



Analysis of Foreign Office press release of 24 November 2002

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Introduction

On 24 November 2002, the UK Foreign and Commonwealth Office (FCO) published a press release¹. The press release was headed with a quote from Foreign Secretary Jack Straw: "*Time to kill the lie that the West is responsible for the Iraqi people's suffering*".

The FCO's press release is the latest step in an ongoing propaganda battle which has seen both the UK and Iraqi governments 'spinning' UN documents to the point of being misleading. A historical case in point is the British government's assertion in 1999 that the Government of Iraq was maliciously hoarding humanitarian supplies in their warehouses (embodied in, for example, George Robertson's comments in the House of Commons on 4th March 1999²). In fact, the latest UN Secretary-General's report at the time³ offered several explanations for the increased stockpiling, including lack of adequate transport and equipment and anticipation of emergency needs.

The purpose of this article is to assess the degree to which the claims in the FCO's recent press release withstand scrutiny. Both the comments in this article, and the FCO press release itself, are primarily based on two documents recently presented to the UN Security Council: the UN Secretary-General's "180 day report" for phase XII of the 'oil for food' programme (S/2002/1239, 12 November 2002)⁴ and an accompanying "Note", also of 12 November 2002, submitted to the Security Council by the UN's Office of the Iraq Programme (OIP)⁵. These documents will hereafter be referred to as the Secretary-General's report and the OIP Note, respectively.

Quotations from the FCO press release are printed in *italics*.

The FCO's claims

FCO claim: The Iraqi regime is holding up \$2.3 billion worth of humanitarian supplies

According to figures provided to the UN Security Council, the Iraqi regime is holding up \$2.3 billion dollars worth of humanitarian supplies, despite vigorous efforts by the UN to maximise humanitarian relief to the Iraqi people. That equates to almost a whole year's supply of food to Iraq under the 'Oil for Food' programme.

The "holding up" being referred to by the FCO relates to the issuing of letters of credit by the Central Bank of Iraq. These letters are the final authorisation by Iraq that money can be taken from the escrow account holding Iraq's oil revenues under the 'oil for food' programme and transferred to a supplier of goods. The OIP Note says in paragraph 14:

... as at 4 October 2002, there were 322 applications, valued at \$570 million, which were issued with approval letters in excess of 90 days, but for which the Central Bank of Iraq had not requested openings of letters of credit. Moreover, there were 888 applications, worth a total of \$1.76 billion, for which the relevant letters of credit had been issued for over one year, but under which no deliveries have been made to Iraq.

The origin of the FCO's \$2.33 billion figure is the sum of the two figures mentioned here, \$1.76 billion and \$570 million.

Is it true to say that the Government of Iraq is to blame for these delays? In the case of the \$570m, clearly there is some delay within Iraq's bureaucracy, but it is difficult to establish whether this is deliberate or due to inefficiency. The FCO argues that Iraq is also responsible for the \$1.76 billion worth of goods which have not been delivered even though letters of credit have been issued, because Iraq should have either chased up the suppliers or cancelled the letters of credit thereby releasing the funds to be used elsewhere. Yet whilst the Office of the Iraq Programme confirms that Iraq should be doing this and that it has repeatedly asked the Government of Iraq to do so, its statements do not support the FCO claim that the delays are the result of deliberate obstruction. It is worth pointing out that the Central Bank of Iraq suffers from understaffing and poor morale, which may go some way to explain the inefficiencies. Poor coordination and conflicting goals between the Bank and other government bodies may also play a role in the problem; in some cases Ministries in the Government of Iraq are not aware that a particular letter of credit has not been issued until the UN raises a query.

Given the difficulties in assessing the causes for the delays, therefore, it is misleading to present them as a result purely of obstruction by the Iraqi regime. Furthermore, the FCO describes this obstruction as taking place "despite vigorous efforts by the UN to maximise humanitarian relief to the Iraqi people". This statement, in the light of the ongoing crisis over 'retroactive oil pricing' (see below), and the recent further example of politicisation of the 'oil for food' programme with Security Council Resolution 1443⁶, is questionable, to say the least.

FCO claim: The UK is doing everything it can to help the Iraqi people, while Saddam spins stories about drugs shortages

While Saddam's propaganda machine bombards the international media with stories of spiralling death rates and worsening drug shortages, the truth is that we are doing what we can to help the Iraqi people, with little co-operation from the regime.

In his address to the Security Council of 19 November 2002⁷, Benon Sevan, the director of the OIP, gave a number of ways in which Security Council members could improve the humanitarian situation in Iraq. These include allowing Iraq to write Commercial Protection clauses into contracts (protecting Iraq from dud goods), allowing funds to be shared between different phases of the 'oil for food' programme, and making changes to the procedures for reimbursements from the escrow account. In addition, the Secretary-General's report calls, in paragraph 39, for a resolution of the continuing dispute between Iraq and the Security Council over 'retroactive oil pricing', which as discussed below is a major cause of the funding shortfall being experienced.

The UK is therefore not doing everything it can to help the Iraqi people.

On drug shortages, the Secretary General's report says, in paragraph 11:

There are, however, shortages of pre-anaesthetics and reagents because of dual-use concerns by members of the [Sanctions] Committee. Pharmaceuticals for treating leukaemia and cancer are also in short supply countrywide, owing in part to the insufficient financial allocation by the Government of Iraq and procurement chain difficulties ... and in part to dual-use concerns.

Whilst there are undoubtedly moves the Iraqi regime could make to improve matters, it is misleading for the FCO to say that there is "little co-operation from the regime". The distribution of goods obtained under the 'oil for food' programme in South/Central Iraq is a massive logistical operation which, overall, the Iraqi regime runs very effectively. In October 2000, Tun Myat, then UN Coordinator in Iraq, described the food distribution system in Iraq as "second to none" (UN Press Briefing, 19 October 2000⁸).

FCO claim: Only eleven ‘oil for food’ contracts have been refused by the UN under the new sanctions procedures

The revised UN sanctions system adopted in May this year, which Britain helped to devise and negotiate over 18 months and which effectively expands the ‘Oil for Food’ programme, has substantially improved the processing of humanitarian goods for Iraq. According to figures provided to the Security Council, of the more than 4000 contracts considered under the revised system since July 2002, only 11 have been rejected by the UN. In each case the UN feared Iraq would use the requested goods for military purposes.

According to its Note, the Office of the Iraq Programme has indeed processed 4070 applications between 1st July (when the new procedures came into operation) and 31st October (4 months). This figure includes many previously-on-hold applications transferred to the new procedures. But for many applications this is just the first stage of processing. Of those 4070, only 1916 have completed the entire review process (1891 approved having no items on the Goods Review List (GRL) of possible dual-use items, 12 approved in spite of GRL items, 11 denied due to GRL items, and 2 lapsed). The remaining 2154 applications are awaiting further consideration or more information at various stages of the process.

At the very least, then, one should compare 11 to the total of 1916 completed applications, not the 4070 submitted applications. Furthermore, because it is the straightforward contracts which get approved quickly, a much higher proportion of the outstanding contracts are likely to be rejected. To imply that the “11 out of over 4000”, or even “11 out of 1916” statistic is representative is misleading.

Thankfully, though, it does seem that the new procedures are working smoothly and, were their positive effects not offset by the severe funding crisis facing the ‘oil for food’ programme, they would represent a significant improvement on the situation a year ago. The Secretary-General acknowledges this in paragraph 55 of his report, describing how the process has become “transparent” and “consistent”.

The FCO stretch the truth a little far, however, when, in an article on their website titled ‘What Iraq can import’⁹, they state:

[Security Council Resolution 1409] introduced a new Goods Review List (GRL) of items relating to weapons of mass destruction. **Anything not on the List can now be freely imported. In effect, this means that there are now no sanctions on any civilian goods for Iraq.** [emphasis added]

It is true that importing non-GRL items is now a more streamlined procedure than under the previous arrangements, with contracts which obviously do not contain any items on the GRL being processed in a matter of days. But the claims that goods can be “freely imported” and that there are “no sanctions on any civilian goods” are exaggerated. First, applications do have to go through the OIP approval process, however streamlined it now is. Second, only the Government of Iraq itself can arrange to import goods into the country, not other organisations or individuals. Third, all items Iraq intends to import have to be listed in a bi-annual Distribution Plan submitted in advance to the UN by the Government of Iraq. The FCO also neglect to point out that there is still a complete ban on non-oil exports from Iraq and on foreign investment into Iraq, for example to fund infrastructural improvements.

This is a far cry from a situation in which goods can be “freely imported”, which would imply that anybody in Iraq can pick up the phone, call a foreign company and order some goods for import. The Secretary-General reminds us of this when he says:

The oil-for-food programme was never intended to be a substitute for normal economic activity. As long as the comprehensive sanctions remain in force, however, there is no alternative to the programme for addressing the humanitarian situation in Iraq. [Secretary-General’s report, paragraph 66]

In his opinion, then, “comprehensive sanctions” are still in place.

FCO claim: Iraq alone is to blame for shortfalls in funds for purchasing humanitarian supplies

The Iraqi regime, which seeks to portray these UN controls as the cause of Iraqi suffering, has itself seriously disrupted both the UN supplies and the source of the UN's humanitarian funding. The Iraqi regime's obstruction of the UN's efforts begins long before goods arrive in Iraq. Saddam's decision to halt all oil exports for a month earlier this year, for example, reduced the humanitarian funding available this year by \$1.2 billion compared to last. When Iraq resumed sales it found that already nervous oil traders had looked elsewhere for their oil, suppressing Iraqi sales and so reducing the humanitarian revenue.

It is disingenuous for the FCO not to mention here the dispute over 'retroactive oil pricing' which was imposed by the Security Council to prevent Iraq adding surcharges to oil sales. Under the scheme, oil purchasers must agree contracts for Iraqi oil without knowing the price they will have to pay; this is set 'retroactively' by the Sanctions Committee based on average market prices during the previous month. The dispute, which has continued for more than a year, remains unresolved. Iraq stopped demanding surcharges in August, but no progress appears to have been made on a resolution since British and French proposals were circulated in July.

According to a Reuters report on 1 March 2002, the scheme had, even by that date, prevented \$40m of kickbacks reaching the Iraqi government at a cost of \$750m in lost revenue to the humanitarian programme. Thus even before Iraq's suspension of oil exports in April, this dispute had produced a considerable reduction in 'oil for food' revenue due to Iraq's protests at the scheme and oil purchasers' reluctance to do deals under the retroactive pricing arrangement (see 'Funding Crisis' in CASI's July 2002 newsletter¹⁰). If the Security Council were really prioritising the humanitarian needs of the Iraq people, this would not have been considered an acceptable trade-off. The Secretary-General's report recommends that the Government of Iraq be forthcoming in resolving the dispute, and that the Security Council be forthcoming in response (paragraph 40).

A further reason for oil traders being nervous of dealing with Iraq is the threat of war. The Secretary-General mentions this in paragraph 39 of his report when he talks about "...concerns by traders over the reliability of uninterrupted Iraqi oil supplies and/or possible disruptions as a consequence of current political developments."

The significance of the 'oil for food' funding shortfall cannot be understated. The Secretary-General's report states (in paragraph 36) that some \$4 billion has been lost during a single six-month phase of the 'oil for food' programme due to the low level of oil exports, which can be attributed to the dispute over 'retroactive pricing' and the threat of war. Furthermore, the OIP Note states that if all the applications currently being processed were approved, the humanitarian programme in the South and Centre "would be short of funds by over \$10 billion" (paragraph 13). It is the Security Council's policies which mean that the Iraqi people rely on the 'oil for food' programme for survival, so the Security Council has a responsibility to ensure the programme is adequately funded. The UK should therefore invest its efforts in urgently addressing these issues, not in trying to deny responsibility and shift blame.

FCO claim: Saddam is cutting medicine budgets

Budget cuts made by Saddam's regime mean the figure available for medicines this year is only just over half last year's figure.

The amount allocated to medicines in the Distribution Plans submitted by the Government of Iraq has fallen from \$250 million (4.5% of the total) in phase X to \$150 million (3.0% of the total) in phase XII. This should, however, be set in the wider context of the funding crisis being experienced by the 'oil for food' programme. The Secretary-General's report repeatedly talks about how Iraq is submitting unrealistically *high* budgets in its distribution plans, given the lack of funds available. For example, paragraph 37: "Regrettably, instead of revising the allocations contained in the distribution plans downward, the Government [of Iraq] has continued to revise them upward". It is somewhat strange, therefore, for the FCO to complain about "budget cuts" by the Iraqi regime.

A fairer criticism – one which is made in the Secretary-General's report – would be that Iraq has *failed* to cut budgets in a sensible and well-prioritised way in the face of the shortage of funds available to the humanitarian programme.

FCO claim: Iraq is hampering the humanitarian programme by refusing visas for UN staff

Vital water and sanitation, demining and electricity projects are currently held up because over 130 UN experts are still waiting for visas to enter Iraq. And other humanitarian projects are delayed because Iraq refuses to allow the UN to import necessary equipment.

The OIP's Note agrees that there are 137 outstanding visa requests as of 31 October 2002 (paragraph 183), and says (paragraph 184):

It should be noted that the number of outstanding visas, in particular for water and sanitation as well as electricity projects in the three northern governorates continues to undermine the timely as well as effective implementation of the projects.

It is worth pointing out that the number of outstanding visa requests fluctuates, and is better now than it was previously (in September 2001, for example, the number of outstanding visa requests was 231). However, the Office of the Iraq Programme makes it clear that the non-issuing of visas is having serious detrimental consequences to the implementation of the humanitarian programme.

The main reason that Iraq has repeatedly given for not issuing visas – that Iraqi locals could do the job just as well for less money – have been rejected by the UN; the Memorandum of Understanding between the UN and Iraq on the implementation of the 'oil for food' programme requires Iraq to grant visas to experts appointed by the UN to implement projects in Iraq.

Closing comments

Whilst the claims made in the FCO's press release have some basis in reality, many of them are a long way from fair descriptions of the situation. CASI feels it is important to point out this use of half-truths in order to maintain accuracy in the important public debate on sanctions. It is an unfortunate conclusion that, collectively, the FCO's claims add up to a systematically distorted analysis designed to assign blame and deny their share of responsibility for the problems of the Iraqi people.

Even setting aside the bias in the claims set forth by the FCO, the subject matter covered in their press release – little more than a few figures and details on import procedures – is not in keeping with a serious discussion of the humanitarian problems facing the Iraqi people and does not constitute an analysis of “the Iraqi people's suffering”. Constraints on Iraq's import procedures are certainly important, but the FCO press release fails to even mention other issues affecting the humanitarian situation in Iraq which are within the Security Council's control. These include:

- the non-oil export embargo;
- the sanctions-induced difficulties in rehabilitating the oil industry;
- the continued deduction of 25% of foreign exchange to compensation payments;
- the prohibition of foreign investment;
- the distortion of local markets by oil-financed imports.

It is also worth pointing out that despite a decade of documented disaster, and despite more than a year's wrangling over the formulation of new import procedures, no humanitarian assessment of the likely impact of 'streamlined sanctions' has been carried out. This fact alone belies the claim that the UK is doing everything it can to help the Iraqi people.

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Endnotes

¹ “Time to kill the lie that the West is responsible for the Iraqi people's suffering’ – Straw”, Foreign Office press release, 24 November 2002, www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1007029391638&a=KArticle&aid=1037987757885.

² Iraq questions, House of Commons, 4 March 1999, [www.parliament.the-stationery-office.co.uk/pa/cm199899/cmhansrd/vo990304/debtext/90304-06.htm#90304-06 para17](http://www.parliament.the-stationery-office.co.uk/pa/cm199899/cmhansrd/vo990304/debtext/90304-06.htm#90304-06_para17).

³ UN Secretary-General's “90 day report” for phase V of the ‘oil for food’ programme, (S/1999/187, 22 February 1999), www.casi.org.uk/info/undocs/s1999-187.html.

⁴ UN Secretary-General's “180 day report” for phase XII of the ‘oil for food’ programme (S/2002/1239, 12 November 2002), www.casi.org.uk/info/undocs/s2002-1239.pdf.

⁵ “Note by the Office of the Iraq Programme”, submitted to the Security Council, 12 November 2002, www.un.org/Depts/oip/background/reports/OIP%20note%20nov%202002.pdf.

⁶ See “Humanitarian NGO condemns further politicisation of ‘oil for food’”, CASI press release, 5 December 2002, www.casi.org.uk/briefing/prscr1443.pdf.

⁷ Statement by Benon Sevan to the Security Council, 19 November 2002, www.un.org/depts/oip/background/latest/bvs021119.html.

⁸ Press briefing by UN Coordinator in Iraq, 19 October 2000, www.un.org/News/briefings/docs/2000/20001019.myatbriefing.doc.html.

⁹ “What Iraq Can Import”, statement on the ‘oil for food’ programme, Foreign Office website, www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1032786023985.

¹⁰ Campaign Against Sanctions on Iraq newsletter, July 2002, p. 6, www.casi.org.uk/newslet/0207off.html.