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The Straw that Breaks the Camel's Back

Effects of the Gulf war on the developing world's poor

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Briefing Paper No. 2 0
April 1991

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Introduction

The cost of the Gulf war to many countries in the developing world has received scant attention in the media. The World Bank estimates that the cost of the build-up in the Gulf has exceeded US$ 30 billion - over half the total annual aid budget to developing countries. As usual, the poor will suffer most. For many families, the additional burden will be the straw that breaks the camel's back.

Loss of remittances and capital from migrants working in the Gulf has delivered the hardest and most immediate blow to the poor. About one million people fled Kuwait after the invasion, most of whom were migrant workers. Hundreds of thousands have evacuated other Gulf countries and Iraq. An additional one million may flee Kuwait and Iraq if the war intensifies.

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more to Viet Nam, the Philippines, Egypt and Sudan. The loss of remittances is an economic catastrophes for these nations. In Bangladesh remittances make up one third of foreign exchange earnings. In Sri Lanka remittances from workers in the Gulf and Iraq alone constitute 47% of foreign exchange. Massive amounts of capital, usually in the form of property, have been lost by migrants. Over US $1 billion was abandoned by Bangladeshi migrants and similar amounts have probably been lost by other nationalities.

The bulk of resettlement costs will be borne by countries already crippled by debt. Returning migrants, many of whom are unskilled, are trying to find work in saturated job markets. In Sri Lanka, they are expected to swell unemployment figures by as much as 25%. Migrants are returning to towns, cities and villages where basic amenities are already stretched to breaking point. The social and emotional upheaval among their families and communities caused by their homecoming is tremendous.

Fluctuating oil prices

The effect of fluctuating oil prices on the economies of developing countries is less easy to quantify. UNCTAD (UN Committee on Trade and Development) estimated that, based on an oil price of US $25 a barrel, developing countries faced an average price increase of 110% (US $480 million) in 1990. The World Bank has estimated that if oil reaches US $30 a barrel, developing countries will have to spend 50% of their foreign exchange on oil imports.

Irrespective of these estimates, the price of oil, petrol and kerosene have already risen sharply in many developing countries. Fuel prices have risen by 75% in Sri Lanka, 94% in the Philippines, and in Mozambique a 40% price hike has grounded aircraft ferrying emergency food aid to Niassa province. Rising oil prices will inflate production costs in industry and mechanised agriculture, and provoke a hike in the cost of international transportation. As a result, developing countries will find their exports less competitive on international markets.

Many developing countries have lost important export markets because of the war. The embargo on trade with Iraq and the loss of trade with Kuwait have been especially damaging. Sri Lanka's trade with Iraq and Kuwait was worth US $64 million a year. Bangladesh stands to lose US $300 million in exports. Prices of imported goods have risen in most developing countries as a result of increased shipping costs. Should the Red Sea be declared a war zone, and therefore not covered by maritime insurance, trade will be cut further and vital food aid shipments to Africa will be threatened.

The massive reduction in international travel will drastically reduce foreign exchange generated by tourism. Fearing terrorist attacks on airlines, many tourists have cancelled their holidays. According to President Hosni Mubarak, Egypt has lost US $100 million in revenue from tourism. Furthermore, a severe drop in tourism may threaten many national airlines with insolvency.

Diverted aid

There is a well-founded fear among poor nations that foreign aid to developing countries is being diverted to the Gulf. The Australian Government has allocated A $4.5 million to the Gulf from its disaster budget for this financial year. This represents a significant proportion of the total disaster budget and there is no indication that the Government will make an additional allocation. The British Government has allocated US $718,000 from its 1990/91 aid budget to the Gulf, without mentioning an additional allocation.

The response from the multilateral bodies to maintaining aid flows to poor nations has been equally insubstantial. While the International Monetary Fund (IMF) has stepped up existing programs, diverted some aid from other projects and extended the scope of its Compensatory and Contigency Financing Facility, appeals to the IMF to respond more sympathetically have so far failed. Aid agencies have suggested the IMF either set up a Trust Fund paid for by the sale of gold (as happened during the oil crisis of 1973/74) or a supplementary fund financed by countries benefitting from increased oil revenue or savings. Another proposal is for the IMF to support the compensation mechanism provided under Article 50 of the UN Charter. This provides compensation to countries adversely affected by UN Security Council action. Many requests have already been received but the UN lacks the resources to fund this provision. A number of countries, including the US, are in arrears to the UN.

Only the ‘frontline states’ have received special compensation. President George Bush has convened the Financial Accord Group comprising Western donors and creditor Gulf countries. The Group has pledged more than US $13 billion to be paid by 1992 of which US $10.5 billion will be restricted to Egypt, Jordan and Turkey. The US has also sought to cancel Egypt’s debt of US $7.1 billion.

So far the responses from the multilateral bodies have only addressed long-term structural adjustment. They have clearly failed to confront the short-term cash flow problems many developing countries are facing.

"Saturation coverage has forced other international issues, such as the deadly combination of war and famine in Africa, off-stage."

The media have revelled in their first ‘live’ war. Saturation coverage has forced other international issues, such as the deadly combination of war and famine in Africa, off-stage. The civil war in Liberia that has made half the population refugees in their own land or elsewhere has passed virtually unnoticed. About 14 million people in the Horn of Africa face starvation this year yet there are few signs of emergency aid arriving. Without media coverage, there is precious little public pressure on both African governments and the international community to respond.

Punishing the poor: the case of Sudan

The devastating effects of the Gulf war on the Sudan have been exacerbated by the ruling junta's initial support for Iraq and its anti-Western stance. President Bashir's Government ousted the democratically elected regime of Sadiq el Mahdi in a bloodless coup in June 1989. The regime's political philosophy has been shaped by the National Islamic Front. During its shaky and deeply unpopular reign, the Government has propagated the civil war with the non-Muslim south using arms from Iraq, reimposed parts of 'sharia' (the harsh Islamic law frozen in 1985) in northern Sudan and banned all political parties, trade unions and the free press, committed horrific human rights abuses and hampered the work of Western donor governments and non-Islamic NGOs. Although their initial support for Iraq has been modified they are still perceived as a member of the pro-Iraqi camp.

Reliable figures of Sudanese working in the Gulf are notoriously hard to come by; between 400,000-500,000 is a reasonable estimate. The exodus from Sudan started after the oil crisis of 1973-74 when the Gulf states had new-found wealth to invest and needed both skilled and unskilled labour from neighbouring countries. Sudanese were attracted by high salaries and sought to escape declining living conditions at home, which continued to fall throughout the 1970s and 1980s. In 1988, a survey revealed the official minimum wage covered 6.5% of basic needs. A pattern of increasing migration and growing dependency on remittances emerged.

Studies have shown that between 10 and 15 people are dependent on any single migrant's remittance. This suggests there are about 5 million people dependent of remittances in Sudan; a significant proportion in a country of 24 million people. Migrants remit about 80% of their salary and invest the remainder abroad. Remitted money is spent predominantly on domestic consumption, with some capital investment, usually housing.

The monetary significance of remittances from the Gulf is enormous, but features neither in official government figures nor in the calculations of international banking institutions such as the IMF. This is because the majority of migrants do not remit their earnings through official channels. Unofficial channels offer a far more accessible, reliable and - most important of all - lucrative service. In 1986 an estimated SP (Sudanese pounds) 400 million was remitted through official channels against SP1.4 billion unofficially. If the latter figure is included in the national accounts, GNP would grow from SP11.4 billion to SP16 billion - an increase of 40%! In the period 1978-1984, the total sum remitted through unofficial channels was estimated to be US$11 billion - almost equal to Sudan's public external debt. If the US$12 billion invested by migrants overseas is included, a frighteningly clear picture emerges of the importance of remittances to both migrants' families and the Sudanese economy.

Migrants returning to Sudan

Estimates of migrants returning to Sudan since the invasion of Kuwait are difficult to make; a rough guess may fall between 100,000 and 200,000 people. They include those escaping Kuwait and Iraq, fleeing Saudi Arabia and other Gulf states for fear of a violent local reaction to their government's support for Iraq, and leaving Yemen following the return of 500,000 Yemenis. The result of this loss in income will be a crushing blow to almost two million Sudanese. The repercussions will be felt throughout the country.

Poor families in the western provinces of Darfur and Kordorfan, and in Red Sea Province in the east will be particularly hard hit. Drought has again struck these regions, and cash is essential to purchase grain, even at extortionate prices. Aid analysts believe remittances played a key role during the 1984-85 famine in helping many families to avert starvation. This time the situation is much worse and without remittances there is little hope.

The Gulf war has plunged Sudan's economy deeper into crisis. The economy, like everything else, is run by an elite network of Sudanese families. In the early 1970s they attracted finance from the new-found wealth in the Arab world, and from western donors to invest in huge mechanised agricultural schemes. They creamed off huge commissions, influenced the Government to put the lion's share of the Ministry of Agriculture's budget into these schemes and often owned the land. The poor were forced to compete on unequal terms, and abandoned traditional environmentally sound farming techniques in an attempt to remain competitive. Many migrated to find work to supplement the meagre family income. The same elite were soon buying up the migrant's foreign currency and not investing it in Sudan, but elsewhere. An estimated US $1.2 billion has been invested in Egyptian real estate. The total amount of foreign exchange lost in capital flight is calculated to be about US $12 million. This expropriation of national resources had the open, or tacit consent of the international donor community, whose role is supposedly to improve the welfare of all Sudan's citizens rather than allow a small minority to amass huge fortunes.

The mechanised agricultural schemes have been dogged by poor planning, bad management and rising oil prices. Since the Gulf war started, oil prices have risen by 100%. The resulting squeeze on already rationed allocations will create more shortages and delay deliveries of vital agricultural inputs to the schemes during critical times in the growing season, and so inhibit production. Fuel shortages will hamper the distribution and marketing of locally produced and imported products - including food aid - on the domestic market. This is disastrous to the traditionally food-deficit areas of Kordorfan and Darfur in the west, and many parts of southern Sudan that are now relying on food aid getting through. Export of cash crops and other commodities will be hampered, reducing desperately needed foreign currency earnings.

Sudan has lost key markets in the Gulf. Egypt and Saudi Arabia have reduced trade with Sudan. There are strong indications that the Saudis have stopped all imports of Sudanese livestock. Livestock is Sudan's third biggest export earner, and Saudi Arabia was a significant importer, especially during the Haj (pilgrimage to Mecca) when thousands of goats and sheep are ritually slaughtered. The livestock market is already deeply depressed as herders sell animals to purchase grain. Loss of export markets will force many pastoralists to abandon their lifestyle and join the ranks of landless poor starving in shanties around Khartoum. Loss of trade in livestock, cotton and hides with Iraq and Kuwait will impoverish many more.

The fall-off of trade has reduced the traffic in Port Sudan where many Beja nomads from the Red Sea Hills work. Families herding in the hills are dependent on remittances from relatives working as labourers and stevedores at the port. Hundreds have been laid off, cutting this vital source of cash used to buy food, and forcing many herders to sell their animals. They will become dependent on food aid again, as in 1984-85, although this time there is no guarantee it will ever arrive.

Impending famine in Sudan

The response of aid donors to the impending famine has been appallingly low. The US, EC, and UK argued they could not pledge any food until a famine had been declared. Yet in 1985 the US had committed 150,000 tonnes of food aid to Sudan months before the then President Nimeiri admitted the extent of the catastrophe. The Sudan Government recently admitted there was a famine, and 1.2 million tonnes of food was needed. Only 200,000 tonnes have so far been pledged.

Despite claims by Western donors that relief assistance is never tied to political considerations, many believe that key donors have been dragging their feet to punish the Sudan Government for their support of Iraq and their anti-Western rhetoric. In recent months, both the US and the Saudis have diverted vital shipments of wheat bound for Sudan to Dijbouti and Egypt respectively. These actions are overtly political. Both the US and Saudi Arabia know Sudan is heavily dependent on imported wheat to sell at subsidised rates to its urban population to avert political unrest. Two previous military regimes were deposed by civil unrest inspired by shortages of food and other basic commodities in the capital, Khartoum.

Emergency aid is not the only assistance to be reduced. Kuwait cancelled a US$78 million loan soon after it was invaded. Britain has stopped its development aid programto Sudan, and other Western donors have wound down their aid programs. Since the war broke out, both governmental and non-governmental aid offices have closed and expatriate staff returned home. While some are beginning to return to Sudan, the repercussions of limited financial and technical assistance from Western governments and NGOs for the emergency relief program will be very grave.

7.4 million people are 'at risk' of dying from starvation in Sudan this year - considerably more than in the famine of 1984/85. This time they are far less likely to survive. Few have fully recovered from the last drought. They have been forced to sell their animals, household assets and gold to buy grain. They are surviving on the wild fruits and berries they are able to collect. Many are now without cash remittances. Only a small proportion of the food needed has been pledged by foreign donors, and the Sudanese Government has exported the domestic surplus that was available. There is little sign of a relief plan from the Government. The rains expected from May onwards will halt efforts to transport food to more distant regions. The civil war and localised ethnic fighting continues to destroy property, equipment, animals and crops, disrupt supply routes and markets, divert what little food that is available to the military and undermine the economy to the tune of US$1 million a day.

The Silent Famine

This time the poor will die without a public outcry. The media fill hotels in nearby Cairo, Amman, Jerusalem and Jeddah. No one visits Khartoum. Without press coverage there can be no public outcry, and therefore limiting the public pressure on governments to respond the this enormous humanitarian crisis. No wonder this is being called the 'silent famine'. It is perhaps a fitting epitath for the millions of poor Sudanese who have been cruelly neglected and exploited for so long, and who are now falling victim to a war motivated by the same ruthless self interest.