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LETTER DATED 19 DECEMBER 1990 FROM THE CHAIRMAN OF THE SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990) CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

By resolution 669 (1990), adopted by the Security Council at its 2942nd meeting on 24 September 1990, the Council entrusted the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with the task of examining requests for assistance under the provisions of Article 50 of the Charter of the United Nations and making recommendations to the President of the Security Council for appropriate action. The Committee, at its 11th meeting, on 27 September 1990, decided in principle to set up an open-ended working group to examine requests for assistance under Article 50 and to advise it on appropriate action. At its 16th meeting, on 11 October 1990, the Committee appointed H.E. Mr. Philippe Kirsch, Deputy Permanent Representative of Canada to the United Nations and a Vice-Chairman of the Committee, as Chairman of the Working Group.

As of 17 December 1990, excluding Jordan (S/21620) whose case had been considered earlier, 18 States namely, Bangladesh (S/21856), Bulgaria (S/21576), Czechoslovakia (S/21750), India (S/21711), Lebanon (S/21686), Mauritania (S/21818), Pakistan (S/21776), Philippines (S/21712), Poland (S/21808), Romania (S/21643), Seychelles (S/21891), Sri Lanka (S/21710), Tunisia (S/21649), Uruguay (S/21775), Viet Nam (S/21821), Yemen (S/21748), Yugoslavia (S/21618) and the Sudan (S/21930), had, in accordance with Article 50 of the Charter, requested consultations with the Security Council. In the same or subsequent communications, those States provided information regarding the special economic problems with which they have been confronted arising from the implementation of the measures contained in Security Council resolution 661 (1990). In addition, Botswana (S/21872) had indicated its intention to consult the Security Council in that regard in due course.

At its 21st meeting, on 12 December 1990, the Committee adopted without objection as recommendations to be made to the President of the Security Council the draft decisions submitted by the Working Group with regard to Bulgaria, Tunisia, Romania, India, Yugoslavia, Lebanon and the Philippines. The recommendations are set out hereunder. The Committee also decided that it would,

at the request of an applicant State, transmit with the relevant recommendation the text of its memorandum and any additional explanatory material which it had provided.

The recommendations concerning the remainder of the requests, together with the attendant documentation, will be transmitted once approved by the Committee.

(*Signed*) Marjatta RASI
Chairman
Security Council Committee established
by resolution 661 (1990) concerning the
situation between Iraq and Kuwait

Annex I

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Bulgaria

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Bulgaria under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Bulgaria a/ as well as information provided to the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait on 3 October 1990 by H.E. Mr. Lyuben Gotzev, Minister for Foreign Affairs of Bulgaria regarding the measures taken to give full effect to the sanctions as laid down in Security Council resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Bulgaria,

Expressing concern at the special economic problems confronting Bulgaria as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by resolution 661 (1990), which are particularly difficult if viewed from a per capita perspective,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Bulgaria, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Bulgaria for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21477, S/21573, S/21576 and S/21741.

2. _Recognizes_ the urgent need to assist Bulgaria in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Iraqi oil shipments to Bulgaria;

3. _Appeals_ to all States on an urgent basis to provide immediate technical, financial and material assistance to Bulgaria to mitigate the adverse impact on its economy of the application by Bulgaria of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. _Invites_ the competent organs and specialized agencies of the United Nations system including the international financial institutions and the regional development banks, to review their programmes of assistance to Bulgaria with a view to alleviating the present economic hardships arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. _Requests_ the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Bulgaria and to report thereon to the Security Council.

Enclosure I

Statement dated 19 August 1990 by the President of Bulgaria entitled "Planetary guarantees for territorial integrity and sovereignty" a/

[Original: English]

There are highly important circumstances compelling me to address all of you, just as the Governments of the countries involved in the Gulf crisis.

The People's Republic of Bulgaria condemns resolutely the Iraqi aggression in Kuwait as a flagrant violation of international law, vigorously opposes the use of force in international relations, the violation of sovereignty, territorial integrity and independence of any State. We consider the declared annexation of Kuwait as illegal and invalid. We insist on the immediate and unconditional withdrawal of Iraqi troops from Kuwaiti territory, the restoration of the sovereignty of Kuwait and its legitimate Government. We call for humane treatment of all the foreign citizens in the territory of Iraq and of Kuwait and for guaranteeing their lives and protection in accordance with the generally acknowledged norms of international law.

The position of principle of our country has been laid out in relevant statements of the Bulgarian Foreign Ministry. As a full-fledged Member of the United Nations, the People's Republic of Bulgaria is guided in its actions by the lofty principles and purposes enshrined in the Charter of the United Nations. We support completely the resolution of the Security Council imposing comprehensive actions on Iraq. We hold the view that the strict implementation of this and other resolutions of the Security Council - the body entrusted with the maintenance of international peace - is a condition <u>sine qua non</u> for further enhancing the prestige of the world Organization, its role in the settlement of international conflicts and a guarantee for the efficient maintenance of world peace, particularly when the security of small States is put in jeopardy.

Proceeding from these fundamental provisions, the Bulgarian Government issued, immediately after the adoption of resolution 661 (1990), a special decree binding Bulgarian or foreign nationals and bodies on Bulgarian territory to implement in their dealings and economic relations with contractors from Iraq and Kuwait the sanctions imposed by the Security Council.

The implementation of resolution 661 (1990) entails grave economic losses for our country. Presently, the Iraqi debt to Bulgaria amounts to $1.2 billion and is being paid back by oil shipments. We do not expect Iraq to deliver more than 140 thousand tons of oil by the end of this year. Just for the current year, our country will suffer additional losses from suspended engineering business, the non-delivery of goods and the cut-off of international transport activities to Iraq

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a/ S/21573, annex.

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and Kuwait, which are estimated at more than $160 million. The suspension of the activities of Bulgarian agencies in these countries as well as the freezing of machines, equipments, transport means and bank accounts will increase considerably the economic losses suffered by Bulgaria.

Moreover, by the end of this year the Union of Soviet Socialist Republics was to deliver 2.5 million tons of oil from Iraq under the terms of an agreed deal. Given the new situation it is now unlikely that the USSR would be able to compensate fully this amount with Soviet oil.

The situation is aggravated still more because these developments coincide with a deepening economic crisis in our country coupled with a course of thorough economic and political transformations the Grand National Assembly has embarked on, transformations that are expected to transfer the economic and political life of our country onto a new road to progress.

We started the privatization of State property. It was temporarily delayed because of profiteering tendencies, aiming at buying this property at a knock-out price by people, who till now only disposed of it. This process and the respective guarantees and corrections shall continue to develop further and, following the sphere of trade and services, it will inevitably embrace the sphere of production itself. The agrarian reform law is scheduled to be adopted before this fall.

A complete depoliticization of the armed forces is to be carried out in the nearest future, along with the militia, the courts, the Prosecutor's Office and the diplomatic service. This depoliticization shall once and for all turn these institutions from party-run into purely State and all-national. Through recent round-table discussions we removed the organizations of political parties and organized political activity in general outside the boundaries of the working place. Now we are to include the prohibition for those working in the above institutions to be members of any political party. We consider this action a major step towards completely eliminating the totalitarian political structures and, at the same time, as an enormous advancement towards parliamentary democracy in Bulgaria.

This combination of external and internal events places Bulgaria in an exceedingly difficult position. I can definitely say that next to the victim of the aggression, Kuwait, i.e., Bulgaria is the most affected country.

The present situation compels Bulgaria to exercise its right under Article 50 of the Charter of the United Nations to hold consultations with the Security Council for finding a solution to its economic hardships resulting from the implementation of the mandatory measures imposed on Iraq by the Security Council.

We have already made subsequent representations before the Governments of the United States, the twelve Members of the European Economic Community, as well as before other interested States, for the purpose of advising them of the losses we are to sustain. Similar representation has been made also before the Soviet Union.

I trust that both the world Organisation and individual States will show their understanding of the problems the new situation has created for the Bulgarian economy, battered enough as it is.

To conclude, I should like to emphasise that regardless of all the difficulties we continue to maintain our position of principle.

Let us hope that this will remain as a first and unique precedent of a small and defenceless country falling victim to total aggression and receiving help from the whole world, as well as global guarantees for its territorial integrity and sovereignty. May this dramatic case mark a new era in the history of international relations.

Enclosure II

Reply of the Government of Bulgaria pursuant to note verbale SCPC 77/90/1 on the implementation of United Nations Security Council resolution 661 (1990) a/

[Original: English]

The People's Republic of Bulgaria fully condemns the Iraqi aggression in Kuwait. We stand against the use of force in international relations, the violation of sovereignty, territorial integrity and independence of any State. We consider the declared annexation of Kuwait as illegal and invalid. We insist on the immediate and unconditional withdrawal of Iraqi troops from the territory of Kuwait, the restoration of the sovereignty and the legitimate Government of Kuwait. The stand of principle of the Bulgarian Government on this issue was laid down in detail in the Foreign Ministry's statements of 3, 8 and 11 August 1990. The first two ones were circulated as United Nations document under No. S/21477.

As a full-fledged Member of the United Nations, Bulgaria has always been guided in its actions by the noble principles and purposes and of the United Nations Charter and has actively supported the Security Council's efforts for maintaining international peace and security. We, therefore, fully approve Security Council resolution 661 (1990) imposing comprehensive sanctions against Iraq and fully back resolutions 660 (1990) and 662 (1990).

We consider that the strict observance of mandatory decisions taken by the main body of the world Organization, which is responsible for the maintenance of the international peace and security, is a condition sine qua non for further enhancing its prestige. The commitment to such an approach will help promote the Security Council's role in the settlement of international conflicts and guarantees the efficient operation of the system for maintenance of international peace under the United Nations Charter, especially in the events of security threats to small States.

Proceeding from these fundamental provisions the Bulgarian Government instructed its respective ministries and business organizations to strictly observe its decrees immediately after resolution 661 (1990) was adopted. Pursuant to its obligations under Article 25 of the Charter, the Government issued Decree No. 90/Annex 1 binding any Bulgarian or foreign nationals and bodies on Bulgarian territory to implement in their dealings and economic relations with contractors from Iraq and Kuwait the sanctions which have been imposed by the Security Council.

The implementation of resolution 661 (1990) entails huge economic losses for our country. Presently, the Iraqi debt to Bulgaria amounts to $1.2 billion. It is being paid back by oil shipments. Iraq is due to supply another 140,000 tons of

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* S/21576, annex I.

oil by the end of this year. Moreover, the USSR has to deliver under the terms of an agreed deal 2.5 million tons of oil from Iraq. Given the new circumstances it is now unlikely that the USSR would be able to compensate this amount with Soviet oil.

Our country will suffer additional losses from the suspension of the engineering activities, the shipment of goods to Iraq and the international transport activities. The losses for the current year are estimated at more than $140 million.

The suspension of the business with Kuwait and the activities of the Bulgarian agencies on its territory will also cause serious economic losses estimated at tens of millions of dollars. This affects not only the direct supplies from and to Kuwait but also the dealings of these agencies with third countries as was the case with our transport services. Machines, equipments, transport means and bank accounts are frozen as well.

If no settlement of the conflict is reached, these losses will be multiplied next year. This will lead to further deepening of the energy and financial crisis in this country.

The limited practice so far in implementing mandatory measures taken by the Security Council, comes to show that the provisions and rules under Article 49 of the United Nations Charter should also be taken into account. In accordance with these provisions and the commonly accepted interpretation of the principle of international law for co-operation between States in maintaining international peace and security, the United Nations Member States should assist each other in implementing the Security Council's sanctions in such a way, so that the costs ensuing from these measures be equitably shared according to their means.

The present situation compels Bulgaria to exercise its right under Article 50 of the United Nations Charter "to hold consultations with the Security Council" for finding a solution to its economic problems which have arisen as a result of the application of the mandatory measures imposed by the Security Council against Iraq.

In this connection we would appreciate it if, in your forthcoming report on the implementation of resolution 561 (1990), you would draw the attention of the Security Council to the problems the People's Republic of Bulgaria faces as a result of its participation in the sanctions against Iraq as well as the possibilities for rendering assistance to this country by the world Organization and its Members.

The stand of our country is that a possible assistance could include aid in securing alternative oil supplies as well as an appeal on behalf of the Security Council, the United Nations General Assembly, the United Nations Economic and Social Council, and on your own behalf to the international monetary and financial organizations, to the special United Nations agencies, and our creditors to render any possible support for alleviating the grave economic plight of our country, including the rescheduling of our debt payments for which our country has already taken the necessary steps.

In conclusion, we would like to reiterate the readiness of the People's Republic of Bulgaria, irrespective of economic consequences, to strictly implement the provisions of Security Council resolution 661 (1990) and support actively its endeavours to put an end to the Gulf crisis.

Enclosure III

Memorandum on the economic, commercial and financial impact on Bulgaria of restrictions on economic relations with Iraq and Kuwait a/

[Original: English]

The People's Republic of Bulgaria has abided strictly by resolution 661 (1990) of the Security Council of the United Nations since its adoption. The decisions taken by the Bulgarian authorities have been based on a position of principle in spite of the fact that the country is going through a severe economic crisis.

The latest official figures indicate that the direct losses of state and public companies by the end of the current year will amount to $1.39 billion. Those losses include:

1. Undelivered 640,000 tons of oil by Iraq as debt redemption towards Bulgaria;

2. Undelivered 2.5 million tons of Iraqi oil to the Soviet Union, contracted by Bulgaria under barter agreements with the latter, amounting to 30 per cent of the country's oil consumption;

3. $618 million of uncollected payments already due for 1990;

4. $205 million in lost exports of goods and unfulfilled engineering and transportation services by Bulgarian organizations.

It is estimated that, should the situation remain unchanged, the losses in 1991 shall be of a similar scale, with taking into account losses resulting from unrealized contracts, deals and profits.

a/ S/21741, annex.

Annex II

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Tunisia

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Tunisia under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Tunisia a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Tunisia,

Expressing concern at the special economic problems confronting Tunisia as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by resolution 661 (1990), which are particularly difficult in terms of its commercial and financial losses, as well as costs associated with the repatriation and rehabilitation of Tunisian workers returning from Kuwait,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Tunisia, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Tunisia for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21649 and S/21880.

2. Recognizes the urgent need to assist Tunisia in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from the severance of its commercial and financial links with Iraq and Kuwait as well as costs associated with the repatriation and rehabilitation of Tunisian workers returning from Kuwait;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Tunisia to mitigate the adverse impact on its economy of the application by Tunisia of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance to Tunisia with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Tunisia and to report thereon to the Security Council.

Enclosure I

Letter dated 24 August 1990 from the Minister for Foreign Affairs of Tunisia addressed to the Secretary-General a/

[Original: French]

Pursuant to Security Council resolution 661 (1990) of 6 August 1990, I have the honour to inform you as follows:

1. The Republic of Tunisia, as a State Member of the United Nations which constantly adheres to international legitimacy, considers itself bound by the decisions of the Security Council, including those relating to the economic embargo set forth in the aforementioned resolution. The Government has adopted practical measures in that regard.

2. The mechanical application of the embargo measures would have grave repercussions for Tunisia in view of its extensive relations with both Iraq and Kuwait and given the volume of its dealings with them.

Relations with Iraq

The total annual volume of trade is in the order of 225 million dollars, which represents 4 per cent of Tunisia's external trade.

(a) Imports amount to 100 million dollars a year and are exemplified, in particular, by quantities of petroleum and sulphur.

(b) Exports amount to 125 million dollars a year, organically linked with Tunisian imports of Iraqi petroleum.

Major exports are exemplified by:

Triple superphosphate;

Paper and paper products;

Textiles and ready-made clothing;

Spare parts for automobiles and trucks.

These items account for between 30 and 60 per cent of the output of the Tunisian factories concerned, that is to say that the embargo imposed on Iraq would automatically give rise to grave difficulties for many factories, together with the concomitant repercussions for employment.

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a/ S/21649, annex.

It should be noted that most of these items are manufactured in accordance with Iraqi specifications and standards. Moreover, there are currently in Tunisian factories and ports 30 million dollars' worth of goods ready for export to Iraq that cannot be redirected to other markets in view of the standards and specifications empl yed in their manufacture.

(c) Receipts: payment facilities accorded to Iraq amount to some 75 million dollars, including an amount in the order of 10 million dollars which is past due.

(d) Current financial transfers: 100 million dollars a year under the item of financial remittances by Tunisian workers in Iraq.

Relations with Kuwait

(a) Project funding: co-operation with Kuwait is largely confined to the financial field, and Kuwait participates in the funding of a significant number of vital development projects in Tunisia by means of concessional loans.

A total number of 18 projects are currently being implemented with Kuwaiti funding, and this participation is in the order of 550 million dollars. As of 2 August 1990, only 200 million dollars of this amount had been drawn upon, thus leaving a balance of 350 million dollars. As a result, the implementation of these projects has been suspended, causing damage to hundreds of Tunisian sub-contractors engaged in implementation and the loss of thousands of jobs.

(b) Current financial transfers: 3 million dollars a year under the item of financial remittances of Tunisian workers in Kuwait.

(c) Social repercussions: the embargo has also given rise to the mass return of Tunisians working in Kuwait, who, in the framework of technical co-operation agreements or under the terms of private work contracts numbered some 2,000. This has caused them to lose jobs which must now be provided for them in Tunisia, and they have lost their property, income and savings.

In view of the foregoing, the implementation of the structual reform programme for the Tunisian economy will be damaged and confronted with difficulties that may impede the achievement of its objectives in the foreseeable future.

Therefore, in accordance with Chapter VII, Article 50, of the Charter of the United Nations, whic states that

> "If preventive or enforcement measures against any state are taken by the Security Council, any other state, whether a member of the United Nations or not, which finds itself confronted with special economic problems arising from the carrying out of those measures shall have the right to consult the Security Council with regard to a solution of those problems",

the Government of Tunisia deems it necessary to consult the Security Council on this matter with a view to devising appropriate solutions in order to safeguard Tunisia's economic and social interests.

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With regard to the sanctions stipulated in Security Council resolution 661 (1990), the Tunisian Government would like to emphasize the exceptions made in that resolution for humanitarian reasons and relating to foodstuffs and medical supplies and services.

Enclosure II

Letter dated 10 October 1990 from the Minister for Foreign Affairs of Tunisia addressed to the Secretary-General concerning the implementation of Security Council resolution 661 (1990) a/

[Original: French]

Further to our letter of 24 August 1990 (S/21649) concerning the enforcement of the economic embargo against Iraq and Kuwait in accordance with Security Council resolution 661 (1990), in which Tunisia's commitment to the embargo and to the adoption of practical measures in that regard was reaffirmed and mention was made of the adverse repercussions of the embargo on the Tunisian economy, and further to your note of 24 August 1990 concerning the provision of information to the Security Council on the practical steps, including legislation and administrative and financial measures, that have been taken by Tunisia since the embargo was put into effect in order to ensure its implementation, I have the honour to inform you of the following:

Security Council resolution 661 (1990), imposing the embargo, was adopted in conformity with the Charter of the United Nations, whose provisions have ascendancy over Tunisian domestic law under paragraph 32 of the Constitution of the Republic of Tunisia, which states that "... treaties that have been legally ratified have a legal effect greater than that of laws". Accordingly, the Tunisian legislative system does not require legal or procedural enactments in order to give effect to the embargo, and written instructions may suffice. In practice, the Tunisian Government has not, in the mean time, been dilatory in adopting the administrative and financial measures for the implementation of the embargo set forth hereunder.

1. In the administrative domain

(a) Customs.

The Department of Customs has circulated written instructions to all of its field offices at land frontiers, ports and airports to the effect that all export and import operations to and from Iraq and Kuwait are prohibited.

(b) Transport.

The Tunisian Government suspended the sea link between Tunisian ports and the port of Aqaba at the outbreak of the crisis. At the same time, airline flights between Tunis and Kuwait have been cancelled. There is no direct air link between Tunis and Baghdad and no direct sea link between Tunisian ports and the port of Basra. It should be noted that, as of today's date, the Tunisian authorities have chartered five flights between Tunis and Amman for Tunisian expatriates returning from Iraq and Kuwait.

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a/ S/21880, annex.

2. <u>In the financial domain</u>

(a) The Central Bank of Tunisia has circulated a letter to Tunisian banks in which it confirms its previous instructions relating to the enforcement of Security Council resolution 661 (1990), requiring, in particular, the suspension of all funding transactions and of the granting of credits to Iraq or Kuwait.

(b) Export credit guarantees for transactions with both Kuwait and Iraq have been suspended. Accordingly, the Tunisian External Trade Insurance Corporation has notified all exporters of this measure, stressing the need for its observance.

(c) The granting of the financial incentives offered by the Tunisian Export Promotion Fund in respect of exports destined for Iraq and Kuwait has been suspended. The Fund is a mechanism of the Tunisian authorities for the promotion of exports, and it is funded directly from the State budget.

(d) In a desire to ensure enforcement, banking facilities have been accorded to exporters to cover a significant part of the value of goods stockpiled by them and not exported to Iraq or Kuwait owing to the embargo.

(e) The Tunisian authorities have taken the necessary measures to freeze Kuwaiti and Iraqi assets.

In conclusion, it should be noted in this connection that the National Assembly called for an extraordinary meeting on 11 September 1990 to consider the Gulf crisis. On that occasion, the Prime Minister, on behalf of the President of the Republic, delivered an address in which he affirmed Tunisia's commitment to the Security Council resolutions relating to the Gulf crisis.

Enclosure III

Memorandum concerning the repercussions of the Gulf crisis on the Tunisian economy

[Original: French]

1. Given the principles which govern its foreign policy, the Republic of Tunisia considers itself bound by the Security Council resolutions concerning the economic embargo decreed against Iraq.

As soon as the decision was announced the Government took concrete steps to ensure that it was strictly implemented.

The Department of Customs issued an instruction to that effect, dated 16 August 1990, suspending all imports and exports of goods originating in or destined for Iraq and Kuwait.

The government export trade insurance organization (COTUNACE) for its part suspended coverage for transactions involving those countries. The Central Bank of Tunisia issued instructions to authorized agents to suspend opening credit and all financial settlements in respect of operations with Iraq and Kuwait.

At the same time, the Tunisian administration took the necessary steps to preserve the interests of the State of Kuwait and of its legitimate Government. Assurances to that effect have been reiterated to the representatives of Kuwaiti interests in Tunisia.

2. In view of these decisions, owing to the relations of close co-operation that it maintains with Iraq and Kuwait, Tunisia finds itself subject to negative repercussions on the commercial, financial and social levels.

3. On the commercial level, the embargo decision has meant the suspension of a very promising flow of trade.

The volume of exports to Iraq amounted to nearly 50 million dollars for the first six months of 1990 and a series of contracts worth 100 million dollars had been concluded; it had therefore been anticipated that overall exports for 1990 would be in the order of 125 million dollars at least. Moreover, some 30 million dollars of manufactured goods were on the point of being shipped to Iraq on the eve of the Gulf crisis, and, because of the specifications and standards of these products, it will be difficult to redeploy them to other markets.

In addition, as a corollary to the embargo, the financial claims of Tunisian enterprises on Iraq are in jeopardy. Some $66 million in commercial facilities have been granted to Iraq, 27.3 million of which is already past due and 6.5 million will fall due before the end of the year. The impact is already being felt at the enterprise level and at the balance-of-payments level.

4. On the financial level, Tunisia maintains relations of close co-operation with Kuwait and with Arab institutions whose headquarters are located in Kuwait, specifically the Arab Fund for Economic and Social Development (AFESD) and the Inter-Arab Investment Guarantee Corporation (IAIGC).

With Kuwait, the present situation has resulted in a suspension of flows of direct Kuwaiti investment in Tunisia, amounting to between 20 and 25 million dollars annually, and the interruption of the programme of loans granted by the Kuwaiti development fund.

On the eve of the crisis, the external resources available in that fund amounted to 190 million dollars which, it was expected, would be used for some one dozen infrastructure projects during the period 1990-1993. Of that amount, 30 million dollars was to be disbursed during the last five months of 1990.

With the Arab institutions whose headquarters are located in Kuwait the recent developments have meant:

(a) The interruption of co-operation with the Arab Fund for Economic and Social Development. The external resources which were available, which are now frozen, amounted to some 230 million dollars of which 45 million dollars was to be disbursed before the end of 1990.

(b) The suspension of the activity of the Inter-Arab Investment Guarantee Corporation and, as a result, of the coverage which it had provided to Tunisian enterprises, amounting to close to 30 million dollars in the form of export credit guarantees, mostly (two thirds of the guarantees) to Iraq.

5. Finally, on the social level, the Tunisian community, although small, was made up of some 5,000 management personnel and employees, most of whom were working with technical co-operation programmes. The Gulf crisis has meant that these people have returned <u>en masse</u>, in difficult and distressing circumstances; they have lost not only their jobs but also their belongings and they have been unable to remit their savings and are now having a hard time re-integrating themselves into the economy.

In this connection, remittances from Tunisian workers in Kuwait and Iraq in terms of their savings are estimated at some 40 million dollars, which comes to an average of 10 thousand dollars per person.

6. It is clear from the foregoing that the repercussions are serious, particularly on the balance of payments, the reduction in foreign exchange being some 209 million dollars for 1990, which represents 1.7 per cent of GDP, and almost 345 million dollars for 1991, representing 2.5 per cent of GDP.

	Repercussions 1990	1991
	(in millions of dollars)	
Exports of goods	75	130
Default in payments	34	30
Remittances from Tunisian workers	15	40
Direct investments	10	20
Official financing of ongoing projects	75	125
	209	345

It is true that the higher oil prices are providing Tunisia with additional resources. However, the effect of this increase is very small, amounting to 4 million dollars for each $1 increase per barrel over a full year, because there is not very much surplus oil (a mere 800,000 tons per year) and also because these additional resources will be more than absorbed by the expected indirect effects of the crisis due, in particular, to the foreseeable increase in the prices of imports and the decrease in external demand.

7. This is happening at a time when Tunisia has embarked on a major programme of reform and restructuring with the support and endorsement of international bodies and it would be difficult to deal with the situation.

Thus, in accordance with Article 50 of the Charter of the United Nations, the Government has requested that consultations be initiated with the Security Council with a view to finding appropriate solutions to the problems raised by the Gulf crisis and the embargo decreed against Iraq so as to safeguard Tunisia's economic and social interests.

Tunisia hopes that this request will be supported and endorsed by the friendly countries with which it has special relations of co-operation and whose ideals and principles it shares in order to alleviate the effects of these repercussions and to enable Tunisia to continue its development smoothly.

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Annex III

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Romania

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Romania under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Romania a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Romania,

Expressing concern at the special economic problems confronting Romania as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of commercial and financial losses incurred by Romania, when viewed in the context of its gross national product and of its total trade exchanges,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Romania, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Romania for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21643 and S/AC.25/1990/53.

2. _Recognizes_ the urgent need to assist Romania in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Iraqi oil shipments to Romania in payment for outstanding debts incurred by Iraq towards Romania and other financial and commercial losses;

3. _Appeals_ to all States on an urgent basis to provide immediate technical, financial and material assistance to Romania to mitigate the adverse impact on its economy of the application by Romania of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. _Invites_ the competent organs and specialized agencies of the United Nations system, as well as the international financial institutions and the regional development banks, to provide assistance to Romania with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. _Requests_ the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Romania and to report thereon to the Security Council.

Enclosure I

A memorandum on the economic and financial impact on Romania resulting from the imposition of restrictions on its economic relations with Iraq and Kuwait a/

[Original: English]

1. The Government of Romania declared from the very beginning its resolve to fully comply with and implement the provisions of resolution 661 adopted by the Security Council on 6 August 1990 to impose economic sanctions on Iraq, and in this respect, it has taken all appropriate steps.

By its decision from 10 August 1990, the Romanian Government decided that all persons and bodies, both Romanian and foreign, which are doing business or are engaged in financial activities on the Romanian territory shall comply with the provisions of resolution 661.

Doing so Romania is mindful of the necessity that all States should refrain from the use of force against an independent and sovereign State and should observe the provisions of the United Nations Charter and of the unanimously accepted principles of international law.

In spite of the fact that the economic sanctions lead to serious material damages to the Romanian economy, the Romanian Government considers that it is a duty of all States to take action in the spirit of international solidarity, by observing the resolution taken by the Security Council and implementing the decided sanctions.

At the same time, the Romanian Government considers that by the same solidarity Romania, which has suffered and is still suffering direct economic and financial consequences resulting from the application of sanctions, has the legitimate right to request from the international community adequate compensations in order to cover the inflicted losses.

2. As a result of carrying out of measures taken by the Security Council against Iraq, Romania finds itself confronted with special economic problems and difficulties. They are generated by the disturbance of the commercial exchanges, namely the disruption of the oil supply, non-fulfilment of trade contracts, including the import of consumer goods and the impossibility to carry out co-operation activities in order to fulfil economic projects in Iraq.

a. Romania and Iraq agreed on 1 February 1990 upon a Governmental Financial Agreement regarding the payment of Iraq's debts to Romania amounting to $US 1.7 billion and the rescheduling of 1988-1990 due debts. According to this Agreement, Iraq undertook to pay a part of its debt by supplying oil and other

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a/ S/21643, annex.

goods. As per the last offer, August-September 1990, Romania should have received oil from Iraq in the amount of $US 300 million, at the price of $US 17.5/barrel (OPEC price before 20 July 1990).

The ban imposed on imports from Iraq has a double damaging effect on Romania:

- it hinders the payment of the Iraqi debt and puts into question its reimbursement;

- the Romanian petrochemical industry will suffer a heavy oil deficit and it will be obliged to make a 25 per cent reduction of its monthly processing capacity. Already, one of the Romanian refineries, located in Brazi, with a monthly processing capacity of 290,000 tons has been stopped and the petrochemical complex, located in Midia, reduced its processing capacity from 440,000 tons to 180,000 tons, while the production of the other refineries has been cut by 500,000 tons.

b. Import - Export: on the account of its debts, Iraq had to deliver goods in amount of $US 35 million (aluminium fluoride, medicines, foodstuffs and consumer goods) up to the end of this year. Out of this, goods amounting to $US 27 million have not yet been delivered.

At the same time a $US 8.8 million counterpurchase contract for the import of sulphur has been stopped.

Romanian and Iraqi companies have signed contracts in the approximate amount of $US 100 million. Only $US 25.1 million have been delivered up to now. These contracts cover Romanian exports of fabrics, construction materials, chemicals, metallurgical products, electrotechnical equipment, machine tools and textile machineries.

c. Engineering projects and technical assistance (economic co-operation):

- ARCIF, Romanian company carries out land planning projects in the amount of $US 369 million, on a surface of 37.4 thousand hectares in the HALILA-KIFL area. Subsequently to the economic sanctions the activity will be stopped, leading to losses of $US 132.5 million. Should the sanctions be lifted the cost for ARCIF to renew the project would go up to $US 155.1 million, an amount which turns to losses for the Romanian State budget;

- UZINEXPORT, Romanian foreign trade company handed over two turn-key cement plants in Iraq. As a result of the sanctions, the due amount of $US 120 million - the balance to the total cost - will also turn into losses;

- ROMPETROL-GEOMIN, Romanian foreign trade company carries out oil drilling projects. The value of the activities which have been stopped amounts to $US 4 million to be added to the $US 25 million representing the value of equipment left in the field without any recovering possibilities, will also turn to losses for the Romanian State budget;

- ROMELECTRO, Romanian foreign trade company carries out projects for high voltage networks. The value of the stopped activities is of $US 5 million. This is compounded by the losses of $US 5.9 million resulting from the forfeiting of bank guarantees. In addition to that, the value of $US 9 million, representing machinery and equipment left in the field is another loss to the Romanian State budget;

- ROMCONSULT, Romanian foreign trade company which provides technical assistance, will not be able to carry out contracts of $US 1 million;

- As a result of economic sanctions, negotiations for new export contracts and engineering projects in Iraq amounting to $US 500 million have been suspended.

d. The effect of sanctions imposed on economic and trade relations with Kuwait will lead to losses for Romania amounting to $US 9.3 million up to 31 December 1990.

3. According to current preliminary estimations, the total damage which Romania has to suffer subsequently to the sanctions imposed by resolution 661 amounts to approximately $US 1.2 billion.

In addition to that, the imposed sanctions have the effect of blocking the payment of Iraqi debts towards Romania representing the amount of $US 1.7 billion.

The above-mentioned estimates do not take into account other damages resulting from the implementation of sanctions for Romania's trade relations with other States, or social effects at domestic level.

It is obvious that the hardship inflicted on the Romanian economy, following measures and steps of unexpected suspensions of trade relations and co-operation with Iraq, adds a new element posing a supplementary burden on the already precarious Romanian economy. Romania has to face now even more difficulties in its efforts to restructure and redress the economy, to improve the supply of foodstuffs and consumer goods to the population.

The Romanian Government firmly believes that the Security Council will carefully consider the heavy economic consequences for Romania, following measures in complying with the sanctions imposed on Iraq and will formulate appropriate recommendations to compensate all material losses.

The Romanian Government takes this opportunity to reiterate its determination to observe strictly and implement further on the provisions of resolution 661 of the Security Council, irrespective of the serious economic difficulties and problems with which it is confronted, and actively contribute to solve the current crisis in the Gulf.

Enclosure II

Memorandum concerning the negative consequences of the Gulf Crisis and the implementation of Security Council sanctions against Iraq on the Romanian economy a/

[Original: English]

The position of Romania on the aggression of Iraq against Kuwait and its annexation has been made clear on many occasions. Romania presided over the meeting of the Security Council that approved the resolution condemning this aggression and subscribes fully to the action of imposing comprehensive sanctions against Iraq. The Romanian Government is actively committed to the efforts of the United Nations and the international community to solve the crisis in the Gulf.

The devastating implications for the Romanian economy as a result of the scrupulous implementation of the sanctions have been brought to the attention of the international community on numerous occasions (see, for example, S/21643).

Romania has presented elaborate documentation to the Security Council Committee established by resolution 661 (1990) on the damage inflicted upon it. However, the Government of Romania wishes to highlight some important aspects of the situation and to present additional information in this respect.

The decision to follow the strict enforcement provided by resolution 661 (1990) and the fact that Romania ceased all trade exchanges and co-operation projects with Iraq had ample effects on the Romanian economy, at present in full transition towards a free-market economy.

The total direct effects of this measure amount to losses and additional expenses of $2.9 billion under the following headings:

(a) $1.7 billion representing the total debt of Iraq to Romania, which Iraq had undertaken to meet by oil deliveries at $18 a barrel, which have been discontinued;

(b) $46.1 million representing the goods specially produced for Iraqi end-users as well as for occupied Kuwait, which cannot be exported to other destinations;

(c) $142.6 million representing the value of the construction works and relevant technical assistance that were interrupted in respect of projects being built in Iraq;

(d) $64.7 million representing the value of the equipment and material left behind at Iraqi sites;

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a/ S/21990, annex.

(e) $200.6 million representing bank guarantees and assets in blocked accounts;

(f) $746 million representing the unfavourable differences of the increased prices at which the crude oil has been imported between August 1990 and the end of 1990 as against the Iraqi offered prices previous to the Gulf crisis ($18 a barrel).

All these direct effects of $2.9 billion represent almost one third of the total Romanian trade exchanges in hard currency for 1989 and lead to a negative impact on the Romanian gross national product (GNP) of 14 per cent.

To these direct losses, one must add indirect and other effects deriving from enforcing the embargo that are not included in the $2.9 billion mentioned above:

(a) Before 1 August 1990 a number of negotiations were going on concerning exportation of goods and setting up of economic projects in Iraq totalling $500 million, negotiations which were stopped and which negatively affect the order-books of the factories involved;

(b) At the same time, the application of the embargo on importations of Iraqi oil have led to losses of refining capacities of $60 million for the current year;

(c) Also, the repatriation and reintegration of the Romanian personnel withdrawn from Iraq has cost Romanian companies $16 million;

(d) Finally, stopping deliveries of goods to Iraq by certain Romanian factories specialized for this destination, such as textile plants, ready-made garments, footwear, electro-technical equipment and tools, lead to internal socio-economic consequences (strikes, unemployment, inflationary pressures).

All these negative effects add to the already very difficult economic situation of Romania.

Between 1 January and 30 September 1990 Romania registered a deterioration of national income formation activities in absolute terms, reflected in a 27.7 per cent drop in net industrial production, i.e., in added value.

Electricity consumption per net production index (kilowatt hour/1,000 lei) increased by 23.7 per cent.

Productivity in all-country industry in terms of commodity production dropped by 22.8 per cent.

The rising money incomes of the population put the purchasing power of the leu under greater real pressure. So, for instance, on 1 January 1990 for 1 leu in circulation there were 19 bani worth of commodities, while now there are only 14 bani worth of commodities, with prices and tariffs rising by just 2.2 per cent; if the present trend is maintained, a 10-bani level may be reached, and this is in effect an inflationist trend.

Another unfavourable situation is that of the investments in the first nine months, which are 23.1 per cent below what was planned and 44.6 per cent below last year's level.

Therefore, it would not be exaggerated to estimate that Romania was one of the countries most heavily stricken by the imposition of sanctions.

The losses in 1991 are expected to be even more substantial. Of particular concern is the oil shortage that will place the economy of Romania in an extremely difficult energy situation in the coming winter.

Even for the month of December there is not a satisfactory balance.

Finally, due account should be taken of the almost total depletion of the national foreign currency reserves. The exports of Romania are only 54 per cent or so of last year's performance, which make imports of energy resources practically impossible.

Ahead of the country there are two winter quarters, and a trade deficit in the range of $1.2 billion per quarter is expected.

The energy situation has a very negative impact on every sphere of industry, resulting in a reduction or halting of production lines, transportation irregularities and supply shortages. The increase in consumer prices exacerbates the already strained social and political atmosphere in the country.

The economic problems that Romania is facing are so profound that they might cause political instability and endanger the very process of transition towards democracy and a market economy.

Romania has accepted all these negative effects of the embargo decided by the Security Council in the earnest wish of supporting - in compliance with the principles and norms unanimously accepted in international law - the resolution of the grave situation in the Gulf.

In spite of the difficulties that it is facing, Romania is committed strictly to observing and implementing in the future too the provisions of the Security Council resolutions.

Annex IV

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to India

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from India under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by India a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of India,

Expressing concern at the special economic problems confronting India as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of commercial and financial losses as well as costs associated with repatriation and rehabilitation of Indian workers returning from Iraq and Kuwait,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by India, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of India for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21711 and S/AC.25/1990/40.

2. Recognizes the urgent need to assist India in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Iraqi oil shipments and other products to India, as well as additional costs associated with repatriation and rehabilitation of Indian workers returning from Iraq and Kuwait;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to India to mitigate the adverse impact on its economy of the application by India of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialised agencies of the United Nations system, as well as the international financial institutions and the regional development banks, to renew their programmes of assistance to India with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of India and to report thereon to the Security Council.

Enclosure I

Memorandum on economic, commercial and financial impact on India resulting from restrictions on economic relations with Iraq and Kuwait a/

[Original: English]

The implementation of United Nations Security Council resolution 661 has had an immediate and severe impact on India's economy, at a time when India's foreign exchange reserves have fallen to dangerously low levels and the growth of India's external debt has become matter of concern.

The impact of sanctions has affected vital sectors of India's economy. The following are the areas most affected:

(1) The non-availability of oil - impact on industry and agriculture,

(2) The additional demand of foreign exchange to meet the rise in oil prices affecting balance of payments,

(3) The loss of revenue resulting from a sharp drop in exports,

(4) A significant drop in remittances from Indian expatriates,

(5) The costs of repatriation and rehabilitation of Indian expatriates displaced from Kuwait and Iraq,

(6) Social costs with impact on unemployment as a result of the above.

1. AVAILABILITY OF OIL:

India's domestic production of crude oil and POL is required to be supplemented by regular imports to meet the demands of its growing economy. With rapid industrial and agricultural growth taking place in India, consumption levels are progressively rising.

India's annual import requirement of crude oil and products for 1990-1991 is 24.28 million tonnes, supplies for which had been tied up for the year on the basis of an average price of $US 17 per barrel. Of this amount, 8.75 million tonnes of oil and 1.2 million tonnes of S.K.O. (Superior Kerosene Oil) were expected to be supplied from Iraq and Kuwait. India would now have to identify alternative sources of supply for crude oil of specific grades and appropriate quality compatible to Indian refineries. The uncertainty of supply is affecting industrial activities and agricultural production. This would also lead to a speculative rise in overall prices apart from medium and long range trend increase in oil prices.

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a/ S/21711, annex.

There are also likely to be additional costs related to obtaining POL required, if crude of appropriate quality is not available.

2. RISE IN PRICE OF OIL:

India has also been affected by the sharp rise in oil prices which has already taken place. Should this price increase further the adverse impact would be cumulative. For 1990-1991, India has budgeted for import of 24.28 million tonnes at a cost of Rs. 6,400 crores ($US 3,555 million) on the basis of $US 17 a barrel. It has been estimated that for every dollar increase in oil prices above the $17 per barrel, India's import bill would increase by Rs. 400 crores ($US 222 million). If the present price level of $US 28 per barrel is projected for the year, the increase in India's import bill would amount to an additional Rs. 4,400 crores (or approximately $US 2.4 billion). This would place an almost unbearable strain on its fragile foreign exchange reserve position.

3. DROP IN EXPORTS:

Iraq and Kuwait have been major trading partners of India. Iraq is crucial both from the viewpoint of project and commodity exports. Over the last 10 years Iraq accounted for over 60 per cent of India's project exports with a value of Rs. 5,000 crores ($US 2,778 million). Commodity exports were valued at Rs. 126 crores ($US 70 million) during 1989-1990. Indian exports, which comprise tea, spices, basic chemicals and engineering goods were expected to register further increases during the current year.

Indian exports to Kuwait have also risen significantly from Rs. 92 crores ($US 51 million) in 1986-1987 to Rs. 198 crores ($US 110 million) during 1989-1990. These exports comprise rice, gems and jewellery, fruits and vegetables and engineering goods.

The restrictions on India's trade with these countries would lead to a total loss of foreign exchange to the tune of $US 180 million approximately over the next 12 months.

In addition to the above, India had entered into a Deferred Payment Agreement with Iraq for ongoing construction projects in Iraq. Of the $US 403 million due to be paid by 1993, an amount of $US 85 million was due to India in 1990. With the application of sanctions, it would no longer be able to transfer this amount in the form of crude oil as agreed between the two countries.

4. DROP IN REMITTANCES:

It is estimated that about 200,000 Indians were employed in different capacities in Iraq and Kuwait. These expatriates were responsible for remittances to India to the extent of approximately Rs. 700 crores ($US 389 million) per annum. The imposition of restriction on these countries is resulting in an exodus of Indian workers. This has resulted in the complete stoppage of current remittances, the blocking of funds which would be used for remittances in the future and drastically reduced prospects for future remittances even after and in case of resumption of such remittances.

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5. REPATRIATION AND REHABILITATION OF RETURNING EXPATRIATES:

India is having to spend large amounts in foreign exchange to evacuate its citizens from Iraq and Kuwait. These costs are in the process of being calculated. To illustrate the cost incurred on only one element of the evacuation process, a single flight carrying 300 passengers is costing the Government Rs. 75 lakhs. If a mere 20,000 of the 200,000 potential evacuees are airlifted, the costs of flights alone would be Rs. 50 crores (approximately $US 30 million). In addition to these costs and the financial loss in terms of remittances, India will also have to expend large amounts to rehabilitate the returning Indian migrant workers. The inflow of these workers will further aggravate a serious unemployment situation in the country. The problem faced by these workers becomes more acute by the fact that they would have left behind considerable assets and would need to start totally anew.

CONCLUSION

Sanctions against Iraq and Kuwait will seriously affect not only India's resource management but will constitute a setback to its developmental efforts. India cannot, by itself, find short-term solutions to counter the serious negative impact that the sanctions are having on the Indian economy. It is in this context that India seeks relief in the areas identified above, by means of increase in the availability of oil and financial compensation.

Enclosure II

Memorandum on the economic, commercial and financial impact on India resulting from restrictions on economic relations with Iraq and Kuwait a/

[Original: English]

The present crisis in the Gulf has had both an immediate dislocating impact on, and longer-term adverse impacts for, India's economy. The impact is most severely felt on India's balance of payments, coming at a time when India was already under strain as a result of ongoing debt repayments.

Whatever growth achievements India was able to record during the 1980s, and was working towards and anticipating for the 1990s, are today in danger of being jeopardized as a result of the developments in the Gulf. The implications for a low per capita income country like India are greater than for developed or developing countries with higher per capita incomes.

The implementation of United Nations Security Council resolution 661 (1990) has affected vital sectors of India's economy. The following are the areas most affected:

(a) The non-availability of oil and its impact on industry and agriculture;

(b) The additional demand for foreign exchange to meet the rise in oil prices, affecting the balance of payments;

(c) The loss of revenue resulting from a sharp drop in exports;

(d) A significant drop in remittances from Indian expatriates;

(e) The costs of repatriation and rehabilitation of Indian expatriates displaced from Kuwait and Iraq;

(f) Social costs with their impact on unemployment as a result of the above.

A. Availability of oil

India's domestic production of crude oil and petroleum, oil and lubricants (POL) is required to be supplemented by regular imports to meet the demands of its growing economy. With rapid industrial and agricultural growth taking place in India, consumption levels are progressively rising.

India's annual import requirement of crude oil and products for 1990-1991 is 24.28 million tons, supplies for which had been tied up for the year on the basis of an average price of $US 17 per barrel. Of this amount, 8.75 million tons of oil and 1.2 million tons of superior kerosene oil were expected to be supplied from Iraq and Kuwait. India has been trying to identify alternative sources of supply

for crude oil of specific grades and of appropriate quality compatible with Indian refineries. The uncertainty of supply is affecting industrial activities and agricultural production. This would also lead to a speculative rise in overall prices apart from the medium- and long-range trend towards an increase in oil prices. There are also likely to be additional costs related to obtaining the petroleum, oil and lubricants required, if crude of appropriate quality is not available.

B. Rise in price of oil

India has also been affected by the sharp rise in oil prices that has already taken place. Should this price increase further, the adverse impact would be cumulative. For 1990-1991, India has budgeted for the import of 24.28 million tons at a cost of $US 3,555 million on the basis of $US 17 a barrel. It has been estimated that for every dollar increase in oil prices above the $17 per barrel, India's import bill would increase by $US 222 million. If the price level of $US 28 per barrel is projected for the year, the increase in India's import bill would amount to an additional approximate $US 2.4 billion. This would place an almost unbearable strain on its fragile foreign exchange reserve position.

C. Loss in export earnings

Iraq and Kuwait have been major trading partners for India. Commodity exports to both countries during the past year were around $US 180 million. In addition, exports were showing a significant increase in recent years. Over the past few years, projected exports to Iraq accounted for over 60 per cent of India's total projected exports, valued at $US 2.7 billion. India is also to receive over $400 million as dues from Iraq, of which $85 million was due in 1990 alone. As a result of the crisis, there will not only be a total loss of $265 million during the current year to the Exchequer, but the dislocation of business and the impact on manufacturers, growers and exporters will be considerable.

D. Drop in remittances

It is estimated that about 200,000 Indians were employed in different capacities in Iraq and Kuwait. These expatriates were responsible for remittances to India to the extent of approximately $US 389 million per annum. The imposition of restrictions on these countries resulted in an exodus of Indian workers. Thi has resulted in the complete stoppage of current remittances and the blocking of funds which would be used for remittances in the future and has drastically reduced prospects for future remittances even after and in the case of resumption of such remittances.

E. Repatriation and rehabilitation of stranded migrant workers

An estimated 200,000 Indian workers were stranded in Iraq and Kuwait. The Indian Government engaged in a mammoth exercise of repatriating its nationals. The cost of repatriating 130,000 nationals came to $US 200 million.

It is estimated that the cost of rehabilitating 130,000 displaced nationals from the Gulf would be in the vicinity of $US 720 million, taking into account the fact that the returning migrants would have left behind considerable assets and would need to start totally anew.

F. The prolongation of the Gulf crisis

An assessment of the dimensions of the Gulf crisis on India's economy is subject to tremendous uncertainties with respect to how soon the Gulf crisis will be resolved and in what manner. If the crisis remains unresolved, the severity of the impact on India's economy will continue to make itself evident. Some assessment of the impact on the balance of payments is already possible.

Assuming that the average crude oil price in the next 12-month period is around $25 per barrel, as against a projected base price of $18 in the absence of the Gulf crisis, the direct additional cost of petroleum, oil and lubricants imports will come to about $US 2.4 billion; if the average cost during 1991 is around $US 28 per barrel, the total additional outflow on this account would be around $US 3.6 billion.

The loss in remittance flows for the next year, assuming no further growth, would remain at $US 200 million at least.

The loss in exports in goods and services for 1991 would be in the vicinity of at least $300 million of one calculates only the total loss of the Iraqi and Kuwaiti markets.

G. Conclusion

For the next year, therefore, and on the basis of very conservative estimates, the impact on India's balance of payments is likely to be in the region of $US 2.8 billion. These estimates must be viewed as tentative and subject to correction in the light of developments in the Gulf region. There would furthermore be various other economic, political and social costs, difficult to quantify at the moment, unless the shock to the balance of payments is reduced.

While the Indian economy has inherent reserves of strength owing to its size, sources of raw material, entrepreneurial skills, industrial infrastructure, etc., the Gulf crisis will have a major adverse impact on its industrial and agricultural growth, on price levels and on the Government's ability to implement the current trend towards economic liberalization. It is further to be noted that the major impact of the crisis has been on India's balance of payments owing to a sharp escalation in the price of oil.

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India is seeking ways to deal with the situation. Without massive external assistance, however, India's developmental efforts will receive a severe setback. India cannot, by itself, find short-term solutions to counter this crisis.

It is in this context that India seeks relief, particularly in the areas identified above, by means of an increase in the availability of oil and financial compensation. The international community can help low per capita income countries like India specifically by ensuring that the oil required by them is available at lower price levels.

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Appendix I

Adverse economic impact of the Gulf crisis on India during the current year: 1990

(In millions of United States dollars)

Additional POL bill (at $US 24 per barrel)	1 660
Loss in remittances	200
Loss in export of goods and services	265
Repatriation of 130,000 persons	200
Rehabilitation (on the basis of demands from States) (over 2 years)	720
Total	3 045

Appendix II

Anticipated impact on balance of payments for 1991

(In millions of United States dollars)

Petroleum, oil and lubricants at $25 per barrel	2 360 a/
Loss in remittances	200
Loss in exports of goods and services	300
Total	2 860

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a/ At the average rate of $US 28 per barrel, this figure is likely to be $US 3.6 billion.

Annex V

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Yugoslavia

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Yugoslavia under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Yugoslavia a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990), and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Yugoslavia,

Expressing concern at the special economic problems confronting Yugoslavia as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of its commercial and economic losses,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Yugoslavia, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Yugoslavia for the measures it has taken to comply with resolution 661 (1990);

a/ S/21618, S/21642 and S/AC.25/37.

2. Recognizes the urgent need to assist Yugoslavia in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Iraqi oil shipments to Yugoslavia;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Yugoslavia to mitigate the adverse impact on its economy of the application by Yugoslavia of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance to Yugoslavia with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Yugoslavia and to report thereon to the Security Council.

Enclosure I

Note verbale dated 23 August 1990 from the Federal Secretary for Foreign Affairs of Yugoslavia addressed to the Secretary-General a/

[Original: English]

The Federal Secretary for Foreign Affairs of the Socialist Federal Republic of Yugoslavia presents his compliments to the Secretary-General of the United Nations and, with reference to the Secretary-General's note SCPC/7/90/1 of 8 August 1990, has the honour to inform him of the measures taken by the Government of the Socialist Federal Republic of Yugoslavia with a view to implementing Security Council resolution 661 (1990) of 6 August 1990.

I

On 9 August 1990, the Yugoslav Government decided to endorse resolution 661 (1990) and to apply consistently all sanctions required by it. To that end, it immediately started to implement the provisions of the resolution in a manner at a pace and under conditions which are realistically possible.

Under paragraphs 3 and 4 of the resolution, the Yugoslav Government has decided as follows:

1. To stop all shipments to, and the use of Yugoslav transport means for supplying, Iraq and Kuwait with third country products;

2. To suspend temporarily imports from Iraq;

3. Not to supply Iraq with arms and military equipment while the sanctions under resolution 661 (1990) are being enforced;

4. To reduce further, depending on ensuing developments, the number of Yugoslavs working at the building sites in Iraq and Kuwait;

5. To freeze Iraqi assets.

Regarding paragraph 9, the Yugoslav Government does not recognize the act of anne..ation and supports the integrity and sovereignty of Kuwait and its legitimate Government.

II

The main concern of the Yugoslav Government at this time is the safety of the Yugoslav nationals still present in Iraq and Kuwait. Arrangements for transporting them to the country are currently under way. At the time the crisis broke out

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a/ S/21618, annex.

there were nearly 7,000 and about 500 Yugoslav citizens in Iraq and Kuwait, respectively.

From 13 to 20 August 1990, 1,150 Yugoslav nationals were convoyed through Jordan and transferred to Yugoslavia via Amman, by the Yugoslav airlines. Some 600 Yugoslav citizens returned to Yugoslavia by road through Turkey. Most of them already possessed exit visas. Since the outbreak of the crisis a comparatively small number of Yugoslavs in Iraq have been granted exit visas. In other words, the chief factor determining the number of people allowed to leave is possession of an exit visa. There are now less than 6,000 Yugoslav citizens in Iraq and about 40 in Kuwait.

In view of the difficulties encountered in obtaining exit visas and the problems related to food supplies (due to food shortages on the Iraqi market), the problem of providing food for Yugoslav workers remaining in Iraq has become very acute. Therefore, the Yugoslav Government considers that it is essential that the United Nations Security Council urgently issue detailed instructions regarding food supplies to foreign nationals, i.e., the lifting of the embargo in so far as shipments for purely humanitarian purposes are concerned.

III

Strict compliance with resolution 661 (1990) will have substantial negative effects on the Yugoslav economy. That is why the Yugoslav Government requests to enter into consultations with the Security Council under Article 50 of the Charter of the United Nations. In this respect and in view of the gravity of the situation, the Yugoslav Government wishes to make the following points:

1. The total value of projects on which the Yugoslav companies worked in Iraq is close to $US 3 billion.

2. Yugoslavia imports oil from Iraq to collect the debts owed to Yugoslav companies carrying out investment projects in, and exporting goods to, Iraq. Owing to the implementation of resolution 661 (1990), Yugoslavia will be short of 1.8 million tons of Iraq oil by the end of this year and Iraq's $US 242 million debt to Yugoslav companies will remain outstanding.

This shortfall in the country's total oil requirements will have to be made up by purchases on alternative markets at considerably higher prices. To buy this oil, Yugoslavia will have to pay some $US 80 million more on spot markets, depending on oil price fluctuations.

Furthermore, owing to oil price rises caused by the Gulf crisis, Yugoslavia will have to pay higher prices for oil supplied by other sources of its imported oil. It is estimated that by the end of this year Yugoslavia will pay these countries some $US 165 million more for oil imports than envisaged.

3. In 1990, Yugoslavia claims about $US 225 million from Iraq for cash contracts in convertible currency. However, having in mind that oil is almost the only source of revenue for Iraq and that it will not be exported because of the

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economic blockade, Iraq will not be able to make these payments to Yugoslavia, either.

4. If the works at building sites are terminated altogether as a result of the duration of sanctions, and full implementation of the sanctions implies that, it may happen that all machinery and equipment at sites estimated at approximately $US 150 million could not be removed to Yugoslavia.

5. The Yugoslav companies also work on orders from Iraq and Kuwait, which are in part related to the structures built by Yugoslav companies in these countries. At present about $US 250 million in goods is on board ships, in-bond or in company warehouses ready to be delivered. Additional costs on that account only total around $US 27 million a month.

6. In the period from 1991 to 1995 Iraq is due to pay Yugoslavia $US 955 million. The payment of this amount has already been deferred. In addition, in the 1991-1995 period, $US 710 million will fall due for Iraqi debts payable in cash, in convertible currency or by instalments.

It is realistic to expect that the Iraqi side will request a new deferral of the rescheduled payments and that it will evade cash payments, as the economic blockade cut it off from its main source of export earnings.

7. The annual effect of compensation for the lost income per year since Iraq will not be able to meet its payments could also be expressed by the amount of interest Yugoslavia will have to pay on loans to compensate for claims from these two sources worth about $US 180 million annually.

On the basis of all these listed above, it could be deduced that the negative effects of the implementation of Security Council resolution 661 (1990) on the Yugoslav economy would amount to nearly $US 3 billion.

Enclosure II

Yugoslavia's presentation, in accordance with Article 50 of the Charter of the United Nations, before the Security Council Committee established by resolution 661 (1990) a/

[Original: English]

I

On 6 August 1990 very shortly after the adoption of resolution 661 (1990) the Yugoslav Government undertook to apply fully and consistently all measures required therein.

In the Note Verbale of the Federal Secretary for Foreign Affairs of Yugoslavia to the Secretary-General of 23 August 1990, circulated as document S/21618, the Yugoslav Government informed the Security Council of the measures it had taken to implement paras. 3 and 4 of resolution 661.

The decision by the Yugoslav Government to fully comply with Security Council resolution 661 on the implementation of sanctions against Iraq reflected Yugoslavia's consistent policy that any breach of international law or use of force against the sovereignty, independence and territorial integrity of a member of the United Nations is unacceptable and must not be left unchecked.

However, for Yugoslavia which is passing through a crucial phase of radical economic reform and restructuring, the decision to implement resolution 661 was of course a matter of principle, but, due to its very significant and extensive economic and trade relations with Iraq and Kuwait, this decision, we must emphasize, will have an extremely negative effect on all aspects of the Yugoslav economy.

Over years Iraq has been one of the most important trading and business partners of Yugoslavia. This country accounts for US $ 300-400 million of Yugoslav exports per year.

At the outbreak of the crisis several hundred Yugoslav companies were extensively involved in investment projects in Iraq. The total value of these projects is close to US $ 3 billion. In fact the very existence of many of these companies was based on the expected revenue which was to emanate from their activities in Iraq. Apart from the 8,000 workers living and working in Iraq as many as 50 thousand workers and their families in Yugoslavia will be directly affected by the implementation of sanctions against Iraq and Kuwait. The majority of the Yugoslav construction companies in Iraq will find it extremely difficult to find new contracts in other countries or in Yugoslavia itself. Many businesses may be expected to close down and many jobs will be lost. Companies involved in supplying Yugoslav construction workers with equipment and food will also be severely affected.

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a/ S/AC.25/1990/CRP.5, annex.

The fact that Iraq was a major supplier of oil to Yugoslav refineries will have a significant impact on the Yugoslav energy balance. Yugoslavia imports oil to collect the debts owed to Yugoslav companies carrying out projects in, and exporting goods to, Iraq.

Import of 3.2 million tons of Iraqi oil has been contracted for 1990 at US $ 130 per ton which ought to have gone towards payment of about US $ 413 million of various financial claims of Yugoslav companies.

Prior to the adoption of the resolution, 1.3 million tons of oil has been imported whereby the payment of about US $ 170 million of the overall Yugoslav financial claims has been realized whereas the payment of the remaining US $ 242 million is freezed.

The difference between the planned and realized import of Iraqi oil of about 2 million tons will have to be covered by spot market purchases at considerably higher prices (currently the price of the oil of approximate quality is about US $ 210 per ton) which translates into an outright loss of US $ 420 million.

Yugoslavia is a net importer of petroleum and petrochemical products. Increases in the price of oil causes a chain reaction in the price of these products which will bring a further financial loss of about US $ 50 million.

Yugoslav exports to Kuwait amount to US $ 20 million and Yugoslav companies are involved in a number of important investment projects in this country. About five hundred Yugoslav nationals were working on projects in Kuwait when the crisis broke out. No Kuwait oil, however, has been imported in recent years.

II

1. From the aforementioned it transpires that the short-term, in fact immediate, consequences by the end of 1990, are assessed at US $ 1.3 billion. This amount includes the following:

- US $ 140 million due to the non-realization of exports already contracted to Iraq and Kuwait;

- US $ 242 million in oil deliveries to pay off Iraqi debts owed Yugoslav companies;

- US $ 225 million from Iraq and US $ 50 million from Kuwait due to the freeze on payment for Yugoslav goods and services;

- An equivalent of about US $ 25 million due to the non-payment of financial claims in Iraqi currency;

- US $ 420 million for the purchase of 2 million tons of oil on the spot market;

- US $ 250 million on account of oil and petroleum purchases in other countries at higher prices.

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2. In addition to this immediate loss of US $ 1.3 billion by the end of this year, it is estimated that if the crisis continues the overall potential loss for the Yugoslav economy in the period 1991-95 could be about US $ 6 billion.

First, in the said period Yugoslav companies' overall financial claims for the works already carried out in Iraq amount to US $ 1.665 million. This includes:

- The maturities in the overall amount of US $ 955 million on the Iraqi debt to Yugoslavia re-programmed on several past occasions falling due in this period; and

- The payment of US $ 710 million under the terms of the loan agreement arranged through the Yugoslav Bank for International Economic Cooperation also due in this period.

Second, investment projects contracted by Yugoslav companies in Iraq and Kuwait in the same period are estimated at about US $ 3 billion, but their realization at the present moment is uncertain.

Third, new businesses have also been contracted with Iraq and Kuwait in the amount of about US $ 1 billion a year and due to the newly-created situation considerable capacities will be rendered idle since it is difficult or almost impossible for these businesses to find alternative markets.

3. Moreover, Yugoslav companies have produced equipment and material estimated at US $ 250 million for the realization of their investments projects in Iraq and Kuwait and for the customers in these two countries and they are now ready for delivery. In production is additional equipment and material for the same purpose valued at about the same amount of US $ 250 million. The value of the machines, equipment and other property of Yugoslav companies in Iraq is assessed at about US $ 200 million. This amounts to an overall 700 million.

III

By embarking on a radical programme of economic reform directed towards the establishment of a full-fledged market economy, the liberalization of trade, foreign investment and the convertibility of the national currency, the Yugoslav Government has from the beginning of this year made significant steps towards the stabilization of the economy. Success in combating hyperinflation, a significant improvement in the balance of payments and the increase of hard currency reserves to an unprecedented level, achieved at the expense of serious belt-tightening and harsh austerity measures, may be threatened by the negative consequences for the Yugoslav economy emanating from this situation.

It goes without saying that the economic programme was devised on the basis of a very precise calculation of revenue and expenditure resulting from international transactions and foreign financial support. Energy imports such as the price of oil were also calculated at lower levels. The consequences of the implementation of sanctions against Iraq and the ensuing dramatic rise of the price of oil will thus have a detrimental effect on the whole reform package and may put into

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question its successful outcome. Apart from serious economic consequences this may have grave social implications.

At the time when Yugoslavia is about to embark upon a new cycle of investment as an indispensable element of the success of its economic reform, it obviously finds itself in a position to be among the countries that will be most seriously affected by the overall situation created by the Iraqi invasion of Kuwait and the implementation of Security Council sanctions.

In such circumstances Yugoslavia has no other alternative but to turn to the international community and in particular to the Security Council under Article 50 of the United Nations Charter and request that concrete measures be taken to alleviate the burden it is to bear as a consequence of the implementation of the sanctions.

In conclusion, I would like to emphasize that the Security Council and this Committee have a special responsibility in this situation. They must see to it that the costs of the implementation of the sanctions should not be most heavily borne by developing countries to which Yugoslavia belongs but by those who can afford to pay for it. It must not be allowed that countries that have to shoulder a heavy burden of external debt, for instance, end up also on this occasion as the countries that pay the highest price of all. In this situation, for example, one of the possible measures could be for the creditors to display maximum understanding for debtor countries, my country included, since there is no doubt that they will be the ones most seriously affected. It is therefore expected that the Security Council and this Committee will devise concrete measures and mechanisms to assist the countries most seriously affected by resolution 661.

Enclosure III

Memorandum on the negative consequences of the Gulf crisis and the implementation of Security Council sanctions against Iraq on the Yugoslav economy a/

[Original: English]

I

On the request of the Secretary-General of the United Nations, the Federal Secretary for Foreign Affairs of Yugoslavia transmitted on 23 August 1990 in his note verbale, circulated as document S/21618, the position of the Yugoslav Government regarding the implementation of United Nations Security Council resolution 661 (1990).

In the note verbale it was clearly and unequivocally stated that as from 6 August 1990 the Yugoslav Government endorsed resolution 661 (1990) and commenced to apply consistently and fully all sanctions required by it.

Under paragraphs 3 and 4 of the resolution the Yugoslav Government decided as follows:

1. To stop all shipments to Iraq and the use of Yugoslav transport means for supplying Iraq and Kuwait with third country products;

2. To suspend all imports from Iraq;

3. To stop all investment and construction works by Yugoslav companies in Iraq;

4. Not to supply Iraq with arms and military equipment while the sanctions under resolution 661 (1990) are being enforced;

5. To freeze Iraqi assets;

6. To evacuate to the greatest extent possible Yugoslav workers at building sites in Iraq and Kuwait.

As was explained in the note verbale, and in the statement by Ambassador Pejic to the sanctions Committee on 6 September 1990, the decision of the Yugoslav Government to comply with the sanctions will have an extremely negative effect on all aspects of the Yugoslav economy. The potential long-term losses in the period 1991-1995 are estimated to amount of $6 billion.

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a/ S/22014, annex.

II

According to the newest calculations the total estimated losses that the Yugoslav economy will bear in 1990 as a consequence of implementing resolution 661 are as follows:

- US $ 240 mil. due to the non-realization of exports already contracted to Iraq and Kuwait;

- US $ 242 mil. in oil deliveries to pay off Iraqi debts to Yugoslav companies;

- non-realization of US $ 145 mil. due to the freeze on the payment for Yugoslav goods and services;

- US $ 350 mil. for the purchase of 2 million tons of oil on the spot market;

- US $ 371 mil. on account of oil and petroleum purchases in other countries at higher prices;

- US $ 60 mil. estimated lost income to Yugoslav workers engaged in construction projects in Iraq.

The total loss for 1990 would therefore amount to US $ 1.3 billion.

Annex VI

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Lebanon

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Lebanon under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Lebanon a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990), and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Lebanon,

Expressing concern at the special economic problems confronting Lebanon as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of its commercial and financial losses, as well as costs associated with repatriation and rehabilitation of Lebanese nationals returning from Kuwait and Iraq,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Lebanon, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Lebanon for the measures it has taken to comply with resolution 661 (1990);

a/ S/21686, S/21737 and S/AC.25/1990/58.

2. Recognizes the urgent need to assist Lebanon in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Lebanese products to the Gulf area and undelivered oil shipments from Iraq and Kuwait, as well as costs associated with repatriation and rehabilitation of Lebanese nationals returning from Kuwait and Iraq;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Lebanon to mitigate the adverse impact on its economy of the application by Lebanon of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance to Lebanon with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Lebanon and to report thereon to the Security Council.

Enclosure I

Memorandum concerning the economic and financial impact on Lebanon resulting from the Gulf crisis a/

[Original: English]

The present crisis in the Gulf area and the application by Lebanon of the United Nations Security Council resolutions imposing an economic embargo on Iraq and Kuwait are having a prejudicial impact on the economy of Lebanon and aggravating the very precarious conditions derived from 15 years of disturbances in this country.

STATUS QUO ANTE

Before the onset of the crisis, the Lebanese economy relied heavily for survival on the incomes derived from its exports, a major proportion of which went to the Gulf area, Iraq and Jordan. The interruption of exports to these destinations is now depriving Lebanon of a major source of income.

About 25-30 per cent of Lebanon's working population had emigrated in the past three decades to the Gulf area, Iraq and Jordan. The remittances transferred by this emigrant community supported the hundreds of thousands of families who remained back home. For a country that imports 70 per cent of its needs, these remittances went a long way towards offsetting the deficit in the balance of trade which has been a constant feature of the Lebanese economy.

From the fiscal standpoint, the Lebanese Government covers its expenditures almost entirely through deficit financing as it is unable to collect revenues.

Generally speaking, the physical and institutional infrastructure is in a state of grave deterioration, thus, the Gulf crisis does not only reduce a source of income or close a market. In war-torn Lebanon, its negative effects have a sadly all-encompassing impact.

THE POSITION TODAY

Material losses and problem of returnees

The Lebanese communities in Kuwait and Iraq are estimated at 40,000 and 20,000 respectively. The overwhelming majority of these communities is engaged in business, crafts, contracting and the professions.

The yearly remittances of the Lebanese community in Kuwait were estimated in 1989 and $US 150 million. Data on remittances from the Lebanese community in Iraq are not available.

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a/ S/21737, annex.

The financial assets (bank deposits) of the Lebanese community in Kuwait are conservatively estimated at $US 500 million, while its physical and business assets run into hundreds of millions of US dollars.

One of the severe sequels of the Gulf crisis is that those communities which, at one time, were a great asset to the national economy, are now returning "en catastrophe" to Lebanon where they are bound to augment the mass of the unproductive segment of society. This problem is occurring at a time when thousands of Lebanese families are fleeing Liberia due to the civil war which recently broke out in that country.

Trade-related losses

Lebanese exports to the Gulf area, Iraq and Jordan had represented approximately 40-50 per cent of all Lebanese exports over the past few years. The disruption of these exports is having a sharp effect on employment and incomes, exacerbating in the process an already fairly critical state of things. This situation has been especially difficult in respect of those trades which over the years, had become entirely geared to meeting the market requirements of the Gulf area, Iraq and Jordan. The resulting losses to Lebanon are estimated at $US 250 million per annum.

The oil imports alone will cost the Lebanese economy an extra $US 300 million per annum over the normal level of disbursements in this domain.

The services sector in Lebanon has been traditionally oriented to servicing the Gulf countries, Iraq and Jordan. The quasi paralysis in this sector, which followed the invasion of Kuwait, is now costing Lebanon approximately $US 250 million per year. Losses in other sectors are estimated at $US 50 million per year.

In the realm of trade credits, reliable banking authorities put the losses incurred by the Lebanese at $US 150 million as a minimum.

Monetary impacts

A particular significant sequel of the Gulf crisis on Lebanon is reflected by the steep devaluation of the national currency which lost within four weeks after the invasion of Kuwait about 46 per cent of its value (see chart). This came as a result of anticipated and actual losses of remittances and exports as well as of a sudden rush on the conversion of Lebanese pound assets into hard currencies, which occurred simultaneously with a sizeable flight of capital basically caused by a further deepening of lack of confidence in the country's prospects.

This dramatic drop in the value of the Lebanese pound was immediately translated into a staggering flight of prices of commodities and services, which is understandable in a country that imports almost three quarters of its needs. Coming on top of the hyper inflationary trends hitherto under way, this development has wrought havoc with the system of wages, prices, incomes, etc. and has pushed the country to the limit of despair and desolation. It is now feared that, unless

contained very soon, this cascade of misfortunes could lead Lebanon in a not too distant future to a state of awesome social, economic and possibly political upheavals.

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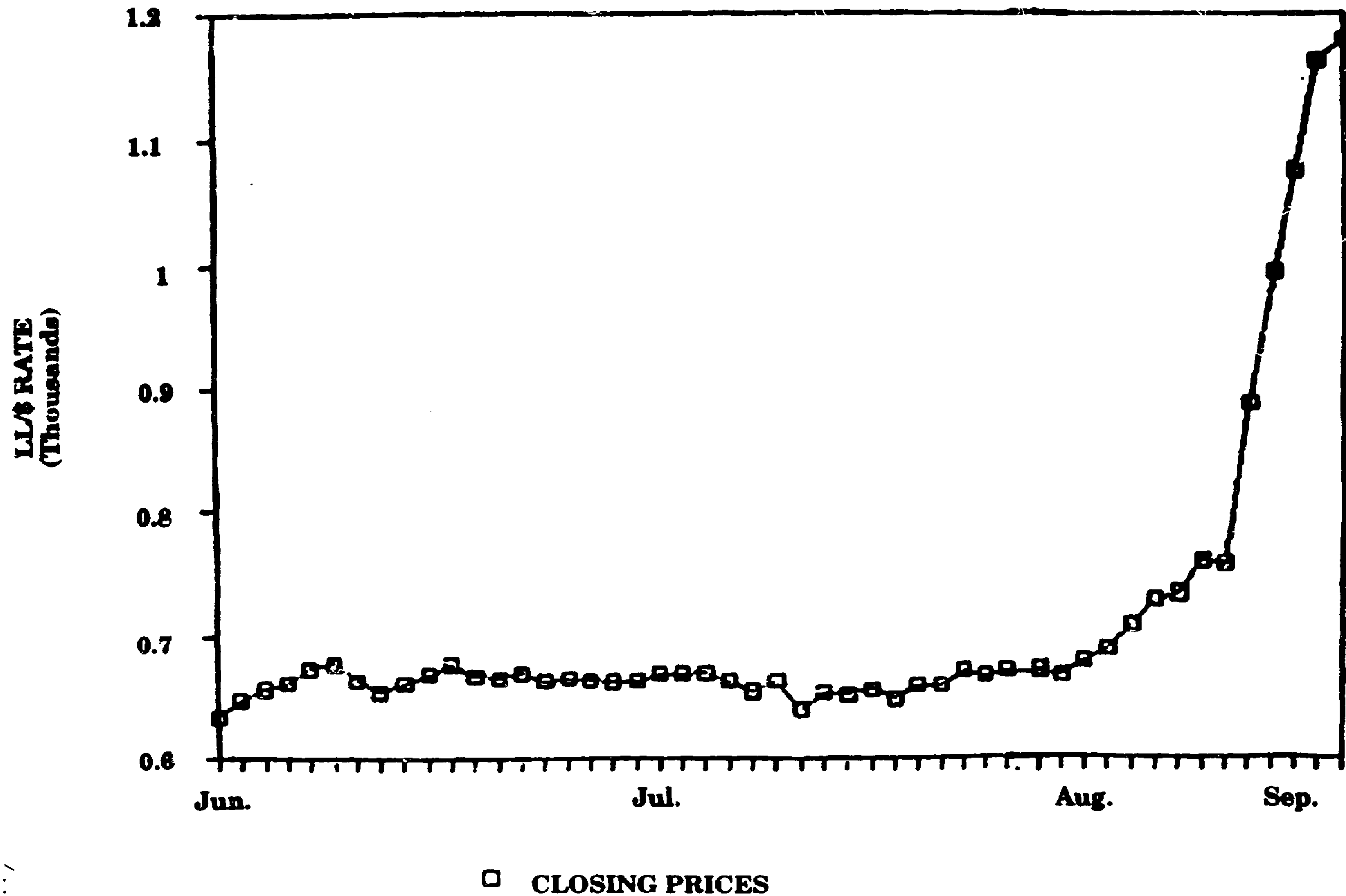
BANK OF LEBANON
COMPUTER DEPT.

THE LEBANESE FOREIGN EXCHANGE MARKET

LL/$ (JUN. ---> SEPT. 6, 1990)



Annex VII

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to the Philippines

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from the Philippines under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by the Philippines a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990), and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of the Philippines,

Expressing concern at the special economic problems confronting the Philippines as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which was particularly difficult in terms of its commercial and economic losses, as well as costs associated with repatriation and rehabilitation of Filipino workers returning from Kuwait and Iraq,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by the Philippines, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of the Philippines for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21712 and S/AC.25/1990/60.

2. _Recognizes_ the urgent need to assist the Philippines in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Kuwaiti and Iraqi oil shipments to the Philippines, and costs associated with repatriation and rehabilitation of Filipino workers returning from Kuwait and Iraq;

3. _Appeals_ to all States on an urgent basis to provide immediate technical, financial and material assistance to the Philippines to mitigate the adverse impact on its economy of the application by the Philippines of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. _Invites_ the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance to the Philippines with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. _Requests_ the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of the Philippines and to report thereon to the Security Council.

Enclosure I

Memorandum dated 14 November 1990 on economic, commercial and financial impact on the Philippines of the application of sanctions against Iraq and Kuwait a/

[Original: English]

The unfortunate situation between Iraq and Kuwait and the subsequent implementation of Security Council resolution 661 (1990) have had a direct and severe impact on the Philippines economy, at a time when the country had just suffered massive devastation caused by the earthquake that hit the main island of Luzon on 16 July 1990.

That temblor caused damage to public infrastructure amounting to 10.1 billion Philippine pesos ($US 404 million) and to private properties amounting to 800 million pesos ($32 million). Damaged infrastructure includes roads and bridges, public buildings, water resources and other structures, which directly contribute to the production and distribution of output and which will need immediate reconstruction and rehabilitation if the economy is to be put back on track.

The quake also caused losses in agricultural production amounting to 1.19 billion pesos ($47.6 million). Losses were most substantial for rice (670 million pesos) and fisheries (343 million pesos). These include actual losses, plus opportunity losses arising from: (a) lower yields owing to the non-availability of fertilizers in Cagayan Valley, a major rice-producing region, partly as a result of the closure of the collapsed Dalton Pass, a major road artery, and inadequate water supply caused by heavily damaged irrigation system; and (b) unmarketed output owing to landslides or repairs on production facilities.

Because of damage to two major mines inthe Cordillera area, real growth in the mining and quarrying sector will be lower by 0.6 percentage point than the previous estimate of 5.2 per cent for 1990.

The damage to the Baguio Export Processing Zone, which accounts for $213 million or 39 per cent of the total output of all export processing zones, is expected to result in lower growth of exports of goods and services in real terms, from 7.8 per cent to 5.2 per cent in 1990.

The economic havoc wrought by the 16 July 1990 earthquake has come at a time when the Philippine economy was already considerably weakened by a protracted drought during the first months of the year. This dry spell caused huge declines in the production of such staple crops as rice and corn. The drought also caused a shortage of hydroelectric power during the first semester, which helped to bring about the earlier energy crisis during the summer months. With very frequent power outages, industrial production slowed and economic growth decelerated.

a/ S/22011, annex.

Against this dire background, the crisis in the Gulf and its aftermath come as another heavy blow on a saddled Philippine economy. Among the serious adverse consequences on the Philippines of restrictions on trade and commerce with Iraq and occupied Kuwait are the following.

Problem of identifying alternative sources of oil

The Philippines is almost completely dependent on imports, largely from the Gulf region, to meet its oil requirements. During the first five months of 1990, the Philippines imported from Kuwait 8.1 million barrels (or 22.01 per cent of its total imports) of petroleum and crude oils as well as 198 million barrels (or 48.24 per cent of its total imports) of bunker fuel oil. The Philippines also imports about 3 per cent of its annual oil requirements from Iraq, albeit indirectly and mainly through Singapore.

On an annual basis, about one quarter of total Philippine oil supplies became unavailable immediately following the imposition of United Nations sanctions. As a result of this, major industrial and manufacturing concerns in the country, anticipating oil-supply disruptions, higher fuel costs and power insufficiency - since about 65 per cent of electric power in the Philippines is oil-generated - have been forced to scale down production or postpone investments. These decisions have already entailed increased unemployment woes.

The Philippines acknowledges with deepest gratitude the extension of its existing oil contracts with Saudi Arabia and the Islamic Republic of Iran, which together supply about one half of the Philippines total oil requirements. However, it must still identify alternative oil sources to meet the shortfall in the oil supply.

Effects of the oil price rise

Before the current Gulf crisis, the Philippines expected to spend $1.2 billion on imported oil for the whole of 1990, based on an average price of $16 per barrel. Should the price of oil average $35 per barrel during the rest of the year, however, the country would have to spend at least $475 million more for the same volume.

The increase in the price of oil has caused an upward movement in the inflation rate to around 16 per cent per annum, from the previously projected rate of 11.7 per cent for 1990.

Since the start of the Gulf crisis, the peso-United States dollar exchange rate has deteriorated by 7.9 per cent from the end-July level of 23.86 pesos to the dollar to 25.75 pesos to the dollar as at 26 October 1990. For the first nine months of the year, the peso depreciated by 13.5 per cent against the United States dollar, compared with the 3.0 per cent full-year depreciation in 1989.

The oil price increase has also further exacerbated the already precarious balance-of-payments situation in the Philippines. In 1989, oil imports amounting to $1.1 billion constituted 10.7 per cent of total imports; these are now expected to account for 15 per cent of total imports in 1990.

Drop in remittances

Owing to the displacement of 65,000 Filipino workers in Kuwait and Iraq, foreign exchange receipts from workers' income remittances - excluding those not channelled through the banking system - are estimated to decline by $190 million in 1990, $300 million in 1991 and $330 million in 1992.

In addition, the overseas employment industry (private sector) would stand to lose foreign exchange earnings from service fees paid by foreign principals amounting to $300,000 for 1990.

Repatriation cost and unemployment

The Philippine Government, with assistance from the International Organization for Migration and foreign Governments, has had to shoulder the high costs of evacuating Filipino workers from Kuwait and Iraq. Based on prices as at 5 September 1990, a single flight carrying 380 passengers from Amman/Dubai to Manila costs the Philippine Government $352,630. Some $30 million would therefore have to be expended if a mere half of all Filipinos in Kuwait and Iraq were flown to Manila.

Kuwait was the fifth largest absorber of Filipino overseas workers in the Middle East. A total of 102,332 Filipino workers were deployed there from 1984 to 1989. Annually, deployment of Filipino workers in Kuwait averaged 6.74 per cent of total deployment in the Middle East; that in Iraq averaged about 1 per cent.

Complete or even partial repatriation of the 65,000 Filipino workers in the two countries would have deleterious effects on the Philippine economy. On average, five Filipino dependants per displaced worker would also suffer their breadwinner's dislocation. Labour surpluses in the key industrial sectors of construction, industrial operations and maintenance and medical, hotel and retailing services would exacerbate further the poor absorption of underemployed rural manpower.

In sum, while the July 1990 earthquake devastated mainly the agriculture and services sectors of the Philippine economy, the Gulf crisis has held hostage the growth prospects of the country's oil-dependent industrial sector. With the combined impact of these two events considered, overall Philippine economic growth is expected to drop from a projected 4.8 per cent to less than 3.5 per cent for 1990, as against last year's 5.7 per cent.
