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JOHN SAWERS

1. John ofr
I've minuted and
with the PM's comment

PM

Useful update. Work on this

2 - file

Agency
9/4

is now moving forward again.

IRAQ

You asked for a note setting out where the different strands of the Iraq Policy Review currently stand. The headline message is that useful progress has been made to put flesh on the bones of the policy framework set out in your letter 7 March to Sherard Cowper-Coles. We and the US appear to be in agreement on the broad direction, but there is still some way to go, not least in working out the details of a deal under which Iraq's neighbours would agree to bring all Iraqi oil revenues under UN control.

this is
the essential
guidance

Better Targetted (or Military) Sanctions

2. The latest indications are that we and the US are agreed on the case for moving towards a single list of goods subject to UN controls, thereby freeing up the import of other goods and making it more difficult for Saddam to argue that the West is responsible for the suffering of his people. Discussions still have to take place between experts about the precise composition of the list but there is broad agreement that it should consist of the 1051 List currently being revised by UNMOVIC plus conventional weapons and related dual use technologies. Alan Goulty will hold further talks with State Department officials in London on 17 April, leading to talks with the French and, in due course, the Russians. The aim would be to obtain UN endorsement of a more targetted sanctions package in the Oil for Food roll-over resolution in June.

3. Our proposed approach would lead to the end of the oil for food programme in Baghdad-controlled Iraq. As the Secretary of State for

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International Development has pointed out, if the OIP staff were no longer able to monitor the situation there would be a key role for other international agencies such as the Red Cross/Red Crescent and representatives of remaining UN agencies in providing objective reporting of the situation on the ground.

Targetted Assets Freeze and Travel Ban

4. Work is in underway on the scope for targeting the assets freeze on Saddam and those around him. Initial Treasury and Bank of England advice is that this would be likely to result in an increase in the quantity of funds finding their way into the hands of the Iraqi regime.

(instead of it applies to all Iraqis) - O

It might be possible to introduce a travel ban on Saddam and his regime but this would have to be negotiated as part of an overall package. We are not yet at that point. There are no technical difficulties about drawing up such a list.

Improved Border Controls

5. If Iraq's illegal oil exports could be brought under UN control, this would have a major impact on Saddam. The US continue to work on this. Walker (State) is expected to visit Jordan, Syria and Turkey the week after next to discuss this and tightening the controls on imports into Iraq. Alan Goulty will be in Washington on 9 April to discuss tactics. It is not yet clear what concession might have to be offered to the neighbouring states to persuade them to co-operate but we must assume

A UK

paper on improving border controls by setting up an enhanced international monitoring regime has been given to the US. Increased investment in this area will only make sense if Iraq's neighbours can be persuaded to cooperate - enforcement would be carried out by their customs personnel. Resumption of commercial flights would create more opportunities for smuggling which it would be difficult to police.

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No Fly Zones

6. There have been several discussions with the US about the No Fly Zones, most recently between the Defence Secretary and Rumsfeld in Washington. We are agreed that we need to retain the No Fly Zones. Not only do they serve a humanitarian purpose, but the Southern No Fly Zone is also necessary for the defence of Kuwait and Saudi Arabia. Both the Saudis and the Kuwaitis agree. We think it may be possible reduce the size of the No Fly Zones, for example by returning the boundary of the Southern No Fly Zone to 32°N rather than 33°N and confining the Northern No Fly Zone to the air space above the Kurdish Autonomous Zone: there has not been a positive US reaction. Defence officials continue to discuss the scope for adjusting the pattern of patrolling but the military advice, which the Defence Secretary has endorsed, is that there is only modest scope to do so without placing our air crew at greater risk. We need to keep the legal position under review (the Attorney General has asked for a further report by the end of May) but any deterrent option which did not rely on the Southern No Fly Zone would entail a greater risk that Kuwait could be overrun before an effective military response could be put in place.

7. The new US team after larger-scale bombing responses: they understand that we could join them if the trigger was a red line such as reconstitution of WMD but we would have both legal and presentational problems about large attacks in response to NFZ violations only.

Fundamental Change Inside Iraq

8. The Foreign Office have produced a draft "contract with the Iraqi people" which has been shared with the US. This makes it clear that we want to work with an Iraq which respects the rights of its people, lives at peace with its neighbours and observes international law. It sets out the

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objectives which we would wish to pursue come the day when Iraq rejoins the international community. Once we have had reactions from the US, the FCO will wish share the text with key Arab countries with a view to signing them up to such a declaration.

SCR 1284

9. We have provided the US with a paper setting out our ideas on post-suspension controls – on the basis that it will be necessary to be in a position to describe what these might consist of in order to secure P5 support for our more immediate proposals. An essential feature is that we maintain the escrow account so that Iraq's oil revenues (or other significant sources of foreign exchange revenue) cannot be used to purchase either conventional or unconventional arms or dual use items. The US have indicated that they will have difficulties with some of the ideas in our paper but they acknowledge the need to be in a position to set out our ideas to the French and the Russians. We expect to hold further discussions with the US on these questions the week after next week.

9. I am copying this to Mark Sedwill (FCO), Nicky Moffat (MOD), Bronte Flecker (DFID), Richard Abel and Robert Cooper (Cabinet Office).

**TOM McKANE**

6 April 2001

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