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## **Iraq after the Gulf War: Sanctions, Part 2**

**by Rahul Mahajan**

Perhaps the most notable thing about the sanctions is the long delay before allowing Iraq to sell oil, its only significant source of external income: four years until passage of UNSCR 986, five until Iraq accepted it, five and a half until oil sales started. Since the United States was seemingly willing to allow some oil sales from as early as August 15, 1991, with passage of UNSCR 706, it seems as if the blame for the delay rests entirely on Saddam Hussein, who was content to watch his people starve for years while he asserted his prerogatives.

Actually, the story is somewhat different.

In July 1991, Sadruddin Aga Khan, sent to Iraq by the UN secretary general, estimated that it would cost \$22 billion to restore basic sectors in Iraq to pre-war levels. Since this represented far more oil than Iraq would be likely to be allowed to sell, he prepared a minimum estimate of \$6.9 billion for full restoration of health and agriculture, half of electrical power, 40 percent of water and sanitation, provision of bare subsistence-level amounts of food, and limited repairs to northern oil facilities. He then suggested that Iraq be allowed to sell \$2.65 billion worth of oil over four months, with permission to be renewed if no problems emerged.

When this proposal was discussed in the Security Council, the United States caused the period to be lengthened to six months, reduced the amount to \$1.6 billion, and required that 30 percent of that be taken for the UN Compensation Fund. All told, when the proposal finally passed, the amount to be available for humanitarian needs would have been \$930 million for six months — per month, 23 percent of what the Aga Khan had suggested as a minimum, rock-bottom figure.

Thus, it's no surprise that the Iraqi government turned down this measure, which would have minimal benefit for its population, bind it to numerous conditions entailing major potentially harmful consequences in the long run, and reduce political pressure for approving higher oil sales. In fact, an aid agency staff member who observed the process said that within weeks of the issuance of the Aga Khan's report, "U.N. officials were convinced ... that the

intention was to present Saddam Hussein with so unattractive a package that Iraq would reject it and thus take on the blame, at least in Western eyes, for continuing civilian suffering.”

By the end of 1994, with minimal money available, the government announced a 37 percent cut in the food ration, which went below 1,100 calories per person per day—starvation level. As conditions worsened through 1995, Iraq was finally forced to accept Resolution 986, which allowed for \$2 billion in sales every six months. Iraq had been forced to capitulate, accepting significant infringement of its sovereignty and what was to turn out to be a crippling way of running its economy in return for a wholly inadequate level of oil sales.

In the end, the United States accepted the resolution only because international political pressure would have made retaining the sanctions untenable otherwise. As Clinton administration official Robert Pelletreau said to a skeptical congressional committee at the time, “Implementation of the resolution is not a precursor to lifting sanctions. It is a humanitarian exception that preserves and even reinforces the sanctions regime.” One can still hold that the Iraqi government should have accepted the very poor deal offered earlier, because the humanitarian crisis was acute and other concerns were longer-range. To claim, however, as Madeleine Albright did, that the United States had a greater level of humanitarian concern for Iraqis than did the Iraqi government is simply a shameful distortion of the truth.

### **Holds, delays, and vetoes**

Nothing shows the United States’s politicization of humanitarian questions and lack of concern for the people of Iraq better than its history of holds, delays, and vetoes. In what follows, I draw heavily from an article by Joy Gordon published in *Harper’s* in November 2002.

In UNSCR 687 itself, although Iraq’s possession of conventional military equipment is not proscribed, all imports of military equipment are. Theoretically, potential “dual-use” goods that can have either a civilian or military use are to be handled with care, with their end uses monitored; in practice, the United States simply banned most dual-use items, and construed their definition rather broadly. For most of the duration of the sanctions, the United States followed an unwritten policy of banning goods that were inputs to industry, necessary for revival of the Iraqi economy, but allowing entrance of finished goods for consumption — a fairly typical colonial pattern of economic relationships.

Gordon’s investigations span the length of the sanctions and involve numerous sources close to the process; they have led her to the conclusion that “the United States has fought aggressively throughout the last decade to purposefully minimize the humanitarian goods that enter the country.”

The United States imposed well over 1,000 holds on contracts, followed by Britain with over 100. According to Gordon,

In early 2001, the United States had placed holds on \$280 million in medical supplies, including vaccines to treat infant hepatitis, tetanus, and diphtheria, as well as incubators and cardiac equipment.

The rationale was that the vaccines contained live cultures, albeit highly weakened ones. The Iraqi government, it was argued, could conceivably extract these, and eventually grow a virulent fatal strain, then develop a missile or other delivery system that could effectively disseminate it.

UNICEF and UN health agencies, along with other Security Council members, objected strenuously. European biological-weapons experts maintained that such a feat was in fact flatly impossible. At the same time, with massive epidemics ravaging the country, and skyrocketing child mortality, it was quite certain that preventing child vaccines from entering Iraq would result in large numbers of child and infant deaths.

The United States relented only after the *Washington Post* ran a story on the situation. But subsequently, on December 30, 2002, with passage of UNSCR 1454, the United States once again had several basic antibiotics, including streptomycin, added to the Goods Review List if they were contracted for in quantities that “exceed the established consumption rates.” Such medicines had already been in perilously short supply in Iraq.

Another problem occurred so frequently that it was given a special name: “complementarity.” The United States would selectively approve contracts in such a way that Iraq got insulin without syringes, blood bags without catheters — even a sewage treatment plant without the generator needed to run it. Against its will, Iraq ended up wasting money on useless goods, which then piled up in warehouses, leading to the omnipresent claims that the Iraqi government was “hoarding” its goods.

Holds were also used to target entire infrastructure sectors. According to Gordon, most contracts pertaining to electrical power generation and telecommunications were blocked by the United States.

Potable water was perhaps the single biggest humanitarian concern since the late 1990s (as food was during the first several years of the sanctions). By 1996, Iraq’s previously excellent sewage treatment system had completely broken down. This breakdown was due to damage from the Gulf War (including the systematic bombing of all electrical power, which caused water treatment to shut down), and then to Iraq’s inability to fix the system under sanctions. After five years of Oil-for-Food, UNICEF found that access to potable water had scarcely improved and “specifically cited the half-billion dollars of water- and sanitation-supply contracts then blocked — one- third of all submitted.”

The United States cannot even claim ignorance of the likely effects of keeping Iraq from fixing its water treatment facilities. A number of declassified documents, including a Defense Intelligence Agency report entitled “Iraq Water Treatment Vulnerabilities” that was circulated to all allied commands the day after bombing started in 1991, show that the strain on Iraq’s water system and the concomitant explosion of waterborne disease was explicitly anticipated.

Holdings were also explicitly politicized. In June 2001, when the United States was pushing an early version of its “smart sanctions” proposal (a very different and watered-down form of which was eventually encapsulated in UNSCR 1409), it suddenly lifted \$800 million in holdings, \$200 million of which involved key Security Council members. To court China, a few weeks later it unblocked \$80 million in Chinese contracts, including some that had been blocked for dual-use concerns. After Russia indicated that it would veto the draft resolution, “the United States placed holdings on nearly every contract that Iraq had with Russian companies.” Such behavior makes a mockery of the claim that holdings had to do with security concerns. The Iraqi people suffered directly as a result of the political games that the United States played.

### **The sanctions and Iraqi social structure**

The United States, in its partial administration of Iraq through the sanctions, oversaw a decline in literacy, as elementary schools emptied for lack of supplies, and Iraq was forced to impose user fees. It saw the near-total destruction of the middle class and a massive “brain drain,” as doctors, scientists, engineers, and other socially necessary people fled to the West. Iraqi society reconstructed along typical Third World lines, with the evolution of a phenomenally corrupt and fabulously opulent elite while people begged for bread in the streets.

While it is true that Saddam Hussein built palaces and cared more for maintaining his power and his military than for the well-being of the Iraqi people, the United States knew this well while it supported him in the 1980s. The sanctions by design threw the Iraqi people to the mercy of the government because the local economy was devastated and all necessary goods came via the government. The United States has never explained the logic behind inflicting suffering on Iraqis to get Saddam Hussein to change his policies, while simultaneously claiming that he didn’t care about that suffering. It was an overt recipe for a stalemate, while people starved and died.

The sanctions on Iraq were a form of economic control far beyond the dreams of the average IMF economist (though they talk about “free markets,” what they want is countries whose economies they can tightly control for the benefit of foreign corporations). Other countries are pressured to cut government payrolls. Iraq’s oil earnings were simply seized and put in a foreign bank account so they couldn’t be used to pay government salaries. Other countries are encouraged to buy from foreign corporations (through lowering of tariffs and other measures) — Iraq’s oil earnings could *only* be used to buy from foreign corporations, or they sat in the bank, untouchable by Iraq.

This external control of Iraq's oil money meant a complete collapse of the country's economy — the government could not hire local contractors or pay salaries with the oil money, and there was virtually nothing available for any kind of investment. The government also had to pay high prices for foreign food rather than buying from Iraqi food producers, causing a drain on its funds and destroying agricultural markets.

These fundamental structural problems persisted even as formal restrictions on goods were relaxed — first with the passage of UNSCR 1284 in December 1999, which mandated the creation of “green lists” of items that would automatically be approved for import and later with the passage of UNSCR 1409 in May 2002, which made all approval automatic except for items on a special proscribed “red list.” To borrow a phrase used by *The Economist* about an earlier “smart sanctions” proposal, those resolutions were “an aspirin where surgery is called for.”

As Kofi Annan has reported, Oil-for-Food was “never intended ... to be a substitute for normal economic activity.” And, according to Human Rights Watch, “an emergency commodity assistance program like Oil-for-Food, no matter how well funded or well run, cannot reverse the devastating consequences of war and then ten years of virtual shut-down of Iraq's economy.”

In addition to the destruction of normal economic functioning under the sanctions, the centralized purchase and distribution of a whole society's needs imposed a burden that the Iraqi bureaucracy could not bear. In 2000 and 2001, when larger amounts of money were coming into the OFF program, the secretary general reported that “with the increased funding level and the growing magnitude and scope of the program, the whole tedious and time-consuming process of the preparation and approval of the distribution plan and its annexes are no longer in step with current realities.”

The sanctions also caused a complete collapse of Iraq's currency. The official exchange rate originally maintained by Iraq was .311 dinar to 1 dollar; sanctions caused the actual rate to collapse to 2,000 dinars to 1 dollar by 2002. As a result, long-time civil servants were making \$5 or \$10 per month and even skilled government employees couldn't support themselves without an outside job.

Even leaving aside all of the political manipulation involved in the holds, the external control of Iraq's economy was an evil in itself. It kept the country from being reconstructed by the efforts of its people and even led to a progressive deterioration in numerous crucial areas. Superficially, nothing could be further apart than the overbearing trade restrictions imposed on Iraq and the “free trade” being imposed on most of the rest of the world at the same time, but in fact the results were very similar because of the crucial shared feature — First World control of or influence over a Third World economy.

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