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Letter to Congressional leaders reporting on the national emergency with respect to Iraq

William J Clinton

Letter to Congressional Leaders Reporting on the National Emergency With Respect to Iraq

August 13, 1998

Dear Mr. Speaker: (Dear Mr. President:)

I hereby report to the Congress on the developments since my last report of February 3, 1998, concerning the national emergency with respect to Iraq that was declared in Executive Order 12722 of August 2, 1990. This report is submitted pursuant to section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), and section 204(c) of the International Emergency Economic Powers Act (IEEPA), 50 U.S.C. 1703(c).

Executive Order 12722 ordered the immediate blocking of all property and interests in property of the Government of Iraq (including the Central Bank of Iraq) then or thereafter located in the United States or within the possession or control of a United States person. That order also prohibited the importation into the United States of goods and services of Iraqi origin, as well as the exportation of goods, services, and technology from the United States to Iraq. The order prohibited travel-related transactions to or from Iraq and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. United States persons were also prohibited from granting or extending credit or loans to the Government of Iraq.

The foregoing prohibitions (as well as the blocking of Government of Iraq property) were continued and augmented on August 9, 1990, by Executive Order 12724, which was issued in order to align the sanctions imposed by the United States with United Nations Security Council Resolution (UNSCR) 661 of August 6, 1990.

This report discusses only matters concerning the national emergency with respect to Iraq that was declared in Executive Order 12722 and matters relating to Executive Orders 12724 and 12817 (the "Executive Orders"). The report covers events from February 2 through August 1, 1998.

1. In April 1995, the U.N. Security Council adopted UNSCR 986

authorizing Iraq to export up to $1 billion in petroleum and petroleum products every 90 days for a total of 180 days under U.N. supervision in order to finance the purchase of food, medicine, and other humanitarian supplies. UNSCR 986 includes arrangements to ensure equitable distribution of humanitarian goods purchased with UNSCR 986 oil revenues to all the people of Iraq. The resolution also provides for the payment of compensation to victims of Iraqi aggression and for the funding of other U.N. activities with respect to Iraq. On May 20, 1996, a memorandum of understanding was concluded between the Secretariat of the United Nations and the Government of Iraq agreeing on terms for implementing UNSCR 986. On August 8, 1996, the UNSC committee established pursuant to UNSCR 661 ("the 661 Committee") adopted procedures to be employed in implementation of UNSCR 986. On December 9, 1996, the President of the Security Council received the report prepared by the Secretary General as requested by paragraph 13 of UNSCR 986, making UNSCR 986 effective as of 12:01 a.m. December 10, 1996.

On June 4, 1997, the U.N. Security Council adopted UNSCR 1111, renewing for another 180 days the authorization for Iraqi petroleum sales and purchases of humanitarian aid contained in UNSCR 986 of April 14, 1995. The Resolution became effective on June 8, 1997. On September 12, 1997, the Security Council, noting Iraq's decision not to export petroleum and petroleum products pursuant to UNSCR 1111 during the period June 8 to August 13, 1997, and deeply concerned about the resulting humanitarian consequences for the Iraqi people, adopted UNSCR 1129. This resolution replaced the hvo 90-day quotas with one 120-day quota and one 60-day quota in order to enable Iraq to export its full $2 billion quota of oil within the original 180 days of UNSCR 1111. On December 4, 1997, the U.N. Security Council adopted UNSCR 1143, renewing for another 180 days, beginning December 5, 1997, the authorization for Iraqi petroleum sales and humanitarian aid purchases contained in UNSCR 986.

On February 20, 1998, the U.N. Security Council adopted UNSCR 1153, authorizing the sale of Iraqi petroleum and petroleum products and the purchase of humanitarian aid for a 180-day period beginning with the date of notification by the President of the Security Council to the members thereof of receipt of the report requested in UNSCR 1153. UNSCR 1153 authorized the sale of $5.256 billion worth of Iraqi petroleum and petroleum products. On March 25, 1998, the Security Council, noting the shortfall in revenue from Iraq's sale of petroleum and petroleum products during the first 90-day period of implementation of UNSCR 1143, due to the delayed resumption in sales and a serious decrease in prices, and concerned about the resulting humanitarian consequences for the Iraqi people, adopted UNSCR 1158. This Resolution reaffirmed the authorization for Iraqi petroleum sales and purchases of humanitarian aid contained in UNSCR 1143 for the remainder of the second 90-day period and set the authorized value during that time frame to $1.4 billion pending implementation of UNSCR 1153. The 180-day period authorized in UNSCR 1153 began on May 30, 1998. On June 19, 1998, the Security Council adopted UNSCR 1175, authorizing the expenditure of up to $300 million on Iraqi oil infrastructure repairs in order to help Iraq reach the higher export ceiling permitted under UNSCR 1153. UNSCR 1175 also reaffirmed the

Security Council's endorsement of the Secretary General's recommendation that the "oil-for-food" distribution plan be ongoing and project-based. During the period covered by this report, imports into the United States under the program totaled about 14.2 million barrels, bringing total imports since December 10, 1996, to approximately 51.5 million barrels.

2. There have been no amendments to the Iraqi Sanctions Regulations, 31 C.F.R. Part 575 (the "ISR" or the "Regulations") administered by the Office of Foreign Assets Control (OFAC) of the Department of the Treasury during the reporting period.

As previously reported, the Regulations were amended on December 10, 1996, to provide a statement of licensing policy regarding specific licensing of United States persons seeking to purchase Iraqi-origin petroleum and petroleum products from Iraq (61 Fed. Reg. 65312, December 11, 1996). Statements of licensing policy were also provided regarding sales of essential parts and equipment for the Kirkuk-Yumurtalik pipeline system, and sales of humanitarian goods to Iraq, pursuant to United Nations approval. A general license was also
added to authorize dealings in Iraqi-origin petroleum and petroleum products that have been exported from Iraq with United Nations and United States Government approval.

All executory contracts must contain terms requiring that all proceeds of oil purchases from the Government of Iraq, including the State Oil Marketing Organization, must be placed in the U.N. escrow account at Banque Nationale de Paris, New York (the "986 escrow account"), and all Iraqi payments for authorized sales of pipeline parts and equipment, humanitarian goods, and incidental transaction costs borne by Iraq will, upon approval by the 661 Committee and satisfaction of other conditions established by the United Nations, be paid or payable out of the 986 escrow account.

3. Investigations of possible violations of the Iraqi sanctions continue to be pursued and appropriate enforcement actions taken. Several cases from prior reporting periods are continuing, and recent additional allegations have been referred by OFAC to the U.S. Customs Service for investigation.

Investigation also continues into the roles played by various individuals and firms outside Iraq in the Iraqi government procurement network. These investigations may lead to additions to OFAC's listing of individuals and organizations determined to be Specially Designated Nationals (SDNs) of the Government of Iraq.

Since my last report, OFAC has collected two civil monetary penalties totaling $9,000 from one company and one individual for violations of IEEPA and ISR prohibitions against transactions with Iraq.

4. The Office of Foreign Assets Control has issued hundreds of licensing determinations regarding transactions pertaining to Iraq or Iraqi assets since August 1990. Specific licenses have been issued for transactions such as the filing of legal actions against Iraqi governmental entities, legal representation of Iraq, and the exportation to Iraq of donated medicine, medical supplies, and food intended for humanitarian relief purposes, sales of humanitarian supplies to Iraq under UNSCRs 986, 1111, 1143, and 1153, diplomatic transactions, the execution of powers of attorney relating to the administration of personal assets and decedents' estates in Iraq, and the protection of preexistent intellectual property rights in Iraq. Since my last report, 75 specific licenses have been issued, most with respect to sales of humanitarian goods.

Since December 10, 1996, OFAC has issued specific licenses authorizing commercial sales of humanitarian goods funded by Iraqi oil sales pursuant to UNSCRs 986, 1111, 1143, and 1153 valued at more than $324 million. Of that amount, approximately $298 million represents sales of basic foodstuffs, $1 4 million for medicines and medical supplies, $9.2 million for water testing and treatment equipment, and nearly $3 million to fund a variety of United Nations activities in Iraq. International humanitarian relief in Iraq is coordinated under the direction of the United Nations Office of the Humanitarian Coordinator of Iraq. Assisting U.N. agencies include the World Food Program, the U.N. Population Fund, the U.N. Food and Agriculture Organization, the World Health Organization, and UNICEF. As of June 29, 1998, OFAC had authorized sales valued at more than $85 million worth of humanitarian goods during the current reporting period.

5. The expenses incurred by the Federal Government in the 6-month period from February 2 through August 1, 1998, that are directly attributable to the exercise of powers and authorities conferred by the declaration of a national emergency with respect to Iraq, are reported to be about $1.1 million, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in the Office of Foreign Assets Control, the U.S. Customs Service, the Office of the Under Secretary for Enforcement, and the Office of the General Counsel), the Department of State (particularly the Bureau of Economic and Business Affairs, the Bureau of Near Eastern Affairs, the Bureau of International Organization Affairs, the Bureau of Political-Military Affairs, the Bureau of Intelligence and Research, the U.S. Mission to the United Nations, and the Office of the Legal Adviser), and the Department of Transportation (particularly the U.S. Coast Guard).

6. The United States imposed economic sanctions on Iraq in response to Iraq's illegal invasion and occupation of Kuwait, a clear act of brutal aggression. The United States, together with the international community, is maintaining economic sanctions against Iraq because the Iraqi regime has failed to comply fully with

relevant United Nations Security Council resolutions. Iraqi compliance with these resolutions is necessary before the United States will consider lifting economic sanctions. Security Council resolutions on Iraq call for the elimination of Iraqi weapons of mass destruction, Iraqi recognition of Kuwait and the inviolability of the Iraq-Kuwait boundary, the release of Kuwaiti and other third-country nationals, compensation for victims of Iraqi aggression, long-term monitoring of weapons of mass destruction capabilities, the return of Kuwaiti assets stolen during Iraq's illegal occupation of Kuwait, renunciation of terrorism, an end to internal Iraqi repression of its own civilian population, and the facilitation of access by international relief organizations to all those in need in all parts of Iraq. Eight years after the invasion, a pattern of defiance persists: a refusal to account for missing Kuwaiti detainees; failure to return Kuwaiti property worth millions of dollars, including military equipment that was used by Iraq in its movement of troops to the Kuwaiti border in October 1994; sponsorship of assassinations in Lebanon and in northern Iraq; incomplete declarations to weapons inspectors and refusal to provide immediate, unconditional, and unrestricted access to sites by these inspectors; and ongoing widespread human rights violations. As a result, the U.N. sanctions remain in place; the United States will continue to enforce those sanctions under domestic authority.

The Baghdad government continues to violate basic human rights of its own citizens through systematic repression of all forms of political expression, oppression of minorities, and denial of humanitarian assistance. The Government of Iraq has repeatedly said it will not comply with UNSCR 688 of April 5, 1991. The Iraqi military routinely harasses residents of the north, and has attempted to "Arabize" the Kurdish, Turkomen, and Assyrian areas in the north. Iraq has not relented in its artillery attacks against civilian population centers in the south, or in its burning and draining operations in the southern marshes, which have forced thousands to flee to neighboring states.

The policies and actions of the Saddam Hussein regime continue to pose an unusual and extraordinary threat to the national security and foreign policy of the United States, as well as to regional peace and security. The U.N. resolutions affirm that the Security Council be assured of Iraq's peaceful intentions in judging its compliance with sanctions. Because of Iraq's failure to comply fully with these resolutions, the United States will continue to apply economic sanctions to deter it from threatening peace and stability in the region.

Sincerely,

William J. Clinton

NOTE: Identical letters were sent to Newt Gingrich, Speaker of the House of Representatives, and Albert Gore, Jr., President of the

Senate. This letter was released by the Office of the Press Secretary on August 14.