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S. Hrg. 101-1292

ECONOMIC SANCTIONS AGAINST IRAQ

HEARING

BEFORE THE

SUBCOMMITTEE ON EDUCATION AND HEALTH

OF THE

JOINT ECONOMIC COMMITTEE

CONGRESS OF THE UNITED STATES

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

DECEMBER 19, 1990

Printed for the use of the Joint Economic Committee

PENNSYLVANIA STATE UNIVERSITY
FEB 9 1993
DOCUMENTS COLLECTION
U.S. Depository Copy

U.S. GOVERNMENT PRINTING OFFICE
48-137 WASHINGTON : 1992

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-039426-0

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ECONOMIC SANCTIONS AGAINST IRAQ

WEDNESDAY, DECEMBER 19, 1990

U.S. CONGRESS,
JOINT ECONOMIC COMMITTEE,
SUBCOMMITTEE ON EDUCATION AND HEALTH,
Washington, DC.

The subcommittee met at 10 a.m. in room 2359 of the Rayburn House Office Building, Hon. James H. Scheuer (chairman of the subcommittee) presiding.

Present: Representatives Scheuer and Upton, and Senator Sarbanes.

Also present: Richard F Kaufman, general counsel.

OPENING STATEMENT OF REPRESENTATIVE SCHEUER, CHAIRMAN

Representative SCHEUER [presiding]. The last session of the Joint Economic Committee for 1990 will come to order.

This morning, we're having a hearing on Economic Sanctions Against Iraq. We will consider the question, are sanctions effective? What is our goal in establishing sanctions? What is the relationship between sanctions and a quick, perhaps surgical, military thrust? Are they self-reinforcing? Or, are they intellectually at odds with each other?

We're fascinated by the fact that economic warfare is playing such a large role in the United States and in the international community response to Iraq's brutal, unlawful invasion and takeover of Kuwait.

A principal question that we will want to explore this morning concerns the purpose and the likelihood for success of economic sanctions in this case and the degree to which it will pay us to stay the course with sanctions, fortified by a credible military option.

In the present crisis, in all likelihood, the U.S. presence in the Persian Gulf will be greater after the crisis than it was before the crisis. There will be costs to the American taxpayer of whatever arrangements we enter into after this crisis is over.

Sanctions will cost a billion and a half dollars a year, several billion dollars a year.

How much will war cost?

Is the likelihood of, as they say, a quick military attack consistent with the goal of sanctions, and the goal of stability in the Middle East? Or, is it fundamentally at odds with the goal of peace in the Middle East?

What can sanctions be expected to achieve, and how long will it take to achieve it?

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To what degree can we fortify and enhance the likelihood that sanctions will work?

How can we improve the effectiveness of sanctions with a state of military preparedness?

What does history tell us about sanctions in coercing change in a country's major policies?

What does history tell us about the possibility of sanctions degrading and reducing the Iraqi economy and especially reducing and degrading the quality and effectiveness of the Iraqi military machine?

What should the United States do to induce our rich allies, like Japan and Germany and Saudi Arabia and Kuwait itself, to accept more of the financial burden of the Middle East crisis—maintaining sanctions and 270,000 troops, soon to be 400,000 troops, in the Middle East?

Is there a role for the West Germans and the Japanese in easing the cost of sanctions to our allies, to Egypt and Turkey, for instance?

Then, a question that I hope we'll be answering is: What will the role of preemptive purchasing be, preclusive buying as we practiced it in World War II and since?

What is the role of preclusive buying in reducing the flow of goods, of spare parts, of replacement parts for the Iraqi economy generally, and even more important, for the Iraqi military machine?

How can we further reduce the flow of strategic spare parts and what-not into Iraq, which we have already reduced almost to the vanishing point?

What are our long-term goals in the Middle East?

Will sanctions help us achieve them, perhaps more effectively than a military strike?

All of these are questions that I hope we'll be considering this morning.

We have four talented experts with extensive experience and seemingly unlimited flow of publications about the Middle East and international security economics.

Taking it in alphabetical order, Gary (Clyde) Hufbauer was formerly Deputy Assistant Secretary for International Trade and Investment Policy of the Treasury Department; and he's presently a professor of International Financial Diplomacy at Georgetown University.

He is coauthor of a book, "Economic Sanctions Reconsidered," originally written in 1985 and an updated and expanded version having just been published this month.

Edward Luttwak is chair of Strategy at the Center for Strategic and International Studies. He has written numerous books and studies on military strategy, including "Strategy, The Logic of War and Peace," and "The Pentagon in the Art of War."

And he has served as a consultant for several administrations.

Henry Schuler occupies a chair in Emergent Energy Security Studies at the Center for Strategic and International Studies. He's been involved with the Middle East for over 30 years as a naval officer, a member of the Foreign Service, diplomat, an oil industry executive, and as an energy analyst.

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Paul Warnke was formerly an ambassador for the Strategic Arms Limitation Talks and Director of the U.S. Arms Control and Disarmament Agency.

Prior to that, he served as general counsel for the Department of Defense and was Assistant Secretary of Defense for International Security Affairs.

He's a partner in the law firm of Clifford and Warnke, with the distinguished Clarke Clifford, adviser to Presidents beyond the memory of living man. [Laughter.]

We're all grateful to you for sharing your insights and foresights with us. We'll ask each of you to chat for 8 or 10 minutes, to present your views, and then we'll have a question and answer period.

And the Chair reserves the right to intervene at any point to ask a question along the way.

And when you're all finished, we'll have a question and answer period. And, at that time, we'll all take the liberty, including the witnesses, of asking questions.

So, if you have a question of your colleagues, jot it down and you'll have your chance.

Let me say, as each of you testify, you can feel free to refer to anything that you've heard from any of your colleagues.

So, those at the end of the alphabet have an advantage over those at the beginning of the alphabet.

But, for all of you, your time will come, correct.

Representative UPTON. It's about time the end of the alphabet——

Representative SCHEUER. Very good.

Thank you, Congressman Upton, with a "U," toward the end of the alphabet. You and I have suffered over the years. Even the "S" have suffered somewhat. [Laughter.]

OK. We'll start out with Mr. Hufbauer. Please take your 8 or 10 minutes and give us your views, and you don't have to stick rigidly to anything you've written or prepared before. Pretend we are all in a living room, so let's keep it as informal as possible.

Mr. Hufbauer, please proceed.

STATEMENT OF GARY HUFBAUER, SENIOR FELLOW, INSTITUTE FOR INTERNATIONAL ECONOMICS

Mr. HUFBAUER. Thank you very much, Congressman.

The book you mentioned, which we have just updated, takes a case study approach in the following way:

Every sanction episode has idiosyncratic elements. There is no exact precedent for any case and, certainly, no exact precedent for the Iraqi case.

But, out of the individual elements in this mass of cases—some 115 cases since World War I—we try to distill general precepts. And will try to apply that analysis to the Iraqi case.

EFFECTIVENESS OF SANCTIONS AGAINST IRAQ

Despite assertions to the contrary, there is considerable evidence that sanctions can convince Saddam Hussein to leave Kuwait, if given time. In our analysis of 115 cases, we found that economic

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sanctions helped achieve the sought after goals in 34 percent of the episodes; but using a combination of qualitative and statistical analysis of those cases, we believe that there is a higher probability that sanctions, backed by credible military threat, can force Saddam Hussein to withdraw from Kuwait.

Based on the work of Professor San Ling Lam of Harvard University, we have now constructed a model—and this was done after we published the revised edition of our book—to analyze the factors contributing to the effectiveness of sanctions. We have used the results of this model, which is estimated using an econometric technique called probit, to predict the outcome in the Iraqi case.

Looking at past cases, the model correctly predicted the observed outcome in two-thirds of the cases analyzed. For statistical buffs in this room, if you divide the total population of cases into two parts and you estimate the parameters of the model on the basis of the first 79 cases, it predicts the outcome of the remaining cases with about the same accuracy for the first 79 cases. In other words, the in-sample and out-of-sample results are very nearly the same.

Since we are interested in the probability of sanctions working in the Middle East without a military attack, we excluded 18 of the 115 sanction cases that involve military action. The model, using 14 independent variables, correctly predicts the observed outcome in 72 percent of the cases in that sample—that is, cases without military action.

The model indicates that the proportion of the target country's trade covered by the sanctions, and the costs the sanctions imposed on the target country, are among the most important factors in reaching a successful outcome.

The embargo of Iraq, as you noted, Congressman, is the most comprehensive imposed in this century, adhered to by most of the world and covering close to 100 percent of Iraq's trade and financial relations. That's three to four times the average proportion of trade covered in other successful cases.

We have estimated that the cost to Iraq's economy will be nearly half of total output, which is about 20 times the average economic impact in other successful cases, and three times the previous highest cost imposed on a target country.

Representative SCHEUER. Let me just elaborate on that.

As I understand from your writings, in the average case from World War II until now where sanctions were considered to be quite successful, they shrunk the economy of the country affected by maybe 2.5 or 3 percent.

Mr. HUFBAUER. That is correct.

Representative SCHEUER. And, here, you're estimating, or we've all estimated that, within a year, perhaps, we will have shrunk the Iraqi economy by approximately 50 percent.

Mr. HUFBAUER. That is correct.

Representative SCHEUER. And that's where we get the figure "20 times impact."

If sanctions were successful against a large number of countries where they suffered a 2.5 or 3 percent increase in their GNP, wouldn't a 50 percent decrease in the GNP present an overwhelming probability of success?

Mr. HUFBAUER. Well, that's what our model says.

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Representative SCHEUER. Yes.

Mr. HUFBAUER. We could be wrong, but that's what the model says.

Based on that variable and others, as you said, the model predicts a near 100 percent probability that sanctions will work. That outcome is driven primarily by the variable you identified, Congressman, the cost-to-target variable.

Now, of course, we may be wrong on the estimated cost to Iraq. We think it's based on plausible assumptions, but to allow for the probability that we have overestimated the cost to the Iraqi economy, or that the Iraqi economy is more resilient than we assume, in a trial analysis we cut the value of that variable in half, down to 24 percent of GNP.

Representative SCHEUER. Mr. Hufbauer, let me just interrupt by saying we've been joined by Senator Paul Sarbanes, who will be the next chairman of the Joint Economic Committee, starting in January in the 102nd Congress.

We're delighted that you took the time off, Senator Sarbanes. And I'd be delighted to yield the Chair to you——

Senator SARBANES. No, no, Mr. Chairman. The hearing seems to be proceeding expeditiously.

Representative SCHEUER. OK.

Senator SARBANES. I'm pleased to join you.

Representative SCHEUER. We're delighted. I don't know what your time constraints are——

Senator SARBANES. I've got plenty of time. I'm really here to hear some of these——

Representative SCHEUER. Great. OK. Please, let's keep this on a very informal basis. And, while the witnesses are testifying, if you have any questions you'd like to put to them, or any aside you'd like to make, don't hesitate to break in.

Senator SARBANES. All right.

Representative SCHEUER. All right. Please proceed, Mr. Hufbauer.

Mr. HUFBAUER. Thank you.

Well, as I said, in order to play around with the model, we assumed that the cost to Iraq is 24 percent of GNP rather than the 48 percent estimated. And, even at that level, this probit model, predicts a 99 percent probability that sanctions will succeed. Only at a cost below 20 percent of GNP does that probability drop below 90 percent. And even if the cost is halved again to a mere 12 percent of GNP, the probability of success remains above 50 percent.

Now, critics of sanctions have argued that Saddam simply doesn't care what price the Iraqi people pay for his ambition because they are powerless to challenge him.

To reflect Saddam's extraordinary tyrannical control over Iraq, we increased the value of the variable in our model that measures the political stability of the country to a level exceeding the highest value in all other cases—exceeding the stability that we gave the Soviet Union at its most powerful.

And this adjustment leaves the probability of success at near 100 percent, if the cost is assumed to be 48 percent of Iraq's GNP. If that cost variable is reduced to 24 percent, the probability of success under this new run remains about 85 percent.

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So, under what we regard as reasonable assumptions, the model predicts a probability of 80 percent or more that sanctions will result in a successful outcome in the Middle East.

This same model predicted an 80 percent or higher probability of success in 12 other cases. All 12 of those were, in fact, successes.

So, if you have a predicted probability as high as 80 percent, the model was pretty dead-on. In those cases, the average trade linkage between the target country and the sanctioning country was 36 percent, and the average cost to the target was about 4 percent of GNP. Both those figures, of course, are well below the figures observed in the Iraqi case.

Let me now go on to the time variable. Even at the economic cost that's being imposed on Iraq, sanctions are a corrosive tool, not a sledge hammer. The historical evidence from this population of cases indicates that 1 to 2 years is a reasonable time to achieve a successful outcome.

We would say in the Iraqi case, since the sanctions are so much more Draconian than any prior case, results would be achieved earlier rather than later.

Representative SCHEUER. And "results" can be defined as what?

Mr. HUFBAUER. This is the index that we would apply. We would say the case was totally successful if the three U.N. resolutions were met; namely, the release of all hostages; restoration of a legitimate government to Kuwait; and, of course, total withdrawal of Iraqi troops from Kuwait.

We would assign it a number just below total success, but we would still call it success, if Iraq retained some rights of passage through the Gulf islands and if there was some compromise on the Rumalia field, but, all the other features were met.

That's how we would define "success".

Representative SCHEUER. Isn't also one criterion of success, the elimination of Iraq as a 900-pound canary perched over the Middle East with its powerful, by far the most powerful, military force in the area, with its biological warfare capability; a nuclear warfare capability in anywhere from 2 to 5 years; and a chemical warfare capability that he has proven that he's willing to use ruthlessly, not only against the enemy but against his own citizens?

Isn't removal of Saddam Hussein as a vast military threat, a destabilizing element in the Middle East, also among the desired results from this total effort of ours?

Mr. HUFBAUER. Well, certainly, Congressman, those goals have been mentioned widely. But we do not include them in our objectives. And we think that, if you include those objectives for sanctions, you have greatly increased the task being asked, that we would be far less confident.

Representative SCHEUER. Mr. Hufbauer, excuse me, if I——

Mr. HUFBAUER. Sure.

Representative SCHEUER. I'll try not to interfere with you any further. But, President Bush said yesterday that a major goal is to rein in Iraq's nuclear and chemical capabilities, regardless of whether he complies with the U.N. Security Council deadline for the pullout:

I think the status quo ante, the return to where we were before Saddam invaded his neighbor, is unacceptable. I think you're going to see a cry for stability and

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order in the region. Security and stability that cannot be met simply by a return to the preinvasion border or the status quo there.

He is saying, apart from the rollback of Iraqi forces and the replacement of the Saba family, removal of their war-making capability, the major source of regional instability, is a major goal of U.S. policy.

Now, if that is true, then it must be included in your calculus of what we're trying to achieve through sanctions. So, adding that in, are you telling us that that goal could be achieved by sanctions?

Mr. HUFBAUER. No, Congressman. This is a qualitative judgment, but I think that stretches too far. I can see a result, which involved some sort of broad peace-keeping agreement in the Middle East, but I defer to my colleagues here on the panel as to that question. But, thinking that sanctions will decimate the Iraqi military machine and cause Iraq to remove its chemical and nuclear capabilities seems to me to be going too far.

There's a possibility, and certainly there's a lot of precedent in prior cases, for Saddam Hussein to be removed from the office. There are a great many destabilization cases that have been successful.

But it's one thing to replace Saddam with another general who is equally a dictator, and another thing to remove Iraq's military capability.

Senator SARBANES. It seems to me that it's reasonable for your methodology to have included as the measure of success the goals set out in the U.N. resolutions to which the President has adhered and despite that article, my understanding is continues to adhere.

Now, the higher you make the goals, the more difficult they are to attain, whether through sanctions and/or other means. And, therefore, you have to, in effect, have a scale that is proportionate or correlated with those objectives. I mean, if your goal is to get—for instance, suppose you set a goal that Saddam is not to be there any more. I mean, one assumes that, in order to achieve that, you would have to go to war, since it's hard to envision that he, under any other circumstances, would be willing to cease being there any more.

So, you're going to have to actually compel that in a very forceful way, it seems to me. So, the more you escalate the goals, the more difficult they become of achievement.

I'm a little—I don't quite understand why a continuing embargo over a sustained period of time would not lead to some deterioration in his military capacity and in his capacity for weapons of mass destruction in addition to devastating his economy in a general economic and industrial sense.

But, since he's dependent on obtaining that technology abroad, since his military is dependent on spare parts, why wouldn't over time a successful embargo held in place lead to a deterioration of those capacities?

Mr. HUFBAUER. Senator, I absolutely agree with that. Sanctions will deteriorate the capability of the Iraq military. And I think they will deteriorate the military readiness of Iraq decisively over a period of time. But, what I can't see, I guess, is sanctions causing the military strength to collapse from, let's say, a million troops to

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200,000 troops. Or, a dismantling of the offensive chemical and nuclear factories that Saddam has put in place.

Senator SARBANES. Well, but their capacity will diminish, will it not?

Mr. HUFBAUER. Yes, correct.

Senator SARBANES. So, the longer you wait, the weaker, to some extent, the weaker his military becomes, not the stronger, as long as you maintain a very tight embargo in place.

Isn't that correct?

Mr. HUFBAUER. Absolutely.

Representative SCHEUER. Mr. Webster, the head of the CIA, testified before the Senate about a week ago, that it might take as long as 9 months for the Army, for the effectiveness of the Army, to be reduced because they don't have that much reliance on sophisticated military technology, although he said trucks and transport would be affected as they ran out of spare parts.

But, he said that the Air Force, which relies far more on high technology and on expert maintenance, and so forth, would be affected in as little as 6 months.

So, if you take as a rough rule of thumb that, in a year, their war-making potential, both their air capability and their ground capability, would be significantly affected, very seriously reduced, isn't that a clear American goal, perhaps the chief American goal?

Mr. HUFBAUER. First, I would agree with what CIA Director Webster said. In fact, we said much the same thing before he was quoted in print.

Second, I agree with the thrust that you've made, that the state of Iraq, after a period of time, will be very considerably weakened and its military readiness will be very considerably weakened, yes.

Representative SCHEUER. Now, I want all the witnesses, if at all possible, to answer this question:

If you accept what Mr. Hufbauer just said, that the passage of time and the inexorable result of a tight sanctions policy, a tight interdiction policy, especially of replacement parts for the Air Force and the moving vehicles for the Army, will not only reduce Iraq's war-making potential, but eliminate Iraq as a threat to peace in the Middle East over a period of 1 or 2 years by sanctions, then what additional benefit do we get from the act of war, which is going to see thousands and perhaps tens of thousands of body bags coming back to this country? What price glory? What additional advantage do we get from the act of war that we wouldn't get through simply waiting and watching those sanctions inexorably take their effect?

We get the benefit perhaps of rolling the Iraqis out of Kuwait and of restoring the Saba family. From the point of view of our national interest, I would ask all of you to evaluate the benefit of that, for which we're paying with human life, against the overwhelming likelihood of reducing the effectiveness of the Iraqi Armed Forces and their war-making potential peacefully through tough, hard, competently enforced sanctions?

What do we get for the war-making exercise?

Please continue, Mr. Hufbauer.

Senator SARBANES. Mr. Chairman, could I add to that so the witnesses can be thinking?

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Representative SCHEUER. Yes.

Senator SARBANES. In addition to the costs of the use of military force involved with a cost, it would be helpful if you would also address what is the scenario thereafter? What comes afterward, both on applying the consistent sanctions policy and using force.

Assuming we use force, we get over the question of the cost of using force, then what kind of situation are we confronted with both in terms of Kuwait and Iraq and, more broadly, in the region?

Representative SCHEUER. Please continue, Mr. Hufbauer.

Mr. HUFBAUER. Thank you.

Well, this discussion of time lines raises the question whether the sanctions noose can be kept tight enough for the year or more that it will take to achieve the objectives, however they are stated.

THE COST OF SANCTIONING: THE COST OF WAR

Our research indicates that the higher the cost to the sanctioning countries themselves, the lower the chances of success. The primary disincentive to adhering to sanctions in this case is the economic cost of high-oil prices and, for Iraq's immediate neighbors, the curtailed trade.

But, this case is unique in that the side-effects are being addressed. The steps are inadequate but they are unprecedented: extraordinary measures to reduce the cost to the sanctioning alliance and to share the burden amongst the members. And if those efforts were redoubled, it would seem that it would be possible to keep the sanctions in place for the year or two that we're talking about.

Our leaders, Secretary Cheney, Secretary Baker and others, have used a phrase that is a great television sound bite, "There is no guarantee of success from sanctions."

Of course, they are right. There is no guarantee. Our analysis does not give a guarantee. But, we think that these American leaders, have framed only half the question. War, as you have said, may indeed topple Saddam Hussein and completely demolish his military machine, not to spring up again within the next 5 or 10 years.

But there are costs of war. It will not guarantee political stability in the Middle East. One could end up with a sort of Lebanon situation in Iraq. War will not assure access to oil.

And it will not assure the survival of the Saudi royal family. One could foresee in the aftermath of war that the Saudi royal family might be judged poorly for having allied itself with the United States.

And, of course, as you have said, Congressman, there will be the loss of thousands of American lives and that, in turn, would raise very serious questions in the mind of the American public about why we gave lives, and why Japan and Europe did not give lives. And that would place quite considerable strain on the broader alliance.

So, the imponderables of war——

Representative SCHEUER. Not only that they didn't give lives, but they didn't give substantial support to the effort. We're still paying the overwhelming, the preponderant cost of this effort.

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Why aren't the Japanese, the West Germans, the Europeans, and the Saudis contributing to that?

Mr. HUFBAUER. An excellent question.

So I would, on balance, say that the imponderables of war are greater than the imponderables of sanctions.

Representative UPTON. Could I just—excuse me for my laryngitis I'm getting over.

He just indicated that he thought that the Saudi family would be criticized after a period of time for turning to the United States.

Who could they have turned to to stop their advance into Saudi Arabia?

He indicated that the Japanese hadn't given lives. I didn't know that they really had a force that could come in. We certainly don't expect them to turn to the Israelis for help. They have turned to the rest of the Arab world, which is absolutely united against the effort.

People around the world have quoted what Saddam was saying only about a year and a half ago, that, "No Arab should attack another."

But, who else could they have turned to in the event of the total collapse of their country? And to see the absolute atrocities as we saw last night that were listed by Amnesty International. I mean, the sanctions aren't stopping that type of activity.

And who's to say that they wouldn't go much, much farther, both in terms of the numbers as well as the atrocities, and really collapse any stability that we see at all in the Persian Gulf? I mean, that's what our real goal should be.

Mr. HUFBAUER. Let me try to respond in part.

First, yes, deploying the first 50,000, then 100,000 troops was certainly necessary to stop the Iraqi offensive, which could have moved down in Saudi Arabia.

And, certainly, I agree there was no other major power willing to send troops to establish that line in the sand.

But, what I was speculating on was the aftermath of war. And here it is, just speculation, but my speculation is this:

If Saddam is faced with his own personal destruction and the destruction of his state, which I think is a reasonable consequence of war, he may attempt to convert this war into an Arab-Israeli war by attacks against Israel.

And, as mythology develops afterward, it could be said that the Saudi royal family ended up on the side of Israel.

These are among the imponderables of war. And the Saudi royal family, in any event, has the problem that there are a lot of non-Saudis in Saudi Arabia, and there are deep religious divisions with Saudi Arabia.

And I don't think it's too difficult to see situations where the Saudi royal family was seen by some of those elements to have been on the wrong side of the battle—after this reinterpretation of history and this mythologizing of events takes place, and after Saddam is dead.

That's the kind of speculation I'm alluding to as the imponderables of war when you start stirring this vast cauldron in the Middle East.

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Representative UPTON. If I might just interrupt, just one more time. I know—I watched a little bit of the President's press conference yesterday afternoon. One of the questioners there posed the question about what you raise here, trying to split the Arab Alliance and States against Iraq, obviously is to try to bring Israel into the conflict, whether attacked by either side.

And one of the things that the President stated without any detail was, in essence, the fear of that, but also some private discussions that have taken place between all of the parties and with the state.

And he said something along the lines that:

> By reference, I want you to know that we've taken care of this, and we have a firm assurance that the Alliance will continue, even if the Israelis are drawn into the conflict to some degree.

So it would seem to me that they looked ahead in terms of the chess game, in terms of what the outcome might be.

Mr. HUFBAUER. That's reassuring, and they may very well have looked ahead. The one, I suppose slightly discordant bell that is going off in my mind is this. In another hearing at the Senate Foreign Relations Committee, as I recall, waiting in the press, Secretary Baker said that he was uncertain that the alliance for sanctions could hold. I'm wondering why it would be easier to hold the alliance for war—and the aftermath of war. Sure, the alliance for the war period would hold, that's one thing. But, as to the aftermath of war, why would it be easier to hold that alliance than the alliance for sanctions?

Representative SCHEUER. Well, consider yourself asked exactly that question.

How would you answer it?

Mr. HUFBAUER. I don't think there is a good answer. It seems to me that, if one is talking about leaks in the sanctions, they must come from Turkey, and there's a lot of truck traffic in Turkey of doubtful destination. Also truck traffic from Syria, Iran, Jordan. I suppose Iran is the most imponderable sanctions ally at this moment, but I don't think Iran has much of an interest in bolstering Saddam Hussein. After all, they did fight a bitter war.

And I would have thought that Turkey, which is probably the biggest source of leakage, could be induced by its allies, that is, by both the Americans and the Europeans, to police the border better.

So, I'm mystified that there is difficulty in holding the sanctions alliance together. But, I would suggest this is a subject for closed session. I'm sure there are sensitive issues that the administration wouldn't want to discuss in open session as to why they're having trouble maintaining the sanctions line.

Senator SARBANES. Mr. Chairman, before we go—we're going to go to Mr. Luttwak, I take it?

Representative SCHEUER. Yes.

Senator SARBANES. Could I just get Mr. Hufbauer to put a couple of things on the record? And I want to hear the others and then we can get into a free-flowing.

But, while we've got him right here.

A lot of analogies are being used. I want to ask about the Ethiopian sanctions. Is it correct that the Ethiopians sanctions applied by the League of Nations did not include oil?

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Mr. HUFBAUER. That is correct.

Senator SARBANES. Now, is it also correct that, even as limited as they were and not encompassing oil, that the United States, not been a member of the League of Nations, refused to participate in the sanctions?

Mr. HUFBAUER. That is correct.

Senator SARBANES. Is it correct that Mussolini at some point said to Hitler—I've read this and I'm looking for—I want to ascertain that it's correct. And, if so, I'd like to get a source for it—that he said to Hitler that, "If oil had been encompassed within the sanction, that he would have had to back down in Ethiopia"?

Mr. HUFBAUER. Substantially, he said that, and the statement is quoted in our case, and I will have to look for the page, and I'll give you the citation.

Senator SARBANES. Well, if you could and maybe then read it into the record.

Mr. HUFBAUER. I will do that. It will take me just a few minutes.

Senator SARBANES. But you have a citation, you have a source for that? Is that correct? I mean, it's not one of these——

Mr. HUFBAUER. It's not one of these made-up things, no.

Senator SARBANES. Yes. OK. Thank you.

Mr. HUFBAUER. Thank you.

Senator SARBANES. And the other question I guess I have: Would you regard these sanctions—the current ones that are being applied to Iraq—as the most comprehensive and firm and far-reaching and tightest of any that we've seen in this century?

Mr. HUFBAUER. Absolutely, and by a large magnitude.

Representative SCHEUER. Before we go ahead, I want to pose another additional question to the entire panel, what can we do to shrink the admittedly small traffic in replacement parts and spare parts, the smuggling that's taking place, as Mr. Hufbauer said, across Iraq's borders in replacement parts for the military machine?

Does science and technology hold out any possibility of identifying where smuggling is taking place? Where contraband is slipping into Iraq? Does preclusive purchasing or preemptive buying play a role?

My first job after getting out of college in 1942 was as a P1, the lowest professional rating, for the Board of Economic Warfare. I was a Junior Economist for the Board of Economic Warfare and paid $2,000 a year—and vastly overpaid. The people around me, the experts, were engaged in preclusive purchasing.

At that time the noble Swedes were selling high-quality steel ball bearings to the German military machine. But, they agreed that if we could come up with the right price, they would sell their entire output to us.

And that's what happened. We were rolling around in this country in Swedish ball bearings, up to our kazoo. We didn't have any particular use for them, but we kept them out of the hands of the Nazis.

We had purchasing agents roaming around Latin America, particularly Ecuador, buying up balsa wood—every twig, branch, tree.

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Why? So that we could make model airplanes? No. It was to deny the Germans the use of balsa wood in making the airframes of their Messerschmitt and other combat aircraft.

Remember, this was before the days of high-quality, low weight steel, and what-not. Balsa wood was the hardest, lightest product for making airplanes.

So we have considerable experience in preclusive buying. Is it possible that we could have buying agents in the region, that we could equip and finance the Turks to have buying agents to buy up the product that the Turkish traders were carrying by muleback over the mountains into Iraq, presumably with spare parts and replacement parts for the Iraqi war machine? Can we use preclusive purchasing effectively to shrink the already small trickle of war material that's getting across the border through clandestine means?

That is a question that I would like any of the members of the panel to address.

Senator SARBANES. Mr. Chairman, let me just say, I note in Mr. Luttwak's statement—he's very good at anticipating, generally speaking. He's got a sentence here that goes: "The one measure that could seriously diminish smuggling to Iraq would be preemptive buying."

And then he goes on, on the very point that you made.

Representative SCHEUER. Oh, my goodness.

Representative UPTON. I'd just like to note on that, and on somewhat of a different note, we have a major appliance manufacturer in my District, Whirlpool, which makes air conditioning. And I'm sure that they'd be glad to participate.

Senator SARBANES. Damned good buy.

Mr. HUFBAUER. Yes.

Representative SCHEUER. OK. Well——

Mr. HUFBAUER. Mr. Congressman, could I just finish the record on this, please?

Representative SCHEUER. Yes, please.

Mr. HUFBAUER. The question that Senator Sarbanes asked about.

It's referred to on page 35 of our supplementary case studies. And we were there summarizing the study by Renwick, who will be the new British Ambassador to——

Representative SCHEUER. Robin Renwick.

Mr. HUFBAUER. Robin Renwick, the designated new British Ambassador to the United States. In his book on sanctions, he refers to this episode at pages 18 and 108–109. And the way we paraphrase his findings is this:

"Mussolini later told Hitler privately that, if the League had followed Eden and imposed oil sanctions, Italy would have had to withdraw."

[The prepared statement of Gary Hufbauer follows:]

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PREPARED STATEMENT OF GARY HUFBAUER

The Executive Summary to the second edition of *Economic Sanctions Reconsidered* is submitted as the core of my testimony. This 2-volume study, just published by the Institute for International Economics, examines 116 cases of economic sanctions during the 20th century, and tries to distill lessons for policymakers.

Each sanctions episode has unique features: idiosyncracies of personality, geography, objectives, and companion policies. Our analysis assumes that the likelihood of success can best be assessed by studying a large number of historical precedents; and that these precedents afford the most reliable guide to policymakers who decide to apply the sanctions weapon.

In the following essay, published in the *Washington Post* on December 9, 1990, my co-authors, Kimberly Ann Elliott and Jeffrey Schott, both with the Institute for International Economics, join me in drawing lessons from the historical record for the current embargo against Iraq. After the essay, results of a statistical analysis of relevant cases, using the prohibit technique, are summarized.

[From the Washington Post, December 9, 1990]

THE BIG SQUEEZE: WHY THE SANCTIONS ON IRAQ WILL WORK

A LOOK AT THIS CENTURY'S EMBARGOES SUGGESTS HOW EFFECTIVE THEY CAN BE

(By Kimberly Elliott, Gary Hufbauer and Jeffrey Schott)

Fifty-five years ago, when Mussolini's troops overran Ethiopia, half-hearted sanctions by the League of Nations failed to force Italy to withdraw. Haile Selassie's futile pleas for help have haunted the world ever since.

This week, President Bush and key members of his administration including the secretaries of state and defense declared that the United Nation's far stronger sanctions against Iraq cannot be relied on to force a withdrawal from Kuwait. Only military power, they warned, is certain to get Saddam Hussein's armies out.

But sanctions can work—and under circumstances far less favorable than those present in the confrontation with Iraq. In fact, a review of 115 cases since 1914 shows that success was achieved 40 times when economic sanctions were threatened or imposed against individual countries. Moreover, the current U.N. sanctions are by far the strongest and most complete ever imposed against any country by other nations. These comparisons strongly suggest that, given time, the U.N. economic boycott can achieve by peaceful means what Bush and his advisers say can only be won by force.

A comparison with the famous case of Ethiopia, one of the 115 we have reviewed in detail, reveals important differences which apply in the current case. The embargo of Iraq is completely different from the League's half-hearted attempt to save Ethiopia (which was made even weaker when the United States, a non-League member, refused to join). The current boycott covers virtually 100 percent of Iraq's trade. This is 3 to 4 times greater coverage than the average in all previous successful sanctions cases. Beyond that, Iraq, geographically isolated and dependent on oil for 90 percent of its export revenue, is far more vulnerable to economic coercion than target nations in other sanctions actions.

Because of all these factors, it is likely that if the embargo persists, Iraqi output will shrink by about half from its 1988 total of $45 billion. This is a decline of gross national product (GNP) 20 times greater than the average impact in other successful sanction episodes. Meanwhile, the economic costs to the sanctioning countries of suspended trade with Iraq are being addressed in unusual ways and substantially mitigated.

There also have been suggestions that the sanctions should be aimed at destabilizing Saddam. The United States has taken this route before—no less than 10 times since World War II. In fact, the United States far exceeds all other countries in threatening or using sanctions—81 attempts since 1917, of which more than 70 cam after World War II. U.S. goals have varied widely—from curbing or destabilizing governments perceived to be drifting from the "Western" capitalist sphere, to forcing Britain and France in 1956 to withdraw their troops from the Suez Canal after Egypt's Gamal Nasser nationalized it. In the 1970s, the United States increased its use of sanctions, not as successfully, to improve the observance of human rights and to inhibit the spread of nuclear weapons. In the 1980s, terrorism and drug-smuggling have been major targets of U.S. sanctions.

In the 10 cases of U.S. sanctions aimed at dictators, they contributed at least modestly to the downfalls of Rafael Trujillo in the Dominican Republic in the 1960s and Idi Amin in Uganda and Anastasio Somoza in Nicaragua in the 1970s. Sanctions

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also exacerbated the economic chaos in Nicaragua, which contributed to the electoral defeat of Daniel Ortega earlier this year.

In cases in which the goals were ambitious, sanctions took an average of nearly 2 years to achieve a successful outcome. This raises the question of their sustainability. Here again, the Iraq case is unique. To counter possible erosion of the boycott because the participants find the costs to their own economies too high, the United States and its allies have taken extraordinary steps, including asking Saudi Arabia and other oil exporters to boost oil production to offset lost Iraq and Kuwait production. The United States also led in organizing an "economic action plan" to redirect short-term windfall profits gained by the oil producers to help developing countries. Washington also has encouraged Japan, Germany and others to provide grants and low-cost loans to developing countries hurt by higher oil prices, lost trade and related problems.

Maintaining a cohesive alliance long enough to make the sanctions work will require continued cost-reducing measures, such as getting the gulf oil producers to raise oil production so that prices come down and stabilize around the July OPEC target price of $21 per barrel. The United States, Germany and Japan also should be prepared to release oil from their strategic petroleum reserves to prevent price rises when winter brings increased energy consumption. The $21 billion committed to the economic action plan also should be swiftly distributed to offset costs to the front-line coalition states and further supplemented by additional grants for as long as needed to permit the sanctions to work. The IMF and World Bank should also increase concessional loans to developing countries thrown off balance by the sudden increase in oil prices.

However, even the tightest sanctions take time to work. Evidence from previous cases suggests that it would be unfair to claim the embargo of Iraq has failed until at least a year has passed. Though there are costs to waiting, some of them can be ameliorated, as with the president's economic action plan. If after a year or 2 the sanctions are judged to be inadequate, the military option will still be there and Saddam's forces will be weakened by lack of supplies. The key question is whether the price of patience would be higher than the economic and human costs of going to war soon.

Results of Probit model applied to sanctions data.

Dependent variable, PRESULT, is 0 if policy result is 1 or 2, 1 otherwise.

	Coefficient	T-Statistic
Constant	3.178635	2.193839
Change	0.631951	** 1.66097
Covert	0.765068	1.203731
Quasi	—0.65548	—1.05957
Coop	—0.42003	* —2.07537
Health	—0.74643	** —2.37789
Prior	0.200375	0.759425
Support	0.495580	1.104892
Cost GNP	0.297500	** 2.381672
Tradlink	0.011038	1.115794
Size	—0.00070	* —2.13706
Types	1.437192	** 2.827335
Costsend	—0.34196	—1.08433
Year	—0.29004	** —2.36344
Number of observations	▪ 92.	
Log likelihood function	—45.6359	
Average likelihood	0.608935	
Cases correct	66. (72%)	

* Significant at the 5 percent level (critical t-statistic—1.67).
** Significant at the 1 percent level (critical t-statistic—2.39).
▪ Excludes 6 cases of threats only (no sanctions applied) and 18 cases involving regular military action.

The results of the Probit analysis were also used to predict the outcome in the Iraq case based on the values we have assigned to the independent variables in that case. The model predicted a 100 percent probability of success. The COSTGNP vari-

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able drives this prediction. At a level of a 10 percent cost as a percent of GNP (rather than the estimated 48 percent) the model still predicted an 87 percent probability of success.

Definition of independent variables:

CHANGE—1 if policy goal is modest or a destabilization, 0 otherwise.
COVERT—1 if covert activity present, 0 otherwise.
QUASI—1 if quasi-military activity present, 0 otherwise.
COOP—index measuring level of international cooperation, scaled from 1 (no cooperation) to 4 (significant cooperation).
HEALTH—index measuring health and stability of target (apart from sanctions effect), scaled from 1 (distressed country) to 3 (strong and stable country).
PRIOR—index measuring warmth of relations between sender and target prior to imposition of sanctions, scaled from 1 (antagonistic) to 3 (cordial).
SUPPORT—1 if significant offsetting assistance received, 0 otherwise.
COSTGNP—cost to target as a percent of GNP.
TRADLINK—percent of target's total accounted for by sender.
SIZE—ratio of sender and target GNPs.
TYPES—1 if all 3 types of sanctions used, 0 otherwise.
COSTSEND—index measuring cost to sender, scaled from 1 (net gain) to 4 (major loss).
YEAR—time trend, represented by last 2 digits of year in which case initiated.

ECONOMIC SANCTIONS RECONSIDERED

Executive Summary

Gary Clyde Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered*, second edition. Published in 2 volumes: *Economic Sanctions Reconsidered: History and Current Policy*, and *Economic Sanctions Reconsidered: Supplemental Care Histories*. (Washington, DC: Institute for International Economics, December 1990.) /1/

Advocates of sanctions regard them as an important weapon in the foreign policy arsenal. Skeptics question whether sanctions are an effective stand-alone instrument and whether the costs to the users of sanctions are worth the benefits derived. To put these issues in perspective, we have delved into the rich history of the use of sanctions in the 20th century in order to identify circumstances in which economic sanctions can succeed in attaining foreign policy goals.

Of 115 cases of economic sanctions since World War I (see table 1), we judged 34 percent to be at least partially successful. Comparing the economic and political circumstances across the episodes, we found that sanctions tend to be most effective when:

The goal is relatively modest (thus lessening the importance of multilateral cooperation, which often is difficult to obtain, and reducing the chances a rival power will bother to step in with offsetting assistance).
The target is much smaller than the country imposing sanctions (the average sender's economy was 187 times larger than that of the average target), economically weak, and politically unstable.
The sender and target are friendly toward one another and conduct substantial trade (the sender accounted for 28 percent of the average target's trade in success cases but only 19 percent in failures).
The sanctions are imposed quickly ad decisively to maximize impact (the average cost to the target as a percentage of GNP was 2.4 percent in success cases and 1 percent in failures; successes averaged 2.9 years in duration and failures 8 years).
The sender avoids high costs to itself.

There is an important caveat to this general story. Economic sanctions proved far more useful in contributing to foreign policy goals prior to about 1973, when they had a 44 percent success rate. Of 59 cases initiated since then, only 14 (24 percent) resulted in at least a partial success, even though the number of cases involving modest policy goals soared. Among other things, this can be attributed to the declining dominance in the world economy of the United States, which has been by far the most frequent user of economic sanctions (77 of the 115 cases).

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METHODOLOGY

We define economic sanctions to mean the deliberate, government-inspired withdrawal, or threat of withdrawal, of customary trade or financial relations. "Customary" does not mean "contractual"; it simply means levels of trade and financial activity that would probably have occurred in the absence of sanctions. We define foreign policy goals to encompass changes expressly sought by the sender state in the political behavior of the target state.

Sanctions also serve important domestic political purposes in addition to sometimes changing the behavior of foreign states. The desire to be seen acting forcefully, but not to precipitate bloodshed, can easily overshadow specific foreign policy goals. Indeed, one suspects that in some cases domestic political goals were the motivating force behind the imposition of sanctions. Nevertheless, in judging the success of sanctions, we confine our examination to changes in the policies, capabilities, or government of the target country.

THE SUCCESS OF AN EPISODE

The "success" of an economic sanctions episode—as viewed from the perspective of the sender country—has 2 parts: the extent to which the foreign policy outcome sought by the sender country was in fact achieved, and the contribution made by the sanctions (as opposed to other factors, such as military action) to a positive outcome. We have devised a simple index system, scaled from 1 (failed outcome; zero or negative sanctions contribution) to 4 (successful outcome; significant sanctions contribution), to score each element. By multiplication, the 2 elements are combined into a "success score" that ranges in value from 1 to 16. We characterize a score of 9 or higher as a "successful" outcome.

Success does not mean that the target country was vanquished by the denial of economic contacts, or even necessarily that the sanctions decisively influenced the outcome. Success is defined against more modest standards. A score of 9 means that sanctions made a modest contribution to the goal sought by the sender country and that the goal was in part realized; a score of 16 means that sanctions made a significant contribution to a successful outcome. By contrast, a score of 1 indicates that the sender country clearly failed to achieve its goals or may even have left the sender country worse off than before the measures were imposed.

FACTORS INFLUENCING SUCCESS OR FAILURE

In evaluating the success of economic sanctions, the first step is to distinguish between the types of foreign policy objectives sought in different sanctions episodes. The nature of the objective may be the most important variable of all: sanctions cannot stop a military assault as easily as they can free a political prisoner. We have found it useful to classify the case histories in this study into 5 categories, according to the foreign policy objective sought by the sender country:

Change target-country policies in a relatively modest way (modest in the scale of national goals, if often of burning importance to participants in the episode); this type of goal is illustrated by cases involving human rights, terrorism, and nuclear nonproliferation.

Destabilize the target government (including, as an ancillary goal, changing the target country's policies); this category is illustrated by the U.S. campaigns against Fidel Castro and Manuel Noriega, and the Soviet campaign against Marshal Tito.

Disrupt a relatively minor military adventure, as illustrated by the League of Nation's sanctions against Italy in 1935–36 over its aggression in Abyssinia.

Impair the military potential of the target country, as illustrated by the sanctions imposed during World Wars I and II and the COCOM sanctions against the Soviet Union and its allies.

Otherwise change target-country policies in a major way (including the surrender of territory), as illustrated by the U.S. and U.N. campaign to force Iraq to withdraw from Kuwait, restore the legitimate government, and release all hostages.

Often episodes have more than one objective. Such cases are classified according to the most difficult objective, except in a few instances where 2 objectives are judged to be equally important; in those few instances the cases are cross-listed. Even though the goals of destabilization and impairment of military potential usually encompass other policy disputes, the cases are not cross-listed under those headings. However, if a case also entails disruption of a military adventure, it is listed under that heading as well.

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In addition to the objective sought, we have identified several political and economic factors that we would expect to affect the outcome of a sanctions effort. The *political variables* we have analyzed (by no means an exhaustive list) include:

Companion policies used by the sender country, namely, covert maneuvers, quasi-military activity (such as massing troops on the target's border or stationing naval forces off its coast), and regular military activity.
The number of years economic sanctions were in force.
The extent of international cooperation in imposing sanctions, scaled from 1 (no cooperation) to 4 (significant cooperation).
The presence of international assistance to the target country.
The political stability and economic health of the target country, scaled from 1 (a distressed country) to 3 (a strong and stable country).
The warmth of prior relations (i.e., before the sanctions episode) between sender and target countries, scaled from 1 (antagonistic) to 3 (cordial).

The *economic variables* that we have analyzed (again not an exhaustive list) include:

The cost imposed on the target country, expressed in absolute terms, in per capita terms, and as a percentage of its gross national product (GNP).
Commercial relations between sender and target countries, measured by the flow of 2-way trade between them, expressed as a percentage of the target country's total 2-way trade.
The relative economic size of the countries, measured by the ratio of their GNPs.
The type of sanctions used, namely, an interruption of exports from the sender country, an interruption of imports to the sender country, or an interruption of finance.
The cost to the sender country, expressed as an index scaled from 1 (net gain to sender) to 4 (major loss).

General Conclusions

Sanctions have been successful—by our definition—in 34 percent of all cases. However, the success rate importantly depends on the type of policy or governmental change sought. Episodes involving destabilization succeeded in 52 percent of the cases, usually against target countries that were small and shaky. Cases involving modest goals and attempts to disrupt minor military adventures were successful 33 percent of the time. Efforts to impair a foreign adversary's military potential, or otherwise to change its policies in a major way, succeeded infrequently (see table 2).

Of course, some sanctions fail because they were never intended to succeed, in the sense of producing a real change in the target's behavior. As one analyst has noted, when sanctions have been used primarily for domestic political or other rhetorical purposes, "effective' sanctions (in an instrumental sense) were not a primary policy goal, and such sanctions were not imposed." [2] Sanctions may also be imposed timidly, and hence ineffectively, if conflicting goals are not weeded out.

NINE COMMANDMENTS

We have found that sanctions sometimes bear fruit, but only when planted in the right soil and nurtured in the proper way. We therefore offer 9 propositions for the statesman who would act as a careful gardener.

I. "Don't Bite Off More Than You Can Chew."

Policymakers often have inflated expectations of what sanctions can accomplish. Sanctions are seldom effective in impairing the military potential of an important power, or in bringing about major changes in the policies of the target country. Of the 30 cases involving these "high" policy goals, success was achieved in only 7 (23 percent), and 4 of the 7 involved military conflict: the 2 world wars and two civil wars (between India and Hyderabad in 1948, and Nigeria and Biafra in the late 1960s).

II. "More Is Not Necessarily Merrier."

The idea that international cooperation is a necessary ingredient in all sanctions cases is misplaced. A country looks to its allies for help when its goals are ambitious; in cases involving more modest goals, such cooperation is not needed. In general, the greater the number of countries needed to implement sanctions, the less

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[2] See Michael P. Malloy, *Economic Sanctions and U.S. Trade* (Boston: Little, Brown, 1990), 626.

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likely they will be effective (table 3 summarizes the findings for the commandments that follow).

Without significant cooperation from its allies, a sender country stands little chance of achieving success in cases involving high policy goals. However, international cooperation does not guarantee success even in these cases, as evidenced from the long history of U.S. and COCOM strategic controls against the Soviet Union and COMECON, and by the Arab League's largely futile boycott of Israel. When a sender country has found it necessary to seek cooperation from other countries, it was probably pursuing a sufficiently difficult objective that the prospects for ultimate success were not bright.

On the other hand, active noncooperation can sabotage a sanctions effort. Offsetting assistance given to the target country by a third country erodes the chances of sender-country success, particularly in cases where the policy goal is destabilization of the target government or disruption of a military adventure. Such cases often occurred in the context of East-West rivalry. With the end of the Cold War, such "black knights" may be less likely to appear on the sanctions scene to rescue target countries.

III. "The Weakest Go to the Wall."

For our case sample as a whole, there seems to be a direct correlation between the political and economic health of the target country and its susceptibility to economic pressure. Countries in distress or experiencing significant problems are far more likely to succumb to coercion by the sender country.

This is most true of the destabilization cases, where successes generally came against weak regimes. The average health and stability index was also lower in successful than in failed cases when disruption of military adventures and other major policy changes were at stake. In episodes involving modest policy goals and impairment of military potential, the results based on the health and stability of the target country are less clear-cut—in the former set of cases because a wide variety of countries have been targeted, and in the latter because countries only attempt military impairment when the target is strong enough to be a threat.

Senders' economies are also typically much bigger than those of their targets. Size may be a necessary condition for success, but it is clearly not sufficient. The relative size of the target economy is less important than other factors that come into play, such as the extent of trade linkage, the economic impact of the sanctions, and the warmth of relations between sender and target prior to the imposition of sanctions.

IV. "Attack Your Allies, Not Your Adversaries."

Economic sanctions seem most effective when aimed against erstwhile friends and close trading partners. In contrast, sanctions directed against target countries that have long been adversaries of the sender country, or against targets that have little trade with the sender country, are generally less successful.

The higher compliance with sanctions by allies and trading partners reflects their willingness to bend on specific issues in deference to an overall relationship with the sender country. However, the preservation of political alliances and economic ties should be equally important to prospective senders as to intended targets.

Likewise, the trade linkage data suggest that success is more often achieved when the target country conducts a significant portion of its trade with the sender. Overall, successful cases exhibit a higher average trade linkage (28 percent) than do failed cases (19 percent). One corollary: a sender country enhances its potential leverage by minimizing restrictions on trade well before the need for sanctions arises.

V. "If It Were Done, When Tis Done, Then Twere Well It Were Done Quickly."

A heavy, slow hand invites both evasion and the mobilization of domestic opinion in the target country. Sanctions imposed slowly or incrementally may simply strengthen the target government at home as it marshals the forces of nationalism. Moreover, such measures are likely to be undercut over time either by the sender's own firms or by foreign competitors. The average successful case lasted just under three years, while failures typically dragged on for 8 years.

However, it is not the passage of time alone that undermines economic sanctions. Other factors are correlated with the length of an episode. Episodes between erstwhile allies are generally short, to the point, and often successful. Further, the target country is more likely to receive assistance from another major power if the episode continues for a number of years. Finally, the greater the latent likelihood of success, the shorter the sanctions period necessary to achieve results.

In any event, the inverse relationship between success and the duration of sanctions argues against a strategy of "turning the screws" on a target country, slowly applying more and more economic pressure over time until the target succumbs.

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Time affords the target the opportunity to adjust: to find alternative suppliers, to build new alliances, and to mobilize domestic opinion in support of its policies.

VI. "In for a Penny, In for a Pound."

Cases that inflict heavy costs on the target country are generally successful. The average cost to the target for all successful cases was nearly 2.5 percent of GNP; by contrast, failed episodes barely dented the economy of the target country, with costs averaging only 1 percent of GNP. The conclusion to be drawn from these findings is that if sanctions can be imposed in a comprehensive manner, the chances of success improve. Sanctions that bite are sanctions that work. However, there is a "black knight corollary" to this conclusion: sanctions that attract offsetting support from a major power may cost the target country little on a net basis and are less likely to succeed.

VII. "If You Need to Ask the Price, You Can't Afford the Yacht."

The more it costs a sender country to impose sanctions, the less likely it is that the sanctions will succeed. The average cost-to-sender index (scored from 1 to 4, with 1 representing a net gain and 4 a major loss to the sender), is generally lower in successful than in failed cases. The basic conclusion is clear; a country should shy away from deploying sanctions when the economic costs to itself are high. Countries that shoot themselves in the foot may not mortally wound their intended targets.

The sanctions episodes that are least costly to the sender are often those that make use of financial leverage—manipulating aid flows, denying official credits, or, at the extreme, freezing assets—rather than trade controls. Denial of finance may also compound the cost to the target country by inhibiting its ability to engage in trade even without formal trade controls being imposed. In fact, financial sanctions have been used alone more often and more effectively than trade controls alone.

When financial, export, and import controls are all used in a single episode, it is often because the goal is ambitious. A major reason for the better track record of financial sanctions alone is that they typically involve relatively modest goals, sought through the reduction, suspension, or termination of economic or military assistance flowing from richer nations (usually the United States) to smaller and poorer developing countries.

VIII. "Choose the Right Tool for the Job."

Economic sanctions are often deployed in conjunction with other measures, such as covert action, quasi-military measures, or regular military operations. Companion measures are used most frequently in episodes involving destabilization and impairment of military potential. By contrast, companion policies are seldom used in cases involving modest policy changes, and were used in fewer than half the cases seeking disruption of military adventures or other major policy changes.

Though our findings reveal no correlation between the use of companion policies and increased effectiveness, this result is somewhat misleading. Our methodology only recognizes success in cases where sanctions made a positive contribution to the policy outcome. In several cases counted as failures—for example, the U.S. sanctions against the Sandinistas in Nicaragua and against Noriega in Panama—the sender country achieved its goal but military or covert measures swamped the impact of the sanctions. It may also be unfair to say that sanctions "failed" in other cases—for example, the United States versus Grenada (Case 83-4)—where the military weapon was unsheathed before sanctions had been given a chance to work. Rather than buttressing a sanctions campaign, companion measures are frequently used when sanctions are perceived to be either wholly inadequate or simply too slow.

IX. "Look Before You Leap."

Sender governments should think through their means and objectives before taking a final decision to deploy sanctions. Leaders in the sender country should be confident that their goals are within their reach, that they can impose sufficient economic pain to command the attention of the target country, that their efforts will not prompt offsetting policies by other powers, and that the sanctions chosen will not impose insupportable costs on their domestic constituents and foreign allies. These conditions will arise only infrequently, and even then the odds are against success.

Sanctions imposed for symbolic purposes—for the benefit of allies or a domestic audience—should be just as carefully crafted. Although economic sanctions may be the best or even the only option in some cases where it is necessary to "do something," not just any sanction will do—the sanction chosen must be appropriate to the circumstances. Senders usually have multiple goals and targets in mind when they impose sanctions, and coercion is not always at the top of the list. Prudence

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argues that one carefully scrutinize unintended costs and consequences before choosing a particular measure. It makes sense to tailor sanctions carefully to the objective they are genuinely intended to achieve.

Prospects for the Future

Success in the use of sanctions has proved more elusive in recent years than in earlier decades. If one splits the case sample roughly in half, into those initiated before 1973 and those begun after that date, a striking difference emerges: 44 percent of the sanctions episodes in the pre-1973 period succeeded, whereas the success rate among the cases begun after 1973 was just under 25 percent. Even more striking is the decline in the effectiveness of sanctions imposed in pursuit of modest goals, from 75 percent to 21 percent.

However, these trends need to be qualified: the increasing use of sanctions despite declining effectiveness can be attributed entirely to U.S. experience. Other senders, including multilateral coalitions in which the United States played a relatively minor role, both reduced their reliance on sanctions and improved their record: from 10 successes in 28 attempts prior to 1973, to 6 out of 13 since. In contrast, after posting a better than .500 average in the earlier period, the United States has batted under .200 since 1973.

Declining Success and Declining Hegemony

The most obvious and important explanation of the sharp decline in the effectiveness of U.S. sanctions is the relative decline of the U.S. position in the world economy. Unlike the early post-war era, the United States is no longer the major supplier of many goods and services, nor is it the only source of economic assistance for developing countries.

Since the 1960s, trade and financial patterns have grown far more diversified and new technology has spread more quickly. Recovery in Europe and the emergence of Japan have created new, competitive economic superpowers, and economic development has reduced the pool of potentially vulnerable targets. These trends are starkly illustrated by the declining average trade linkage between the United States and its targets (from 24 percent prior to 1973 to only 17 percent since), the lower costs imposed on targets (1.7 percent of GNP versus 0.9 percent of GNP), and the fading utility of manipulating aid flows. For example, the success rate for financial sanctions used alone (usually cases involving reduced aid to developing countries) declined from nearly 80 percent before 1973 to less than 20 percent since then.

The evidence from the cases suggests three other factors contributing to declining success. First, although detente allowed cases involving modest goals to multiply in the 1970s, concerns about Soviet influence or strategic position still claimed first priority in the strategic planning of the U.S. Government and frequently undermined the pursuit of less central goals. Also, while the goals in several more recent cases may have been modest from the perspective of the United States, they were often of central importance to targeted regimes whose leaders believed that their survival depended on stifling domestic political opposition or keeping up with a regional rival thought to be pursuing a nuclear weapons option.

Second, in the past 15 years, Congress has increasingly forced the president's hand and constrained his discretion in various foreign policy situations by passing legislation requiring the use of economic sanctions. The confused signals sent by administrations that were forced to implement legislatively mandated sanctions may have led target countries to believe, often correctly, that the sanctions would not be sustained.

Finally, whereas financial measures were part of the sanctions package in more than 90 percent of episodes prior to 1973, they were present in only two-thirds of the cases after that. The favored type of financial sanction also changed. Economic aid was the dominant choice in the earlier period, whereas military assistance was prominent in the later period, especially in the human rights cases, where military governments were often the target. However, the amount of aid cut off in these cases was usually quite small; some cases also involved offsetting financial assistance from the Soviet Union or others.

Sanctions After the Cold War

The inevitable decline of American postwar hegemony has substantially reduced the utility of unilateral U.S. economic sanctions. Moreover, the U.S. experience and increasing global economic interdependence had convinced most other countries—never as enamored of sanctions as the United States—that the use of economic leverage for foreign policy ends was largely anachronistic. But the end of the Cold

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War raises two questions for the future of sanctions: Can the utility of unilateral U.S. sanctions be restored? And, does the U.N. embargo of Iraq presage a new approach to international diplomacy, with multilateral sanctions playing an important rule?

The decline in superpower rivalry, combined with severe economic problems at home, means that the Soviet Union is far less likely to play the black knight to countries seeking assistance to offset the impact of U.S. sanctions. However, even if black knights are fewer in the 1990s, the scope for unilateral U.S. action will continue to diminish. Changes in the global economy in recent decades have increased the number of alternative suppliers of trade and finance and have reduced the number of targets likely to succumb to unilateral economic coercion.

Does this mean that the second commandment, regarding international cooperation, should be dropped? We think not, for 2 reasons. First, ambitious goals will still be more difficult to achieve than modest ones, regardless of the degree of cooperation. Second, the U.N. embargo of Iraq notwithstanding, multilateral cooperation is likely to be as difficult to achieve in the future as it has been in the past.

For many, the embargo of Iraq has provided a vision of a post-Cold War world in which the United Nations, without the superpower rivalries that have hamstrung it in the past, would finally play the dispute-settlement role originally intended for it. Success in the Middle East could revive enthusiasm for Woodrow Wilson's vision of sanctions as an alternative to war, but that enthusiasm is likely to be short-lived for 2 reasons.

First, economic sanctions seldom if ever achieve the sort of outright victory that military action can, although they may achieve a compromise solution that is preferable to war: the U.N. embargo, coupled with the credible threat of military action, may succeed in getting Iraqi troops out of Kuwait, but it probably will not be sufficient to rid the world of Saddam Hussein or his military might.

Second, although the end of the Cold War opened the door for an unprecedented degree of international cooperation against Iraq, the real source of that near unanimity was the threat to global prosperity and political stability posed by Hussein's aggression. Had the invasion of Kuwait not placed Hussein in a position to control the second-largest oil reserves in the world, with his million-man army poised on the Saudi Arabian border, it is unlikely that the world would have united in condemning him.

Even with the stakes so high, China was a reluctant participant in many of the U.N. actions against Iraq. China might well have blocked some or all of those actions, using its veto in the U.N. Security Council, if not for its desire to rehabilitate its own international image and see the sanctions imposed after the Tiananmen Square massacre lifted. Few situations pose the global risks of Iraq's invasion of Kuwait; consequently, the degree of cooperation achieved in this case is unlikely to be repeated.

A more revealing precedent for the post-Cold War world may be the South Africa case. There, despite 30 years of U.N. and various bilateral sanctions, a peaceful end to apartheid remains a dream, though a less distance one than in the early 1980s. The 5 permanent members of the U.N. Security Council, as well as virtually all the members of the General Assembly, are united in their abhorrence of apartheid, but they differ widely on how to end it. For nearly 2 decades after the 1960 Sharpeville massacre, the United Nations could manage no more than to call on its members to voluntarily restrict arms sales to South Africa. A decade later, the arms embargo (mandatory since 1977) is still the only UN sanction in place.

While condemning apartheid in the 1960s and 1970s, the United States soft-pedaled sanctions because of fears that the result would be increased Soviet influence in a region considered strategic. In the 1980s, even after the easing of Cold War tensions, the Reagan administration worried that South Africa would retaliate against sanctions by restricting the export of certain strategic minerals and metals for which the only alternative source was the Soviet Union. Under intense public pressure, Congress eventually passed the Comprehensive Anti-Apartheid Act over a presidential veto in 1986, but even that legislation imposed only partial sanctions. Moreover, the choice of sanctions appeared to reflect commercial as well as foreign policy goals. Only exports of petroleum products and weapons and munitions were barred, while imports of such domestically sensitive import-competing products as textiles and apparel, iron and steel, and agricultural products were banned.

Sanctions against South Africa by most of Europe (outside of Scandinavia) and Japan have been even less resolute, as these countries have allowed economic interests to dominate their policy in this area. The United Kingdom has substantial investments in and trade with South Africa, and Prime Minister Margaret Thatcher, who appears to have a genuine ideological aversion to the use of economic sanctions,

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blocked significant measures by either the European Community or the Commonwealth, and led the fight for lifting sanctions after President Frederick W. de Klerk released Nelson Mandela from prison.

Because the screws were tightened slowly and only part of the way, we estimate that the post-1985 sanctions against South Africa cost it less than 1 percent of GNP. Moreover, the "sanctions" that appear to have had the greatest impact in this period—the freeze on new lending to and substantial capital outflows from South Africa—were imposed by skittish financial institutions, not be governments. Even if a peaceful resolution is eventually achieved in South Africa, it seems likely at the end of 1990 that government-imposed economic sanctions will have played no more than a modest role in the outcome.

Thus, the end of the Cold War removes one significant obstacle to the use of economic sanctions as a tool of international diplomacy, but it cannot erase all of the economic and political interests that divide countries. Nor does it make difficult objectives easy, or strong and stable targets more susceptible to economic pressure. This does not mean that the United Nations should eschew sanctions, but only that effective multilateral sanctions are likely to remain rare events.

The problems for individual sender countries are even more difficult. One byproduct of the evolution of the world economy since World War II has been a narrowing of the circumstances in which unilateral economic leverage may be effectively applied. Success increasingly depends on the subtlety, skill, and creativity with which sanctions are imposed—a test the United States has frequently failed.

Do's and Don'ts

Bearing in mind that economic sanctions are often an unsuitable tool of diplomacy, here is our short list of "do's and don'ts" for the architects of a sanctions policy designed to change the policies of the target country:

(1) Don't bit off more than you can chew.
(2) Don't exaggerate the importance of international cooperation with your policies—it may not be necessary in small episodes—but don't underestimate the role of international assistance to your target.
(3) Do pick on the weak and helpless.
(4) Do pick on allies and trading partners, but remember, good friends are hard to come by and sad to lose.
(5) Do impose the maximum cost on your target, but—
(6) Don't pay too high a price for sanctions yourself.
(7) Do apply sanctions decisively and with resolution, but—
(8) Don't expect sanctions to work right away, and don't jump to covert maneuvers or military action too soon.
(9) Do plan carefully: economic sanctions may worsen a bad situation.

"FOREWARNED IS FOREARMED."

TABLE 1. CHRONOLOGICAL SUMMARY OF ECONOMIC SANCTIONS FOR FOREIGN POLICY GOALS, 1914–90

Case number	Principal sender	Target country	Active years	Goals of sender country
14–1	United Kingdom	Germany	1914–18	Military victory
17–1	United States	Japan	1917	(1) Contain Japanese influence in Asia; (2) Persuade Japan to divert shipping to Atlantic
18–1	United Kingdom	Russia	1918–20	(1) Renew support for Allies in World War I: (2) Destabilize Bolshevik regime
21–1	League of Nations	Yugoslavia	1921	Block Yugoslav attempts to wrest territory from Albania; retain 1913 borders
25–1	League of Nations	Greece	1925	Withdraw from occupation of Bulgarian border territory
32–1	League of Nations	Paraguay and Bolivia	1932–35	Settle the Chaco War

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TABLE 1. CHRONOLOGICAL SUMMARY OF ECONOMIC SANCTIONS FOR FOREIGN POLICY GOALS, 1914–90—Continued

Case number	Principal sender	Target country	Active years	Goals of sender country
33–1	United Kingdom	USSR	1933	Release two British citizens
35–1	United Kingdom and League of Nations.	Italy	1935–36	Withdraw Italian troops from Abyssinia
38–1	United Kingdom and United States.	Mexico	1938–47	Settle expropriation claims
39–1	Alliance Powers	Germany, later Japan	1939–45	Military victory
40–1	United States	Japan	1940–41	Withdraw from Southeast Asia
44–1	United States	Argentina	1944–47	(1) Remove Nazi influence; (2) Destabilize Perón government
46–1	Arab League	Israel	1946–	Create a homeland for Palestinians
48–1	United States	Netherlands	1948–49	Recognize Republic of Indonesia
48–2	India	Hyderabad	1948	Assimilate Hyderabad into India
48–3	USSR	United States, United Kingdom, and France.	1948–49	(1) Prevent formation of a West German government; (2) Assimilate West Berlin into East Germany
48–4	USSR	Yugoslavia	1948–55	(1) Rejoin Soviet camp; (2) Destabilize Tito government
48–5	United States and COCOM	USSR and COMECON	1948–	(1) Deny strategic materials; (2) Impair Soviet military potential
49–1	United States and CHINCOM.	China	1949–70	(1) Retaliation for Communist takeover and subsequent assistance to North Korea; (2) Deny strategic and other materials
50–1	United States and United Nations.	North Korea	1950–	Withdraw attack on South Korea
51–1	United Kingdom and United States.	Iran	1951–53	(1) Reverse the nationalization of oil facilities; (2) Destabilize Mussadiq government
54–1	USSR	Australia	1954	Repatriate a Soviet defector
54–2	India	Portugal	1954–61	Assimilate Goa into India
54–3	Spain	United Kingdom	1954–84	Gain sovereignty over Gibraltar
54–4	United States and South Vietnam.	North Vietnam	1954–	(1) Impede military effectiveness of North Vietnam; (2) Retribution for aggression in South Vietnam
56–1	United States	Israel	1956–83 (intermittent episodes)	(1) Withdraw from Sinai; (2) Implement Un Resolution 242; (3) Push Palestinian autonomy talks
56–2	United Kingdom, United States, and France.	Egypt	1956	(1) Ensure free passage through Suez Canal; (2) Compensate for nationalization
56–3	United States	United Kingdom and France.	1956	Withdraw from Suez

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TABLE 1. CHRONOLOGICAL SUMMARY OF ECONOMIC SANCTIONS FOR FOREIGN POLICY GOALS, 1914–90—Continued

Case number	Principal sender	Target country	Active years	Goals of sender country
56–4	United States	Laos	1956–62	(1) Destabilize Prince Souvanna Phouma government; (2) Destabilize General Phoumi government; (3) Prevent Communist takeover
57–1	Indonesia	Netherlands	1957–62	Control of West Irian
57–2	France	Tunisia	1957–63	Halt support for Algerian rebels
58–1	USSR	Finland	1958–59	Maintain pro-USSR policies
60–1	United States	Dominican Republic	1960–62	(1) Cease subversion in Venezuela; (2) Destabilize Trujillo government
60–2	USSR	China	1960–70	(1) Retaliation for break with Soviet policy; (2) Impair Chinese economic and military potential
60–3	United States	Cuba	1960–	(1) Settle expropriation claims; (2) Destabilize Castro government; (3) Discourage Cuba from foreign military adventures
61–1	United States	Ceylon	1961–65	Settle expropriation claims
61–2	USSR	Albania	1961–65	(1) Retaliation for alliance with China; (2) Destabilize Hoxha government
61–3	Western Allies	German Democratic Republic.	1961–62	Berlin Wall
62–1	United States	Brazil	1962–64	(1) Settle expropriation claims; (2) Destabilize Goulart government
62–2	United Nations	South Africa	1962–	(1) End apartheid; (2) Grant independence to Namibia
62–3	USSR	Romania	1962–63	Limit economic independence
63–1	United States	United Arab Republic	1963–65	(1) Cease military activity in Yemen and Congo; (2) Moderate anti-US rhetoric
63–2	Indonesia	Malaysia	1963–66	Promote "Crush Malaysia" campaign
63–3	United States	Indonesia	1963–66	(1) Cease "Crush Malaysia" campaign; (2) Destabilize Sukarno government
63–4	United States	South Vietnam	1963	(1) East repression; (2) Remove Nhu; (3) Destabilize Diem
63–5	United Nations and Organization for African Unity.	Portugal	1963–74	Free African colonies
64–1	France	Tunisia	1964–66	Settle expropriation claims
65–1	United States	Chile	1965–66	Roll back copper price
65–2	United States	India	1965–67	Alter policy to favor agriculture
65–3	United Kingdom and United Nations.	Rhodesia	1965–79	Majority rule by black Africans
65–4	United States	Arab League	1965–	Stop US firms from implementing Arab boycott of Israel
67–1	Nigeria	Biafra	1967–70	End civil war
68–1	United States	Peru	1968	Forgo aircraft purchases from France

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TABLE 1. CHRONOLOGICAL SUMMARY OF ECONOMIC SANCTIONS FOR FOREIGN POLICY GOALS, 1914–90—Continued

Case number	Principal sender	Target country	Active years	Goals of sender country
68–2	United States	Peru	1968–74	Settle expropriation claims
70–1	United States	Chile	1970–73	(1) Settle expropriation claims; (2) Destabilize Allende government
71–1	United States	India and Pakistan	1971	Cease fighting in East Pakistan (Bangladesh)
S–1	United States	Countries supporting international terrorism.	1972–	Overview
72–1	United Kingdom and United States.	Uganda	1972–79	(1) Retaliation for expelling Asians; (2) Improve human rights; (3) Destabilize Amin government
S–2	United States	Countries violating human rights.	1973–	Overview
73–1	Arab League	United States and Netherlands.	1973–74	(1) Retaliation for supporting Israel in October war; (2) Restore pre-1967 Israeli borders
73–2	United States	South Korea	1973–77	Improve human rights
73–3	United States	Chile	1973–	Improve human rights
S–3	United States and Canada	Countries pursuing nuclear weapons option.	1974–	Overview
74–1	United States	Turkey	1974–78	Withdraw Turkish troops from Cyprus
74–2	Canada	India	1974–76	(1) Deter further nuclear explosions; (2) Apply stricter nuclear safeguards
74–3	Canada	Pakistan	1974–76	(1) Apply stricter safeguards to nuclear power plant; (2) Forgo nuclear reprocessing
75–1	United States and Canada	South Korea	1975–76	Forgo nuclear reprocessing
75–2	United States	USSR	1975–	Liberalize Jewish emigration
75–3	United States	Eastern Europe	1975–	Liberalize Jewish emigration
75–4	United States	South Africa	1975–82	(1) Adhere to nuclear safeguards; (2) Avert explosion of nuclear device
75–5	United States	Kampuchea	1975–79	(1) Improve human rights; (2) Deter Vietnamese expansionism
76–1	United States	Uruguay	1976–81	Improve human rights
76–2	United States	Taiwan	1976–77	Forgo nuclear reprocessing
76–3	United States	Ethiopia	1976–	(1) Settle expropriation claims; (2) Improve human rights
77–1	United States	Paraguay	1977–81	Improve human rights
77–2	United States	Guatemala	1977–86	Improve human rights
77–3	United States	Argentina	1977–83	Improve human rights
77–4	Canada	Japan and European Community.	1977–78	Strengthen nuclear safeguards
77–5	United States	Nicaragua	1977–79	(1) Destabilize Somoza government; (2) Improve human rights
77–6	United States	El Salvador	1977–81	Improve human rights
77–7	United States	Brazil	1977–84	Improve human rights
78–1	China	Albania	1978–83	Retaliation for anti-Chinese rhetoric

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TABLE 1. CHRONOLOGICAL SUMMARY OF ECONOMIC SANCTIONS FOR FOREIGN POLICY GOALS, 1914–90—Continued

Case number	Principal sender	Target country	Active years	Goals of sender country
78–2	United States	Brazil	1978–81	Adhere to nuclear safeguards
78–3	United States	Argentina	1978–82	Adhere to nuclear safeguards
78–4	United States	India	1978–82	Adhere to nuclear safeguards
78–5	United States	USSR	1978–80	Liberalize treatment of dissidents (e.g., Shcharansky)
78–6	Arab League	Egypt	1978–83	Withdraw from Camp David process
78–7	China	Vietnam	1978–88	Withdraw troops from Kampuchea
78–8	United States	Libya	1978–	(1) Terminate support of international terrorism; (2) Destabilize Gadhafi government
79–1	United States	Iran	1979–81	(1) Release hostages; (2) Settle expropriation claims
79–2	United States	Pakistan	1979–	Adhere to nuclear safeguards
79–3	Arab League	Canada	1979	Retaliation for planned move of Canadian embassy in Israel from Tel Aviv to Jerusalem
79–4	United States	Bolivia	1979–82	(1) Improve human rights; (2) Deter drug trafficking
80–1	United States	USSR	1980–81	(1) Withdraw Soviet troops from Afghanistan; (2) Impair Soviet military potential
80–2	United States	Iraq	1980–	(1) Terminate support of international terrorism; (2) Renounce chemical and nuclear weapons
81–1	United States	Nicaragua	1981–90	(1) End support for El Salvador rebels; (2) Destabilize Sandinista government
81–2	United States	Poland	1981–87	(1) Life martial law; (2) Free dissidents; (3) Resume talks with Solidarity
81–3	United States	USSR	1981–82	(1) Lift martial law in Poland; (2) Cancel USSR-Europe pipeline project; (3) Impair Soviet economic and military potential
81–4	European Community	Turkey	1981–82	Restore democracy
82–1	United Kingdom	Argentina	1982	Withdraw troops from Falkland Islands
82–2	Netherlands and United States.	Suriname	1982–88	(1) Improve human rights; (2) Limit alliance with Cuba and Libya
82–3	South Africa	Lesotho	1982–86	(1) Return refugees suspected of antistate activities; (2) Destabilize Chief Jonathan
83–1	Australia	France	1983–86	Stop nuclear testing in the South Pacific
83–2	United States	USSR	1983	Retaliation for downing of Korean airliner

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TABLE 1. CHRONOLOGICAL SUMMARY OF ECONOMIC SANCTIONS FOR FOREIGN POLICY GOALS, 1914–90—Continued

Case number	Principal sender	Target country	Active years	Goals of sender country
83–3	United States	Zimbabwe	1983–88	(1) Temper opposition in United Nations to US foreign policy; (2) Resume food shipments to Matabeleland; (3) Apologize for anti-US rhetoric
83–4	United States and Organization of Eastern Caribbean States.	Grenada	1983	Destabilize Bishop-Austin regime
84–1	United States	Iran	1984–	(1) End war with Iraq; (2) Halt attacks on Gulf shipping
85–1	United States	South Africa	1985–	End apartheid
86–1	United States	Syria	1986–	End support of terrorism
86–2	United States	Angola	1986–	Expel Cuban troops
87–1	United States	Panama	1987–90	estabilize Noriega
87–2	United States	Haiti	1987–90	(1) Improve human rights; (2) Restore democracy; (3) Stop drug smuggling
87–3	United States	El Salvador	1987–88	Reverse amnesty decision
88–1	Japan, West Germany, and United States.	Burma	1988–	(1) Improve human rights; (2) Restore democracy
88–2	United States and United Kingdom.	Somalia	1988–	(1) Improve human rights; (2) End civil war
89–1	India	Nepal	1989–90	Reduce ties with China
89–2	United States	China	1989–	Retaliation for Tiananmen Square
89–3	United States	Sudan	1989–	(1) Improve human rights; (2) Restore democracy
90–1	United States and United Nations.	Iraq	1990–	(1) Withdraw from Kuwait; (2) Restore legitimate government; (3) Release hostages

TABLE 2. THE SANCTIONS RECORD

Policy goal	Overall record		Pre-1973		1973–90	
	Number of successes	Number of failures	Number of successes	Number of failures	Number of successes	Number of failures
Modest policy change	17	34	9	3	8	31
Destabilization	11	10	9	6	2	4
Disruption of military adventures	6	12	5	8	1	4
Military impairment	2	8	2	6	0	2
Other major policy changes	5	15	2	11	3	4
All cases *	41	79	27	34	14	45

* The figures include five instances of cases included under 2 different policy goals: 49–1: US v. China; 60–3: US v. Cuba; 631: US v. UAR; 63–3: US v. Indonesia; and 801: US v. USSR (Afghanistan). Since these cases are generally failures, double counting them adds a small negative bias to the success ratio.

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TABLE 3. SUMMARY OF FACTORS CONTRIBUTING TO EFFECTIVE SANCTIONS

Policy goal	COMMANDMENT II				COMMANDMENT III		Average GNP ratio: sender to target	COMMANDMENT IV				COMMANDMENT V	
	Average index value for international cooperation		Percentage of cases involving international assistance to target		Average index value for health and stability			Average index value for prior relations		Average trade linkage (percentage of total trade)		Length of episode (years)	
	SC	FC	SC	FC	SC	FC		SC	FC	SC	FC	SC	FC
Modest policy change	1.5	1.7	12	12	2.1	2.1	*213	2.4	2.0	25	15	2.8	5.2
Destabilization	1.7	2.4	9	80	1.4	1.9	*427	2.7	2.2	38	27	3.8	7.4
Disruption of military adventures	2.3	2.2	0	42	2.0	2.3	62	2.3	2.1	16	28	1.2	4.4
Military impairment	4.0	3.0	100	62	3.0	2.7	76	1.0	1.2	12	17	5.0	24.4
Other major policy changes	1.8	1.9	40	20	1.8	2.6	57	2.6	2.0	36	16	1.8	2.6
All cases	1.8	2.0	17	28	1.9	2.3	187	2.4	2.0	28	19	2.9	8.0

SC—success cases.
FC—failure cases.
* These averages exclude 5 cases where the GNP ratio is over 2,000 because their inclusion would bias the results.

Table 3. Summary of Factors Contributing to Effective Sanctions—Continued

Policy goal	COMMANDMENT VI		COMMANDMENT VII								COMMANDMENT VIII	
	Costs to target (percentage of GNP)		Number of cases with:								Percentage of cases involving companion policies	
			Average index value for cost to sender		Financial sanctions alone		Financial with trade sanctions		Trade sanctions alone			
	SC	FC	SC	FC	SC	FC	SC	FC	SC	FC	SC	FC
Modest policy change	1.2	0.4	1.6	1.5	7	13	6	10	3	10	18	3
Destabilization	4.1	2.2	1.5	2.3	4	1	6	8	1	1	73	80
Disruption of military adventures	0.4	2.0	1.7	1.9	3	4	1	6	0	2	17	50
Military impairment	4.3	1.2	4.0	3.0	0	0	2	5	0	3	100	75
Other major policy changes	4.5	0.5	2.0	2.3	0	2	3	8	2	4	40	40
All cases*	2.4	1.0	1.8	2.0	14	20	18	37	6	20	39	34

SC—success cases.
FC—failure cases.
* These averages exclude 5 cases where the GNP ratio is over 2,000 because their inclusion would bias the results.

Representative UPTON. If I might follow up with another question for Mr. Warnke.

With your experience in arms control and particularly with missile technology, is part of the question here how can we shrink the number of goods that are getting into Iraq? And one of the points that Mr. Hufbauer made, of course, was the fact that the longer the sanctions are in place, the less ready the war machine by Hussein is.

One of the concerns that I've had as I've talked to members that have been to the Persian Gulf—and I have not been there—is the fact that the Iraqis a number of times are, in fact, putting their missiles on launchers, raising them aimed at Israel and other places. And then bringing them back down.

What type of readiness equipment, I mean, we talked a little bit about the Air Force and spare parts. Of course, those airplanes, I would imagine, are in operation at least part of the time. Missiles of course are not.

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How long are they able to keep missiles to be ready and what type of supply or spare parts would they need or are likely to have in order to keep that threat posed?

Representative SCHEUER. Mr. Warnke, in order to avoid total chaos here this morning, would you reserve that question and answer it in turn?

Mr. WARNKE. Certainly.

Representative SCHEUER. But, we hope to go through the witnesses in order.

Representative UPTON. I was simply trying to help the end of the alphabet there.

Representative SCHEUER. Good. I'm sure the end of the alphabet appreciates it. [Laughter.]

All in the fullness of time.

Senator SARBANES. It's an understandable concern of Congressman Upton's, I might add. [Laughter.]

Representative SCHEUER. Well, Congressman Scheuer, too—and, yes, Sarbanes as well.

Senator SARBANES. Yes, and Sarbanes as well.

Representative SCHEUER. OK. Mr. Luttwak, please proceed.

STATEMENT OF EDWARD LUTTWAK, ARLEIGH BURKE CHAIR IN STRATEGY, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. LUTTWAK. I'm going to try and be brief, as ordered.

SMUGGLING BETWEEN THE BORDERS

Pursuant to the U.N. resolutions, some of Iraq's borders are now virtually sealed. Others are not. The Jordanian Government is plainly at reluctant participant in this blockade. And while its border patrols made quite a show arresting some smugglers here and there, it is very probable that some other trade flows are continuing.

The Syrian and Turkish Governments and the Saudis are obviously trying very hard by contrast to stop any trade at all, but there are real difficulties.

I actually visited this area once—mountain terrain, lines of sight are very short. Border patrols, the best in the world, cannot be effective. They never have been. Not even fancy sensors would help in that type of terrain very much.

Representative SCHEUER. Will satellite surveillance help us?

Mr. LUTTWAK. Well, satellite surveillance will show traffic if it was substantial enough, but they would get photographs X-days after. Even literal time coverage, by the time you get a word out to some border patrol, they are not going to catch them.

Representative SCHEUER. Well, now wait a minute. If a bunch of Iraqi tribesmen were driving 100 mules across a mountain pass, each with 500 pounds of merchandise on its back, couldn't that be identified by satellite surveillance and communicated to patrols very quickly, in time to stop that mule train?

Mr. LUTTWAK. If it's a very large mule train, it will probably be intercepted by the existing patrols. But the report is that it is a more normal type of smuggling, which is not quite so ambitious.

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But, I will address your concern in a somewhat different context. The Iranian border is the longest border with Iraq. It's a single border. And the notable fact is that they were unable to prevent smuggling even during the Iran-Iraq War.

There was very extensive smuggling in the more northern sectors. Again, you have the same populations, often encouraging both sides of the border. And, therefore, the whole issue of the position of the Iranian Government is true sincerity, in sum, it's irrelevant because we know they couldn't seal the border, even when they were trying very hard to do it.

So, how could they do it now?

Now, the one measure that could seriously diminish smuggling to Iraq is, as the chairman has already suggested, would be preemptive buying. If you had buying agents at the border localities and they were outbidding the smugglers, that would deal with the problem soon enough.

Now, arguably, doing all this would be really quite unnecessary and excessive because all that is happening is that some cooking oil, some grains are crossing over the border, and some curds, whom the Baghdad regime would not supply anyway, are getting more food than they would otherwise. And why do we lose anything thereby?

But, as the chairman has already suggested, there's another sort of traffic that may go with this, and that is military items. Clearly, we're not going to have tanks smuggled over, or major systems of any kind. But, high-value items purchased by Iraqi agents may be smuggled over, and some of them could be quite critical.

For example, there are things like very small batteries that are necessary—specialized batteries—to operate missiles, and so on. They could easily be smuggled by these mule trains or by trucks that cross over from Iran and through Jordan and so on.

Creating A World-Wide System of Controls

But, the answer there would not just be preemptive buying. The answer will be to recreate the entire system, as in World War II, which begins with intelligence. Finding out what are the special—the companies, these are highly-specialized military products we're talking about—setting up worldwide monitoring system at the source, at the factory gate, with our allies of Europe in their countries, with their support, and with the cooperation of the Soviet Government, which is now feasible. And the system to monitor Chinese and North Korean exports, which would be done noncooperatively.

There you could use satellites and other things as well, enough satellites to actually look down at factories and see what's in yards, and so on.

Now, it may seem absurdly excessive to talk about creating such a worldwide system over a period of years to deal with the problem of Iraq.

But, it's the burden in my testimony later on that we must—it is our duty—to step back from the immediacy of the Iraq problem today, let alone this absurd and crude and primitive personalization that pits our President against Saddam Hussein as an individ-

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ual—we are not, after all, children in a schoolyard—to stand back from this and to examine the totality of the problem.

What is the problem? Is it Iraq? Yes.

Is it only Iraq? No. It is the entire problem of overmilitarization in the Third World.

And how do we cope with it?

Precisely by putting into place such a worldwide system of controls. That must begin with intelligence. Finding out who makes what. What little French company makes what little batteries? What Brazilian company makes what aircraft? Keeping track of this. We're still locked into the priorities of the cold war. We still have a lot of people in our intelligence organizations whose specialty is to keep track of the Czechoslovakian Army—the Army of Mr. Harvel—to keep track of the Hungarian Army, the Polish Army. We have hundreds of people there.

We have a lot of resources focused on it. We have the entire disposition of our Armed Forces, our diplomacy, the COCom structure, the bureaucracies, all directed to the Soviet Union. Yet, when we listened to Defense plans presented for the next few years, all we hear about is threats in the Third World.

So, if we do have threats in the Third World, given these are threats that are made possible by the outflow of advanced military technologies in the Third World, it would behoove us to set up a post-cold war system aimed at dealing with the Third World threat at source.

Is it better to spend $20–30 billion a year to keep up antisubmarine war for capabilities? Or, can we do something about the handful of suppliers of submarines, most of which are our allies, close allies?

So, let me just say, therefore, that the notion of putting into start the construction of a worldwide system of intelligence monitoring of the supply source, with the other things that were done in World War II, as the chairman mentioned, is not as absurd as when we consider that we have more than Iraq to deal with and more than now.

Let me go back to the issue of blockade more fundamentally. We've heard, I think, a very elegant, intellectual analysis of the entire problem.

I would like to isolate from it just a very simple, but I think, central proposition.

The Mechanical Not the Hypothetical Political Effects of Economic Sanctions

Tremendous confusion has been caused in a national debate over the effect of sanctions, a confusion between two entirely different types of effects.

There are the hypothetical political effects of sanctions that resemble the hypothetical political effects once imputed for strategic bombing.

And then there's the mechanical effects of sanctioning. The hypothetical political effect, the thinking behind it, is reflected by the very extensive reporting we've had, not only by media, but by dip-

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lomats going into the shops in Baghdad to find out whether there was or wasn't lots of food in some.

The implication is that there's a direct linkage between the presence or absence of food in the shops, abundance otherwise, and the decisions of the Iraqi Government.

There is no such cause and effect. The way you construct this thing is by putting into place a whole lot of very dubious hypotheses, beginning with the fact that the Iraqi Government is highly responsive to public opinion.

All the evidence that we have suggests that the Iraqi Government creates, or intimidates, or shapes forces public opinion.

There's no connection between food abundance or food shortage and any particular direction they might take one way or the other.

I, therefore, am a very strong supporter of an economic sanctions policy only. But I will not do this by invoking any hypothetical political effects.

The evidence we just heard—very systematic, very careful—suggests that there's a lot of reason to believe that there would be political effects. But, I think it's not necessary to rely upon any such hypothetical political effects to assert that the sanctions are working, and working very effectively.

Representative SCHEUER. By what criteria are they working?

Mr. LUTTWAK. Purely, not hypothetical political consequence of this or that shortage, but the actual physical deprivation of items, which I'd like to analyze, which I——

Representative SCHEUER. Items with strategic and military——

Mr. LUTTWAK. Yes, sir. And this is what I'd like to move on to. This deprivation is not being achieved by sealing Iraq's borders. And this deprivation is being achieved independently of any leakage going on, any connivance by governments. It is being achieved simply because Iraq cannot export oil. Oil cannot be smuggled by mule trains. It has to be delivered usefully by pipeline tankers. That is being stopped.

Hence, they have no money. Hence, they're not buying.

What is it that they're not buying? What is the reliable mechanical effect shown by what they're known by?

First, their programs are being interrupted, their missile development program, is now stopped. That missile development program depended on the importation of components, subsistence, various electronic rigs. Things such as wind tunnel components.

Representative SCHEUER. Does this logic also apply to their nuclear development program?

Mr. LUTTWAK. Yes, sir. The nuclear development program, without going into matters that are not proper for open hearings, depend upon a particular technology, which is loosely known as the Centrifuge Track, centrifuge technology.

That required the importation of various types of equipment to fabricate highly specialized forms of steel, and so on.

Mr. Warnke should be asked to expand on this. This is an area of his expertise, among others.

All Iraqi missile programs, the Iraqi nuclear program, the Iraqi biological warfare program, the Iraqi program in chemical agents—are being interrupted, because they all depended on the importation of large costly items.

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By the way, overwhelmingly coming from countries that are our close allies or our friends.

Representative SCHEUER. Please name them.

Mr. LUTTWAK. Press reporting indicates a lot of equipment has come from Germany, from Switzerland—not our ally but normally a country thought of as being friendly—from Japan. And, indeed, from the normal countries that produce advanced industrial equipment.

Representative SCHEUER. France? Italy?

Mr. LUTTWAK. Yes, indeed. France. Italy.

Senator SARBANES. And, indeed, from the United States, as well.

Mr. LUTTWAK. Yes.

Senator SARBANES. The Wall Street Journal, about a week ago had a major article about the flow of high-technology from U.S. companies to Iraq that helped build up some of this weapons capacity.

Mr. LUTTWAK. Yes, sir, but, you see, under our existing systems and procedures and policies, all of which were created to deal with the Soviet threat, we do not have the personnel, the mechanisms, the approaches to deal with these outflows because, ostensibly, all that is happening, you are a producer of some kind of advanced mechanical, electronic technology. You get an order.

Senator SARBANES. We passed a bill here to address that very point, the reauthorization of the Export Control Act. That had a special title in it on sanctions with respect to Iraq. And the President pocket-vetoed that bill.

That would have set up a regime to start addressing the very thing you're talking about.

Mr. LUTTWAK. Yes, sir. And the veto was particularly regrettable because what frankly needs to be done now is what was being done in this country, in this city, in 1944, 1945, 1946, which is, first of all, to reorient mentalities and perspectives and focuses so that when a manager of a company somewhere in the United States or, indeed, anywhere else, receives an order for some advanced piece of equipment that could either be for pharmaceuticals or for chemical warfare, if the order does not come from a well-known, reputable pharmaceutical company down the street, they should immediately have the awareness and sensibility. In all these different forms, we must now build a similar awareness of this other threat, which is the diffusion of dangerous technologies.

So, as of now, since August, since the position of the embargo, Iraq is absolutely prevented from developing all of these different diverse programs. The mule trains might bring in very small bits and pieces, but these were not tiny programs. They were not basement laboratory efforts. They were industrial efforts, and stuff is not coming in.

The second consequence——

Senator SARBANES. It's not coming in?

Mr. LUTTWAK. No, of course not.

THE EFFECT OF SANCTIONS ON CONSUMABLES

The second thing that is not coming in are the bulk military items that are called consumables. There was a discussion about

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the effect of the sanctions on Iraqi military capacities—the readiness, the actual readiness for war, instantaneous war readiness.

Well, that, obviously, is sharply different between different services, branches, elements because the inventories are very large. So they're not going to run out of basic tank chassis. They have so many tanks that they can cannibalize tank chassis for a long time.

What you have to look at is the consumables. The consumables—as the military calls them—are things such as tires, shelf life item of different types——

Now, if you look at the Iraqi array of equipment, the crucial piece of equipment—not very glamorous perhaps—is tank supporters. They need to manuever the armor and move it great distances. If you move the average Soviet tank of the Iraqi Army 150 miles, then it has to go straight into a shop for major reconstruction of transmission.

The only way you can move it is by tank supporters. And the tank supporter is West-German found. There was several hundred of these tank supporters—one of the biggest arms sales, by the way—just harmless, seemingly, just trucks. They found tank supporters need spare parts, which they have not been getting.

As they moved the tanks around for the deployments, the counter deployments of Kuwait, they've been running down that inventory of tank supporters, which critically affects their ability to manuever armor.

There's been a shortage of tires for this type of heavy vehicles that is very crippling in effect.

The Iraqis have Franco-German Roland antiaircraft missiles. They have a hundred of them. They will be critical. The state of readiness would govern how many aircraft of ours would be shot down in an air war.

Senator SARBANES. How many U.S. aircraft?

Mr. LUTTWAK. U.S. aircraft. These are all arms SALT Iraq under the dispensations of the cold war period, when everybody thought it quite normal and necessary to sell arms to the Third World, because, of course, the Soviet Union was there selling arms to its friends in the Third World.

Representative SCHEUER. It's friends that would include Syria?

Mr. LUTTWAK. Yes. Syria, Iraq, and so on. And Kuwait, by the way, too.

Senator SARBANES. Iraq was getting its arms from both sides, wasn't it?

Mr. LUTTWAK. Yes, sir. Iraq—but so was Kuwait. So was Jordan. Kuwait had Hawk missiles and bought Soviet missiles, and so on.

At any rate, the Franco-German antiaircraft missiles, that's a very fancy piece of equipment. It's a piece of equipment, by the way, that was partly developed with U.S. money because, at one point, the U.S. Army was going to buy this Roland system. And we invested about a billion dollars to upgrade this system. Then we decided not to buy it.

Some of that technology is now present in Iraq waiting to shoot down our aircraft.

Be that as it may, the Franco-German Roland is a great eater of spare parts. It's a very complex system, which they've been getting from France month by month.

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Representative SCHEUER. Until how recently?

Mr. LUTTWAK. Well, probably, until a couple of months before the war, or maybe a week before the war. But, some of these items they could stock; others they can't because they have very short shelf lives. Or, because, frankly, it's very expensive to keep large inventories of them.

Now, they also have Hawk missiles sold by the United States to Kuwait, captured by the Iraqis, which the Iraqis can operate for only one reason. And that is because we also sold Hawk missiles to Jordan.

That was a very controversial sale, but one that could be defended in cold war conditions when the Soviet Union was supplying Syria, the threat in Jordan, so that we supplied Hawk missiles to Jordan.

Now, the Jordanians have Hawk missiles and, if the Iraqis can operate the Hawk missiles, it's only because they have Jordanian technicians coming over and probably U.S. spare parts sold to Jordan going over as well.

I do not know this for a fact, but I'd be surprised if it was not happening. Some Jordanian authority has already said: "We can't control the personal employment of retired members of our military who happened to have had experience with Hawk missiles."

That sounds like they know something that I don't know, but it's a possibility.

So we have a pattern of physical deterioration. We're not talking about the dissolution of inventories. They have enough tanks to cannibalize tanks for 20 years. They have lots of aircraft, and aircraft don't really count in their war plans.

Their artillery is very resilient. They have a lot of high, very high, quality artillery bought and manufactured in Austria, the famous and excellent 155 millimeter, which was actually developed in South Africa by the Canadian, Buehl—that very inventive man—produced in Austria, as well as South Africa. They have large numbers of them. They will not deteriorate soon.

But, the economic effect of not being able to import has had two unambiguous, clear-cut effects.

First, as I mentioned, their growth and development has stopped, meaning, by the way, that we have now found through these sanctions an answer to a problem that we were unable to deal with otherwise—at all.

And the second thing is that there is a whole pattern of diverse, narrow, specialized deprivations, which are going to have a lot of different effects. If you don't have a particular type of battery, the antiaircraft missile doesn't work, the plane doesn't get shot down. Very important things, even though they're very small things.

Now, you have already said and a previous witness very expertly has pointed out how the blockade might work, in what time frame. There are of course all sorts of objections to just waiting for the blockade.

Let me just say that I personally see the duration of the blockade needing a long time to work. I see that not as a defect but as a positive virtue, because I would like this economic blockade of this country, which is now causing this problem, to provide the opportunity and the time for us to put into place the system that we now

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need for the worldwide control of the flow of dangerous weapons and military technologies in the Third World.

We, as a Nation, now have a choice, a choice which is really being faced today by the budgeters of the Pentagon and by you gentlemen in Congress. Are we in the next 10 years or so going to be spending a trillion or 2 or 3 trillion on Defense, much of it justified by the need to cope with the aircraft going into the Third World? Or, are we going to go to the French, to our own U.S. industry, the French, the Soviet Union, the three countries that make first-line—are we going to be accepting a problem of bombers in the Third World, or are we going to go and deal with the British, the Toronto, the Anglo-German-Italian consortium, and stop that from sending bombers?

Are we going to go on selling antiaircraft systems to countries, where these antiaircraft systems may be turned against us? So that we then have to turn around and spend billions to develop Stealth aircraft to cope with antiaircraft systems?

What is better? To spend $15–20 billion developing Stealth aircraft to enable the Navy to operate in a hostile Third World, or to go and stop at the source the handful of suppliers?

That will require, of course, shaming allies into not selling them. It will require an agreement with the Soviet Union. Mr. Warnke should talk to that. But, the Soviet Union, by the way, is selling very little and has very few customers. So I don't think they would be all that unwilling to do it. And other things.

But, again, I would like to leave, the question is: Can one implement a multilateral agreement to replicate the 1950 agreement—very successful, prior to the Agreement of 1950—that only broke down because the Soviet Union came in with its arms sales.

I see, therefore, the sanctions against Iraq as a bridge that gives us the opportunity to go from the today world, which is still where we're structured, to fight the cold war, and are unprepared to deal with this, to a reorientation of it?

The Paradox of War: Do We Really Want to Destroy the Iraqi War Machine

Let me say one word about strategies, since strategy is really my business.

The previous speaker is a man of great science and learning—which sounded very professorial. I'll allow myself only one professorial remark.

Hiractitus, the founding father of strategy, said: "Trust not in the evidence of the eyes and ears in war because, in war, everything is paradoxical, is the opposite of what it seems to be. Victory leads to defeat, and defeat leads to victory."

In this instance, Iraq—Saddam Hussein is not a nice man. The Iraqi regime is a very unpleasant regime. Iraq itself is an aggressive and threatening country. Your eyes and ears will never tell you that if you remove him, obliterate him, his country, and his armed forces the world would be improved.

Strategy tells you to look for the paradoxical outcome, which is as soon as an alliance wins the war, it breaks up and they, themselves, become the antagonist.

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What is the paradoxical outcome here?

The paradoxical outcome of rejecting sanctions, precisely for the sake of destroying the Iraqi military machine.

A lot of people say, "I don't want sanctions. I don't want sanctions even to work because I don't want them to retreat because it won't give me an opportunity to destroy the Iraqi military machine."

What are the consequences of destroying the Iraqi military machine?

The first consequence is, it liberates Iran. There are some Iranians, whose voices we hear, who say that Iran should continue on its original path of the worldwide—essentially turning the world Islamic by spread of Islam. There are plenty of Iranians who believe that.

It turns out that the activism of the Iranian revolution has a life span of 30–40 years and not 5 or 10 years, as we thought.

But they're blocked, and they're forced into behaving like a pragmatic power, a cooperating pragmatic power by the Iraqi military machine—that blocks them.

If you remove that Iraqi military machine, there will be nothing in front of them except the road, as they've said, "The road to Jerusalem."

So I find it particularly strange that people who are concerned with the security of Israel, as I am myself, very properly, should want to destroy the Iraqi military machine, which is the fact that guarantees the inability of Iran to go down the path of their declarations, their constant declarations that all they do against Iraq is a preclude to their liberation of Jerusalem, as they put it.

The second thing is the destruction of the Iraqi military machine would release Syria. Syria has been on its best behavior for many years now because it is threatened by Iraq. And, instantaneously threatened. The Iraqi—the Syrians could not plan a war against Israel or a war, for that matter, against Turkey, with which there have been a whole series of border incidents. But, the Syrians, among other things, have been supporting the Turkish guerrillas, and so on. The Syrians were paralyzed because of Iraq.

You remove Iraq and you release the Syrians.

In the realm of strategy, to destroy bad guys is not always a good idea. Of course, the bad guy had to be contained. The President was quite right in drawing his line in the sand, preventing an invasion. And as my own previous testimony suggests: We must prevent this bad guy from acquiring further capabilities.

But, that is not different from the same capabilities flowing into Libya unattended and Pakistan unattended. We are focusing—it is our duty. We are not children on the playground having picked a fight with somebody else, we are dealing with the systemic generic problem.

And I definitely believe and would like to conclude with a very simple distinction here:

If we now put into place the worldwide controls pursuant to a reorientation of our entire National Security Policy from a cold war to these new Third World threats, instead of allowing them to bloom and blossom, then defend ourselves against it, if we put in

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those controls, it will not matter much if Iraq remains with its present facilities and arsenals in tact.

If those arsenals and facilities cannot grow, they will not matter much.

If, on the other hand, one has a war and goes and destroys those arsenals—I've even heard it said that only ground troops can get into the caves and destroy some of these facilities—if you go and destroy this, but then you fail to put into place those controls, it would not have helped you to destroy those inventories.

By the way, one way in which the——

Representative SCHEUER. Because you would have liberated Iran, Syria——

Mr. LUTTWAK. Yes. But, aside from that, if you destroyed the Iraqi capability and you don't put in the worldwide controls, you're——

Representative SCHEUER. That's what I mean.

Mr. LUTTWAK. You're going to have the same problem in Iran or Syria or Iraq itself.

See, one way that the Saudi royal family could try to earn its way back into the favor of those unhappy with the Saudis would be precisely to say: Gee, we're very sorry that this Arab capability was destroyed. We're going to fund the supply to rebuild it.

It's quite possible. At any event, if you don't put in the system of worldwide controls, we will have the same dangers coming from there or from somewhere else.

Representative SCHEUER. And the somewhere else?

Mr. LUTTWAK. Could be Pakistan, could be Libya, could be any—the whole string of——

Representative SCHEUER. Iran?

Mr. LUTTWAK. Yes, indeed, sir.

Representative SCHEUER. Perhaps, Saudi Arabia?

Mr. LUTTWAK. Well, the Syrians, as of now, according to the newspapers, are using the aid obtained for them, the billion dollars, to purchase missile technology from the Chinese. And where is this going to be aimed?

It's going to be aimed against Turkey, with whom there is a hot quarrel and a war—an undeclared war—and Israel, which is a declared war and, indeed, Saudi Arabia.

So I would say, if we do not reorient ourselves, if we remain focused on the Czechoslovakia and the Hungarian threat and the Polish Navy, and so on, and we don't reorient ourselves against this problem by restructuring institutions, firing people and hiring new people and refocusing and retooling the way we did, to be able to wage the struggle of the cold war between 1944–50 or 1949, if we don't do that, destroying those particular facilities will not help.

On the other hand, if we put in the controls, we can leave those facilities. We don't have to go to war.

In my view, sanctions are, in this case, not the cheap remedy for the situation. They are the true key for finding the right path for decades ahead in dealing with a whole range of problems.

Thank you very much.

[The prepared statement of Edward N. Luttwak follows:]

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Prepared Statement of Edward N. Luttwak

Under the provisions of a series of U.N. Security Council resolutions Iraq has been subjected to an air and sea blockade of its exports and imports. In addition, the countries that border on Iraq—Jordan, Syria, Turkey, Iran and Saudi Arabia have variously limited the overland import and export trade of Iraq, with sharply varied degrees of effectiveness.

Some of Iraq's borders are now virtually sealed, and others are not. The Jordanian government is plainly a reluctant participant in the blockade, and while its border patrols demonstratively intercept some smugglers, it is quite probable that other trade flows are quietly allowed to continue. The Syrian and Turkish governments are by contrast trying very hard to prevent any trade at all across their borders with Iraq, but they are not always successful. In mountain terrain, lines-of-sight are short and border patrols are often ineffective; moreover, with the same ethnic minorities on both sides of the border, there are built-in family connections that facilitate the conveyance of goods to Iraq. Iran for its part was quite unable to prevent a great deal of smuggling even during the Iran-Iraq war, and it can hardly be expected to do better now: the border is very long, and much of it cuts across difficult mountain terrain.

The one measure that could seriously diminish smuggling to Iraq would be pre-emptive buying: if those who send grains and cooking oil to Iraq over perilous mountain tracks could instead sell their products legally to buying agents stationed in each locality, they would often do so. But pre-emptive buying—used very effectively against Nazi Germany during the Second World War—has not been tried in the present crisis. Whether it is worth creating such a system is another matter. Arguably, all that is happening is that some Iraqi border populations are eating rather better than they would otherwise—and these are often minority populations that the Baghdad regime regards as hostile in any case. Food reaching Kurdish villages does not strengthen the Iraqi authorities in any way, though there is always the possibility of course that the same mule trains which carry cooking oil could also bring in small, high-value military items conveyed to border areas by Iraqi agents.

The more definite constraint on Iraq's imports is the undoubted effectiveness of the export blockade. Iraqi crude oil, once delivered by pipelines through Turkey and Saudi Arabia as well as by tankers, cannot usefully be smuggled out by mule trains, or even by trucks. Hence Iraq's principal—and most exclusive—source of foreign currency is now closed off. Regardless of the permeability of some border zones, and regardless of the connivance of some border authorities, if Iraq has no means of payment it cannot continue to import once it exhausts its own pre-invasion reserves of foreign currency and gold, and those looted in Kuwait. If there is evidence that Iraq still has reserves of hard currency and gold that merely indicates that the totality of all Iraqi imports since the August invasion has been quite modest.

As we consider the impact of blockade on Iraq, we must first make a fundamental distinction, between definitive, *mechanical*, effects and *hypothetical* political effects. Much of the debate on this matter has been greatly confused by the failure to make that distinction.

There has been continuous reporting on the availability of food supplies in the markets and shops of Baghdad and other localities accessible to newsreporters and diplomats. The implication is that there is some definite connection between the availability of food for the population at large and the decisions of the Iraqi Government. Actually there is no such cause-and-effect relationship.

To believe that the resolve of the Iraqi regime to remain in occupation of Kuwait would be diminished by food shortages, or increased by food abundance, implies that the regime is highly responsive to popular opinion. There is no evidence whatever to support that hypothesis. By contrast, all the evidence of the 8-year war with Iran indicates that the Iraqi regime shapes public opinion, or can reliably intimidate public opinion to accept its chosen policies. What is presented as a straightforward linkage, is in fact a very dubious theoretical construct. If there were outright mass starvation, one could speculate on the possibility of a popular uprising—though historical evidence suggests that it is well-fed rather than starving populations that rise against governments. Also, if Iraqi troops were faint with hunger one could reasonably theorize that the regime might surrender Iraq in order to be able to feed them. But that is not a matter now worthy of examination, for there is no starvation in Iraq but only specific shortages that affect the palate more than the stomach.

As opposed to these hypothetical political effects, the *mechanical* effects of the blockade on Iraqi military capabilities are beyond dispute. Iraq used to import fin-

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ished weapons in large quantities from several countries, a great deal of machinery to assemble or fabricate weapons, and chemical plants, laboratory equipment, subsystems and components for its missile, chemical, biological and nuclear programs. Except for whatever may still be smuggled into its borders in small or very small quantities, Iraq can no longer add to its vast inventory of weapons, conventional or not. It was the relentless growth of the Iraqi military arsenal that was the greatest source of danger for the region, as the Bush administration failed to recognize. Now by contrast, Iraq can no longer add to its weapon inventories or continue to develop its non-conventional capabilities. With each passing day, Iraqi inventories are slowing decaying, or becoming obsolete, or both.

That is the perfectly reliable mechanical effect of blockade that should be allowed to continue, without war, until we have succeeded in redirecting our overall security efforts from the struggle against the Soviet Union, to a drastically enhanced struggle against nuclear proliferation, the diffusion of other dangerous technologies, and the entire flow of weapons to the Third World as a whole, and not merely Iraq.

If such controls are put into place by U.S. measures at home—and a change in current policies that include huge arms's sales to lawless and unstable regimes—and if they are extended by negotiations with the other chief suppliers world-wide, it will not matter much if Iraq's present arsenal is not destroyed in war.

If by contrast, we fail to create an arms' denial coalition, and a new system of international controls on proliferation that really works, it will gain us little to have destroyed Iraq's current holdings by war.

In this context, it may correctly be said that the blockade is highly effective, and that it might serve us even better as the precursor of a "New International Order" that has real content. After all, it is precisely the envisaged agents of that New International Order—the 5 members of the U.N. Security Council—that are also the chief suppliers of weapons to the Third World.

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Representative SCHEUER. Well, thank you for that truly provocative and stimulating testimony.

Mr. Henry Schuler, please take your 10 minutes.

STATEMENT OF G. HENRY SCHULER, DEWEY F. BARTLETT CHAIR IN ENERGY SECURITY, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. SCHULER. Thank you, Mr. Chairman. It's a little difficult to follow that superb strategic overview from my friend, Fred Luttwak, and that exhaustive study of sanctions, but it is equally superb what Gary Hufbauer has presented.

FROM EXPERIENCE, WE'VE LEARNED WHAT IS REQUIRED TO MAKE SANCTIONS WORK

My own background in what I will attempt to relate here is very specific hands-on experience with attempting to cut off the oil revenues of a renegade regime, in this case, Libya, in my experience, Libya, in attempting to cut that off through disrupting the export of oil.

That experience was frustrating. We did not succeed in either getting rid of Qadhafi or in modifying his behavior, but out of that frustration has come a recognition of what is required to make sanctions work under that situation.

And I'm happy to say that not only have I benefited from this experience, but I believe that Secretary Baker and Undersecretary Kimmitt equally benefited, because those were the two men who, at Treasury Department in 1986, were responsible for the implementation of sanctions against Qadhafi.

I had the privilege of working with both of them as an outside adviser at that time, when Kimmitt was the general counsel and Secretary Baker was then Secretary of the Treasury.

So I think they benefited, and I think the sanctions that we currently see reflect that experience.

What it has taught me is that there are three essential elements for a successful sanction.

First, is the political will to impose absolute prohibitions in pursuit of a well-defined and verifiable goal.

Second, the technical ability to monitor compliance and prove violation.

Third, the diplomatic, legal, and military means to secure cooperation or enforce compliance.

Now, let me emphasize at the outset that there's no doubt in my mind that these requirements have been met in the current situation, and that they will ultimately succeed in achieving the objective that is set out for them, provided that they are not undermined, that the economic sanctions are not undermined by creation of the so-called offensive military option.

Now, rather than take a lot of time going through the achievement of these three prerequisites, I would just suggest that, with respect to the need for political will, I have never seen and could not imagine that anybody would be able to enlist the total U.N., worldwide support for economic sanctions as has been done in the case of the sanctions against Saddam Hussein.

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These commitments, and I think equally importantly, these commitments are contained in the U.N. Resolution, so that I don't believe that individual countries, whose will to enforce them flags over time. I think that the U.N. Resolutions remains in effect, unless and until the United States agrees to their removal of those U.N. resolutions.

So there will be a vehicle—a legal vehicle, if you will—that will be enforceable as time goes along.

There is a lot of smoke, quite candidly, that is put up about how it's hard to trace oil. And it gets on world markets, and it's fungible, and who knows where it's gone. And we can't enforce it.

Frankly, that is nothing but smoke. It is extremely easy to identify the flow of oil. All you need to do is watch the bankers. You can do that physically from a rowboat off the oil terminals, if necessary. You can do it from the spy satellites. You can read Lloyd's Shipping. You can do all sorts of things to monitor whether tankers are picking up oil from terminals that previously exported Iraqi oil.

You can also monitor at the point of arrival in the rest of the world because it has to have a bill of lading. I've attached a sample to my testimony that simply demonstrates that no oil can be landed anywhere without showing a point of origin on a bill of lading.

Representative SCHEUER. Can that be forged?

Mr. SCHULER. Sure. If anything can be forged. But, if it is forged and if there is a suspicion of this oil, because somebody spotted it, the tanker that delivers it, somebody spotted it leaving an Iraqi terminal, then to prove that it is Iraqi oil, all you need to do is have an assay of the crude oil.

And I've attached to my testimony a four-page assay of an Iraqi crude oil. It is very specific. There is no other crude oil that will match it in precisely the same way, no other crude oil anywhere in the world. So that there is no problem with identifying it.

Now, others will say, well, but what about if it gets delivered to an Anthropo tanker farm in Rotterdam or something and gets mixed with comparable crude oils?

Yes, you could disguise it if it gets something else blended in it. But, you make sure that that Anthropo terminal does not receive the Iraqi crude oil. You make sure that they understand that if they purchase Iraqi crude oil and you have traced the tanker delivering to it, that if they purchased that crude oil, then they contaminate their entire tank farm. All the crude oil that they ever want to export is contaminated because they brought Iraqi crude oil in.

Representative SCHEUER. Well, Mr. Schuler, let me ask you. It's my understanding that Iraqi oil goes in two directions and two directions only and by pipeline—one pipeline to Turkey and one pipeline to Saudi Arabia. And that, since Saudi Arabia and Turkey are cooperating with us totally, that that flow of Iraqi crude oil out of Iraq and into the outside world markets has been substantially reduced, if not shut off completely.

Is that true?

Mr. SCHULER. Absolutely true. We have adopted and I think, again, it's the benefit of past failures that have contributed to this,

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we have adopted essentially a three-tier line of defense with respect to Iraqi exports.

First of all, there is the boycott. The whole world is boycotting with the blessing of the U.N. resolution and the legal force of a U.N. resolution.

We are boycotting it.

Second, we have cut off all of the pipeline. There is a pipeline through Turkey, there is a pipeline through Saudi Arabia, and there is a pipeline across Syria, but that is probably inoperable now. It hasn't been used for many years.

So, the pipelines are shut off, and we can through diplomatic pressure continue to make sure that the Saudis and the Turks continue to cut those off.

And the third line of defense is the naval blockade. We blockade the Turkish terminals. We blockade the Red Sea terminal off Saudi Arabia, and we blockade the Persian Gulf terminal at Fao, which is the—the Iraqis did have a waterborne export capability.

So, we have a three-tier line of defense. And there's no question in my mind that, in every way, we can deny oil revenues to Iraq.

Now, the question becomes: How effective will that be and when will it achieve its purpose?

That's a difficult question because it depends upon perception in Iraq: are we doing to be able to maintain this economic blockade? And it depends upon the extent to which it hurts Iraq.

And that's a very difficult question to judge. But, the one thing that is clear is that Iraq's exports of oil that would be worth $50 million a day now at the rate of production that they were producing prior to August 2 and at the target world oil price of $21 a barrel prior to August 2 would have been making $50 million a day. That is now cut off. They have——

Representative SCHEUER. That's a third of a billion dollars a week.

Mr. SCHULER. You're quicker at your numbers. Yes, sir.

Representative SCHEUER. Or more.

Mr. SCHULER. That's right.

Representative SCHEUER. Well over a billion dollars a month.

Mr. SCHULER. That's right.

Representative SCHEUER. Fifteen billion a year perhaps.

Mr. SCHULER. It's on the order of $16–17 billion a year.

Representative SCHEUER. Yes.

Mr. SCHULER. And the Iraqis needed that kind of revenue because the Iraqis, even during the war years, never suffered deprivation because they had some $50–60 billion worth of financial assistance that came from Saudi Arabia and Kuwait. And I would add, came out of the windfall to Saudi Arabia and Kuwait. It didn't come out of Kuwaiti or Saudi pockets in that instance. But, nonetheless——

Representative SCHEUER. When you're talking about the windfall, that is oil revenues from the West and the industrialized world?

Mr. SCHULER. Yes, that's exactly right, Mr. Chairman. To bring it up to date, we may not be paying for the deployment in the Gulf, or some of it is being supposedly reimbursed so that it reduces our tax bill, but that reimbursement is, in fact, being paid by us as mo-

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torists when we go to the gasoline station and provide a windfall to Saudi Arabia.

The same situation prevailed during the Iraq-Iran War when the financial assistance was provided.

Representative UPTON. Excuse me just 1 minute.

In your estimate, Mr. Schuler, what would you say has been exactly the windfall that the Saudis have achieved from the beginning of August, through 6 months?

Mr. SCHULER. Well——

Representative UPTON. Their overproduction that they've done at inflated price?

Mr. SCHULER. They are currently producing and exporting 3½ million barrels a day, more than they were prior to August 2, because they've helped to make up for the principal care of the boycott of Iraqi and Kuwaiti oil. They've made up.

So that's about 3½ million barrels a day.

Senator SARBANES. Three and a half million or 2½ million?

Mr. SCHULER. It's close——

Senator SARBANES. I thought they went from 5.5 million to 8 million. Is that not correct?

Mr. SCHULER. You're right. It's 5.5 million to 8 million, 2½ million barrels a day.

Senator SARBANES. Right.

Mr. SCHULER. That's right. I did my sums wrong. Two and a half million barrels a day.

Senator SARBANES. I mean, I feel strongly about this point in terms of them paying up, but I do want to get the facts right.

Mr. SCHULER. Don't want to exaggerate. Absolutely.

Senator SARBANES. That's right.

Mr. SCHULER. Two and a half million barrels a day times what price you want to put on it. Earned price of $25–30 a barrel. And that $25–30 a barrel is roughly twice what the price was prior to August 2. In June, it was as low as $13 a barrel.

So let's say they doubled the oil price on the original 4½ million barrels a day that they would have been exporting anyway.

Senator SARBANES. Five and a half.

Mr. SCHULER. No, the original—I'm sorry. Yes, sir. Original 5½ million barrels a day——

Senator SARBANES. The Saudi windfall, as I understand it, is the extra price on the existing production of 5.5 billion.

Mr. SCHULER. Right.

Senator SARBANES. And the total price on the additional production of 2.5 billion. That's what you have to put together.

Mr. SCHULER. That's right.

Senator SARBANES. My understanding of that figure comes out on an annual basis something over $50 billion.

Mr. SCHULER. That's right. That's as good of a back of an envelop calculation as you can do.

In any event, the Iraqi people never suffered from deprivation, even during the long war with Iran. They had both guns and butter. They built a subway system in Baghdad—a showcase kind of thing—which is obviously a frill that one could do without.

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So they've never suffered deprivation, and now they are being forced to do so. So, clearly, directionally, they have to recognize that they are suffering a good deal of pain.

Also, the Iraqis, as they try to calculate who can outlast the other guy, recognize that oil markets as such, because the Saudis and the Venezuelans and the United Arab Bemers have essentially made up the shortfall of Iraqi and Kuwaiti oil, oil markets are in balance.

And, absent a lot of war hysteria, there would not, in fact, be a war premium on oil and the world—whether we're talking about the United States or the Third World or Eastern Europe—could easily absorb the oil prices. It's only when there starts to be an exchange of belligerent statements between Washington and Baghdad that oil markets react and we get this war premium.

If one could eliminate that war premium, there would be no difficulty for the world's economies to absorb oil prices. In fact, there is currently in the fundamental oil balance a glut of oil.

But, let me just move on to what I think is a real paradox.

An Offensive Military Threat Does Not Support Sanctions

The administration has suggested that we need to create an offensive military capability in order to make the sanctions work. In fact, I think that's entirely wrong. The military capability does not reinforce sanctions; it, in fact, does not reinforce sanctions in a number of respects.

First of all, if you want sanctions to work, you have to have patience. But the one thing that creating this offensive military capability creates is impatience, which involves ground forces being deployed in desert conditions. So it subverts the sanctions in that respect.

The objective of sanctions is to alienate the Iraqi army and the Iraqi public from the regime. But any time you have an offensive military threat to a country, and I don't care whether they're Iraqis or Americans, you cause a rallying of the people to the regime. So, once again, it's subversive.

Third, in order to be credible, sanctions have to be perceived to be inflicting damage on the target, which they are, at no cost to the imposer. And that would be the case because of the fundamental oil balance that has been restored, except for this war premium that is created by the threat.

And, finally, I would suggest that for sanctions to be effective they must have international support and unanimous international support. And, in fact, the sanctions do, but the offensive military threat does not. So, once again, it undermines the kind of unity that is required.

So, if there's one thing that I would suggest—and I think it's doable without anybody backing down on anybody's part—is that what the administration should do is to return to its originally proclaimed objectives, which is to have in Saudi Arabia a military force capable of defending Saudi Arabia, and to rely on the economic sanctions to get Saddam out of Kuwait.

And to do that, in order to avoid this subversive effect of the huge offensive capability, I think that there should be a restoration

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of the rotation policy, and in the process, we should build down the ground force capability to as minimal a level that is required to protect our air bases and supply depots that have been created in Saudi Arabia.

Leave the air and naval forces that are required in place and build down the ground forces. That will enable the sanctions to work, and will achieve our objectives without pain; whereas, going to war will achieve none of our objectives in the region.

Representative SCHEUER. Mr. Schuler, as I read the study by Mr. Hufbauer in the first of his two volumes, I get the clear impression that sanctions can be relied upon almost inexorably to shrink, degrade, and demean the Iraqi economy and the Iraqi military.

Mr. SCHULER. Right.

Representative SCHEUER. But, historically, sanctions cannot be relied upon to change a country's major foreign or military policy. Historically, they've been able to affect a country's policy at the margin—treatment of hostages, terrorism, human rights, and so forth.

But, as to the question of going to war or not going to war, sanctions haven't been that effective.

Can they be effective in this instance in actually inducing Saddam Hussein to withdraw from Kuwait?

Mr. SCHULER. Inducing the absolute cutoff of oil revenues and oil revenues account for 95 percent of Iraq's foreign exchange requirements, which were very significant prior to August 2 and remain significant now, and will become more significant as his stockpiles of spare parts, and so forth, and food is used up.

That foreign exchange will be desperately required. There is no doubt in my mind that that will either force Saddam to withdraw from Kuwait or force the Iraqi army to overthrow Saddam and put somebody in place who will withdraw from Kuwait.

Never before has anybody, any country, especially one that has lived high on the hog with very big oil revenues, been faced with a total cutoff and one that can be maintained ad infinitum, quite frankly.

[The prepared statement of G. Henry M. Schuler follows:]

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PREPARED STATEMENT OF G. HENRY M. SCHULER

It is a privilege to participate in this critically important examination of the "Economic Sanctions Against Iraq;" however, I must acknowledge at the outset that I appear as an informed individual rather than as a representative of the Center for Strategic and International Studies (CSIS), which does not adopt corporate positions. I would also emphasize that my views have not been formed through academic study but rather through almost 20 years of hands-on experience with oil related sanctions, first as managing director of an American oil company that was involved in quasi-private efforts to boycott Libyan oil that had been illegally expropriated by the Qadhafi regime in 1971, and later as an adviser to the Departments of State and Treasury when the Reagan administration imposed unilateral governmental sanctions on Qadhafi in 1981 and 1986.

Unlike the current universal boycott and multilateral blockade of Iraqi oil exports, those unilateral anti-Qadhafi sanctions suffered from a total absence of cooperation from the international community and an only half-hearted commitment from the U.S. Government. Despite those crippling drawbacks and the admittedly modest impact of the Libyan sanctions, I had a first hand opportunity to observe during an authorized April 1988 visit to Tripoli, the points of vulnerability of countries dependent on oil exports, and more importantly, I have been prompted to reflect on the ways and means to impose truly meaningful economic pressure on renegade regimes. Accordingly, I am happy to share those reflections with the committee.

On the basis of my experience, it seems to me that successful sanctions require 3 essential elements:

1. The political will to impose absolute prohibitions in pursuit of a well-defined and verifiable goal;
2. The technical ability to monitor compliance and prove violation;
3. The diplomatic, legal and military means to secure cooperation and/or enforce compliance.

Recognizing that these essential elements involve costly political and economic commitments that governments have seldom been willing to make—even when triggered by Libyan support for terrorism—I must acknowledge that I was truly astonished by the speed, skill and determination with which the Bush administration moved in the early weeks. It seemed to me that those officials responsible for the non-military aspects of the Gulf crisis, Secretary Baker and Undersecretary Kimmitt, had also learned from their frustrating experience in attempting to cut off Qadhafi's oil revenues when Baker was Secretary of the Treasury and Kimmitt was his General Counsel. As a result, they have designed and implemented unprecedentedly tough and extensive sanctions against Saddam Hussein.

I am entirely confident that those sanctions are capable of forcing an Iraqi withdrawal from Kuwait PROVIDED THAT THE SO-CALLED MILITARY OPTION IS NOT PERMITTED TO UNDERMINE THEM. I will address that caveat at the end of my testimony, but first allow me to support my confidence by examining the complex and interactive attitudinal and practical considerations that underlie each of the essential elements. Since my background is in the oil sector, I will focus on the oil export barriers, which will, in my judgement, be the determinative sanction.

The Political Challenge

If our Vietnam experience has provided valuable guidelines for the employment of military force, our Libyan experience has demonstrated the same requirements for the imposition of economic pressure: a well-defined and realistic obiective; American and international support; and full commitment rather than incrementalism.

Those requirements did not exist during the Reagan administration's campaign against Qadhafi. Although the stated purpose was to pressure Qadhafi to stop supporting terrorism, that seemed an unrealistic goal to those who knew the messianic Libyan, and it was in any event impossible of proof, given the clandestine nature of such support. Not only did the rest of the world refuse to join the United States in trying to cut-off Libyan oil revenues, but also key sectors of the American business community—and their champions in Congress—worked to create loopholes. Finally, the Libyan sanctions provided unmistakable evidence of the folly of incrementalism, being imposed in 4 phases over a 5 year period starting in December 1981 and ending in June 1986.

In contrast, the Bush Adminstration's early economic moves against Saddam met eacn of those tests with unmatched skill and clarity.

It has been clear from the outset that the objective of the general post-invasion sanctions (as distinguished from specified pre-invasion barriers to certain technology

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transfers) is to force Iraq to withdraw from Kuwait. That objective is unambiguous, verifiable and realistic.

Secretary Baker, Undersecretary Kimmitt and Ambassador Pickering have moved with consummate skill to formally commit the *entire* world to those sanction, including even regional sympathizers and former Communist suppliers as well as all of the world's major oil importers. Moreover, those commitments are undertaken in the form of U.N. resolutions that cannot be abandoned without U.S. concurrence that they have been satisfied.

No one could ever accuse the Bush administration of "incrementalism" in its approach to the Gulf crisis. They have, in fact, adopted a 3 pronged campaign—boycott, pipeline rupture and naval blockade—when any one prong would suffice on its own to cut off oil exports.

The Technical Challenge

Despite the protestations and attempts at obfuscation by some oil importers during past sanctions, there is no real technical difficulty in monitoring compliance and proving violation of the anti-Saddam sanctions.

There are numerous commercial and intelligence sources of information on tanker movement. When I was involved in private company efforts to boycott Libyan oil 20 years ago, we studied Lloyd's Shipping Reports, talked to the tanker owners, hired people to watch Libyan terminals and obtained reports on radio traffic from the British Government's wireless intercept station on Cyprus. Surely that should be very much easier with communication intercept and photographic satellites parked in space over Iraq. Similarly, we can monitor against tanker trucks moving through Jordan to Aqaba or pipelines being built to link up with Iranian terminals . . . and put a stop to such movement as discussed below.

In the unlikely event that any oil leaks out of Iraq, there is no difficulty proving its origin. While some argue that it is not unusual for a cargo of oil to be traded by brokers 20 or 30 times after it is loaded, it cannot be landed anywhere without a certified bill of lading. As you can see from attached Annex I, that bill of lading must show point of origin.

Although counterfeit bills of lading are conceivable, every crude oil has special characteristics that cannot be hidden. Annex 2 is, for example, a four page crude oil assay of an April 1990 shipment of Iraq's "Fao Blend". As you will note, it covers many factors, often to the fourth decimal point. Refiners routinely test all cargoes and could be required to conduct a full assay in the event of suspicion that the embargo was leaking.

Some would argue that Iraqi crude could lose its identity if blended with different but comparable crudes at an entrepot tank farm in, for example, Rotterdam; however, that risk can be eliminated by requiring the tank farm operator to ban Iraqi oil or risk having his entire stock "contaminated" when he tries to sell it.

The Compliance Challenge

A significant leakage of Iraqi oil is inconceivable so long as the United States is determined to stop it.

The boycott is binding upon all members of the United Nations so that the U.S. could move to enforce it diplomatically and even legally if the resolve of an oil importing government or company flagged. In the 1970s, for example, I was involved in what became essentially routine litigation to obtain legal writs of attachment from local courts wherever we tracked the illegally expropriated Libyan oil. It was possible to tie up the cargoes for many months even though we lacked the clout that the U.S. government would have.

All of Iraq's neighbors with the possible exception of Iran have agreed to stop the flow of Iraqi oil across their territory. Thus, pipelines across Turkey, Saudi Arabia, Syria and Lebanon have been cut (those across Syria and Lebanon are probably inoperable in any event). Although there is no evidence of leakage through Iran, the U.N. might find it advisable to preclude that development by passing a resolution declaring a secondary boycott of all crude oil exports from any neighboring country that imports Iraqi oil.

The third line of defense against Iraqi exports is, of course, the naval blockade by American and allied warships. There is no difficulty interdicting Iraq's Persian Gulf terminal at Fao, its Red Sea terminal near Yanbu in Saudi Arabia or its Mediterranean terminals at Yumurtalik and Dortyel in Turkey.

Faced with this iron-clad cut-off of oil revenues, Iraqis—whether the regime, the army or the general populace—must calculate which side is better positioned to persevere. That involves a complex estimate of interacting tangible facts and intangible perceptions.

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Any estimate of Iraq's financial position must conclude that an economy, which has long been dependent upon oil revenues and the foreign goods those revenues can purchase, cannot long avoid collapse under the weight of sanctions.

Iraq was exporting about 2.3 million barrels of oil per day prior to August 2. These exports earned Iraq $14.5 billion last year, and would have earned Iraq over $50 million a day at the $21 a barrel price targeted by OPEC just prior to the invasion. In sum, Saddam's invasion has denied his country almost $7 billion in revenues in the last 4½ months.

Since Iraq's total exports last year were valued at only $15.4 billion, it is clear that oil accounted for almost 95 percent of the country's entire foreign exchange earnings. It now has none.

Last year, Iraq spent about $10 billion of its foreign exchange on imports, roughly 60 percent for civilian goods and the rest for military. Another $4 billion was spent servicing external debt. Although Iraq is temporarily relieved of its foreign debt service, it is denied some $850 million a month in previously required imports.

It is impossible to pin down Iraq's locally held gold and hard currency reserves on August 2, but they had certainly been drawn down severely during the 8 year war with Iran. Nor is it clear precisely how much was stolen from Kuwaiti banks, shops and individuals, but none of the estimates exceed $1 billion. In short, Saddam has only limited ability to finance sanction-busting by entrepreneurs who typically charge at least 3 or 4 times the free market price to accept the risks.

Similarly any estimate of Iraqi willingness to accept a cut-off of oil revenues must start with a recognition that the Iraqi people are not accustomed to such deprivation because some $50–$60 billion in Arab financial assistance and extensive Western credit enabled Saddam to maintain a "guns *and* butter" policy during the war with Iran. For example, Iraq built a showcase subway system in Baghdad during the early years of the war.

On the other hand, Iraqi oil specialists, among the best in the business, know that, in the absence of war hysteria, the growing glut of oil on world markets should soon reduce world oil prices to pre-invasion levels and thereby reduce the economic pressure on the world's oil importers—including the Third World and Eastern Europe—to put an end to the crisis.

In sum, if the confrontation between the American-led alliance and Iraq were focused solely on the economic dimension, Iraqis could not avoid concluding that Saddam's foreign opponents will have no difficulty outlasting him and that they therefore have no choice but to withdraw to their original borders and start rebuilding.

The Unintended Consequences of the Military Threat

Although President Bush insists that his decision to double American forces and create an offensive threat is designed to reinforce the economic sanctions, the massive new build-up actually works to undermine sanctions in a number of presumably unintended ways.

Effective sanctions require a single minded—almost desperate—determination to make them work as the only alternative to war. If war is portrayed as an acceptable option, that singleness of purpose and resolve is dissipated.

Sanctions require patience, but the deployment of a huge offensive ground force in remote desert conditions creates morale and equipment problems that spawn more impatience than would the deployment of defensive air and naval forces in the more tolerable conditions of air bases and ships.

Sanctions aim to alienate the Iraqi populace and army from Saddam Hussein, but foreign military threats invariably prompt people to rally to their leader in defense of the homeland.

Sanctions will be durable, and therefore credible, only if they are seen to inflict more pain on Iraq than on the alliance of oil boycotters, but exchanges of bellicose statementshave undermined that perception by imposing a $10–$15 per barrel "war-premium" on oil costs even though there is a growing glut.

Sanctions depend upon international and regional solidarity, but threats of unilateral American military action create divisiveness, and the massive American presence creates friction with the Saudi hosts.

Sanctions must be identified with a carefully defined objective in order to provide an incentive for policy change, but the creation of capacity and momentum for attacking Iraqi targets raises doubts whether the Bush administration would actually be satisfied with its announced objective, withdrawal from Kuwait, or whether it would in any event pursue the objectives put forth by some regional allies, including "decapitation" of the Saddam regime, elimination of Iraq's nuclear, biological and chemical warfare infrastructure and even destruction of its conventional military power.

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How Long?

Despite my certainty that the denial of oil revenues—and the unavoidable erosion of the civilian and military infrastructure—will force Saddam from Kuwait, it would be foolish to pretend that anyone knows how long that will take because so much turns on the Iraqi perception of American resolve and perseverance. But neither will the advocates of the war option give an unhedged prediction of how long it will take to drive Iraq out of Kuwait militarily. Gen. Schwartzkopf has recently referred to a 6 month campaign but admits that timetables can always get bogged down. In short, neither the economic nor the military campaigns can proceed on a fully predictable timetable.

More important, it seems to me that the war hawks miss the point when they argue that we cannot afford to wait for sanctions to work because of their fears that the international and regional alliances will fall apart.

The international alliance will hold as long as the present oil balance can be maintained, and the only threat to that balance is war related damages and sabotage.

The non-Gulf countries, e.g., Turkey and Egypt, will remain committed as long as their financial plight does not worsen, and the al-Sabah family should be willing to monetarize their foreign investments if necessary to help those who are standing by them.

The Gulf alliance will hold unless its political will is undermined by Iraqi propaganda and the American military presence, but if that political situation is too fragile to withstand an extended economic confrontation, than surely it will not long survive the commencement of hostilities.

Finally, having made such a massive commitment of American personnel, resources and prestige to the region, we surely do not want to trade-off our long term strategic objectives for a short term tactical gain. Yet, that is what we risk in pursuing the hope of ousting Saddam through a military offensive.

Despite our efforts to create a U.N. and Arab veneer, can anyone seriously believe that a conflict would not be portrayed—and widely perceived—as an American war against Arabs and Moslems that would unleash an unforeseeable and uncontrollable wave of instability throughout the region. Would not Arab nationalists, Moslem fundamentalists, Syrian or Iranian adventurists, Palestinian radicals, anarchical terrorists still unlabeled forces of instability launch themselves against America's friends and allies? How would this benefit modern Arab regimes or Israel?

How will pursuit of the so called war option assure future oil supplies? Does it not assure the destruction of Kuwaiti oil facilities that have been wired with explosives threatened with a scorched earth policy that Saddam is almost certain to implement if forced to withdraw militarily? How will Iraqi oil facilities survive American carpet bombing? Can we be certain that Iraqi pilots or saboteurs cannot wreak some damage on Saudi facilities? Where will the money come from to meet growing demand for expanded Middle Eastern oil production if so much has to be spent on rebuilding destroyed facilities?

Conclusion

In light of my confidence in the effectiveness of cutting off Iraqi revenues and my fear about the consequences of launching an offensive war, I would strongly urge a recommitment to the administration's original—and still espoused objectives of relying upon economic sanctions to force Saddam from Kuwait while deploying adequate military force to defend Saudi Arabia. This can be accomplished without backing down in any respect, by implementing a rotation policy that maintains existing naval and air power but builds down ground forces to levels required to protect American depots and bases.

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ING. LUIS RAFAEL ANAYA MORTERA, PRESIDENTE DE LA CAMARA NACIONAL DE COMERCIO, SERVICIOS Y TURISMO DE COATZACOALCOS, VER.

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Y QUE ESTE ES DE ORIGEN MEXICANO, EMBARCANDOSE CON DESTINO A:

LAKE CHARLES, LOUISIANA, U.S.A.

A SOLICITUD DE LOS INTERESADOS Y PARA LOS EFECTOS Y FINES QUE CORRESPONDAN, SE EXPIDE EL PRESENTE CERTIFICADO DE ORIGEN EN LA CIUDAD Y PUERTO DE COATZACOALCOS, VERACRUZ, A LOS VEINTE Y NUEVE DIAS DEL MES DE NOVIEMBRE DE MIL - - NOVECIENTOS NOVENTA.

A T E N T A M E N T E

CAMARA NACIONAL DE COMERCIO, SERVICIOS Y TURISMO DE COATZACOALCOS

CAMARA NACIONAL DE COMERCIO CONFEDERADA

ING. LUIS RAFAEL ANAYA MORTERA
PRESIDENTE

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TROLEUM PRODUCTS - CRUDE — REPORT NO. C-8-90-2

FAQ BLEND

REFINERY LABORATORY
LAKE CHARLES OPERATIONS
LAKE CHARLES, LOUISIANA — PRINTED - 4/10/90

SAMPLE NO. - RLS-06-02-90
DATE TAKEN - 02-04-90
DATE RECEIVED - 02-13-90
SAMPLE SIZE - 10 GALLONS
SAMPLE POINT - VESSEL "VENDIMIARE"
TAKEN BY - SAYBOLT

COMMENTS - N/A
N/A
N/A

ANALYSIS OF ORIGINAL CRUDE

GRAVITY, DEG API	30.0
POUR POINT, DEG F	-40
SALT, LBS/1000 BBLS	6.9
SULFUR, WT PCT	2.82
VISCOSITY, CENTISTOKES @ 100 DEG F	9.75
VISCOSITY, CENTISTOKES @ 122 DEG F	7.18
ACID NUMBER	.395
RVP, LBS/SQ. INCH	6.8
H2S, SCF/100 GAL OF CRUDE	.66

TRUE BOILING POINT DISTILLATION, DEG F

IBP	10%	20%	30%	40%	50%
102	244	376	502	621	743

60%	70%	80%	90%	EP
869	1015	1193	> 1380	

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TRUE BOILING POINT DISTILLATION
(UNCORRECTED DATA)

CUT NO.	TEMP. DEG. F	WT.PCT.	SPECIFIC GRAVITY 60 DEG F	SULFUR WT. PCT.	VOLUME PCT.
1	GAS FRAC	10.32	.5191	.08	17.41
2	IBP-150	5.80	.6388		7.95
3	150-185	2.19	.7086		2.70
4	185-220	.77	.7201	.02	.94
5	220-300	6.27	.7447	.06	7.38
6	300-360	4.64	.7741	.12	5.26
7	360-450	6.96	.7945		7.68
8	450-500	6.09	.8294	.56	6.43
9	500-550	4.63	.8468		4.79
10	550-600	4.17	.8591		4.25
11	600-700	8.60	.8868	2.23	8.48
RESIDUUM		47.88	.9958	4.53	42.13
NAPHTHA WASH		.67	.9958		.59
TOTAL (CALCULATED)		108.99	.8233	2.72	115.99

SULFUR BALANCE	CALCULATED	2.72	96 PCT. RECOVERY
	ACTUAL	2.82	(UNCORRECTED DATA)
GRAVITY BALANCE	CALCULATED	.8233	93 PCT. RECOVERY
	ACTUAL	.8762	(UNCORRECTED DATA)
CARBON RES. BALANCE	CALCULATED	11.25	100 PCT. RECOVERY
	ACTUAL	11.18	(UNCORRECTED DATA)

SOME FRACTIONS INCLUDED WITH THE NEXT FRACTION FOR ANALYSIS

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FAD BLEND

BOILING RANGE, DEG F	GAS FRAC	IBP-220	220-300	300-360	360-500	500-700	700-EP	700-800	800-1000	1000-EP
VOL PCT OF CRUDE	17.41	11.59	7.38	5.26	14.11	17.53	42.72	4.14	15.50	22.47
C2 & LTR, % OF CRUDE	2.50									
PROPANE, % OF CRUDE	8.67	.17								
ISOBUTANE, % OF CRUDE	1.53	.22								
N-BUTANE, % OF CRUDE	3.49	1.15								
C5 & HVR, % OF CRUDE	1.21	10.05								
SCF/BBL OF CRUDE	277.46									
PARAFFINS, VOL. %		50.0	7.5	12.4						
ISOPARAFFINS, VOL. %		37.2	35.6	49.9						
NAPHTHENES, VOL. %		8.1	43.2	11.9						
AROMATICS, VOL. %		1.4	12.1	24.5						
OLEFINS, VOL. %		3.2	1.1							
UNKNOWNS, VOL. %		.1	.5	1.3						
OCTANE, F-1 CLEAR		64.8	36.0	24.0						
GRAVITY, DEG API		81.3	58.5	51.3	43.2	31.2	10.6	21.8	19.0	3.6
SPECIFIC GRAVITY	.5191	.6669	.7447	.7741	.8122	.8697	.9958	.9230	.9452	1.0474
DISTILLATION										
IBP		74	233	322	386	548	765	733	773	
10 PERCENT		103	244	325	411	573	821	756	801	
30 PERCENT		132	253	329	423	588	904	776	838	
50 PERCENT		157	261	332	437	607		787	873	
70 PERCENT		182	269	337	457	632		809	915	
90 PERCENT		213	282	345	484	664		860	972	
END POINT		257	295	370	507	690				
PCT @ 1000 DEG F							48.0			
PCT RECOVERED	97.6	98.3	99.9	98.9	98.7					
RVP, LBS/SQ IN	18.4									
DOCTOR				SOUR						
MERCAPTAN SULFUR, %	.0045			.0016						
SMOKE POINT, MM				19.0						
ANILINE POINT				148	163		173	TOO DRK		
DIESEL INDEX				63.9	50.9		37.7			
POUR POINT, DEG F				-70	25	60	80	90		
CARBON RES. RAMS WT %					.12	11.18	.16	.99	19.70	
SULFUR, WT %	.02	.06	.12	.56	2.23	4.53	2.99	3.33	5.52	
WAN FACTOR	12.8	12.3	12.0	11.9	11.7		11.7	11.7		
ACID NUMBER				.033						
VIS @ 100 DEG F, CST				1.68	6.22	4750.00	36.00	119.00		
VIS @ 210 DEG F, CST					1.83	93.18	5.30	10.21	1881.53	
VISCOSITY INDEX					57.8	71.5	82.3	64.8		
REF. INDEX @ 67 DEG C					1.4665		1.4921	1.5447		
BASIC NITROGEN, WT%					.0070		.0212	.0293		
BROMINE NUMBER				3.16						
VANADIUM, PPM					< 0.1	< 0.1	.20	124.00		
IRON, PPM					1.70	1.00	1.30	12.00		
NICKEL, PPM					< 0.1	< 0.1	.80	32.50		
RAPID CARBON RES. WT %									8.08	
WT PERCENT SULFUR ON RES.										

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HYDROCARBON ANALYSIS, VOL %
OF 330F-420 FRACTION

PROPANE	1.5	BENZENE	
ISOBUTANE	1.9	CYCLOHEXANE	
NORMAL BUTANE	9.9	3,3-DIMETHYL PENTANE	
TOTAL BUTENES		1,1-DIMETHYL CYCLOPENTANE	.2
ISOPENTANE	8.7	2-METHYL HEXANE	3.3
NORMAL PENTANE	13.7	2,3-DIMETHYL CYCLOPENTANE	1.2
TOTAL PENTENES		3-METHYL HEXANE	4.2
2,2-DIMETHYL BUTANE	.1	CIS 1,3-DMCP	.4
CYCLOPENTANE	.7	TRANS 1,3-DMCP	
2,3-DIMETHYL BUTANE	1.1	TRANS 1,2-DMCP	.8
2-METHYL PENTANE	6.4	CIS 1,2-DMCP	.4
3-METHYL PENTANE	5.8	3-ETHYL PENTANE	
NORMAL HEXANE	14.2	NORMAL HEPTANE	9.3
METHYL CYCLOPENTANE	2.4	METHYL CYCLOHEXANE	
2,2-DIMETHYL PENTANE		TOLUENE	1.4
2,4-DIMETHYL PENTANE	.4	C8+	12.0
2,2,3-TRIMETHYL BUTANE			

HYDROCARBON ANALYSIS OF GAS, MOLE %

C1	C2-	C2	C3	C3-	IC4	NC4	C4-
.7		15.1		47.7	7.1	16.7	.1
IC5	NC5	C5-	C6+	CO2	N2	H2S	
2.2	2.1	.2	.5	1.6	5.4	.1	

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Consignaciones de Buques

CANEGA

S.A. de C.V

CARGO-DETAILS

PRODUCT.: 1) ONE LOT OF MAYA CRUDE OIL

72,530.104 Metric Tons. (Gross)

72,304.385 Long Tons. (Gross)

72,493.987 Metric Tons. (Net)

71,348.740 Long Tons. (Net)

494,660. Gross Bbls. at 60°F

494,413. Net Bbls at 60°F., Less

0.05 °/o of water and Sediments.

Gross Barrels.

21.6 A. P. I.

0.9242 Specific Gravity 60°/60°F.

FREIGHT PAYABLE as ARRANGED.

FIRST ORIGINAL

BILL of LADING No. 1

SHIPPED in apparent good order and condition by P.M.I.COMERCIO INTERNACIONAL,S.A.DE C.V.

at the Terminal of DOS BOCAS,TABASCO.,MEXICO. on board the M/T. "HELLESPONT FAITH" (JAIRE - 46490) whereof LEE SUNG HEE is Master for the present voyage or whomever may act as Master on the said ship for carriage to LAKE CHARLES,LOUISIANA.,U.S.A. or as designated by charterers that the vessel may safely discharge said cargo.

Weight, quality and quantity unknown.

To be delivered

on payment of freight at the rate of (as per Charter Party)

Address arrival notice to

All terms, conditions, exceptions, liberties and exemptions from liability as per Charter party dated GOVERNING CHARTER PARTY are to be considered embodied in this Bill of Lading.

General Average to be settled according to York/Antwerp Rules, 1974, the expression General Average including for all purposes salvage and/or other cognate expenses.

IN WITNESS WHEREOF the Master has signed THREE Bills of Lading exclusive of the Master's copy, all of this tenor and date one of which being accomplished the others to stand void.

Dated DOS BOCAS,TABASCO.,MEXICO. ON NOVEMBER 29th ,1990

JSH546490.

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Representative SCHEUER. Senator?

Senator SARBANES. No, I would—the whole panel.

Representative SCHEUER. OK. We'll now get to the end of the alphabet and hear our windup pinch-hitter. One of the most respected and credible voices in the field of military strategy and arms control negotiations in our country, we are honored to have you, Paul Warnke.

STATEMENT OF PAUL C. WARNKE, PARTNER, CLIFFORD AND WARNKE, FORMER DIRECTOR OF U.S. ARMS CONTROL AND DISARMAMENT AGENCY

Mr. WARNKE. Thank you, Mr. Chairman, Senator Sarbanes, Congressman Upton.

At one point in school, I did have somebody below me in the alphabet. His name was Plato Xarhopolous, whom Senator Sarbanes may recognize. He was of Greek origin.

My colleagues have said just about everything that I could say and a lot more. But that's never slowed me down in the past, so I'll go ahead and talk anyway.

CAN WE WAIT FOR ECONOMIC SANCTIONS TO WORK?

There are two issues I'd like to address. One of them is: Is time on our side if we wait for economic sanctions to work in terms of attrition rather than increasing the Iraqi military threat?

Senator Sarbanes, I believe, has referred to the testimony of Director of Central Intelligence, William Webster. He says that these sanctions will, in fact, debilitate the military strength of Iraq.

The Chairman of the Joint Chiefs of Staff, Colin Powell, has said the same thing.

My colleague, Mr. Hufbauer, says that, too.

And I think it's quite clear that that is the case.

In addition, as Ed Luttwak has pointed out, these sanctions enable us to try to develop a long-term, peaceful regime in the Middle East; part of which would be an arms embargo, where we would stop this folly of supplying the most sophisticated weapons to Third World countries. Again, as Ed Luttwak has pointed out, that was perhaps an inevitable concomitant of the cold war, where we supplied our clients and the Soviet Union supplied its clients.

But, that situation has now changed. About a month ago, I attended a meeting of the Atlantic Treaty Association in Paris. This is the group of various supporters of the North Atlantic Treaty Organization.

And, basically, what they were struggling with was: Now that the cold war is over, what's the role for NATO?

It's sort of like the March of Dimes—after the Salk and Sabin vaccines, they had to find some new disease to conquer.

Now, one thing that we could do, it seems to me, is to agree within NATO and also bring in the Soviet Union and have very effective controls over arms transfers.

As you all know, we tried that back in 1977, 1978, 1979, in the so-called conventional arms transfer talks.

Those were futile talks because they involved the United States and the Soviet Union, at a time in which the Soviet Union was not

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in any position to stop those transfers. It was their means of trying to establish some sort of influence in the Middle East, among other areas.

But that situation, as I say, is now changed. And, certainly, we ought to utilize the time that we have with the imposition of these economic sanctions to look at the long-range stability of the Middle East, including the military threat that Saddam Hussein poses to the countries in the area and to a peaceful world.

Congressman Upton has said: What kind of a timeframe would it be before something like the missile capability is significantly eroded?

I can't put a time measure on it, but I submit that time is on our side. With regard to the nascent nuclear capability, again, my colleagues have pointed out that the economic sanctions, in fact, have exactly the effect that we'd like to see, that it is going to be much harder for Saddam Hussein to acquire the nuclear status that he covets as long as we have these sanctions in place. And these kinds of blockades, these kinds of arms embargoes ought to survive the immediate crisis. We ought to see to it that this is something that, in fact, continues.

And then the other issue is: Whether in terms of humane considerations, we can afford to wait.

Now, certainly, all of us must sympathize very deeply with the plight of the Kuwaiti people. But, the question is: Will going to war cause less human suffering, or will it cause more?

I think that anything that rains death and destruction on the Iraqi people, on the Kuwaiti people, and with the sacrifice of who knows how many young American lives, certainly is a scenario that I would not like to see unfold.

And then no one knows what the consequences would be of that sort of offensive action. As has been pointed out, there is a question as to how to maintain the present coalition that is behind economic sanctions. I feel that it's going to be far easier to do that than to maintain a coalition involving moderate Arab States if primarily American forces are seen slaughtering Arabs. That's going to change the entire situation.

After all, we had a friend in Egypt, Anwar Sadat. We have a friend in Egypt today, Mubarak. I would hate to see a situation in which forces internally in Egypt turn against the moderate leader, and the same in Saudi Arabia; nobody knows where else.

It has been pointed out that we don't want to unleash other bully boys in the Middle East by eliminating the military potential of Iraq. We just want to contain that military potential.

General Schwarzkopf, the leader of American forces in Desert Shield, has made exactly that point. What he has said is: We don't want to upset the military balance in the Middle East.

Again, what we want is time to try to create a more durable, a more stable overall situation there. And I think that economic sanctions are exactly what we need at this point.

After all, we waited 45 years to get the Soviet jackboot off the throat of the central Europeans. We're still standing by today while China occupies Tibet, a country whose cultural and national characteristics are at least as strong as those of Kuwait.

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The question is: Are the objectives that we want to achieve best achieved by going to war?

You have to have awfully good reasons to go to war. And the question is: Can we stick it out if we take offensive action at this point? Or, can we stick it out by following the cautious, controlled, and effective course that my colleagues have suggested?

Thank you very much.

[The prepared statement of Paul C. Warnke follows:]

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PREPARED STATEMENT OF PAUL C. WARNKE

Mr. Hufbauer has persuasively outlined the reasons why economic sanctions against Iraq will, in time, compel compliance with the United Nations' resolutions. I obviously am not in a position to add to his testimony, and it needs no supplementation.

What I would like to address briefly is the question whether we can afford to wait for these sanctions to work or whether there is some time urgency that compels us to resort to early offensive military action.

It has been suggested by Vice President Quayle and others that the moral cost of waiting is too great because delay will enable Saddam Hussein to build up his military forces. I am persuaded by the statements of the Director of Central Intelligence, William Webster, Chairman of the Joint Chiefs of Staff, General Colin Powell, and Mr. Hufbauer that the continuation of the blockade of Iraq will instead seriously debilitate its military strength and lessen the cost of the use of force should that eventually prove necessary.

It has also been argued that the plight of Kuwait and its citizens is so dire that humane considerations compel prompt application of massive military force. We all must sympathize deeply with the Kuwaiti people and lament that misery that unprovoked aggression has inflicted upon them. But, at the same time, we can also question whether these wrongs can be best remedied by raining death and destruction on the Iraqi people and, in so doing, paying a heavy price in the lives of American combatants.

We were compelled reluctantly to accept for 45 years the occupation of Central Europe by Soviet troops. When Moscow took action in 1968 to crush the beginnings of democratic change in Czechoslovakia, we protested loudly but refrained from military intervention. For many years we have sat by while the Communist leaders of China maintain their brutal occupation of Tibet, a country with claims to cultural and national identity that certainly match those of Kuwait.

It is, of course, obvious that we were not able to take military action to roll back the Iron Curtain or to free Tibet without precipitating a major war, the cost of which would be exorbitant even as compared with the benefits to be obtained. But who can tell us today what may be the consequences of a war in the Middle East, in which military forces—over-whelmingly American—kill thousands of Arab civilians and the no less innocent young Iraqi soldiers forced to die for a cause they would not willingly support.

General Schwarzkopf, the military commander of American forces in the Desert Shield Operation, has noted his concern that the destruction of Iraq as a military power would disturb the existing balance of power and free other bully boys in the area to initiate their own aggressive actions. The argument is made that the present international coalition cannot be held together for the period of time it might take for economic sanctions to work. I question seriously whether this coalition, including now-sympathetic Arab states, can survive while American bombs, tanks and artillery decimate their fellow Arabs.

As for Iraq's nascent nuclear potential, I am not worried that the nuclear deterrent that let us sleep at night when China joined the nuclear club, of which the Soviet Union was already a member, won't serve to deter Saddam Hussein. Here too, we have time to try economic pressure.

American engagement in major hostilities in the Middle East might not be the equivalent of World War III, but it wouldn't bear any resemblance to our brief Caribbean military adventures.

Instead of continuing to voice our impatience, we should talk and act in a fashion that will persuade Saddam Hussein that we can wait him out, that he cannot retain the fruits of his aggression and that the price he must continue to pay is not one that he can continue to bear.

The prompt and proper international response to Saddam Hussein's aggression, organized by the U.S. Government, successfully deterred any hostile action against Saudi Arabia. We can continue to contain and punish Iraq with a force deployment that can be maintained while economic sanctions do their job.

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Representative SCHEUER. Well, thank you very much for that fine statement.

We will now open up the questioning to all members of the panel. If any of you have questions to address to each other or remarks to make about the testimony of your colleagues, let's encourage that.

And I would recognize Senator Sarbanes.

Senator SARBANES. Well, thank you very much, Mr. Chairman.

I'm going to ask you a very speculative question.

The administration had in place policy that commands widespread support in this country and abroad, and which I think was consistent with the analysis we have heard from members of the panel, that the size of the military might have been a little larger than we would recommend. But, you know, the President put in the force to deter any further Iraqi aggression against Saudi Arabia.

I take it that your view is that, with that deterrence and with the Saudi and the Gulf State oil production available to the world community, the impact of Iraq's actions on the international economy have been or can be minimized.

Is that correct?

Mr. SCHULER. They'd be minimized even more if you didn't have the war scare, which is what boosts the oil price.

Senator SARBANES. Is that correct?

Mr. SCHULER. Yes, sir, absolutely.

Senator SARBANES. So, the economic thing we have to address, this control over the world's economy, is, as long as you can block a move direct or indirect with respect to the Saudi and the Gulf States, you've dealt with that problem.

Is that your view?

Mr. SCHULER. As long as we have been able to make up, as we have, that shortfall of Iraqi and Kuwaiti production, we can last forever.

Senator SARBANES. Yes. Then, he went to the U.N. He got these unprecedented sanctions, which Mr. Hufbauer made reference to, to squeeze Iraq. And, of course, the potential there is quite large, I think, over time. No one expects them to work immediately and, in fact, the President, himself, when they first put them, indicated that. They talked about patience and forbearance, and staying the long haul and so forth.

You suggest in many respects, as my own view, that pursuing the sanctions' course over time, in fact, is a desirable objection; the duration of this blockade, I think, a long time to work, in fact, could be an advantage and not a defect in the position of sanction, I think you had said.

And partly because you see it as an opportunity to put in this broader controlled regime, it also depletes his capacities, and during the time it's in place, you would not have had to put forth this notion of sending the Secretary to Baghdad or receiving the Iraqi Foreign Minister in Washington. You could have just put the sanctions in and say, "There they are."

And, in fact, it would have seemed to me the best policy would have been, once you got that all organized, commit more resources to police the sanction effort. And I think we ought to have agents

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swarming all over the industrial countries to check out experts, and so forth.

And then the President could have turned to other business. I mean, there's a big agenda—Russia, Eastern Europe, GATT, the U.S. economy. And he could have said: All right, you're contained. You can't move militarily. We have you completely boxed in with the presence of this force. We're now squeezing you economically. This is going to get worse day by day.

You would have defined "success" as the progressive application of the embargo to impose greater economic harm. The principle you're establishing is that an aggressor shall not profit from his aggression and, in fact, shall pay a high price for it, which you'd be in the process of imposing on Saddam, with the ultimate objective of having him depart from Kuwait pursuant to the U.N. resolutions.

Now, each day then would have been a success for us as long as the sanctions were working and providing more of a bite. This thing has been defined in a way that because he's still in Kuwait, he hasn't gotten out yet, each day is a defeat for us. I, frankly, don't see it that way.

My speculative question is: Why do you think that a policy that I think could have very reasonably, justifiably been portrayed as a success as working, as accomplishing the very purposes you've set out?

Let me just add one other dimension. It's been asserted that this is important for collective security in the post-cold war world. And I agree with that. And I think that's an important objective. But, it seems to me that, if you have that objective, you really should want the sanctions to work because in how many instances are you going to have a situation arise in which aggression takes place in which the United States is prepared to commit 250,000 or 400,000 troops? I mean, there's a unique dimension here and, very frankly, it's the economic dimension that has provoked a response worldwide, which otherwise might not occur in other instances.

It seems to me that the precedent you want to establish, if you can succeed in doing it, is that economic sanctions, which I think it would be easier to get out of the U.N. and put into place, can, in fact, work to deter aggression. And this becomes a part of the, in a sense, normal response mechanism of the international community rather than going to war, which is a much more extreme solution, much more difficult to muster support for.

You have a nation here that's uniquely exposed to the application of sanctions, as it turns out, given—I mean, they're a one crop economy—oil. And you cut that off and that's the end of their, potentially, over time, economy.

Why, in your view, do you think the administration has ended up portraying a policy that could have been put forth as a success rather than as a failure, thereby moving them to take a more extreme approach, which has with it many costs and many uncertainties?

I mean, on your point, when you quoted Haereditas, I think, was it that you quoted?

Mr. SCHULER. Haereditas.

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WHY HAS THE ADMINISTRATION SWITCHED GEARS

Senator SARBANES. Yes. All right. Now, Admiral Crow said, not quite as elegantly, but he said when he testified: "I counsel patients that war is not neat. It's not tidy. It's a mess. You have to be sure the stakes justify what you're doing."

And, later in his testimony, he talked about what might come afterwards in the region and how it would impact.

What's your speculation on why we haven't followed this course that has been outlined here, which seems to me to make imminent good sense? It was my perception that the course the administration was pursuing until the 8th of November, when it then stepped the forces up, and not only stepped them up but also portrayed them as having a different capacity; namely, an offensive capacity capable of driving the Iraqis out of Kuwait.

I, at the time, put in a closed briefing to the Secretary of State, the question: How long, once you have such an offensive force in the area, do you think you can go without using it without losing your credibility?

Now, that was compounded, as I see it, by going to the U.N. and getting this resolution authorizing the use of force with an ultimatum date upon it, which now is assuming greater and greater significance. It's not even now the date after which you might consider force; it's becoming the operative date, so to speak, and then compound it even further by the sort of statements that the President has been making?

What is your theory as to why they've gone on this approach?

Mr. LUTTWAK. Let me make a stab at that, and I'm sure you'll want to hear from the other witnesses.

We seem to be remembering other Greeks besides Haereditas. I'm afraid that this is one of those typical circumstances that causes the gods to have pathos for men on earth, because I think it was an accident of timing drawn-out.

There was one thing wrong with the economic sanction policy from the perspective of the President of the United States is that a long, drawn-out strategy of economic sanctions implied a long, drawn out hostage crisis.

The hostages have now been released, but when the decision was made, the hostages were still there. I believe that, from a strategic point of view—not only in regard to Iraq, but globally—the sanctions policy was superior.

But, perhaps, from a political point of view, from the viewpoint of the politics of the President, the sanctions strategy, however superior it may be in a global scheme, looking forward to the collective security and all the while the considerations you mentioned, Senator, politically it was bad, or perceived to be very bad, because a drawn-out strategy implied a hostage strategy.

Senator SARBANES. Well, what is it about this situation that now prevents on order countermanning the movement of the trains, as occurred in August 1914? I mean, you know, there's a wonderful chapter in Barbara Tuckman's book, "The Guns of August," that Mulke went in and he said to the Kaiser, who wanted it shifted and turned around, "Well, we can't do that. It's all been programmed and it's got to go forward."

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Now, I agree with the—although I think the President handled the hostage situation well in portraying a position that he was not going to be hostage to the hostage. In fact, I have said frequently that I thought that the President and his people exhibited great skill in dealing with this situation until they made, what I regard, an erroneous judgment after the election.

Even assuming its motivation for that reason, now it's turned out that that issue is no longer with us. The hostages are all out. What's to prevent this sanctions path?

Mr. LUTTWAK. Senator, putting on my other hat as a military analyst, we now have reached a level of approximately 270,000 moving-along-to-build-up, which is increasing daily. The way we could do it will be to countermand some movement orders that have now been implemented.

And, second, to rotate, because there is a perfectly good argument that, regardless of anything else, the forces that were sent into place in Saudi Arabia in the first instance were necessarily the light forces that can be airlifted.

The rapid deployments for planning, in which I personally worked on back since 1977, we knew that the first thing you had to do was fly out the lightest troops you have. But, in a desert, they're not suitable. What we need in the desert are not foot soldiers, but mobile soldiers, and not infantry but armor, both tanks and mechanized.

So, all we have to do now is to continue the sending over of some of the armored forces, perhaps. I don't mean that we need such a large force, but there's an independent saying that the 82nd Airborne shall be brought back—by the way, without the 82nd Airborne and its 7th Light Infantry Division, we do not have a contingency force for other possible crises—bring them back and bring back the Marines to countermand some of the Marine buildup. The Marines are mostly infantry. They are not suitable for desert warfare. The deployment of large numbers of Marines would mean a frontal attack configuration.

So, bring them back and place them with armored/ mechanized forces. In my view, 200,000 troops—the troop level—was excessive. It was much more than was needed to very reliably prevent an Iraqi attack in Saudi Arabia, given air power. Whatever the limitations of air power to achieve other purposes, we know ever since 1941, even 1941 aircraft in ordinance were quite sufficient to hammer and stop any movement in the desert, for obvious reasons of terrain.

Given that, if the President now recognizes his reasons for acting, the sense of urgency is past, then we just transform a reinforcement into a rotation. The rotation will be very sound, not to go for the whole thing, and begin to send back some of the support units associated with initial deployments, and to proceed, instead of a reinforcement, to a rotation that leads to a build-down and a reduction to the steady force that will be kept there.

Ultimately, we really wouldn't need more than the forces you need to reliably guard your own air bases against all contingencies, including a contingency of upheavals inside Saudi Arabia.

But, what you're talking there is an air base, a couple of battalions that are ample to protect an air base.

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Let's say you're operating three or four major air bases. You could work out that we're looking at 30,000 or 20,000 or 40,000 troops, we're now looking at 200, 300, 400 thousand.

I believe that the decisions that precipitated the sudden shift in gears from a slow, successful strategy to a long one was that.

Mr. SCHULER. I'd like to take a stab at your question about why the administration has not pursued sanctions, which seems to be the rational, logical approach.

I'd suggest there are four factors that I think bear investigation.

First of all, I wonder if the administration is overreacting now as a result of having sent mixed signals prior to the invasion.

There is evidence from the April Glasbe meeting with Saddam Hussein that Saddam was being told, for example: "We understand your desire for higher oil prices, but there is a document—we don't know the validity of it yet—that was supposedly found in Kuwaitan intelligence files that suggested that the Kuwaitis understood from meetings in Washington in mid-November last year that we supported a policy of low oil prices to put pressure on Saddam."

I suspect that we realized we were sending mixed signals and that, frankly, the administration is overreacting to its earlier failure to send appropriate signals.

Second——

WHY THE ADMINISTRATION IS PURSUING WAR INSTEAD OF SANCTIONS

Senator SARBANES. I'm interested on that point, that there are even members of Congress who, when we tried to impose sanctions earlier on Iraq and were opposed by both the Reagan and Bush administrations and some members of Congress took that position, are now belligerent in their statements about what ought to be done, even though it can be argued that it's inconsistent with their earlier positions when there was an effort to send some stronger messages to Saddam and impose some inhibitions and limitations on the transfer of this very dangerous technology.

Mr. SCHULER. Absolutely. I think that leads to what I think is the second contributing factor to this. And that is that the administration has been overtaken by its own rhetoric. After all, if you want to avoid a discussion of what went wrong beforehand, the way to do that is to label Saddam Hussein Hitler and the issue Czechoslovakia and emotionalize it and stop discussing it.

Well, if the man is Hitler—and I'm not suggesting that he's anything other than a brutal thug—you presumably don't respond with something like economic sanctions. You have to go and clobber him into unconditional surrender.

So, I think they've been overtaken by the rhetoric.

A third element that I think bears consideration——

Representative SCHEUER. Well, now, let me question that.

Wouldn't it have been better if, early on, the world could have organized a sanctions policy against Nazi Germany and radically reduced their economy, radically reduced the effectiveness of their military machine, denied them the balsa wood to build their Messerschmitts, and prevented them from menacing the security of Europe—regardless of whether Mr. Hitler stayed in power or not?

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If we could have diffused Hitler in terms of his threat to the peace of the world, the peace of Europe, it's true he would have done horrible damage within Germany. He would have eliminated the Jewish community there, I suppose. But, at least he wouldn't have done it in Poland and various other places—Rumania and so forth—and we would have preserved peace in Europe, admittedly, with a tyrant sitting in one country.

Wouldn't that have been a better result?

Mr. SCHULER. Absolutely, Mr. Chairman. It would have been better to have applied sanctions and tried to deal with Hitler. But, now the world knows what Hitler turned into. We didn't do it. And we know what Hitler turned into.

So, now to say that Saddam is Hitler, you have to deal with Saddam the way we dealt with Hitler, and that is to declare war and finish him off. That's the unfortunate implications of the rhetoric, of the labeling——

Representative SCHEUER. Right. You're not advocating that.

Mr. SCHULER. No.

Representative SCHEUER. Even if we knew he was a Hitler, aren't you suggesting that we can defuse him and degrade his war-making capability; degrade his potential for mischief through his biological weapons, his chemical weapons, his nuclear potential only a year or two down the pike, by simply squeezing economically and denying spare parts, replacement parts and all of that to his general economy and to his war-making, his military machine?

Isn't that——

Mr. SCHULER. Absolutely. As I said before, I have no doubt that we can bring him to his knees through economic pressure.

Let me just move quickly on to what I consider a third possibility to explain this seemingly irrational behavior. And that perhaps relates to the President's great skill at personal contact with foreign leaders.

In his own background in involvement in international affairs, he's, frankly, taking no advice from anybody in the U.S. Government. And he's taking advice from personal contacts in the area, like the Sideri Fliq of the El-Sahud family. And like the El-Sabah family in Kuwait, he is taking advice from them when they have agendas that are very different from the United States agenda.

And, finally, I would suggest, and I don't like the word "personal" on this thing, but the President has personalized the conflict between the United States and Iraq.

A journalist in whom I have great confidence and knows the area and knows the people involved suggested to me early on that: Do not underestimate the fact that this is a President who has to prove himself.

And I suggest that some of these four things, and I haven't thought about it before but just here at the table this morning, may help to explain why we have adopted the policy we have.

Senator SARBANES. Well, I'd just like to hear the panel; then I'll defer, Mr. Chairman.

Mr. HUFBAUER. Senator, I think you've asked the key question on which essays and books will be written in the future. You raised this question at the Senate Foreign Relations, and I answered it

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then. But, I'll try an elaboration now because it is such a central question.

I agree with you that, up to November 8, the President's record was 10 out of 10. And then why did he go wrong after November 8?

I think the first thing, which has been referred to by my colleagues, particularly Mr. Schuler, is that the President relies on too small a group for making key decisions. And in this small group, which includes the people referenced, they drew the wrong lessons from history; that is, from the history of sanctions.

They were looking at the Panamanian episode where sanctions were never imposed decisively and military force was finally used.

They looked at the Nicaraguan episode, which is more of the same.

They recalled the Iranian episode, which dragged on and clouded the Presidency of President Carter.

And they probably recall the Grenada episode.

And I think they drew the wrong lessons from all those cases, particularly in light of the very high and surprising, even astonishing success they had in putting together the sanctions coalition in the Iraqi case. But, they were looking at those other cases.

I agree with what has been said by Henry Schuler on the psychological need of a President to prove himself. I won't dwell on that.

But this small group that then came to the decision that they wanted a resolute approach, and that a military threat, an offensive threat, had to be a big part of the U.S. response.

And then they made their second mistake. And now I digress briefly, Senator.

You asked me in the Senate Foreign Relations Committee whether I had been consulted by the administration. I said no. That answer still stands but, since that hearing, I was invited to speak at the Secretary's Open Forum in the State Department.

And this is what I said their second mistake was, at that Forum.

If the President wanted to have a credible military threat, he should have convened a serious confidential consultation with the leaders of the Senate and the Congress, so that the strategy would be aired in the following way:

> We are going to go on what could be crudely called an eyeball-to-eyeball strategy. We are not going to go to war unless we come back and ask you for a congressional resolution.

I put that proposition to the Secretary's Open Forum. And, of course, I was told the usual: "Well, everything leaks."

And I said, "I don't think that's true. And I don't think you're talking about 500 members of Congress. I think you're talking about 15."

And these would have been very responsible individuals who would have brought the kind of perspective that you brought, Senator. And I think you're absolutely right on how sanctions could have been portrayed: Each day as a success, not a failure. This all could have been debated in a closed meeting. I don't think the strategy would have leaked if the congressional leadership had been persuaded.

I believe that, under this approach, the President might have had a more effective threat policy, and I emphasize the word "threat," than he has now.

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But, in any event, their second error was not to consult the congressional leaders. And it was the second instance of relying on a small limited circle, a problem that afflicts this administration and other administrations.

Now, coming from this point with these two grievous errors, we've heard from Ed Luttwak and others how we can wind down from here. Serendipitously, the President can wind down along the lines Luttwak has said, in terms of rotation, but also the President could credibly say: "Our threat of war released the hostages."

They could give zero weight to sanctions in this outcome, if they wished.

And then the administration could say: "We achieved quite a bit," which, indeed, they have. They have achieved not being trapped in the Iranian-type of hostage situation.

So, despite these two errors, and they are serious errors of judgment by my lights, the administration is not locked into its errors.

Mr. WARNKE. In response to your question, Senator Sarbanes, I think that history shows that Presidents do tend to personalize things. I saw, for example, Lyndon Johnson forfeit a domestic program that I thought was a brilliant success by becoming preoccupied with Vietnam. And it became a case of Lyndon Johnson against Ho Chi Min.

A year ago, it was George Bush against Manuel Noriega. And now it's George Bush against Saddam Hussein.

I think it's necessary to step back from that sort of personal reaction. And I hope that the Congress of the United States could take a broader view because, as you point out, what's important is to have a policy here that we can apply repeatedly. And we aren't going to be able to go to war every time some international scoundrel misbehaves. We're not going to be able to bomb every potential nuclear proliferater.

Instead, I think that President Bush's first reaction was correct, the very skillful organization of an international group that could effectively deal with this particular crisis and deal with subsequent crises.

But, if it's going to turn into a shooting war, I can guarantee we'll never take that first sensible action again because of the fact that we will fear it will lead to a shooting war.

Senator SARBANES. I might point out and I'll yield that, in fact, the costs of a sanctions policy are better distributed more broadly amongst nations, particularly if you couple with it this recompense program from the windfalls of the oil producers to compensate other countries, than the costs of a military option.

The costs of a military option in this context are essentially American. I mean, the U.N. Security Council voted to use force, but it's the United States essentially that's going to use the force. The British have a bit of a force in there and the French, and that's it. The others are holding our coats while we go and fight.

The sanctions policy, actually, particularly if you have certain countries—the financially strong countries—come up with money to help compensate others that have been disproportionately impacted, spreads the costs around in a more reasonable way than military action.

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Representative SCHEUER. Let me just ask one more question—a footnote to Senator Sarbanes' question—about the voices that are pushing us and perhaps are pushing the President toward the military option, rather than toward what seems to be a much better considered, much more thoughtful, and much more constructive reliance on sanctions.

We've heard some domestic voices also from seemingly credible people—retired military officers, retired State Department Foreign Service officers—who also seem to be pushing us in that direction.

Should we be taking a sober second look at what they're telling us? Mr. Luttwak?

Mr. LUTTWAK. Yes. When we hear phrases such as the "plight of tiny Kuwait," we're hearing the drafting of public relations officers spoken——

Representative SCHEUER. Who's public relations officers? For what purpose?

Mr. LUTTWAK. The Governments of Saudi Arabia and the Government of Kuwait. Both of them pay a lot of money to public relations outfit. They have a lot of people on their payroll, in one way or the other, from the foundations. They give money to other people. And what I'm concerned about, frankly, I think this entire hearing illustrates the virtues of thinking one step ahead instead of being obsessed and fixating on today.

The President is the United States gets into wars, the United States incurs casualties, people die. Then there is the trauma. And then there is the witch hunt.

And I believe that Congress could take some useful prophylactic action on this to prevent us from having a witch hunt that will be divisive and unpleasant, and will undoubtedly be very unfair.

I think that I've had the experience of testifying and having people along side me. I've had the experience of being interviewed, the people along side me, whom I believe shouldn't really have declared any interest in this matter.

If I go on public television and say, "It's urgent for Americans to die to liberate Kuwait, because the people of Kuwait are suffering, and so on, because the El-Sabah family wants to go back in occupation;" if I've been receiving money from a public relations firm or paid by Kuwait or the Kuwait Emergency fund or the Habidi Foundation or any other foundation, I believe that this interest should be declared.

Let me say that I don't suspect the retired ambassadors or former assistant secretaries of Defense or State or these gentlemen. I don't think that they are so corrupt that they are deliberately exchanging blood for gold, or taking Arab gold to persuade Americans to die for rich Arabs. I don't think that's the case at all.

I think that they get money because they perform various services and have various connections and affiliations. But, I think, as a matter of hygiene in our public discourse, prophylactically, if only to prevent in the inevitable witch hunt that will follow the trauma, that will follow the casualties, I think that this should be done now. A lot of people, a lot of grief will be saved, and I think that this is something that—there is, of course, a Foreign Registration Act, but that takes time to have effect and there are all kinds of indirectnesses involved—is a serious matter.

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We have the advertisements of television telling us that it's important to back the President's recourse to military action, specifically. These are expensive advertisements. Somebody's paying for them.

I'm not trying to start a witch hunt. I believe, if Congress lays down certain rules by asking certain questions, we will prevent that in addition to having thousands of Americans killed, our life will be further clouded by the trauma and the witch hunt. We can prevent that precisely.

I will not claim that this is a major strategic phenomenon. It is an unpleasant, minor side-effect.

But, may I say one comment again about the President's decision?

I think that everything said—I agree with everything that was said—I don't want in any way to diminish it. But I think there are two fundamental factors that did not depend on the President's sins of omission or commission. One is that there was honest failure to recognize that a long-term sanction policy, associated with a build-down of troops to the level needed for sanctions—the modest level needed for sanctions—would quite naturally be associated with a reduction in the level of government decision-making attending to that entire problem.

In other words, President Bush sees himself at the center, having to do this full-time, and reflecting that this is a terribly damaging thing for the United States. Here, we are positioning from a geopolitical era to geoeconomic era. We have to retool ourselves, redirect ourselves, and here we are fixated on a crisis in the Persian Gulf.

I believe that the President honestly did not conceive how, if he adopted the long-term sanction policy, he could begin to hand this over; make not a Presidential crisis management but a Secretary crisis management, and then an Undersecretary and then a Deputy Assistant Secretary, while the American Government and the Congress could attend to other business.

Senator SARBANES. Admiral Crow said that it would be a sad commentary if Saddam Hussein—a two-bit tyrant who sits on 17 million people, possesses a gross national product of $40 billion—proved to be more patient than the United States, the world's most affluent and powerful nation.

The President should have put it all together, put it in place, and said, "All right, Saddam, there you are. You're just going to get—you're contained. You're now going to be squeezed economically, and I have other business—important business—to attend to. And when you finally have been brought so far down that you're prepared to get out, then come around and talk to us."

Representative SCHEUER. Wasn't President Jimmy Carter's fixation with Iran a perfect example of the need for that kind of approach.

Mr. LUTTWAK. Yes.

Representative SCHEUER. Crippled him in his ability to function.

Mr. LUTTWAK. But, admittedly, you know, once again, we have the cold war haunting us. Any cold war crisis involved the possibility of nuclear escalation. And no President could walk away from handling a cold war crisis without being accused of irresponsibility.

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One is a direct offensive against Kuwait, which is involved in massive employment to fire power against the built up areas of Kuwait that would represent the principal obstacle of course to an invasion.

The other plan avoids the frontal attack against Kuwait, precisely because the casualties will be enormous on our side, and is an encirclement and interdiction, a cutoff. In this cutoff, the Iraqi troops in Kuwait will be bypassed by an envelopment that would thrust across the desert, beginning southwest of Kuwait, swing around and end up somewhere near Basra.

And the purpose will be to cut off the Iraqi troops in Kuwait and force their withdrawal without house-to-house combat or, indeed, without going through the mine fields that would reach across the border and then the entrenchments, then the drug-in tanks, and so on.

So, if you do this cutoff and encirclement, you will be cutting off the Iraqi troops in Kuwait, to starve them, to starve them out, and you will destroy the water distillation plan that provides water for them and all these other things.

You can assume—take it for granted—that before the Iraqi troops are forced to retreat by starvation and lack of water, it's the Kuwait, you see, the Iraqis would not. The Iraqis would hardly feed them.

So, either way, the Kuwaiti's population would suffer enormously by war intended to, quote, "liberate it".

What I see is this El-Sabah family who owns Kuwait, kept it, and did not extend citizenship even to its own people in its own army, the Bedouins of the Kuwaiti army that were expected to fight and die for them, but they were not given citizenship; this family's now very grand. It's precisely Hill and Alden, the public relations company and its agents, who are telling us how eager they are to go back. They're apparently bored with being in the hotels in Saudi Arabia.

That is not a good enough reason to have a costly war.

Representative SCHEUER. Let's just follow up on that a little bit. The four of you have outlined the major geopolitical and military goals that we can serve by hanging in with the sanctions; degrading Saddam Hussein's war-making capability; removing him as a major threat to the region; and providing time for the developed world to achieve some consensus on reducing the flow of arms to the developing world that are fueling these regional conflicts.

Now, if we want to roll back the tide and remove Saddam Hussein from his occupation of Kuwait and replace the El-Sabah family, that's going to cost. And if we do it by military means, that's going to cost a vast amount of American treasure and, even much more important, American lives, whether by the thousands or tens of thousands, we don't know.

I'd like to know what we're achieving. How can we quantify that? What are we achieving when we restore the El-Sabah family? Have they been responsible members of the Middle East community, the world community, in the past? Have they supported us in the U.N.? Have they been a responsible voice in setting oil policies for the Arab States through OPEC? What have we seen of their behavior, of their orientation? Is this a quality of leadership that is

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worth sacrificing thousands of American lives to restore them to their throne?

Mr. LUTTWAK. Mr. Schuler and others might want to talk about other aspects of the policy, the Kuwait, over the years. But, going on memory, I remember that the current Foreign Minister of Kuwait, the member of the El-Sabah family who has the Foreign Minister slot, was in the United Nations and was quite famous for his propensity to be very vituperative about the United States.

I seem to remember that Kuwait voted more often against the United States up until the time in 1987 when we started—they turned to us for help and flying in takers—they voted more often against the United States than the Soviet Union over a period of many years—not only on the Arab-Israeli issues, by no means. On all issues across the board.

Kuwait is also the country that took the initiative in the Persian Gulf in turning to the Soviet Union to purchase weapons in order to blackmail the United States into giving them advance weapons, which they would then sell.

Some of these weapons were delivered. The F–18s were not delivered, but the Hawks were delivered. They would now be in the Iraqi hands.

The El-Sabah family's politics was to be the conservative but anti-American family in the Gulf. That was one of their stances. And one way they sustained it was by their very generous funding of Arafat, of his particular movement, El-Fatal, of the PLO in general, of some left wing. The George Habash and the left wing, specifically anti-American PLO, were also collecting the funds in Kuwait. It was part of the stance.

Mr. Schuler is an expert in the field, I'm sure. I'd like to defer to him. Perhaps I'm wrong, though perhaps I'm right. And he can quote chapter and verse. But I seem to remember that that was the specific stance of the El-Sabah family.

What is the El-Tani family that owns Gittar? Very quiet family and the Sheik of Behrain's family; they have always been tremendously pro-American and that is where we have kept Med-Force out—two ships and a sub—while the family, the Rules Oman, again, very American, very forthcoming. And the Saudi family has always seen itself as protected by personal leagues as much as possible with the American decisionmakers, although at no time have they had such a link as they have in the inter-personal relations. I'm quoting Secretary Cheney between King Fahid, even Abdul Azeez, King of Saudi Arabia, and George Bush going back to his years in the CIA.

And so the fact is that the El-Sabah family, which now turns to us and asks us to fight and to die to restore them and not only restore them, which is the United Nations' policy, but to restore them quickly, in their impatience.

The El-Sabah family was specifically the anti-American family or relatively. But, again, I defer to others——

Representative SCHEUER. Before we move to oil, and Mr. Schuler is our expert, I've been told that the El-Sabah ruling dynasty supported us less in many cases than the Soviets supported us in the U.N. during the peak of the cold war years. In 1984, for example, the El-Sabah family supported us less than 10 percent of the time.

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At the peak of the harsh confrontation of the cold war, when the Soviets supported us 13.2 percent, the Kuwaitis voted with us a paltry 9.4 percent in the U.N.

In 1985, they both supported us 12.2 percent of the time. In 1988, they both supported us less than 9 percent of the time.

And this at a time when the Soviets were trying to undermine us, undercut us, and destabilize our international relations with the entire world, vitriolicly and viciously, and the El-Sabah family was right in there with them.

Mr. LUTTWAK. Yes. And, in spite of the fact that you will notice that the President received the visiting Moroccan sons and his families and treated them as friends. They have never been friends of the United States.

Representative SCHEUER. And it is to return this ruling dynasty to that throne with that record of opposition to the United States that we're willing to risk tens of thousands of American lives?

Mr. LUTTWAK. Yes. And if it was a case of being able to relieve the plight and suffering of the population of Kuwait, I would not hold against them the misconduct, as I see it, of this ruling family that owns the country, because people are suffering.

The fact is that, given the military choices before us, we have no way of helping them without——

Representative SCHEUER. Well, as Senator Sarbanes pointed out, in the event of a war, they would be——

Mr. LUTTWAK. They would be savaged.

Representative SCHEUER. Escalated enormously.

Mr. LUTTWAK. Yes.

Representative SCHEUER. Mr. Schuler, tell us about the El-Sabah dynasty as members of OPEC. How did they use their influence? Was it as a moderating, thoughtful influence?

Mr. SCHULER. Let me address that question by suggesting that there has been too much emphasis in the administration's analysis of the problem in the Gulf; too much emphasis on who is in control of the valves; the statement being we cannot permit Saddam Hussein to control the valves, which creates the implication that if Saddam Hussein doesn't control the valves, then all is well and good.

That is simply not the case. And the El-Sabahs are one example; one could cite others as well.

But, certainly, Kuwait during the 1970s was one of the more hawkish members of OPEC in several respects. In attempting to drive up oil prices, the Kuwaitis were next behind Qadhafi in cutting back oil production. The Kuwaitis cut their production in half at one point.

No OPEC quotas. That wasn't an issue. It was an individual choice. Cut their production in half to drive up and then support higher prices.

The Kuwaitis also undermined an agreement that Saudi Arabia had worked out with IranCo with respect to what was called Participation, Joint Venturing with American companies. And Shaki money had negotiated on behalf of the Emerts, Kuwait, and Saudi Arabia. King Faisal endorsed it and the Kuwaitis refused to endorse, with the result that the agreement was scrapped, and the

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Saudis, who could not afford to be upstaged, ended up taking 100 percent control.

So, the thrust of my point is not so much to stigmatize the Kuwaitis as to suggest that this overemphasis on who controls the valves, it is an overemphasis in my judgment, because the problem is not who controls the valves but rather that the valves are located in an area of the world that is so unstable.

And if it weren't for this particular problem, it will be another problem that will create the problem for us.

Representative SCHEUER. Congressman Upton.

Representative UPTON. Thank you. Thank you very much.

Mr. Hufbauer, I wanted to disagree with you on one of your mistakes that you indicated that the Bush administration did. And that was consulting with the leaders of Congress.

I would guess that, by the first of the year, I'll bet half of Congress is going to Saudi Arabia and back, in the next couple of weeks.

I know that the President, of course, took the leaders in both House and the Senate there with him for Thanksgiving. When we adjourn for this recess until the next Congress, both leaders have—Senator Mitchell as well as the Speaker, Tom Foley—the authority to bring us back to specifically discuss this case; it was written into the law in our German Resolution.

And I would imagine that if, in fact, we do see hostilities in January or at some point thereafter, I would imagine that the President will have been in very close consultation.

And I would imagine would have the support of the majority of the leaders in the Congress. In this case, probably the big five or big six, before he would embark on such a mission, looking back at the lesson certainly of Vietnam.

And that they would have an opportunity to weigh in at that point, if not before. But, let me go on——

Senator SARBANES. Could I just interject there? I understood your consultation point to refer specifically to the President's decision to shift the strategy that took place on the 8th of November, when we went from Desert Shield to Desert Sword; when we went from a defensive assignment to an offensive assignment.

And if that's the case, then I think your observation of no or very little consultation is absolutely correct. I think there has been considerable consultation at various points. But I think it is fair to state that on that specific fundamental—what many of us perceive to be a fundamental shift in approach and strategy—there was not consultation.

Mr. HUFBAUER. Senator, you have a way with words and you put it much better than I did, but that's absolutely right. I regard that date as critical and I regard consultation—my meaning of "consultation"—to mean that there must be a very full give and take before any announcements have been made in the press, because, by that time of course, positions are quite solidified.

So I would agree with you, Congressman Upton, that since then there's been any number of talks and people invited to the White House and so forth, but my word for those meetings would be "briefing" not "consultation."

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Representative UPTON. I would admit, at least in my view of things, you're referring to Senator Nunn.

Senator SARBANES. Well, not just Nunn but the other leaders as well.

Representative SCHEUER. You know, there's 535 of us, and real consultation would go far beyond——

Senator SARBANES. Well, in the end, the authorization has to come from the Congress, not from the leaders of the Congress—just to make that point.

But, even on the consultation point with the leaders, I don't think anything of consequence took place immediately prior to this basic—I mean, you had the Congress supporting the strategy, very much behind it, hardly any dissent. All of a sudden, the strategy was changed in a very fundamental way. And, at that point, there was not the kind of consultation——

Representative UPTON. But, one of the points, too, that I'm making is that the leaders when we adjourn, we have the authority to come back and get precisely that if, in fact, the majority leaders of both House and Senate decided that's necessary.

Senator SARBANES. Well, yes, that's quite true. I, myself, actually have been opposed to anything approaching a Special Session because more than 10 percent of the House members are lame ducks. They won't be in the Congress come the 3rd of January.

And I think, given the U.N. date, you know, there's time then to do it. But, why we should bring in a Congress that has a significant number of people who did not get a mandate from the voters in election on November 6th, unless there's an absolutely compelling reason, I don't——

Representative UPTON. Let me go on with just a couple of questions.

My sense from listening to all four of you—certainly this morning, now this afternoon—is that you certainly all share the theory that we should wait and let the sanctions work.

Mr. Schuler, your testimony, certainly. I think we would all be—it's certainly a strong agreement, of course, that the foreign exchange of Iraq has been literally cut off and will remain so without any dramatic change.

Yet, we still have seen some leaks from surrounding countries, whether they be Iran or Turkey or Jordan, whether by smugglers or by design.

My question is: One of the things that is not in the U.N. Resolution, one of the things that's exempt from the embargo, is food stuffs. I know that maybe it's the PR deal, but I know that Iraq has a fairly large dairy industry. Yet, we hear Saddam Hussein complaining about not having powdered milk, when, in fact, milk supplies really shouldn't be in that short a demand, at least from the sense that I see things.

Would you support tougher sanctions to go farther than where they are today and perhaps a stronger noose around Iraq, whether it be using NATO's influence with the border of Turkey or whether it be using other Arab interests with regard to Jordan?

I'm not sure what could be done with regard to Iran. But would you support stronger sanctions and go beyond where we are today?

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Mr. SCHULER. I would certainly support whatever was necessary to stop the export of oil. There is no evidence now that anything further is needed.

Representative UPTON. No, I agree.

Mr. SCHULER. And my own view of this is that the oil revenues are ultimately the determining factor.

Representative UPTON. Do you think that's also solely the determining factor as well?

Mr. SCHULER. I think yes, I think that without oil revenues you cannot pay the smugglers to smuggle things in. What one needs to recognize is that to get around sanctions on the import buys, it is . . . even in the limited Libyan sanction, which is only sanctioned by the United States, nonetheless, has to pay three times world prices for the spare parts if they are obtainable only from the United States. They can ultimately get them, but they have to pay three times what they would cost on the world market. Now, if that's the case in the very limited unilateral United States sanctions against Libya, then, clearly, Iraq is going to have to pay 10 times for something of that order of magnitude in order to get somebody to be willing to run the risk of breaking the sanction.

Representative SCHEUER. That's already happening. A 50-pound sack of sugar in Iraq a few months ago cost $20–25, equivalent. Now it costs $600. And I guess that may not be typical—that order of magnitude of increase—but I think it's symbolic of the fact that the price of imported food stuffs smuggled in have gone up exponentially.

And I suppose that it's a pincer movement. You deny Saddam Hussein the ability to buy, you vastly reduce his ability to buy smuggled goods, and you increase the price of the imported goods.

I suppose if we followed Senator Sarbanes' suggestion and had buyers for food, buyers for spare parts, replacement parts—in and amongst the Kurdish farmers who lead their 50 or 100 donkeys across the border, through the mountain pass—an intensive, well-conceived, preemptive, preclusive purchasing campaign, you'd vastly drive up the price. So Saddam Hussein with his shrunken economy would be very hard-put even to pay the smugglers if they wanted to sell it to him.

Representative UPTON. Let me ask one question. I have to go. I apologize for having to leave early.

Mr. Warnke, you have a great record of public service; you're a terrific negotiator.

How do you read Saddam Hussein? I mean, this is a fellow, from what I read in the press, who didn't really think that we'd come in with troops in Saudi. I mean, he didn't really think that the Arab world would stand united against him. He really didn't think that the embargo was going to work.

Don't you think that the threat of force at some point along the line, whether it's used or not, has some leverage to try and get him to succumb to the goal that we all want, which is basically stability in the Middle East?

Mr. WARNKE. I certainly would not advocate and I don't understand my colleagues to advocate eliminating any threat of the use of force. I think what we feel is that now is not the time, that the sanctions will, in fact, work.

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But we have assembled a very formidable force. We could cut it back in ways that have been suggested, and still have the threat of force.

Representative UPTON. So you think that part of the equation is important, though, in your mind, we should not use it?

Mr. WARNKE. Not use it for——

Representative UPTON. For a much longer period than after January 15th?

Mr. WARNKE. I think that when you're locked into any kind of a confrontation, that you have to be in a position in which you can do something that the other side doesn't want you to do. That's where your bargaining power comes from.

Our real problem at the present point is that we aren't prepared to bargain with him, and we should not be prepared to bargain with him because we shouldn't give him any concessions. But, we're not talking about negotiating concessions.

What we're talking about is what is the most effective policy to follow? And I feel very much taken by the way that Senator Sarbanes put it, that what we want here is a precedent that we can use in the future. And the precedent of going to war within a few months after the aggression has taken place, believe me, is not a precedent that would ever be followed again.

Senator SARBANES. Well, I think Congressman Upton asked a good question, frankly. I'm for being pretty tough on this thing. Of course, it's my own view that pursuing a proper sanctions policy is a tough policy and, in fact, takes a lot of perseverance. And I can see having this backup of force and the pressure that comes from that.

My concern is that we get on a one-track path. The military option is out of sync with the sanctions option; we put the military option into a short-timeframe, and the sanctions option, in order to work, needs a long-timeframe. And then you get yourself in this sort of situation where you get these kinds of comments coming, for instance, out of London.

This was at the beginning of December. Before the Chairman of the Joint Chiefs of Staff, General Powell, arrived here today, the senior official in the British Government said:

> The vast allied force would suffer humiliation, tantamount to defeat, if President Saddam Hussein of Iraq refused to leave by mid-January and the force did not act.

The Daily Telegraph about that time in London said, and I quote:

> Sooner or later, the Tyrant on the Tigris has to be confronted. We doubt very much whether economic sanctions will bring him to his knees. If Iraq remains defiant and the allies wait much beyond mid-January before attacking, they will have been exposed as paper tigers.

Mr. LUTTWAK. Senator, there again, these comments from the British press ought to be viewed in the overall context. Britain is an oil exporting country, not an oil importing country. Given the fact that countries like Japan and Germany, which import oil, are absent from the Gulf and have sent no troops to the Gulf, and, in fact, have shown very little interest in the entire operation, they reluctantly decided to throw minor subsidies, how come Britain is so heavily engaged?

Well, standing back from the details, what we have is evidently a country, Britain, which has not fared well in the post-war world;

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which is not faring well in the new geoeconomic competition; which is not faring well as a trading or industrial nation, or as a maker of products and developments; with throwing itself with extraordinary enthusiasm into this military engagement; sending a unit there, a specific unit described as being associated with the Desert Rats of World War II.

What we have here is one of the true phenomenon of the government's international life—it makes war and peace—which is self-image. The British have been, indeed, very bellicose. Their bellicosity, they have sent their tank division there. They want to relive 1942. They want to relive the glories of World War II. This is, and the classics has the word, not denigrative, a pathetic phenomenon. It is all connected to the nature of Britain. It is quite typical that the British press would make such remarks: If we don't bring the Tyrant on the Tigris to his knees, we would suffer some humiliation or something.

Yes. And what happens exactly when the tyrant is brought down? When these tankers have had the chance to relive the achievements of World War II and play Montgomery and Son what exactly happens is not important because it's the emotional moment we seek.

What I'm saying, Senator, is this. We're dealing in a crisis in which, on the one hand, there is the counting of the number of barrels of oil lifted at various terminals; on the other, there is the whole emotional question of the personalization of Saddam Hussein; on the other, we have the Japanese Ministry of Finance, the Oka Rasho, taking the view that the entire engagement is a rather silly affair, and it doesn't matter really who controls the oil. The price of oil is governed by the long-term substitution cost of oil. And if America has become engaged in this, it's because the Americans are disposed to this type of adventures. And Japan should not pay for them.

That is why the Japanese Ministry of Finance has been unwilling to concede . . . I believe their current payout is $600 million, as of now. That is a fraction, a small fraction, of what the single Japanese electronics company was able to find to purchase a United States corporation.

Just $7.5 billion dollars. Japan has promised and has not provided just over half the amount. So, in this, I think we should take our lead not from the British but from the people; not the people who were successful 40 years ago, but the people who are successful in today's world, which is the Japanese.

The Japanese view is: If you don't sell weapons to anybody and they do not sell weapons to anybody, you can stay disengaged from these affairs.

I would say that we should not let the Daily Telegraph to drum us into a war. We should not be influenced by that. Let us not share the entire psychological outlook that's behind the quotations that you read to us.

Senator SARBANES. Well, I told an Undersecretary in the Foreign Office, I said, "Let's do this. Why don't we flip the numbers, and then maybe I'll beat the drum."

In other words——[laughter] you put in the 450,000 and we'll put in the 30,000. Take a different look at it.

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Mr. Chairman, I just wanted to ask two very quick questions.

Representative SCHEUER. Please do.

Senator SARBANES. These are questions that are raised in questioning whether a sanctions policy can be pursued and will be effective. I'd like to get the response of the panel, of at least some of its members.

First, can we hold the coalition together over time to keep the sanctions in place? The assertion that it won't sustain, it will unravel, and, therefore, we won't be able to pursue the sanctions strategy that we've been talking about.

What's the response to that?

Mr. HUFBAUER. Let me say just a few words.

This case is one of the best for holding the coalition together for the reasons that have come out.

Oil is so important. It's a one-product economy. It's easy to trace in blockade oil. And further, this is critical, the parties in the area—Iran, Saudi Arabia, Oman, Aran—have every interest in not having oil shipped again soon from Kuwait or Iraq, because there's every prospect that the price of oil will drop substantially.

So, their economic interest ties in with the alliance interest on the oil side, which is so critical; as Henry Schuler has emphasized. I think the greater difficulty is on the import side, and I certainly take the point. We emphasized that, without the money, it's hard to buy imports.

Our greater effort will have to be directed toward the Turkish border—Jordan, Syria and so forth. But, that's really in the nature of a mop-up operation.

Mr. LUTTWAK. We have a stalwart Turkish ally, which is suffering great hardship. If one is talking about prolonged sanctions, we do not need 50 countries to make the sanctions effective. For the reason just mentioned, namely, to stop oil flows, you just need the cooperation of a handful of countries, including Turkey.

It is gratuitous in my view—entirely gratuitous—that we are not able to channel the funding for Turkey. The Saudis, the country that we protect alone—not to speak of Abu Dabi Kittar and Son—or you indicated to Senator Sarbanes that the total estimated projected windfall annualized over 12 months would be about $50 billion. It is absurd that what is happening so far is the Saudis offer us $1 billion, and our leaders—in gratitude before this.

We ought to go to the Saudis—ought to have gone months ago, if not now—and say, "Kindly cover the Turkish loss," which is considerable. Multibillion dollar loss. Which they could do with a fraction of the increment in the oil revenues over a short period of time.

Once you do that, once you compensate and secure Turkey, no Turkish pipeline for oil export, Saudi Arabia has no choice but to stay in the coalition. Because if Saddam Hussein were to survive this one, his first priority of course will be to deal with the Saudi Royal Family on a personal basis, if not on a regime basis or a country basis.

So that's the second big pipeline. As for Fao, which is the Iraqi terminal, one frigate is enough to stop that.

So I think that the argument that the implication that one needs to have a worldwide coalition in place, with every member actively

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cooperating to make the sanctions worse, is simply false in this case.

Senator SARBANES. Does anyone else want to add anything?

Mr. SCHULER. Well, I would also suggest that, to the extent that Turkey and Egypt need financial assistance, I don't think it's beyond the realm of possibility to suggest that the Kuwaits have plenty of . . . $150–200 billion in overseas investments. And if they need to cash some of those in to keep Turkey and Egypt cooperating, then I think that's an entirely appropriate investment on behalf of themselves and their country.

Mr. WARNKE. I believe, Senator Sarbanes, that the reason you have the coalition is because the countries that are part of it recognize it's very much in their interests to be part of it. Those interests are not going to change.

The cost of getting out is a lot greater than the cost of staying in.

Senator SARBANES. Well, of course, now, with the international sanctions having been put on, the U.S. can block their lifting. So they're in place and represent the position of the international community. And you just hold them to it. If the United States devoted a portion of the effort that it's devoting to the military side to tighten and hold these sanctions and keep them in place, I think we could do it.

Let me ask you this question.

It's asserted that continued American presence in Saudi Arabia will destabilize the regime and, therefore, that a policy that is premised, as the sanctions policy is on part on the continued presence, since you can't impose sanctions on Saddam without making sure you blocked him from lashing out militarily because, if you don't, there's a real chance he will proceed to do that, what's your response to that?

Mr. SCHULER. I would answer that by saying that, yes, there is a possibility that simply a deployment of this huge American force and its presence in Saudi Arabia may destabilize the regime. But, if that is true, how much more is it true that employment of that force in attacking another Arab State from Saudi territory is going to destabilize the Saudi?

Mr. LUTTWAK. If we adopt a long-term sanction policy, consciously, deliberately and we have a build-down, we reduce the effect of defending presence. Perhaps, the damage has already been done. Some people claimed that the Saudi Royal Family is right on the threshold of history—finished. But, if there is a continuing effect, we can reduce it with sanctions and a war would lead otherwise.

Let me just talk about destabilization and one thing. A key ally in this has been Egypt. Egypt has followed the principal policy. And as everybody knows, President Mubarak and the Mubarak regime and the whole social class of people is threatened by fundamentalism.

Who do you think subsidizes the Fundamentalist Movement in Egypt? It is precisely Saudi Arabia.

Saudi institutions and individuals, Princes of the Royal Family are funding the Mosque. They're not paying to long beards, but they're keeping alive institutions that draw these people.

So, we're talking about cross-patterns of destabilization here. And whatever value you assign to the destabilization of a long-term

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presence, I think that statements by such Saudi leaders as Prince Abdullah and Prince Sultani—the French Minister suggest that it is their belief that, while Bandah, the Ambassador here in Washington, has been talking for war, his father, who does not fully acknowledge him, apparently, talks about peace.

Why does he do that? Because as he says himself, and has said: "If we allow an attack against a sister Arab State," by which he means Iraq, from our territory," God knows what will happen."

He's made statements to that effect and with good reason. Because there's nothing in Islam, as far as I know, that sanctions an alliance with Christians or nonMuslims, against a fellow Muslim. And there is absolutely nothing that sanctions war on a fellow Muslim in alliance with a Christian.

So, the Saudi regime, whose only claim to fame—this is not the traditional rulers of Saudi Arabia, who have no other legitimacy—neither legal nor democratic or anything—but their claims to religious purity.

In the Mohammed interpretation of Islam:

By cooperating in an attack on the sister Arab State, then Iraq would be—and a Muslim State. Excuse me, not the Arab, but the Muslin State—will be violating the only basis of the legitimacy.

The only reason that they're going along in this—is the same, you know, as the British Telegraph—that's how things happen.

This Congress at this time that has an opportunity that was absent in 1914 to stand there on them railway tracks and stop the train. The Saudis, I think, are the foolish passengers on it. We, ourselves, should not be the ones conducting it.

Senator SARBANES. If you pursue a sanctions policy and it is successful in the end in achieving a U.N. goal that we've described, even though the sanctions policy will defeat his capabilities militarily and otherwise, he will still have a capability, and could simply resume an aggression again, and go on into Saudi Arabia. So that the Saudi and the oil fields there would remain at risk. Therefore, the argument is made:

You have to do a military exercise in order to so deplete the military capacity that he doesn't have that ability; therefore, you don't have the threat.

What's your thought on that?

Mr. LUTTWAK. Any proportionate reduction in a Iraqi military threat achieved by war increases pro rata the threat from Iran, which is now neutralized, and Syria, which is now neutralized by that same event. You get nothing thereby.

It's only when you think of strictly one country at a time, one moment at a time view, which is a pragmatic view, not the strategic view, that you can believe that.

It is true that, if Saddam Hussein's regime survives, Saudi Arabia will need to be protected. I would argue that if he had been forced to withdraw from Kuwait by the effective sanctions, the sanctions are seamlessly followed by measures of arms denial affecting the entire territory, from Morocco to Bangladesh, including Iraq, if we adopt a post-cold war policy of total denial, Saddam Hussein will have other preoccupations than to launch——

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Senator SARBANES. What about the feasibility of putting together some sort of security arrangement that would act as a deterrence to Saddam from resuming such an oppressive tack?

Mr. LUTTWAK. If you want to maintain a U.S. military presence at the head of the Gulf, or a collective presence at the head of the Gulf, you have to make sure that the Iraqi army has now been attacked and destroyed in the course of a war, because if you have a U.S. presence—let's say in Kuwait territory—and Iraq has been wiped out, and Iran, therefore, is now free to act as a Muslim country, which is now faced by an Arab power, Iraq, then forced to act as a Persian phenomenon, since it is a Muslim country, it has a perfect target. American solders and American dependents in Kuwait are one night's walk away from the Iranian border. That will be the target for the venting of the Muslim opposition to the presence of Gulf forces in the heart of the Middle East, close to the Holy Cities of Kerballah and Nazareth, right up the road from Kuwait.

If you wish to have Americans remain at the head of the Gulf, some token or nontoken presence of perhaps a Korean type deployment, a division, the core headquarters in Tabareth, securing the Persian Gulf, then you have to make sure that Iraq is in place, the Iraqian army is in place, and they are the official threat. And your force is the official answer to that official threat.

If you destroy Iraq in the course of the war, aside from the boiling effects, and the unstabilities, there are unpredictabilities of it, including perhaps the wiping out of the Saudi royal family. In addition to that, if Iraq is not there, Iran will be your opponent, as it must be. It's a militarily powerful Arab-Iraq that forces the Persians, with Iran, to act as a Persian power instead of a Muslim power. But, that's what they will do.

I really think that these are not speculative, hypothetical deductions. I think we have enough experience in the Middle East to be willing to bet money on this type of proposition.

Mr. SCHULER. If I could just return to a point that Mr. Warn[illegible] made in response to that. Surely, a successful use of sanctions now is going to be much more credible in the future as a deterrent to adventurism in the region than the threat of military force, because are we ever going to mobilize such a force again?

I would doubt it, in the Middle East. Whereas, economic sanctions, if we can make them work this time, will serve as a far more credible deterrent in the future, I think.

Senator SARBANES. Of course, the other danger is that if you use force and pay the price, and you get then the reaction that follows from that, you may get a turning inward that could have been avoided if you had pursued another policy.

If you're talking about how do you meet these international responsibilities in a post-cold war world, you have an opportunity to put into place a system that might work. You can't guarantee it, as you said, but it has a good chance of working—not just might. Strong probability of working—why wouldn't we try to do that both for itself and also for what it means in shaping the post-cold war world?

I think that there's a use of force and significant casualties, and no one has laid out a scenario yet that seems capable of avoiding

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that. You're going to get a very strong reaction against that once it occurs. But, people have difficulty perhaps anticipating it.

Once it occurs, you're going to get a strong reaction. And then that has a lot of implications for what role you're prepared to play in this post-cold war period. It may, in fact, just drive us in the opposite direction from which people think we're in fact moving.

Mr. WARNKE. I think that certainly is the case, Senator Sarbanes. That's why I applaud what we did initially because that, it seems to me, is something that is a model for future action. It's something the U.S. population will support.

We organized an international coalition against what Saddam Hussein had done. If we now turn it into a shooting war, which is largely Americans against Iraqis, against Arabs, then that is not something that the American public will support this time. And it will never support it in the future.

So we ought to do something, as you pointed out, constructive; something which proves durable.

Mr. HUFBAUER. Senator, I agree totally with what Mr. Warnke has said, and I would add these points.

This case will be for our generation and the next generation what the League of Nations' case against Abyssinia, Ethiopia was for that generation. And, as it turns out, all attitudes will be colored on the use of economic sanctions.

Senator SARBANES. If you can't make them work here, where are you going to make them work? This is a perfect test case, isn't it, for making sanctions work?

Mr. WARNKE. Couldn't be better.

Mr. HUFBAUER. It couldn't be better. That's absolutely right. A few scholars will remember 20 cases. I can only remember 115 cases if I turn to my tables. The vast body of informed opinion will be heavily weighted by this one case.

So, for the precedential reasons that have been so well emphasized by my copanelists, it is critical that we let sanctions go their full course. And I agree with your other point, which is not a subsidiary point—in fact, I think is a key point—that going to war will turn us inward. There will be no end of recriminations, as Mr. Warnke has said, as Ed has said, as Henry has said.

Now, I would like to just take up two further points that were put in the record. Congressman Scheuer said some time ago that our analysis seems to show that sanctions don't work where there's a large goal at stake. And there is a large goal at stake here. I would like to——

Senator SARBANES. Well, historically, they have.

Mr. HUFBAUER. No, no, but I would like to correct that. I would like to refer you to our table 3.5 on page 56, which has other cases with comparable large goals, and there are quite a few successes in that table.

And let me just tick off some of them, which seemed like major goals at the time. At the time, it seemed very hard to change the Ian Smith regime in Rhodesia. It seemed very hard to bring democracy to Poland. It seemed very hard for the Indians to change the Nepalese policy with respect to China.

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And I submit that the India-Nepal relationship is not so different than the U.S., European, Japan relationship with respect to Iraq. And I could name other cases as well.

So there are precedents. Now, if I could——

Mr. LUTTWAK. India, with crushing military superiority, faced with the very serious challenge from Nepal, deliberately uses economic sanctions, even though the Indian army could have walked over the Nepalese.

And they did it largely because the Indian policy, without receiving any credit, wanted to establish a precedent, even a very powerful country against a much weaker one, if they have to resort to pressure, let it at least be nonbloody pressure and people not be killed.

And here we are not being able to follow the Indian example.

Representative SCHEUER. Are you suggesting that thoughtfulness, responsibility, vision, will and national purpose, the Indian Government rates on a scale of 1 to 10, a heck of a lot nearer 10 than our administration at 1600 Pennsylvania Avenue would rate?

Mr. LUTTWAK. Only since the abrupt switch in policy.

Representative SCHEUER. That's what I mean.

Mr. LUTTWAK. And going from the economic sanctions to the war, the Desert Sword.

Mr. HUFBAUER. The final point I'd like to make comes back to what Senator Sarbanes asked. It has to do with the mindset that, if sanctions suddenly succeed, let's say, in 6 months rather than 9 months or a year, somehow that's a loss for the United States.

And that view was probably best expressed, I should say most eloquently expressed, by an editorial written by Karen House in the Wall Street Journal.

Somehow, it was going to be a tragedy, a national defeat for the United States, if the Iraqis suddenly started obeying or responding to the U.N. resolutions. In that very vein, the release of the hostages was seen as the beginning of a Salani defeat for the administration.

Well, I couldn't disagree more with that view. I think Ed Luttwak has put very well the balance of power considerations. The trip wire is always a possibility. But, this notion of converting a success into a defeat is strange.

Senator SARBANES. Thank you. You've been a very helpful panel. I'm very grateful to you.

Mr. WARNKE. May I make one comment?

Representative SCHEUER. Please do.

Mr. WARNKE. In pointing to the deficiencies of Kuwait as a nation and of its ruling class, I don't think any of us are condoning the purported annexation of Kuwait by Iraq. I mean, Kuwait may be, as George Ball used to say of Laos: "Not a nation, but a notion."

But, nonetheless, there are a lot of artificial borders in the world, and we can't have despots arbitrarily and unilaterally redrawing those borders.

So, I just wanted to make it clear that we are not condoning this action.

Mr. LUTTWAK. I was questioning the legitimacy of Kuwait's borders and its territorial entity is a great deal more ancient than

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that of Iraq as a post-world war creation, or Saudi Arabia, the dates in the late twenties.

And the only question is: What are the personal linkages here that are motivating emotional attitudes and choices that are precipitating a resort to war. That's all.

Representative SCHEUER. Well, there's an immutable law of nature: The mind cannot absorb what the seat cannot endure. [Laughter.]

And we've been at it for 3 hours and 25 minutes. And I think that was a prodigious display of energy and intellectual creativity on the part of this panel.

There is one thing that I want to say about war, and Senator Sarbanes hit on it? War is a classic example of the law of unintended consequences. You never know where it's going to take you. It's a hell of a lot easier to get into it than it is to get out of it.

Talking about comparative instability from pursuing a relentless course of sanctions and, on the other hand, pursuing the military option, how can anybody have any doubt that the instability of the region, of every single one of those Persian Gulf nations, wouldn't be an infinity higher as a result of war than it would be as a result of peaceful but purposeful prosecution of the sanctions.

I don't see how there can be any doubt, if you're planning some kind of rational evolution of peace and security and logic and everything that comes from a cerebral consideration of all the competing, inextricably, intertwining factors, that peace would feed stability?

I also want to say that sanctions aren't going to take all that long to accomplish a very major goal, and that is to remove Saddam Hussein and Iraq as credible threats to the peace of the region.

Saddam Hussein may be quick or slow to withdraw from Kuwait, but if you're talking about removing him from his position in the catbird seat as a military power that overwhelms every other military power in the Middle East, barring our intervention there, it's a given that sanctions will act and act reasonably fast.

Mr. Webster said Iraq's ground troops will be affected in 9 months to a year, but Iraq's air capability will be affected in 6 months.

So, within a year or 2, there will be a radical reduction in Iraq's war-making capability. There's no doubt about it.

As Mr. Luttwak said, do we want to act like the Indian decision-making apparatus and show that we're able to take the mature, long-term decision, as they have with their obstreperous neighbor?

It seems to me that part of leadership is not only to know when to seize an opportunity, but to know when to avoid or defer a quick, short-term advantage.

We can use the time of a couple of years that we have while the sanctions bite in deeper and deeper to achieve the rational goal that Mr. Luttwak has elaborated on, of creating a comprehensive global program of arms denial to Third World countries? Only a handful of developed, so-called advanced countries would have to be in on this firm decision?

It seems to me that all of these goals are a test of our national will, our national strength of character, our willingness to defer a

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quick advantage, the 30-second bite on the 6 o'clock news for the long-term goals of our country and also for peace in the Middle East.

It seems to me that's an ineluctable conclusion that one comes to from listening to the superb testimony that I've been privileged to hear for the last 3½ hours.

Would anybody like to challenge me on that?

Mr. WARNKE. Not I, sir.

Mr. SCHULER. Nor I. [Laughter.]

Representative SCHEUER. All right.

Senator SARBANES. Mr. Chairman, I just want to express my appreciation to the panel. They've been most helpful and have committed a great deal of their time, and also time and effort in the preparation. And I appreciate it.

Representative SCHEUER. This meeting is adjourned at the call of the chair. And the Chair for the 102nd Congress is Senator Paul Sarbanes.

Let me symbolically hand you the gavel.

Thank you very much for a truly superb morning of testimony.

[Whereupon, at 2:49 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

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