

IRAQ: FUTURE STRATEGY

JOINT MEMORANDUM BY THE  
SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS  
AND THE SECRETARY OF STATE FOR DEFENCE

I. SUMMARY

Containment remains only viable way of pursuing our policy objectives towards Iraq. Early Iraqi acceptance of a robust in-country arms control regime unlikely. Containment meanwhile will have to rest on diplomacy, external controls and sanctions, backed by threat of force if Saddam threatens his neighbours or reconstitutes Weapons of Mass Destruction. This would require continuing significant military presence. To be sustainable, containment requires broad regional and international support. Whilst new "Oil for Food" proposals should help alleviate humanitarian situation, they are very unlikely by themselves to arrest long-term deterioration in Iraq's economy and infrastructure.

II. CURRENT POLICY

1. Since the 1991 Gulf Conflict, our policy objectives towards Iraq have been, in the short term, to reduce the threat Saddam poses to the region, including by eliminating his Weapons of Mass Destruction (WMD) programmes; and, in the longer term, to reintegrate a territorially intact Iraq as a law-abiding member of the international community. We have sought to achieve these aims by a policy of containment, through active support of UNSCOM/IAEA efforts to complete WMD disarmament in Iraq, diplomatic pressure and sanctions, backed by the threat and, as necessary, use of military force. This has also been the US approach, although they flirt with a harder line; and it has broadly retained the support of our Gulf allies, although they have often been torn between disappointment at its limitations (Saddam is still there) and embarrassment at the means necessary to sustain it (sanctions and US/UK military forces based in the region).

2. Containment has kept the lid on Saddam. He has been deterred from aggression against his neighbours; has seen substantial setbacks to his WMD capabilities (both through UNSCOM's efforts and through Desert Fox); has been prevented by sanctions from rebuilding his conventional military forces; and has alienated regional governments (though not their peoples). But containment has disadvantages: it does not produce rapid or decisive results; it is resource-intensive, requiring constant diplomatic effort and a significant military presence; and it is not always easy to justify to public opinion, as criticism of UK/US air strikes and of the humanitarian impact of sanctions has shown.

3. Whilst the UK/US axis is clearly crucial, a containment policy will only be sustainable in the long term if it retains the broad support of Gulf allies - which is essential to our military presence in the region - and of the wider international community - without which sanctions and other controls on Iraq would be ineffectual, if not impossible. The policy must be so managed as not to undermine achievement of our broader regional objectives - sustaining moderate Arab governments; maximising our influence on other key issues, including the Middle East Peace Process; and furthering our economic and commercial interests. In this broader context, containment by the US and UK alone is not an attractive option.

### III. ARMS CONTROL: KEY FACTORS

4. An important tool of containment has hitherto been a reasonably effective in-country arms control regime. A degree of arms control would remain possible even if Iraq refuses to allow an in-country monitoring, verification and inspection regime as envisaged by the UN Disarmament Panel. External controls and sanctions can constrain, though not eradicate, the importation of military and dual-use materials; and Western intelligence would almost certainly detect the large scale production of chemical warfare agents, long-range missiles or a nuclear weapons programme.

5. But external monitoring has serious limitations - for instance, it would probably not detect small-scale production of chemical or biological agents - and would be less of a constraint on Saddam than an intrusive in-country regime. Moreover, it would be unable to pursue disarmament, and thus offer no realistic prospect of being able to give Iraq a clean

bill of health as required by the UNSCRs before sanctions can be lifted. Unless Saddam changed his spots, this would be, at best, a static scenario.

6. An effective in-country regime, fully backed by the UN, is therefore highly desirable. But the UNSCOM experience shows that even this could not guarantee success, as it is reliant upon Iraqi acquiescence. We should resist arguments for early lifting of the oil embargo merely to buy Iraqi *cooperation* with such a regime, rather than in return for *compliance* with their disarmament obligations. We should, however, continue to press the US to offer credible "light at the end of the tunnel": ie, full sanctions lift following full Iraqi compliance with UNSCRs. In order to swing moderate Security Council opinion behind our overall approach, we should also be prepared to consider incentives short of lift, within the framework of sanctions and "Oil for Food", in the event of sustained and demonstrable Iraqi co-operation and substantial progress towards compliance - *if* discussions show that this will help sustain international support for a tough containment policy. These are set out in paragraph 11 below.

#### IV. HUMANITARIAN ISSUES

7. **Extent of the problem.** The UN Humanitarian Panel highlighted the adverse humanitarian impact of sanctions. Their assessment is broadly accurate, despite problems in verifying statistics and their failure properly to attribute blame to Saddam himself, both for his continued defiance of UNSCRs and for his continued obstruction of the "Oil for Food" programme. Iraq has lost control of oil revenues, and access to investment, borrowing, overseas assets, and state enterprise surpluses. This has led to extensive deterioration of essential infrastructure and social services, a sharp decline in industrial and agricultural output and worsening social indicators. For example, infant mortality has doubled and is significantly worse than the developing country average. Given this fragility there is a risk of an epidemic (eg cholera) this summer.

8. **Possible solutions.** In March we set out in a paper to the UN Humanitarian Panel a range of measures designed to improve the effectiveness of the humanitarian effort in Iraq by:

- a. bringing more cash into "Oil for Food" - eg, by lifting the ceiling on Iraqi oil exports, bringing illegal oil trade with Turkey within the programme, and temporarily reducing the percentage of "Oil for Food" monies allocated to the Compensation Commission; and
- b. improving the "Oil for Food" programme itself, including by local procurement, streamlining Sanctions Committee approvals procedures and seeking to reduce Iraq's role in implementation, although Iraq will no doubt resist this.

These measures are included in our draft UN Security Council Resolution and many were among the recommendations of the Humanitarian Panel.

9. Others' ideas. More radical measures proposed by the Panel to bring more cash into "Oil for Food" include foreign investment in Iraq's oil infrastructure. Investment in existing oil fields and in Iraq's export outlets (beyond the provisions of oil spares already authorised by the Security Council) could bring in additional revenue within months, although an increase in Iraq's output could push the oil price, which has finally started to recover, back down. Investment in new or undeveloped fields would not show returns for 3-5 years. Allowing major foreign investment on this scale would represent a significant relaxation of sanctions. Revenues would be difficult to control and UK firms would be unlikely to see any of the business, most of which would probably go to French and Russian companies. Some members of the Security Council go further, in arguing for suspension or lifting of the oil embargo now, even though Iraq has not fulfilled the disarmament obligations to which lifting the embargo is tied, as an incentive to Iraq to allow weapons inspectors back.

10. It would not be appropriate to lift the oil embargo as an incentive to Iraq to allow weapons inspectors back, given that Iraq has not fulfilled its disarmament obligations. That would be to reward Iraq for non-compliance. In any case, this would not produce an immediate increase in revenue as Iraq is already exporting as much oil as it can currently produce. It would also mean dismantling the "Oil for Food" arrangements, with little likelihood that the regime would give priority to humanitarian needs. The most vital factor in the long term, however, is continuing control of Iraq's revenues.

11. We should, however, be prepared to consider allowing a measure of private sector investment in Iraq's shattered oil industry, as recommended by the Humanitarian Panel, in the event of sustained Iraqi co-operation. Our requirement for Iraqi co-operation would need to be spelt out clearly in advance to avoid Saddam simply pocketing the concession, and to ensure that the co-operation was substantive and demonstrated genuine willingness to make progress on disarmament. We are also exploring with the US whether there might be a case for the possible suspension of export controls, in the event of both sustained Iraqi co-operation and substantial progress towards compliance, with the resultant extra revenues strictly controlled to ensure that they were devoted to humanitarian purposes and with provision for automatic reimposition of controls if Iraq does not co-operate. This idea is the subject of separate Ministerial correspondence.

12. **Conclusion.** It is our view therefore that the best course is to stick with the present "Oil for Food" mechanism. But to help meet the very real humanitarian problems, the programme needs to be improved and it needs extra cash. The oil price is a crucial, and unpredictable, factor. If the oil price recovery is sustained, "Oil for Food" revenues are expected to rise from \$4 billion last year to \$8-9 billion this year, although this would still be well short of the \$10.6 billion per annum recommended last year by the Secretary General. If our proposals for the programme were implemented, and particularly if oil prices continued to rise, they would help alleviate the humanitarian situation, although they would not in themselves suffice to arrest all the effects of 20 years' decline under Saddam's tutelage, and under sanctions, on Iraq's economy and infrastructure.

## V. IMPLICATIONS FOR CURRENT POLICY

13. To command international support for containment, we must show willingness to sign up to a package which "middle-ground" UNSC opinion would regard as reasonable. Such a package must include proposals which can credibly be represented as likely to help alleviate the humanitarian situation - such as the suggestions we have put forward on "Oil for Food" - and a way forward on disarmament with the clear prospect of sanctions lift if Iraq complies. Equally, we should defend as reasonable our desire to see an intrusive in-country arms control regime, without bribing Iraq to accept it.

## VI. FUTURE POLICY

14. **Short Term (the next month or so)**. Our objectives in UNSC discussions are clear: to bring about a measure of Council unity (the key to which will be the middle ground) for a package along the lines set out above, but not at the expense of compromising the UK/US bottom line on disarmament. This will require some pressure on the US to offer not only clear light at the end of the tunnel but also additional flexibility on future Council action; and on France, in particular, to pull them away from support for the rival Russian draft. Whilst maintaining complete solidarity with the US over the fundamentals, there is some advantage to both of us (as with the introduction of our SCR) in occasional visible differences over tactics and points of detail. In the meantime, our military posture should be maintained: we should continue to enforce the No-Fly Zones, whilst pursuing with the US the case for responding more selectively to Iraqi provocations.

15. **Medium Term (over the summer)**. If the UNSC approves the sort of package we want, and if Iraq accepts it, the way ahead is clear, with the re-introduction of a comprehensive WMD arms control regime and the prospect of sanctions lift if the inspectors were eventually given sufficient co-operation to be able to certify that Iraq had disarmed. If Iraq also stopped confronting the coalition in the No-Fly Zones, we could consider reducing our military presence (though there may be limits to this: at the moment the UK is the sole source of reconnaissance capability in both No Fly Zones). But this is an unlikely scenario. The best we can realistically hope for is that the UNSC approves a sensible package, but Iraq rejects it at least for some months. In this case, we should aim for stronger external monitoring and control of Iraqi activity by the UN.

16. But what if the UNSC cannot agree conclusions? This is a real risk, given the hard lines currently taken by the US and Russia. If discussions ended in deadlock, it would be important for us to be seen - by our Gulf allies, European partners, and the UNSC middle ground - as having been reasonable and constructive. We should be prepared, if necessary, to agree proposals to improve "Oil for Food" in the absence of Council agreement on the disarmament issues. But whoever were responsible for failure to reach agreement on an overall package, UNSC disunity would make a containment policy, including continued support for sanctions, much harder to sustain.

17. One medium-term risk is that Iraq may take an even more aggressive approach towards the Kurds in the North or the Shias in the South. The US have said they would respond militarily to any major Iraqi aggression against the Kurds: our analysis is that such a response would be hard to justify in international law, although more defensible the more adverse the humanitarian impact. As regards the Shias, we should make clear to the US and Iran that we have no interest in fomenting a rebellion, which would probably end in the slaughter of the insurgents. If Saddam initiated major aggression, the US would probably feel they had to "do something": but it is hard to see what this could sensibly or defensibly be, beyond continued rigorous enforcement of the No-Fly Zones. They might in addition seek to enforce more rigorously the so-called "no drive zone" south of 32°N (a US demarche with which we were not associated). Given the risks and uncertainties, we should try to engage with the US on what options they are considering.

18. **Longer Term (autumn onwards)**. However difficult it may become to sustain a policy of containment, it is not clear what the alternatives would be. To simply walk away from the problem would be an admission of failure, and leave Saddam free to pose once more a major threat to regional security and British interests. On the other hand, a policy of trying to topple Saddam would command no useful international support. An overt attempt would require a massive military effort, probably including a land invasion: this would risk considerable casualties and, possibly, extreme last-ditch acts of deterrence or defiance by Saddam, including the use of WMD. Covert attempts, on the other hand, however tempting to the US Congress, seem very unlikely to succeed, and run the risk of fragmenting Iraq which remains clearly contrary to our wider interests in the region.

19. Containment, therefore, remains the only viable option for achieving our policy objectives. *If* Iraq complied with UNSCRs, we should then lift sanctions; *en route* to that, we could consider some easing of sanctions, as set out in paragraph 11, in return for full co-operation and substantial progress towards compliance with its disarmament obligations; and some reduction of our military presence.

20. If, on the other hand, Iraq does not cooperate with the UN (let alone comply with the UNSCRs), we face the prospect of indefinite containment from outside Iraq, based on sanctions, external monitoring and control, and the threat of military force if Saddam seeks

to threaten his neighbours or reconstitute his WMD capabilities. This would require a continuing significant military presence. In the long term, whilst our "Oil for Food" proposals would provide some relief, we would probably face a continuing deterioration in Iraq's economy and infrastructure.

## Conclusions

### 21. We therefore conclude that:

- **Containment remains the only viable way of pursuing our policy objectives. To be sustainable, this approach must carry broad international support. This requires us to promote the sort of balanced package set out in our draft UNSCR, with some additional language on future Council action to permit oil investment in return for substantive co-operation. We are also exploring with the US whether there is a case for the possible suspension of export restrictions in return for co-operation and substantial progress towards compliance.**
  
- **To offer effective arms control and some prospect of ultimate sanctions lift, containment would ideally include a robust in-country arms control regime. But not at any price: whilst we should offer - and continue to press the US to offer - "light at the end of the tunnel", we should not buy Iraqi co-operation by prematurely suspending or lifting sanctions. We should rather seek to persuade Iraq to adopt the regime as the only route to completing disarmament and securing sanctions lift.**
  
- **Our efforts to alleviate the serious humanitarian situation should be based on improving the "Oil for Food" programme, along the lines proposed in our draft UNSCR. If implemented, and particularly if oil prices continued to rise, our proposals would help, although they would not by themselves arrest the long-term decline in Iraq's economy and infrastructure.**



- Iraq is unlikely to accept the package we propose at least immediately, although it might be persuaded to acquiesce eventually. If Iraq does not accept UN proposals, we would have to rely on external monitoring and controls, and sanctions, coupled with the threat and use of force if Saddam crosses our red lines. Whilst this would continue to contain the threat Saddam poses, it could not disarm Iraq nor prevent some limited reacquisition of WMD capability. It would require a continuing significant military presence. And in the long term, we could expect continuing deterioration in the underlying humanitarian condition of Iraq. We should, however, be prepared to agree "Oil for Food" improvements even in the absence of UNSC or Iraqi agreement on an overall package including disarmament.

22. We should not lose sight of the long-term goal (paragraph 1) of Iraq's reintegration as a law-abiding member of the international community. We should take opportunities - eg, in Ministerial speeches - to spell out the benefits which would flow for the Iraqi people and for the region if Iraq were to change course and meet its obligations, whether under Saddam Hussein or another leader.

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