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LETTER DATED 27 AUGUST 1990 FROM THE PERMANENT REPRESENTATIVE OF  
ROMANIA TO THE UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

I have the honour to refer to my letter dated 13 August 1990 (S/21507), which enclosed the reply of the Romanian Government to your Note SCPC/7/90/1 of 8 August 1990, dealing with the concrete measures that Romania has undertaken for the full implementation of the United Nations Security Council resolution 661 (1990).

In connection with that letter, I enclose herewith the text of a memorandum of the Romanian Government on the economic and financial impact on Romania, as consequence of restrictions on its economic relations with Iraq and Kuwait.

I would be grateful if in your forthcoming report on the implementation of resolution 661, you draw the attention of the Security Council to the problems confronting Romania as a result of the sanctions decided against Iraq as well as the possibilities for rendering assistance to my 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 to potential creditors to render any possible support for alleviating the serious economic difficulties of Romania.

I would appreciate it very much if you circulated the present letter and the attached document to the members of the Security Council and had them considered in accordance with Article 50 of the United Nations Charter.

(Signed) Aurel-Drăgoș MUNTEANU  
Ambassador

Annex

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

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 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.

