

'Oil for Food' or the End of Sanctions?

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Brief Analysis

While Kofi Annan's diplomacy has received headlines, another Security Council action last week—approval of United Nations Security Council Resolution (UNSCR) 1153 on February 20—was subject to remarkably little scrutiny. This resolution, designed to expand the existing oil-for-food program with Iraq, was intended to blunt criticism from Arab and others as the way was prepared for a military option. However, in vastly expanding the amount of oil Iraq can export and loosening the restrictions on what it can import, this U.S.-backed measure went a long way towards undermining the existing sanctions regime and removing much of the incentive for Iraq to fulfill its arms inspection obligations.

No Effective Limits on Iraqi Oil Exports: UNSCR 1153 authorizes oil exports of \$10.66 billion per year (\$5.256 billion per 180 days). By contrast, Iraqi oil exports in 1981-89 averaged \$9.54 billion per annum; adjusting for inflation, that would be the equivalent of about \$11.5 billion now. In other words, Iraq is now authorized to export nearly as much oil as it did before it invaded Kuwait. Indeed, the Iraqi government actually complained to the UN that the oil export level authorized by UNSCR 1153 is too high. In his letter, Tariq Aziz said Iraq's operational capacity was limited to \$8 billion a year in exports and that any higher target was "unrealistic and unfeasible" (Security Council Press Release 6478). The UN-authorized limit translates into 2.25 million barrels per day (mbd), if the price averages \$13 per barrel. In addition, Iraq produces .4 mbd for domestic use and .2 mbd for export to Jordan and smuggling out the Gulf or to Turkey. That means Iraq would have to produce 2.85 mbd to make use of the full UN quota. In fact, it is unlikely that Iraq could produce more than 2.5 mbd today and it may take Iraq until the end of 1999 before it could reach a production level that takes full advantage of the UN-authorized exports. In short, Iraq faces no effective limit on its oil exports, because it is now permitted to export all the oil it is now capable of pumping.

To assist Iraq in expanding its oil production, the Security Council (in UNSCR 1153 para. 12) "expresses its readiness [to] authoriz[e] the export of the necessary equipment to enable to increase the export of petroleum" if the Secretary-General reports this is necessary after consulting experts. Were Iraq to resume large-scale imports of oil-field equipment, that would pose serious arms control problems. Not only is some equipment dual-use (e.g., heavy trucks), but it is important to remember that Iraq disguised its "super gun" barrel as an oil pipeline, convincingly enough to mislead some of the "pipe" producers.

Imports at Half of Pre-War Level: UNSCR 1153 does more than provide humanitarian imports: it finances almost the

full range of imports that Iraq would make were it not under sanctions. (One remaining exception are consumer durables, like automobiles.) In fact, UNSCR 1153 provides imports at about half the pre-war level, putting the lie to the idea that Saddam is stuck in an ever-constricting "box."

> Here, the numbers are instructive. Of the \$10.66 billion a year in UN-authorized exports, \$3.20 billion (30 percent) will be withheld as compensation payment for war losses, to be distributed by the Geneva-based UN committee handling such claims. After deducting for UN operations in Iraq, about \$7.1 billion will remain for imports (\$3.5 billion each 180 days). Iraq will also have about \$.5 billion a year from its non-1153 oil sales, mostly to Jordan. In total, then, Iraq will have about \$7.6 billion a year for imports. By contrast, Iraqi non-arms imports in 1981-89 averaged \$12.1 billion per year; adjusting for inflation, that would be about \$14.5 billion per year now. In other words, Iraq will be authorized to import goods at about half the pre-war level.

Another wrinkle in UNSCR 1153 is that it allocates large sums to items other than food, the main focus of the original oil-for-food resolution (UNSCR 986). Of the initial 180-day imports of \$3.5 billion, the plan includes \$1.1 billion million for investment (non-recurrent costs). That includes \$449 million for the rehabilitation of hospitals and clinics, \$305 million in water sanitation, \$143 million in agriculture, \$77 million in electricity, \$30 million in resettlement, and \$92 million in education. This is far more than humanitarian relief; it is a significant investment program. Furthermore, the large authorized imports of agricultural and sanitation chemicals, including dual-use precursors for chemical weapons, will provide Iraq many opportunities to divert part of its incoming stream. (And it will not be practical to post UN monitors at every Iraqi farm, barn or field to ensure that all the agricultural chemicals are being used as claimed.) Another component of UNSCR is its authorization for the import of medicine and other recurrent health costs. In fact, this resolution permits Iraq to import \$117 million of such goods, an amount that exceeds the health-related imports its neighbors Iran or Turkey, each with populations three times Iraq's.

More than Sufficient Food: If the principal international concern is to alleviate malnutrition, the food imports under the original oil-for-food program were already sufficient. UNSCR 1153 will take the average Iraqi's intake to levels far beyond which the U.S. government recommends for the average American.

While the food distribution program under the original oil-for-food resolution began, the situation improved markedly after the arrival in Baghdad last September of Dennis Halliday, an Irish public administration expert. Three million tons of food has arrived in country, more than 90 percent of which has been distributed. This has amounted to regular distribution of a ration of 2,030 calories per Iraqi day from flour, rice, legumes, sugar, cooking oil, and baby milk. In addition, tea, salt, soap, and detergent are also distributed. UNSCR 1153's new distribution plan envisages increasing Iraqi rations to 2,463 calories a day. In addition, Iraq produces fruits, vegetables, and lamb—none of which are in the rations-sufficient to provide on average an extra 500 calories per day. That means the Iraqi diet will rise to an average 2,950 calories per day, a level that equals almost 95 percent of the Iraqis' pre-1990 intake of 3,100 calories per day. To put this in context, the U.S. Department of Agriculture recommends that a healthy diet for an adult American is 2,200-2,400 calories per day.

Furthermore, the money authorized for food imports is well above that needed to produce this diet. The UNSCR 1153 plan allocates \$1.4 billion for food imports for 180 days.. That works out to \$129 per person per year, which is way out of line with the cost of other international relief efforts. Perhaps the UN plan is to provide Iraqis with a more tasty and varied diet. But the possibility remains that Iraqis will find ways to divert funds, for instance, by over-invoicing (claiming goods cost more than they actually do).

Humanitarian Crisis? The Iraqi government makes lurid claims about hundreds of thousands of infants dying because of the sanctions. These claims are parroted by international organizations, like UNICEF, which release reports based entirely on Iraqi-provided data. However, there is no reason to expect Iraqi data about malnutrition to

be any more accurate than Iraqi data about weapons of mass destruction. Yet even if one were to take Iraqi data at face value, without the international inspection of Saddam's humanitarian situation that Baghdad prevents, then some Iraqi statistics suggest there may not be as acute a humanitarian problem as Iraq contends. Iraq's 1997 census showed a population increase of 3.5 million since 1990's 18.5 million. As even the official newspaper Al-Jumhurriyah admitted (October 18, 1997), "This is an unusual increase for a people who have been exposed to embargo, starvation, and disease and who have consistently lost 20,000 persons per month."

> To have the increase shown in the census (500,000 a year) and allowing for deaths, there must have been each year 700,000 infants who survived. Iraqi pre-war data on births show that 700,000 births a year is about what could have been expected in Iraq in the mid-1990s, given the past pattern. That does not leave room for the claimed 100,000-plus deaths a year of infants due to sanctions. In other words, unless there was some unusual increase in the birth rate, the Iraqi census data are consistent with a normal level of births and a normal level of infant mortality and inconsistent with Iraq's claim of a high infant mortality rate.

Implications: UNSCR 1153 is a big victory for Saddam. He has come a long way towards his goal of the lifting of sanctions. He is now authorized to export oil effectively without limit and to import nearly all types of civilian goods at about half the pre-war level, which is about all his war-ravaged country could absorb in any case. This effectively eviscerates one of the main incentives for Iraqi cooperation with UNSCOM-i.e., the prospect that sanctions would be lifted once UNSCOM certifies Iraqi compliance on weapons of mass destruction, as outlined in UNSCR 678 paragraph 22. By going much of the way towards lifting sanctions, UNSCR 1153 gives Saddam less reason to cooperate with UNSCOM than ever before.

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