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LETTER DATED 23 AUGUST 1990 FROM THE PERMANENT REPRESENTATIVE
OF YUGOSLAVIA TO THE UNITED NATIONS ADDRESSED TO THE
SECRETARY-GENERAL

I have the honour to transmit, enclosed herewith, the note of the Federal Secretary for Foreign Affairs of the Socialist Federal Republic of Yugoslavia containing the reply of the Yugoslav Government to your note SCPC/7/90/1 of 8 August 1990 concerning the implementation of United Nations Security Council resolution 661 (1990).

I would appreciate it if the note of the Federal Secretary for Foreign Affairs of Yugoslavia could be circulated as a document of the Security Council.

(Signed) Dragoslav PEJIC
Ambassador
Permanent Representative

Annex

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

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 annexation 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 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 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.

