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## Intelligence Report

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### No Rest for Iraq's Weary (U)

*Living conditions for average Iraqis continue to decline because of inflation, wage stagnation, social deterioration, and government ineptitude. Many formerly middle-class Iraqis now live in near poverty, breeding resentment against the regime and the United States. Some population groups, however, particularly farmers and those with close ties to Saddam, are coping relatively well. (C NF)*

*Regime officials have expressed both public and private concern over the state of the Iraqi economy, but the government has not adopted policies that would alleviate suffering in Iraq--such as accepting UN Resolution 986. Popular disgruntlement is likely to grow as living standards decline. However, an average to above average harvest this year--which now appears likely--will benefit the regime and reduce the need for further ration cuts. (C NF)*

Iraqis are buffeted by inflation, stagnant wages, deteriorating social conditions, and government corruption and incompetence. The Iraqi people face continuing erosion in their standard of living after almost five years of UN sanctions. Price increases for basic food commodities have moderated in recent months compared with the same period in 1994, but reduced government rations have dramatically increased the cost of living for most Iraqis.<sup>1</sup> A family of four must now spend about 14,000 dinars per month--up from 670 dinars before the ration cut last October--to supplement rations enough to meet minimum daily caloric requirements, [redacted]

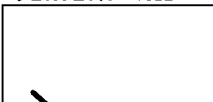
Wage increases have not kept pace with the rising cost of living. [redacted] the average wage in Iraq was approximately 500 dinars per month in early 1994--more than double the amount needed to make supplemental food purchases on the open market. Press reports indicate that the

<sup>1</sup> The ration system provides Iraqis flour, sugar, rice, cooking oil, and some personal hygiene products every month at a cost of about 10 dinars. The quality of the rations is poor, prompting some Iraqis to barter their rations on the open market for smaller quantities of better quality goods. (C NF)

<sup>2</sup> Approximately 1,800 calories per day. It is possible to survive on fewer calories per day, but the risk of malnutrition is increased. (U)

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[redacted]

average wage currently is about 3,000 dinars per month--slightly more than one-fifth the amount required to provide for a family of four. [redacted]

Economic conditions have forced many formerly middle-class urban Iraqis, including some members of the regime's security services--into near poverty. [redacted] markets were generally well stocked, few people could afford to make purchases. [redacted] most Baghdadis could not afford many basic needs. [redacted]

[redacted] extended families often live together and pool their resources to cope with poor economic conditions in Iraq. [redacted] even some middle-level officers in the Republican Guard--a key pillar of the regime's security apparatus--had sold personal belongings to raise money to feed their families. [redacted]

Crime and corruption add to the hardships of daily life in the country. [redacted] discharged military personnel often turn to crime because they cannot find jobs. [redacted] houses are robbed frequently in Baghdad and that even police officers have broken into homes. [redacted] criminals can bribe the police to avoid arrest and that corruption pervades the judicial system. [redacted]

#### **Regime, United States Blamed While Some Prosper**

Although the repressive security apparatus in Iraq precludes open discussion of economic conditions, intelligence reports indicate that most Iraqis blame both the regime and the United States for their current plight. Iraqi businessmen believe the regime does not care about the plight of average Iraqis, [redacted] and would "let Baghdad burn" so long as regime insiders could maintain their privileged positions. [redacted] many Iraqis believe the regime intentionally maintains poor conditions to keep people focused on daily survival rather than opposition to the regime. [redacted] educated Iraqis increasingly believe the United States prefers to maintain the status quo of a weakened regime and a suffering population. [redacted]

Some segments of the Iraqi population have prospered because of the economic distortions caused by sanctions and the regime's economic policies. Farmers have fared well in comparison to city dwellers because agricultural production is highly subsidized and farmers get high prices for most crops. Other groups doing comparatively well include:

- Merchants--especially those with ties to the regime--involved in importing goods for sale on the open market.



- Members of Saddam's family and clan, as well as senior military and security officials. Regime insiders receive preferential access to medical care [redacted] and often are exempted from rations or receive extra rations. Many members of Saddam's family--including his son Uday and his son-in-law Husayn Kamil--control extensive business interests and export oil from Iraq.



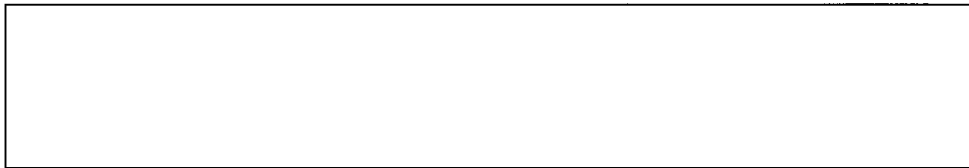
### **Government Response Inadequate, Outlook Dim**

Iraqi officials have expressed private and public concern about living conditions in the country, but the regime's overall response to declining living standards has been ineffective. [redacted]



Media outlets regularly carry stories lamenting price increases and attacking merchants for gouging their customers. Nonetheless, the government pursues policies--such as printing excessive amounts of dinars and controlling the free market--that increase the difficulties facing the country. Baghdad has rejected UN Security Council Resolution 986, which would allow Iraq to export up to \$2 billion worth of oil to purchase humanitarian goods as well as fund some UN operations and compensate victims of the Gulf war. [redacted]

The regime has shown no inclination to take steps to improve living conditions in Iraq--such as diverting more resources to procure necessary imports. Despite deteriorating conditions, Saddam refuses to accept anything short of a total lifting of sanctions, as underscored by his recent formal rejection of UN Resolution 986. As a result most Iraqis will find it increasingly difficult to support their families, while select groups will continue to prosper. Among the Iraqi public--currently consumed by the task of earning a living--disgruntlement will grow as living standards decline. The results of this spring's harvest will have a strong impact on the regime's ability to meet popular expectations. A preliminary analysis of this year's harvest, currently under way, indicates that the crop is average or above average--reducing the need for Iraq to spend hard currency on imports and forestalling the discontent that would follow further ration cuts. [redacted]





**SUBJECT: Iraq: No Rest For the Weary**

