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Iraq: Erosion of International Isolation?

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Summary

Iraq is having some success breaking out of the isolation imposed on it after the 1991 Persian Gulf war. Iraq has reemerged as a major oil exporter, and regional and international support for continued comprehensive sanctions against Iraq appears to be weakening. The Clinton Administration is trying to keep Iraq diplomatically isolated, but its top priority is to prevent Iraq from reemerging as a strategic threat to the region. This report will be updated in response to regional developments. See CRS Issue Brief 92117, *Iraqi Compliance With Ceasefire Agreements*.

Introduction

Since the Gulf war ended in 1991, the U.S. effort to keep Iraq isolated — and therefore weak militarily — has depended on broad international cooperation, especially in the U.N. Security Council. The policy has succeeded in keeping Iraq strategically weak, but at great cost to the economic well being of the Iraqi people. The humanitarian suffering has reduced the will of many countries to maintain comprehensive sanctions, even though Iraq has refused to allow U.N. weapons inspections since a U.S./British bombing campaign against Iraqi facilities capable of producing weapons of mass destruction (WMD) in December 1998 (Operation Desert Fox). The Security Council has since remained deadlocked on the degree to which incentives should be offered to Iraq to persuade it to resume cooperation with the inspections. Many humanitarian groups and several governments now maintain that weapons inspections and sanctions relief should no longer be linked, while others see sanctions as leverage to force Iraq to disarm.

Regional Relations

Iraq has had some success in reducing its isolation in the Middle East. Relations with several of its neighbors have improved in recent years. Some countries in the region are tolerating Iraqi efforts to circumvent international economic sanctions or calling for their suspension.

Turkey/Northern Iraq. Baghdad has benefitted indirectly from continuing rivalries between Kurdish factions in northern Iraq, where the United States and Britain have enforced a no-fly zone. In August 1996, the Iraqi Government exploited disputes between the two leading Iraqi Kurdish factions by intervening briefly at the invitation of the Kurdish Democratic Party (KDP) against the rival Patriotic Union of Kurdistan (PUK). Although Iraqi forces quickly withdrew, they reportedly used their brief incursion to eliminate several U.S.-sponsored opposition networks and the United States closed a military liaison office it had operated in northern Iraq. Allied overflights continue and the United States was able to broker a reconciliation agreement between the KDP and PUK in September 1998; so far, however, the two groups have not held elections to reestablish a joint political leadership as envisioned in the agreement.

Turkish leaders have long been concerned that a power vacuum in northern Iraq provides the Turkish opposition Kurdistan Workers' Party (PKK) with safe haven and a staging area for operations in southeastern Turkey. For the time being, the Turkish leadership seems willing to continue hosting U.S. and British overflights over northern Iraq, while launching periodic cross border raids into northern Iraq against PKK cadres. Some Turkish leaders, however, are concerned that U.S. policies of protecting the Kurdish enclave in Iraq could lead to an independent Kurdish state, which would serve as a model for separatist Turkish Kurds. Turkey also claims that a decade of economic sanctions against Iraq have cost the Turkish economy \$30 to \$35 billion, although U.S. officials point out that Turkish trade with Iraq under the so-called "oil-for-food" program compensates to some degree for these losses.¹ Turkey reportedly permits its truck drivers to import approximately 2.5 million tons of oil products in spare fuel tanks from Iraq, technically in violation of the international sanctions regime.² Iraq donated \$10 million worth of oil to Turkey as a good will gesture after the August 1999 earthquake.

Jordan and Iraq. Jordan has distanced itself from Iraq since the early 1990s, but the two countries maintain diplomatic and commercial contacts. During the most recent allied military confrontations with Iraq, beginning in 1998, Jordan called on Iraq to comply with U.N. resolutions but ruled out the use of Jordanian air space to launch attacks against Iraqi targets. On October 7, 1999, on the eve of a visit to the United States, King Abdullah of Jordan told reporters that he would be carrying a message from Iraqi President Saddam Hussein to President Clinton but did not plan to speak on behalf of Iraq. The United Nations continues to acquiesce in Jordanian imports of oil from Iraq (approximately 95,000 barrels per day) since Jordan has no other source of oil at affordable prices. Jordan obtains the oil at a discount, and pays for it through shipments of humanitarian goods to Iraq permitted under the "oil-for-food" program and other pertinent U.N. resolutions. In July 1998, Jordan and Iraq agreed to build a 450-mile pipeline to replace expensive shipments by tanker truck. The project would go into effect when and if U.N. sanctions against Iraq are eased. Funding for the project, estimated at \$900 million in March 1999, may be difficult for either country to obtain.

Iraqi-Syrian Rapprochement. Syrian-Iraqi relations have improved significantly, after decades of geopolitical rivalry. Since mid-1997, the two countries have reopened borders, had discussions on border demarcation, and exchanged trade delegations.

¹ Jonathan Wright, U.S. Dampens Turkey's Financial Hopes, Reuters, September 27, 1999.

² Steve Bryant, Turkish Quotas Keep Lid On Illicit Diesel Trade, Reuters, July 1, 1999.

Although they have not restored full diplomatic relations, Syrian officials announced in April 1999 that the two countries will exchange interests sections. Lebanon, which generally adopts Syrian positions on regional affairs, restored diplomatic relations with Iraq on October 1998 after a four-year break. Syria has called on Iraq to observe relevant U.N. resolutions, but opposes the use of force against Iraq.

Iraq has also begun purchasing goods from Syria with revenues from oil Iraq is allowed to sell under the U.N.-approved oil-for-food plan.³ In mid-1998, Syria and Iraq signed an agreement to reopen a 400-kilometer oil pipeline through Syria, closed since 1982. In February 1999, Iraqi officials said repairs on the Iraqi segment of the pipeline were completed. It is not clear whether or not repairs are completed on the Syrian side, and a U.S. State Department official has expressed the view that shipment of Iraqi oil through Syria would require approval by the U.N. Security Council.

Iraq and the Gulf States. The six Gulf Cooperation Council (GCC) states, especially Kuwait and Saudi Arabia, remain fearful of potential threats from Iraq. Several GCC states, however, see strategic and humanitarian benefits to ending Iraq's isolation and supporting its role as a potential counterweight to Iranian military power. Qatar and Oman normalized relations with Iraq shortly after the Gulf war, and both Qatar and the United Arab Emirates (UAE) have called for easing economic burdens on the Iraqi people. In September 1998, several Saudi firms signed contracts to provide supplies to Iraq under the oil-for-food program, and in August 1999, Saudi Arabia released \$1 million in Iraqi assets frozen in Saudi banks. In late 1998, a new ferry service began operation between Iraq and the UAE, and Bahrain received permission from the U.N. Sanctions Committee in September 1999 to move people and cargo to Iraq by sea.

Iraq and the Arab League. The 22-member Arab League has taken a more conciliatory stance toward Iraq during 1999. Saddam Hussein initially alienated some League members early in the year by calling for the overthrow of several Arab regimes for acquiescing in U.S.-British strikes on Iraq in December 1998. A communique after an Arab League foreign ministers meeting in January 1999 called on Iraq not to pursue provocative policies toward its neighbors; however, the same communique expressed "uneasiness and concern" over the use of military force against Iraq and expressed solidarity with the Iraqi people. In September, Iraq's foreign minister chaired an Arab League meeting for the first time since the Iraqi invasion of Kuwait in 1990; the Iraqi minister welcomed the "positive atmosphere" of the meeting but said Iraq would not apologize for its occupation of Kuwait. Arab League Secretary General Ismat Abd al-Magid of Egypt acknowledged that differences still exist among Arab states toward Iraq, but said the attendees were unanimous in seeking to ease hardships on the Iraqi people and added that none of the League members were opposed to lifting economic sanctions against Iraq.

Iran. Like Iraq, Iran sees itself as the target of U.S. containment efforts, and Iran has been key to Iraq's efforts to break out of its regional isolation. Since 1995, the two countries have been meeting at progressively higher levels, and Iran reportedly has been

³ In addition to shipments under the U.N.-approved oil-for-food plan, a journalist has alleged that Syrian authorities are permitting illegal shipments of Iraqi oil through Syria. Douglas Jehl, "Syria Sneaks Iraq's Oil Out As Old Foes Become Friends," *The New York Times*, April 26, 1999, p. A6.

helping Iraq smuggle varying amounts of oil and other high value exports out of the Gulf in exchange for "protection fees." This illicit exportation has amounted to between \$10 million and \$20 million per month.⁴ However, a number of issues will likely prevent the two neighbors from forging a close alliance. Iran has given no indication it will return to Iraq the 115 combat aircraft flown there at the start of the 1991 Gulf war. In addition, both Iran and Iraq harbor opposition groups fighting to topple the other. Iraq hosts the army of the leftwing People's Mojahedin Organization of Iran (PMOI), and Iran provides some material support to the Supreme Council for the Islamic Revolution in Iraq (SCIRI), a Shiite Islamic fundamentalist political and guerrilla group.

India. India appeared ready to openly defy international sanctions in July 1999 when it announced a \$25 million loan to Iraq to purchase 1,000 Indian-made buses. Indian officials noted that they were aware the loan would violate international sanctions.⁵ However, U.S. objections led India to announce subsequently that the loan would only be granted if it were approved by the U.N. Sanctions Committee. That same month, India also began negotiating with Iraq to develop the southern Tuba oil field, with the deal to go into effect if and when sanctions on foreign investment are lifted.

U.N. Security Council Developments

The apparent erosion of Iraq's regional isolation has been accompanied by waning Security Council support for maintaining sanctions. Most observers see the United States and Britain increasingly alone in seeking to ensure that Iraq fulfills all its disarmament obligations specified by U.N. Security Council Resolution 687 (April 3, 1991).

The splits within the Council are no more evident than in the debate over a new British/Dutch draft Security Council resolution that would attempt to restore the weapons inspection process halted on the eve of Operation Desert Fox (December 16-19, 1998). The draft provides that, following a period of full Iraqi cooperation with new inspections, sanctions on Iraqi exports would be "suspended," and the current U.N. escrow account that holds the revenues of Iraqi oil exports would be phased out in favor of unspecified "financial controls." According to press reports, the United States might agree to a provision suspending sanctions on Iraq's imports as well as exports, as long as an intrusive inspection system is resumed. On September 23, 1999, the five permanent members of the Security Council acknowledged that they had not reached agreement on the new resolution, but would keep working toward an agreement.

Several additional actions by Council members, as well as related developments, suggest that Iraq's international isolation, and Council support for continued sanctions, are weakening:

- Beginning with its non-participation in Operation Desert Fox, France has ended its participation in enforcing the no fly zone over southern Iraq. Earlier, in January 1997, France pulled out of the northern no fly zone enforcement operation

⁴ Crawley, James. U.S. Sailors On the Lookout for Contraband From Iraq. *San Diego Union-Tribune*, November 18, 1998.

⁵ India Says It Will Abide By U.N. Sanctions on Iraq. *Associated Press*, July 30, 1999.

following September 1996 U.S. cruise missile strikes on Iraq. The strikes were a response to Iraq's brief incursion into the north (see above). This leaves only the United States and Britain enforcing the two zones.

- With the beginning of the oil-for-food program in December 1996 (U.N. Resolution 986), Iraq returned to the world oil market. Although its oil industry suffered from six years of disuse and lack of repair, the increasing flow of spare parts, coupled with higher oil prices, has enabled Iraq to resume its place as one of the world's five largest oil producers (about 2.7 million barrels per day, with exports about 2.1 million per day).
- In line with Iraq's return to the oil market, international energy firms have signed agreements with it to develop Iraqi energy resources. In March 1997, a Russian consortium (Lukoil, Zarubezhneft, and Mashinoimport) and Iraq signed a \$3.5 billion deal to develop Iraq's Al Qurna oilfield. Russian officials stressed that only preliminary feasibility studies would begin before international sanctions on Iraq are lifted. However, Iraq has warned Russia that development work must begin or it will award the contract to other firms. Russian officials visited Iraq in late September 1999 but they did not reach agreement for the Russian team to begin work. In June 4, 1997, Iraq and China signed a \$1.2 billion contract for the Chinese National Petroleum Corporation to develop Iraq's Al Ahdab oilfield. In addition, a French-Belgian firm Total Fina, and a French firm Elf Aquitaine have negotiated preliminary agreements to develop other oil fields in Iraq, including the Nahr Umar field. Some believe the commercial interests explain Russian, French, and Chinese willingness to ease sanctions on Iraq.⁶
- The worldwide commercial interest in Iraq has prompted the United States, after some hesitation, to support a provision of the British/Dutch draft resolution that would allow for foreign investment in Iraq's energy industry. The U.S. position might also represent a recognition that, despite the adversarial relationship with Iraq, there is increasing commerce between the two countries. U.S. firms purchase about one-third of Iraq's oil exports under the oil-for-food program. In addition, several U.S. energy firms have had discussions with Iraq about future investments in Iraq's petroleum industry. Those firms include Amoco (now a British firm), Arco, Chevron, Exxon, Mobil, Occidental, Texaco, and Conoco.⁷
- In late September 1999, a delegation from the European consortium Airbus visited Baghdad to discuss supplying aircraft to Iraqi Airways once sanctions are lifted. However, the British/Dutch draft under consideration does not, as of now, provide for an end to the U.N. ban on Iraqi commercial flights.
- The Pope is reportedly planning to visit a religious site in Iraq in early December 1999, and the visit would likely include a meeting with Saddam Husayn.

⁶ Efstathiou, Jim. U.K.-Dutch Plan On Iraq Could Trigger Major Oil Deals. *Dow Jones Newswire*, May 20, 1999.

⁷ Report on Iraq by the Energy Information Administration, an arm of the U.S. Department of Energy. November 1998.

U.S. Policy Responses

The Clinton Administration has tried to counter the impression among many that Iraq is on its way to rejoining the international community. On October 6, 1999, the Administration refused a reported Iraqi overture to begin an official dialogue with the United States. As articulated by State Department spokesman Jamie Rubin, the U.S. position is that the United States is not “interested in” a dialogue, but rather in Iraq’s full compliance with all applicable U.N. resolutions. On the other hand, it has been suggested that the large quantity of U.S. imports of Iraqi oil — coupled with U.S. willingness to support the easing of sanctions contained in the British/Dutch draft resolution — dilutes the U.S. message that it wants the continued isolation of Iraq.

The Administration has tried to prevent high profile visits to Iraq that might help generate sympathy for Iraqi pleas to end international sanctions. The Administration has said it has attempted to dissuade the Pope from his planned visit to Iraq or, at the very least, from meeting with Saddam Husayn. In August 1999, the Administration strenuously objected to a trip to Iraq by five congressional staff members, and provided none of the customary logistical support. However, no legal means existed to prevent the visit, and it went forward.

The Administration and Congress have sought to break down Saddam Husayn’s international legitimacy by publicizing not only Iraq’s failure to comply with U.N. resolutions but also its past actions that might constitute war crimes. The Iraq Liberation Act (P.L. 105-338, October 31, 1998) authorizes a drawdown of up to \$97 million worth of equipment for the Iraqi opposition and recommends that the President push for a war crimes trial for Saddam Husayn and his associates. Administration officials said in September 1999 that the United States is supporting the establishment of a commission on Iraq that would begin finding facts about alleged Iraqi war crimes. Although U.N. Security Council Resolution 674 (October 29, 1990) calls on member states to provide to the United Nations information on Iraqi atrocities, several Security Council members believe that the war crimes issue should not be pursued because it will remove Iraq’s incentive to comply with U.N. requirements on WMD and other issues.

The Administration and Congress are supporting organizations that are highlighting alleged Iraqi war crimes. Of the \$13 million in additional funds appropriated for the opposition since FY1998, \$3 million has been earmarked for INDICT, a group attempting to gather and publicize information on Iraqi war crimes. The conference report on the FY2000 foreign aid appropriations bill (H.R. 2606) provides another \$2 million for groups performing similar activities, although the bill was vetoed on October 18 over other issues. As of early September 1999, \$500,000 has gone to INDICT.⁸ The organization has, on several occasions in 1999, persuaded European officials to try to detain visiting alleged Iraqi war criminals. On these occasions, the Iraqis have either departed quickly or canceled planned trips.

⁸ Lynch, Colum. U.S. Aids Hunters of Iraqi War Criminals. *Washington Post*, September 4, 1999.