

DECLASSIFIED

From: Creon Butler
Sent: 30 August 2002 11:38
To: Charles Gray;
Cc: Graham Fry; Michael Arthur; Nick Archer; Amanda Tanfield; Robert Wilson; Martin Hetherington; Christopher Prentice
Subject: RESTRICTED - FW: IRAQ: ECONOMIC ISSUES RAISED BY MILITARY ACTION AND REGIME CHANGE

Charles,

I agree with your analysis and the importance of thinking about these issues at the same time as possible military options - a few \$bn spent on a Jordan safety net and more rapid intervention in Iraq post conflict is likely to be small beer vis-a-vis the total costs of military intervention and could do a great deal to ensure the ultimate success of the exercise.

A few more specific points:

- HMG will need to make special provision for these costs. While DFID may be prepared to meet the immediate humanitarian needs, they are likely to oppose diverting funds from much poorer countries for use in this region for long-term economic underpinning. We may have more chance of securing exceptional debt forgiveness for Jordan - effectively paid for direct by HMT. HMT may still seek a contribution from the FCO's budget - though the scale of the assistance makes this unrealistic. But we could more reasonably be expected to pay for technical assistance on economic governance etc - potentially a large chunk from the GOF?
- We need as far as possible to learn the lessons from post- Milosevich FRY where a first rate economic team, largely drawn from the FRY diaspora, have made a tremendously positive impact on economic management there. Are there any such people in the Iraqi diaspora (including officials in the IFIs or private sector)?
- I am much more skeptical than you on whether we can expect top management in the IFIs to sanction any significant work on Iraq ahead of their being a clear international mandate. They will be hyper-sensitive about responding to US pressure and taking sides on the issue of whether there should be any military intervention in Iraq in the first place. The only basis I can see them gearing up on is in the context of developments in the existing internationally mandated sanctions regime/oil for food program. Any chance of this?
- But if the IFIs won't do it, it could still make a lot of sense for HMG to do in-house work and start a dialogue with the US. But this will obviously depend on whether this fits with the current overall dialogue we are having with the US.

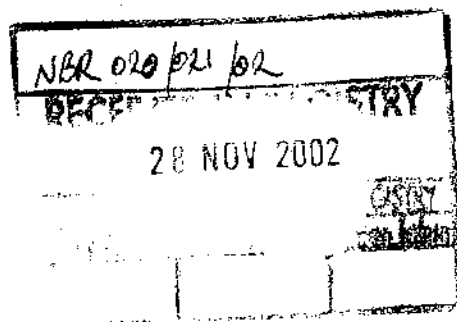
Creon Butler
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-----Original Message-----

From: Charles Gray
Sent: 29 August 2002 13:00
To: Charles Gray
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