



Security Council

Distr.
GENERAL

S/21776
17 September 1990

ORIGINAL: ENGLISH

LETTER DATED 14 SEPTEMBER 1990 FROM THE PERMANENT REPRESENTATIVE OF
PAKISTAN TO THE UNITED NATIONS ADDRESSED TO THE PRESIDENT OF THE
SECURITY COUNCIL

1. In a letter dated 10 September (S/21734) I had already conveyed to the Secretary-General of the United Nations that the Government of Pakistan had decided to implement the provisions of Security Council resolution 661 (1990).
2. The carrying out of the measures in implementation of the resolution has, however, given rise to special economic problems for Pakistan, and a memorandum outlining the adverse impact on Pakistan's economy is enclosed (see annex).
3. Upon instructions from my Government, I have therefore the honour to request urgent consultations with the Security Council in accordance with Article 50 of the Charter of the United Nations with regard to the resolution of those problems.
4. I should be grateful if this letter and its annex are circulated as a document of the Security Council.

(Signed) Jamsheed K. A. MARKER
Ambassador and Permanent Representative

Annex

Memorandum on economic and financial impact on Pakistan,
resulting from restrictions on economic relations with
Iraq and Kuwait

The implementation of United Nations Security Council resolution 661 (1970) has had an immediate and adverse impact on Pakistan's economy. The following are the direct consequences for Pakistan's economy:

(1) Evacuation and rehabilitation of Pakistanis	\$ 70 million
(2) Loss of home remittances	\$300 million
(3) Loss of export receipts	\$100 million
(4) Increase in the price of oil	\$600 million

1. Evacuation and rehabilitation of Pakistanis

Official assessment indicates that 100,000 Pakistanis in Kuwait and Iraq have to be evacuated. About 10,000 Pakistanis are expected to travel back to Pakistan by their own vehicles or through other means of road transportation. The remaining 90,000 will travel by air or sea. The passage by a Pakistan International Airlines flight from Amman to Karachi costs 7,500 Pakistan rupees, and from Riyadh to Karachi PRs 6,000 while the approximate cost by sea journey also comes to PRs 7,000 per person. The average transportation cost for bringing back a Pakistani from various stations in the Middle East to Karachi is estimated roughly at PRs 7,000. The expenditure thus expected to be incurred on travel by air and sea would therefore be PRs 630 million.

Those returning by their own vehicles or other means of road transportation will need to be provided PRs 10,000 per head to meet the cost of gasoline, hire charges for buses, temporary shelter and food charges in Turkey, the Islamic Republic of Iran and the Syrian Arab Republic. About PRs 100 million will be incurred on 10,000 persons travelling by road.

To facilitate internal movement within Pakistan and to meet other expenses for reaching the final destination, the Government has decided to pay PRs 6,000 to each person at the time of entry into Pakistan. The total burden of the cash grant would amount to PRs 600 million.

The evacuees reaching Riyadh and Amman were transported from the borders, lodged in camps and provided food, blankets and medical aid before their embarkation on planes and ships. While all the evacuees in Riyadh have been cleared, there is a continuous flow to Amman. The cost of running camps at these places is estimated at \$3.5 million, i.e., about PRs 70 million. Similarly, reception camps have been established at Taftan for overland evacuees and at

Karachi for those returning by sea or air. The cost per head presently is estimated at PRs 1,000, with a total cost of PRs 100 million. Thus, camps and associated relief inputs will cost about PRs 170 million.

The summary of expenditure on the facilities noted above is given below.

	<u>Millions of Pakistan rupees</u>
a. Travel expenditure at PRs 7,000 per head for 90,000 persons by air/sea	630
b. Travel expenditure of 10,000 evacuees moving by land route at PRs 1,000 per head	100
c. Expenditure on camps in Amman and Riyadh	70
d. Payment at entry point for 100,000 evacuees at PRs 6,000 per head	600
e. Reception camps at Karachi, Taftan: transportation and food	100
Grand total	<u>1 500</u>

(Approximately \$70 million)

The majority of expatriate Pakistanis have both the skill and enterprise for gainful absorption into the economy. To facilitate the process, schemes for their rehabilitation are under preparation. The cost to the federal budget will be known when returns and estimates are firmed up.

2. Loss of home remittances

Pakistan was receiving home remittances of about \$170 million annually from Kuwait. As a result of the crisis, Pakistanis in Kuwait and Iraq are returning home. Due to disturbed conditions in the Gulf area, home remittances from other Gulf countries are also expected to decline. The total loss in home remittances is presently estimated at \$300 million.

3. Loss of export receipts

The embargo on trade with occupied Kuwait and Iraq will cause a loss of \$100 million in the form of export receipts.

4. Increase in the price of oil

The Gulf crisis will have a serious impact on the already tenuous balance-of-payments position of Pakistan since most of the refined petroleum products were being imported from Kuwait. Import payments are estimated to go up very significantly due to the increase in oil prices. The budget for 1990/91 projects a crude oil price at \$17 per barrel, fuel oil at \$85 per ton and other petroleum products at \$160 per ton. As a result, POL (petroleum, oil and lubricants) import payments for the year 1990/91 are expected to add a burden of \$600 million to the projection of \$1,304 million incorporated in the budget as shown in the following table:

	POL imports	
	<u>Budget</u>	<u>Projections (Revised)</u>
<u>Crude oil</u>		
Value (millions of dollars)	470.0	664.0
Volume (millions of barrels)	27.7	27.7
Price (dollars per barrel)	17.0	24.0
<u>Fuel oil</u>		
Value (millions of dollars)	161.0	227.0
Volume (millions of tons)	1.9	1.9
Price (dollars per ton)	85.0	119.0
<u>Others</u>		
Value (millions of dollars)	673.0	950.0
Volume (millions of tons)	4.2	4.2
Price (dollars per ton)	160.0	226.0

Thus, loss of exports, a surge in oil prices and a drop in home remittances will increase Pakistan's current account deficit by about \$1 billion in 1990/91. With foreign exchange liquid reserves of \$500 million, sufficient to cover only a two weeks' import bill, it will not be possible for Pakistan to absorb the loss. In addition, an outlay of \$70 million (PRs 1,500 million) which includes some foreign exchange expenditure on travel, camps and other operations, is required for Pakistanis returning from Kuwait and Iraq.

To overcome these unforeseen problems, Pakistan would need additional assistance of about \$1,100 million by way of quick disbursing aid to support the deteriorating balance-of-payments position and also for the evacuation of Pakistanis from Kuwait and Iraq.

It is hoped that donor countries, the United Nations and international agencies would extend all possible assistance so that Pakistan can overcome these problems.

