, and detergent in early September. The regime reduced ration amounts by 50 percent in mid-September and added bread to its rationing program.

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--Iraq's rations provide about 1,250 calories a day according to Patrick Clawson, a prominent US scholar. Iraqis have had to pay highly inflated prices--the costs of some basic commodities have jumped 800 percent since the invasion--to supplement their diets.

--Iraqi Health Ministry officials announced plans in mid-October to dispense medicines used for treating cardiac diseases and other serious illnesses through a card system.

--Rationing of gasoline and motor oil began 23 October, according to Iraqi press reporting. Taxi drivers are allowed only 16 gallons of gasoline per week. ~~(U)~~

Although there are no tangible indications that Saddam is concerned about the stability of his regime, tougher times loom ahead.

--Shortages of imported chemicals for water purification could lead to a sharp rise in the incidence of dysentery and other waterborne diseases.

--Cold temperatures--the average minimum temperature in Baghdad is 49 degrees Fahrenheit in November, 41 in December--are likely to heighten an already sharp level of concern about the sanctions among Iraqis. ~~(U)~~