

EIR Feature

U.N.-led embargo drives Iraq to point of collapse

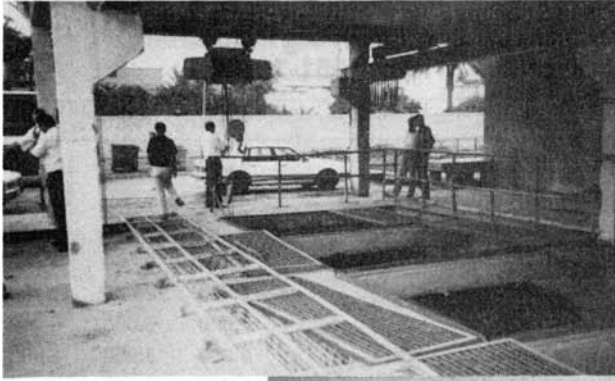
by Muriel Mirak-Weissbach

At the mid-September meeting of the United Nations Security Council, the Permanent Five members, as expected, pushed through an extension of the four-year-old embargo against Iraq. As expected, Russia, China, and France voiced dissenting views, expressing their interest in resuming trade with Iraq. Yet all three, predictably, acquiesced in the end to the dictate of the U.K. and U.S. delegations and declined to make use of their veto rights.

What was *unexpected* in the U.N. session was the meeting which French Foreign Minister Alain Juppé held with Iraqi Deputy Prime Minister Tariq Aziz on the sidelines. Although Baghdad's leading diplomat had reportedly met French officials discreetly during visits to Paris this year, this is the first time that a high-ranking member of the French government has publicly met with him. Juppé told the French press that he thought the international community should take into consideration progress made in Iraq's compliance with U.N. resolutions. He added that he thought "immobilism" on the part of the U.N. would only push Iraqi President Saddam Hussein to "intransigence."

The French foreign minister's de facto call for lifting the embargo marks the first time a member of the Permanent Five has openly broken ranks. Behind the scenes, however, intensive diplomacy has been carried out with the Iraqis by Russia, China, France, and Turkey, aimed at defining bilateral trade deals, to be implemented as soon as the sanctions are lifted. Last June, the French signed a contract in Paris with an Iraqi delegation headed by the oil minister, for reconstruction of the Nahr Umar oil field, and for exploitation of other oil reserves. Following a visit to Baghdad by German parliamentarian Hans Sterken in June, Bonn also discovered that while it was scrupulously adhering to the embargo, every other major European and Asian country had been packing industrialists off to Iraq to restore trade ties, effectively cutting out the Germans.

The boldest initiative in this direction was taken by the Russians, who announced just prior to the U.N. Security Council meeting, that they had signed an



Raw sewage pours into the Euphrates River, because the pumping station that used to process the refuse (inset) was destroyed in the war and has not been repaired.



ambitious \$10 billion agreement with Iraqi Trade Minister Mohammad Mehdi Saleh during a visit to Moscow. According to the Sept. 11 *Jordan Times*, the oil-for-technology deal will have Russia help build steel, methanol, and other industrial facilities, including rebuilding the oil industry hit by the war. A plan to repay Iraq's old \$7 billion debt to Russia was also reportedly worked out.

Publicizing the deal is tantamount to announcing Russia's intentions to buck the Security Council's fanatical commitment to the blockade. Russian Foreign Economic Relations Minister Oleg Davydov was quoted saying, "There is nothing that bars the exchange of bilateral trade, as Russia is exporting some equipment to Iraq, including combine harvesters." Davydov told reporters that the deal could be implemented immediately.

Around the Security Council gathering, reports circulated that Rolf Ekeus, of the U.N. Special Commission, had ascertained Iraq's compliance with all resolutions concerning the dismantling of weapons of mass destruction. Thus, it was a matter of ironing out the technical details related to long-term surveillance procedures. The Arab press reported that Tariq Aziz would extend his visit to New York, precisely to work out such details. It would seem that the stage had been set for the Security Council to relent, at least designating a time frame within which the surveillance procedures should be tested.

The counteroffensive to these hints toward relaxing sanctions was not slow in coming. The most vitriolic attack issued

from the pen of Kenneth Timmerman, a former staffer on the U.S. House Foreign Affairs Committee and author of *The Death Lobby: How the West Armed Iraq*, who has led a journalistic crusade against Iraq since 1990. Timmerman's piece, which appeared in the *Wall Street Journal* on Sept. 28, snarled that Juppé had lent precious political support to Iraq. He continued, detailing the behind-the-scenes deals which Iraq's former trade partners have worked out over the past months. Timmerman's argument ran, that although the eager trade partners claimed to be stimulated by economic interest, in reality they were gearing up to re-arm Saddam Hussein, thus endangering all neighboring nations in the region. Timmerman's recommendation was clearcut: "Continue with sanctions until Saddam has been truly defeated."

At the same time, the British Broadcasting Corp. (BBC) announced the publication of a new CIA report, issued by agency chief James Woolsey. In it, the U.S. intelligence agency warned that Iraq, despite U.N. occupation and search-and-destroy operations over the last four years, still possessed huge supplies of weapons of mass destruction. The *London Times* on Sept. 28, reported that Woolsey was "concerned that Iraq has more than 7,000 nuclear scientists and engineers, the largest pool of scientific and technical expertise in the Arab world."

The question that must be posed is, why the fanatical adherence to the embargo policy on the part of the British, their U.S. allies in the Bush camp, and their vehicle, the U.N.? If Iraq has complied with all U.N. resolutions (over

TABLE 1

Iraqi oil revenues and state expenditures 1956-57 to 1968-69

(in million Iraqi dinars)

Year	Oil revenue	State expenditures for consumption	State investment	Total expenditures	Total revenue
1956-57	68.84	70.28	43.041	113.321	113.84
1960-61	95.09	114.29	47.565	161.855	151.29
1964-65	129.66	180.13	75.275	255.405	222.43
1966-67	151.67	205.51	68.914	274.424	292.16
1968-69	174.72	241.94	74.406	206.346	308.94

Source: Isam al-Khafaji, *al-Dawla wa'l-Tatawwur al-Ra'smali fi'l-Iraq 1968-1978*.

20 have been passed), its weapons production facilities have been shut down and will be monitored, and its economy is on the verge of breakdown, why continue with the embargo? The answer usually given by the sanctions lobbyists such as Timmerman, is that "Saddam must step down." Yet, such lobbyists would acknowledge in private that even if the Iraqi President were to be replaced, that would not suffice; what is sought is an overthrow of the Baath Party regime *and the policies which go along with it*.

To fully grasp the true strategic aim behind the aggression in the Persian Gulf war and the embargo, one must review highlights of the history of modern Iraq's successful attempt to establish a model of industrialization for the developing sector. It is only in this light that concern about Iraq's "7,000 nuclear scientists and engineers, the largest pool of scientific and technical expertise in the Arab world," makes any sense at all.

Iraq's economic success story

At the time of the 1958 revolution, when a coalition overthrew the British puppet monarchy, Iraq was an oil-based economy, with a manufacturing sector limited to 10% of the Gross National Product (GNP). Most of the country's labor force was engaged in labor-intensive agriculture, and private capital was concentrated in trade, land, speculation, and the service sector.¹ The social and political institutions of the country were modelled on those of the colonial power Great Britain, and they were designed to protect British interests, if necessary through military intervention.

The creation of an independent state, therefore, involved institutional reforms, primary among them the land reform, which divested the British party of their economic interests. In 1963, after a nationalist and Baathist coalition came to power, certain economic changes were introduced, which were to further divest British-allied interests and bring major components of Iraq's productive potential under dirigistic

TABLE 2

Number of workers in big industrial enterprises in Iraq, 1961-70

	1961	1965	1970
Food, beverages, tobacco	14,000	16,000	24,500
Textiles, clothing, leather	12,300	15,300	23,000
Printing and paper	4,100	4,500	5,000
Chemicals	2,900	3,300	7,000
Construction materials	17,600	19,000	18,700
Metalworking	7,800	8,000	9,800
Other processing industries	5,900	5,900	6,400
Water and electricity	8,700	10,700	13,300
Total	73,000	83,300	105,800

Source: H.K. al-Hayally, p. 57.

control. In 1964, banks, insurance companies, foreign trade, and certain key industries were nationalized. Yet, at the same time, the role of private capital and private industry was not penalized or diminished; on the contrary, it continued to control 70-80% of trade and manufacturing.

The relationship between the private and the public sector, which was to become a key factor in Iraq's astounding development over the next decades, was defined by a mutually beneficial process. The state would define and finance projects, especially in infrastructure, which private industry, particularly small and medium-sized concerns, would carry out on a contract basis. The construction industry, called upon to provide housing and schools, was the best example. Between 1963 and 1969, the number of private construction companies grew from 3,557, employing 27,095 workers, to 5,009, with 40,046 workers. But the same principle applied as well in foreign trade and other sectors which were dirigistically controlled.

The nationalization of the Iraq Petroleum Company (IPC) in 1972 under the Baath Party government which had taken power in 1968, was a turning point in economic development. Through it the government not only established true independence, and sovereignty over the natural resources of the country, but also controlled oil revenues and their deployment for infrastructure development.

Even before nationalization, as oil revenues grew, so did state expenditures, especially for soft infrastructure, such as public health and education (see **Table 1**). The numbers of employed in large industries grew correspondingly (see **Table 2**). But it was with nationalization that the Baath strategy of infrastructure development took off. Oil production increased dramatically, with investments into technology and expansion of capacities. Oil production grew from 1.322 million barrels per day (mbd) in 1965 to 2.262 mbd in 1975; the immense increase in revenues due to the post-1973 oil price rise went to the benefit of the state, which reinvested

TABLE 3

Per capita income, national income, and Gross Domestic Product of Iraq, 1967-82

Year	Per capita income (in Iraqi dinars)	National income (in million Iraqi dinars)	GDP (in million Iraqi dinars)
1967	89.6	754.2	937.7
1968	96.9	840.6	1,062.6
1969	98.4	897.2	1,103.3
1970	103.9	956.9	1,197.3
1971	110.9	1,081.3	1,375.0
1972	115.8	1,166.9	1,388.8
1973	135.5	1,412.1	1,587.5
1974	278.9	3,002.5	3,347.7
1975	337.2	3,750.5	3,970.5
1976	387.2	4,478.8	4,582.8
1979	825.9	10,588.8	4,714.2
1982	874.2	12,334.6	5,374.5

Source: AAS, 1977, p. 128; ASS, 1984, pp. 119-124.

them in infrastructure, and to the population, whose per capita income soared (see **Table 3**). This translated into increased buying power for an internal market which was expanding in its production of consumer goods.

The key to the entire process was that development projects, whether domestic or in Third World countries, were financed by oil revenues and implemented through private enterprise. For certain big industrial projects, such as complete plant complexes, foreign companies were brought in. In the 1970-75 period, these contracts were worth 682.4 million Iraqi dinars, and in the following five-year period, grew to 7,134.3 million dinars. This is the period in which Iraq became a major trading partner in the region for European and Japanese advanced technologies. Between 1974 and 1976, some 50% of Iraq's imports were in capital goods.

Most of the large Iraqi industrial concerns which emerged to take on infrastructure projects, were capital-intensive industries, requiring financing in dimensions which only the state could afford. State investments became predominant in the 1972-82 period, yet at the same time, private capital investment continued to grow at a steady pace; turnover and employment in both grew in parallel (see **Table 4**). Between 1973 and 1974, investments in all sectors of the economy increased three- to fourfold. Small enterprises, including family companies employing only a few people, also benefited from the increased expenditures of the state. Between 1974 and 1976, the turnover of these small companies almost tripled, and the number of workshops increased from 26,332 to 37,669. In 1977, the private sector employed about 130,000, as compared to 105,700 employed by the state industrial sector. The construction sector, 93.8% of which was in private hands in 1982, boomed, as the demand for

TABLE 4

Big industrial enterprises in Iraq, 1972-82

Year	Sector	Number of enterprises	Employees (in thousands)	Value of sales (in million Iraqi dinars)	Value of production inputs (in million Iraqi dinars)
1972	state	182	71.1	171.81	101.50
	private	1,107	44.7	63.96	54.01
	total	1,289	116.4	235.77	146.51
1973	state	185	79.1	224.70	141.86
	private	1,090	41.6	67.41	46.07
	total	1,275	120.7	292.11	187.93
1974	state	198	86.16	264.34	196.08
	private	1,043	37.80	87.39	63.16
	total	1,241	123.96	351.73	259.24
1975	state	204	93.6	315.78	230.25
	private	1,145	41.0	120.65	86.46
	total	1,349	134.6	436.43	316.71
1976	state	225	99.5	428.07	283.15
	private	1,254	43.2	161.83	115.62
	total	1,479	142.7	589.90	398.77
1977	state	266	105.7	521.53	310.45
	private	1,282	44.4	200.25	144.15
	total	1,548	150.1	721.78	454.60
1982	state	270	134.3	1,110.75	631.26
	private	1,084	38.8	410.52	285.93
	total	1,384	173.1	1,520.77	917.19

Source: AAS, 1976, p. 124; AAS, 1978, p. 91; AAS, 1984, p. 93.

factories, housing, schools, and hospitals increased.

During the Iran-Iraq war, the government continued to function as a motor for the domestic economy, and indeed passed legislation to further enhance the ability of the private sector to participate in productive activity. Thus, laws passed in 1982-83 raised the ceiling on private sector investment from 200,000 to 2 million Iraqi dinars for limited companies and to 5 million dinars for corporations. Simultaneously, state-promoted credit was made readily available through the Industrial Bank, subsidies were available for raw materials, and machines could be imported tax free. Furthermore, fiscal policy encouraged productive investment. Contractors could either buy machines or lease them from the state at favored rates, and use them for projects. Usually the state would pay the contractor 40% of the value of the contract at the outset, facilitating rapid implementation and privileging capital-intensive enterprises.

This also held true in the agricultural sector, where capital-intensive chicken farming, dairy farms, animal breeding, and so on expanded. Successive land reforms in 1970 and 1975 took holdings of large landowners and divided them up for distribution or leasing to hundreds of thousands of farm-



A patient at the Saddam Children's Hospital in Baghdad. The deliberate aim of the U.N.'s embargo has been to reverse the economic and social progress made by the Iraqi government over decades, and to so completely destroy the nation that it will never recover.

ers. Due to the availability of hard currency from oil revenues, Iraq tended to rely heavily on food imports, but reversed this when the Iran-Iraq war brought home the need for food self-sufficiency. In 1983, another farm law was passed, giving any citizen the right to lease unlimited amounts of land from the Agriculture Ministry, for 5 to 20 years, at low rates. Independent farmers had recourse as well to credits from the Agricultural Cooperative Bank.

Iraq's extensive trade with European and Japanese industries for high-technology capital goods, which had integrated its economy into that of the advanced sector, began to suffer during the Iran-Iraq war, when wartime inflation hit the currency. This took a toll on infrastructure projects, as well as on payments to foreign trade partners. Massive foreign indebtedness to finance the war followed. Still, government policy continued to stimulate private industrial investment internally through credit and fiscal measures.

The eight-year war against Iran dealt a heavy blow to Iraq's economy, but did not destroy it. Despite the \$60-80 billion foreign debt burden incurred, the country picked up its development projects. During the war, it had built new pipelines through Turkey and Saudi Arabia, to reroute oil deliveries which were blocked by the hostilities. Following the war, it set about reconstructing destroyed infrastructure,

continuing the successful policy of state-financed projects carried out by the public and private sectors.

Throughout its rapid development process over the last two decades, Iraq understood its commitment to technologically advanced industrialization as both a model and a motor for unleashing the same process throughout the Arab world, and the developing sector. Thus, from the 1970s in particular, it extended credits for infrastructure projects to many Third World countries. In 1979, at the Havana conference of the Non-Aligned Movement, Saddam Hussein introduced a proposal which aimed at maintaining the pace of industrial investment in non-oil-producing countries, despite the effects of the 1973 oil price rise. He argued that since developing countries were being forced to pay higher oil prices, funds otherwise destined for development were being diverted. To alleviate this, he proposed that Iraq provide interest-free loans to those countries, in the amounts which had been diverted to oil payments, and that they be earmarked for infrastructure development. He further proposed that the advanced sector countries pool resources to replicate the same principle on an international scale.

Iraq's function as an economic motor for developing countries was largely dependent on its role as a science-driver. In order to effect the rates of economic growth which it achieved, it was necessary simultaneously to build up hard infrastructure and basic industries, and to educate the population to master the technologies which an advancing economy assimilated. In 1976, Iraq passed a law for compulsory and free education. A national, compulsory literacy campaign, which engaged all government agencies, brought literacy to the entire population under the age of 55. Teacher training programs were given top priority and modern methods, with wide use of computer technology, were introduced. Primary emphasis was placed on educating a broad layer of scientists, engineers, technicians, teachers, doctors, and so on, through graduate study abroad as well as through institutions of higher learning in the country itself. This process, too, was viewed as something to be exported.

Iraq had 12 contracts with other Arab countries for exchange of teachers and books, and 35 separate agreements supported 100 educational institutions. These included Iraqi teachers travelling to Morocco and Algeria; 400 teachers were sent to Yemen to help in the Arabization process, extending the literacy campaign to other parts of the Arab world. Missions were undertaken for further contacts with Saudi Arabia, Qatar, Niger, Malaysia, and many other countries. Two thousand teachers were sent abroad on these projects, and over 15,000 scholarship students from abroad studied in Iraq. One million books per year were printed in Iraq for Yemen before the war, 2 million for Somalia, 500,000 for Tunisia, and tens of thousands of books were loaned out to other countries. Included among these were religious texts, which were donated. Iraq provided funds for the establishment of religious and educational institutions abroad, including 48 schools for Iraqis abroad. Iraqi scholars attended hun-

dreds of conferences, and, as a member nation of Unesco, participated in 400 symposia and courses. Among Iraq's projects to support Arab countries to develop their own educational programs, were the Arab Encyclopedia and Arab Atlas projects. Iraq provided financial support to offset deficits and build Unesco headquarters in Arab countries. All this was prior to 1990.²

Embargo policy: enforced entropy

Against this background, the true character and intention of the Persian Gulf war and embargo can be identified. The scenario, candidly announced by a Bush administration official to be to "bomb Iraq back to the Stone Age," ran as follows: Bomb major infrastructure, to cripple the functioning economy; stop the flow of oil revenues, to block the process of reinvestment; and stop all technological imports, to bring the technological level of the economy to a standstill. These three measures were to suffice to hermetically seal an economic and social process which had been integrally linked to the most advanced parts of the world economy. Once thus isolated, it must rely on internal resources to survive.

Then, prevent food, medical equipment, and medicine from supplying the population, so as to unleash a degenerative process which George Bush would call "downbreeding": as nutrition levels decline, parallel to the quality and availability of health care, the population will become weaker, both physically and intellectually. Deny access to educational materials, including the most important—ideas—by isolating the nation culturally, and thus drive down education standards. Qualified personnel in all fields, deprived of the means to apply their knowledge in society, will seek alternatives abroad. Expert medical personnel will become rare, and less qualified personnel will be the teachers of tomorrow's doctors. Ban scientific research to prevent a generation of "7,000 nuclear scientists and engineers" from emerging.

Then, circulate counterfeit currency inside the country to devalue it, while black market conditions emerge as a desperate attempt to circulate goods and make money. Continue psychological warfare through rumor campaigns, that the embargo will be lifted, just prior to each U.N. Security Council meeting; then invent new conditions for the lifting of sanctions. Continue hammering away at the notion that "Saddam Hussein is to blame," to alienate the population from its government. With each round of rumors (including those of coup attempts, atrocities, perceived threats by neighboring countries, downed helicopters, etc.), you will further depress the national currency. Aim at "dollarizing" the economy by rendering the dinar worthless.

Without directly triggering it, a social process will unfold as a consequence of the combined factors above: Basic values of the society will be undermined and replaced by others. The "private sector" becomes the black market; social solidarity will be replaced by survivalism. Intellectual curiosity will be replaced by the fatalistic belief that knowledge leads nowhere. Pride in one's work will turn into bitter toleration

of labor for a pittance. The belief in and commitment to progress will be replaced by despair that conditions will only worsen.

As the embargo moves into its next month, all these processes are accelerated. The entire economy is progressively wound down, as the total energy throughput is radically decreased. Lower nutrition and lower cultural "consumption" produce a labor force less capable of performing advanced tasks; the technological level of the economy sinks and with it the quality and quantity of produced goods.

The intention of the sanctions policy is thus to reverse the direction of economic-social progress which had been the policy of the Iraqi government over decades, and to make that change in direction irreversible. The intention is to so thoroughly subvert and change the moral, intellectual character of the citizenry, as to guarantee that even in a post-embargo environment, it will not be able or willing to pick up the thread of development cut in 1991.

If this is allowed to happen, the repercussions will be felt throughout the region and beyond. If Iraq, the only truly industrial nation in the region which has followed a moral economic policy, is forced by the embargo-triggered disintegration process to be turned into a flea-market economy, with, perhaps, its national industries, including oil, taken over and privatized through the intervention of the International Monetary Fund, it will be a criminal catastrophe. Such an eventuality would deal the death blow to the very idea of peace in the region.

But this is clearly the intention. And unless the sanctions are lifted immediately, a catastrophe of unthinkable dimensions will appear on the horizon. It is an illusion to think that the degenerative process created by the embargo can continue in a linear fashion. There comes a point at which the entropic process reaches total breakdown and a qualitatively new situation ensues: mass epidemics, mass starvation, total economic and social disintegration—the death of a nation.

The pro-sanctions faction inside the Security Council and its hired pens like Timmerman are clearly anticipating that that point of no return is fast approaching. Thus, the perspective of "another six months" is their gamble that within such a time frame, Iraqi society—and with it the political leadership—will disintegrate. One veto cast by one member of the Permanent Five could change the situation. It is naive, perhaps, to think that any one of these nations will act out of moral determination to expunge the evil that the sanctions regime represents. The fact is that unless they do, there will be no Iraq with which to trade.

Notes

1. Economic data cited here, unless otherwise indicated, are taken from *Der Irak seit 1958: Von der Revolution zur Diktatur*, Marion Farouk-Sluglett and Peter Suglett Suhrkamp Verlag, Frankfurt, 1991.

2. Data on Iraq's education programs are based on speeches given at the International Symposium of Non-Governmental Organizations on the Effects of the Embargo against Iraq, held in Baghdad Sept. 12-14.