Oil revenues have influenced Iraq directly since the 1950s. They played an effective role in financing most investments and government expenditures, and they provided practically all the hard currency needed for imports and development programs.

Iraqi economic policies, past and present, have failed to build a modern productive industry, modernise agriculture and lay the foundation for sustained economic growth. They have also failed to provide sufficient financial resources for social development in the spheres of education, health, environment and other social sectors. Huge sums of money earned through oil exports have been squandered. Iraq has the second largest oil reserve in the world, and some experts put it in first place when unexplored oil wells are counted.

This situation was further aggravated by the two wars launched by the regime against Iraq’s neighbours, Iran and Kuwait. These emptied the treasury and led to accumulation of vast foreign debts, which exceed USD 200 billion. Security Council Resolution 986, “Food for Oil”, has earned Iraq about USD 41 billion since its implementation four years ago. Of this, USD 14 billion went to compensation and personal expenses of UN personnel in Iraq, USD 5 billion to the Iraqi Kurdistan Region in the north, and USD 10 billion to finance imports for the Iraqi government. The remaining USD 12 billion is deposited in a French bank under UN supervision.

The money earned financed imports of food, medicines, equipment, spare parts, and other humanitarian needs such as electricity, fresh water, and sanitation. It did help in preventing the catastrophe that threatened the Iraqi people, but it has not helped to improve living conditions or set the country on a path toward social development. Delays on the part of the UN Sanctions Committee and bureaucracy of its officers, coupled with corruption and bad distribution of commodities on the monthly rations’ list by Iraqi government officials, have led to deterioration of the program and limited benefits to the Iraqi people.

Furthermore, Iraq earns around USD 2 billion per year from oil smuggled to neighbouring countries. This money is not utilised by the government to improve food and health conditions. Rather, it goes directly to finance leadership requirements and spending.

While the regime loudly denounces the lack of resources to finance development and improve living conditions of the people, it persistently rejects UN calls to draw on the USD 12 billion deposited in a French bank to buy needed commodities and finance social services. Since the beginning of the “Food for Oil” program, Iraq imports have amounted to USD 8 billion for food and medicines. If Iraq withdrew one-third of the reserves (USD 4 billion), it would drastically improve needed supplies both quantitatively and qualitatively.

Mr. Binon Sivan, the UN representative supervising the “Food for Oil” program in Iraq, complained that the Iraqi authorities failed to purchase required supplies for health, education, drinking water, sanitation, and the oil industry. The only exception was food imports. He pointed out that purchases for the above sectors totalled USD 312.64 million, while the amount appropriated is USD 2,126.66 million. This proves that the regime is not only acting irresponsibly, but is capitalising on the sufferings of the people and their low living standards for political purposes.

In 2000, the authorities intensified pressure on the majority of people, especially those of middle and lower income, by issuing new decrees and orders to raise taxation, electricity and water rates and increase charges for many social services.

For the first time in thirty years, education operates on a for-profit basis. The Ministry of Education abandoned free education by introducing titian fees at all levels, starting with evening schools and colleges. Textbooks and notepaper that used to be distributed free of charge, now have to be purchased by students. These new costs have put a heavy burden on the shoulders of poor people.
In addition, last year witnessed increased prices, lowering of the exchange value of the Iraqi currency and reduction in wages and incomes. Economic stagnation and insufficient food and medical care have led to more deaths among old people and children.

Many industrial establishments and factories closed in 2000. National production covers only about 20-25% of internal demand for consumer goods. Unemployment is as high as 60% of the total working force and the GNP dropped in 2000 to a third of what it was in 1999. The Ministry of Social Affairs planned to employ 150,000 young people in government jobs, but by the end of the year only 20,000 were taken, i.e., 13.5% of the projected target. This cast a shadow on the deteriorating situation of unemployment in the country, especially among youth, and is one reason for increased migration out of the country. Approximately 75-80% of the population live below the internationally recognised poverty line. Despite the terrible economic situation of the people, Iraq has one of the higher population growth rates (approx. 3.2%).

According to government sources, agricultural production has decreased in the last three years. The government laid responsibility on the ministries of agriculture, irrigation and trade. It accuses them of lack of clear plans to develop land and irrigation projects, not providing requirements and facilities needed by agriculture, and inefficient marketing of products. This situation has resulted in the exodus of peasants and farmers from their lands.

The lack of government supervision and indifference of its officials to the hardships suffered by the people, as well as spread of corruption, bribery and stealing of public money, have created a chaotic market situation with detrimental effects on the citizens. The year 2000 did not witness any shift in policy, nor were any measures taken to alleviate poverty and embark on a path of social development that could reduce people’s misery. The government was preoccupied with political rather than humanitarian aims.

Poverty and other social problems cannot be solved without dealing with causes. The lack of political commitment, persistent repression, undemocratic and inhuman policies of the regime on one hand, and the continuous harsh economic sanctions on the other, have hindered efforts to reduce the sufferings and worsened the economic and social situation.

Poverty eradication strategy and development plans should be linked to guarantees of respect for human rights and democratic participation in policy and decision-making processes. Unfortunately, these are not part of government policies.

There is no doubt that the economic blockade imposed by the UN is having a detrimental effect on the life of the Iraqi people. If it continues, it will have grim consequences on all economic, social and psychological spheres in the future. Unfortunately, the present regime is manipulating conditions under the blockade to further constrain people’s participation through oppressive measures and arbitrary laws. It does this to maintain its grip on power and use all available financial resources to strengthen itself regardless of the sufferings of the vast majority of the people.

The immediate lifting of economic sanctions is of paramount importance, to end the suffering of the people and increase their prospects for a more democratic and prosperous future.

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