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SP292-06

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THE PRESIDENT HAS SEEN
02.10.92

THE WHITE HOUSE
WASHINGTON

92 FEB 10 PM 2:39

February 10, 1992

ACTION

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE EXECUTIVE CLERK *WJF*

FROM: BRENT SCOWCROFT *BS*

SUBJECT: Report to Congress on Iraq

Purpose

To transmit to Congress a report on the Iraqi emergency stressing the need to maintain economic sanctions.

Background

You are required by the International Emergency Economic Powers Act to report every six months to Congress on the status of the Iraqi emergency. Treasury has prepared the report (Tab B) which has inter-agency clearance.

RECOMMENDATION

That you sign the report at Tab A to Congress.

Attachments

- Tab A Report to Congress
- Tab B Letter from Treasury Secretary
- Tab C Copy of July 1991 Report

cc: Vice President
Chief of Staff

02/10/92

*Noted:
Van Dyke*

BRIDGE - NW 2AT

ADJUSTMENT

88 137

92 FEB 10 P 6: 52

854-908

TO THE CONGRESS OF THE UNITED STATES:

I hereby report to the Congress on the developments since my last report of July 26, 1991, concerning the national emergency with respect to Iraq that was declared in Executive Order No. 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 No. 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 U.S. person. In that order, I 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. I prohibited travel-related transactions and transportation transactions to or from Iraq and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. 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 No. 12724 that I issued in order to align the sanctions imposed by the United States with United Nations Security Council Resolution 661 of August 6, 1990.

1. Since my last report, important and rapid progress has been made in establishing the framework for processing U.S. and other nations' claims against Iraq for damages arising from its unlawful invasion and occupation of Kuwait. The Governing Council of the U.N. Compensation Commission has adopted criteria for various categories of claims, including small and large claims of individuals, claims of corporations, and claims of

*To the Secretary of the Senate: 2-11-92 (2:50p)
To the Clerk of the House: 2-11-92 (2:54p)*

*Noted:
A. M. B.*

government and international organizations (including environmental damage and natural resource depletion claims). In addition, the Governing Council agreed to begin expedited consideration of claims of individuals for up to \$100,000 as of July 1, 1992, and set July 1, 1993, as the deadline for filing this category of claims with the Commission.

In a claims census conducted by the Treasury Department's Office of Foreign Assets Control (FAC) during the first quarter of 1991 pursuant to section 575.605 of the Iraqi Sanctions Regulations, 31 CFR Part 575 ("ISR"), reports of claims from approximately 1,100 U.S. nationals were received. Included were claims for items such as personal property looted or destroyed in Kuwait, loans or other obligations on which Iraq has defaulted, and lost future business or concession rights. Inasmuch as these claims have not been submitted to a formal claims resolution body, much less adjudicated, their actual aggregate value is not known.

2. FAC has issued 199 specific licenses (51 since my last report) regarding transactions pertaining to Iraq or Iraqi assets. Specific licenses were issued for payment to U.S. or third-country creditors of Iraq, under certain narrowly defined circumstances, for pre-embargo import and export transactions. Additionally, licenses were issued for conducting procedural transactions such as the filing of legal actions and for legal representation. Pursuant to United Nations Security Council Resolutions 661, 666, and 687, specific licenses were also issued to authorize the exportation to Iraq of donated medicine, medical supplies, and food intended for humanitarian relief purposes.

To ensure compliance with the terms of the licenses that have been issued, stringent reporting requirements have been imposed that are closely monitored. Licensed accounts are regularly audited by FAC compliance personnel and by deputized auditors from other regulatory agencies. FAC compliance

personnel have also worked closely with both State and Federal bank regulatory and law enforcement agencies in conducting special audits of Iraqi accounts subject to the ISR.

3. Various enforcement actions discussed in previous reports continue to be pursued, and additional investigations of possible violations of the Iraqi sanctions have been initiated. These are intended to deter future activities in violation of the sanctions. Additional civil penalty notices were issued during the reporting period for violations of the IEEPA and ISR with respect to attempted transactions involving Iraq, and substantial penalties were collected.

After investigation by FAC and the U.S. Customs Service, a Virginia corporation and its export director were convicted in U.S. District Court for conspiracy and violations of the ISR. Investigation revealed that the corporation and its export director continued to engage in activities that were in violation of the Executive orders and the ISR after August 2, 1990. The corporation and its export director performed contracts in support of a government industrial project in Iraq, and engaged in prohibited transactions relating to travel by a U.S. person to Iraq. After conviction, the corporation was fined \$50,000 and the export director sentenced to 5 months' incarceration, 5 months' supervised work release, and 2 years of supervised release administered by the Department of Justice.

4. The various firms and individuals outside of Iraq in Saddam Hussein's procurement network continue to be investigated for possible inclusion in the FAC listing of individuals and organizations determined to be Specially Designated Nationals ("SDN's") of the Government of Iraq. In practice, an Iraqi SDN is a representative, agent, intermediary, or front (whether open or covert) of the Iraqi government that is located outside of Iraq. Iraqi SDN's are Saddam Hussein's principal instruments for doing business in third countries, and doing business with them is the same as doing business with Saddam Hussein himself.

Since the Iraqi government tends to operate its international fronts as interlocking networks of third-world countries and key individuals, the SDN program is an important tool in disrupting Saddam Hussein's nuclear, military, and technological acquisitions efforts. The impact is considerable: all assets with U.S. jurisdiction of parties found to be Iraqi SDN's are blocked; all economic transactions with SDN's by U.S. persons are prohibited; and the SDN individual or organization is exposed.

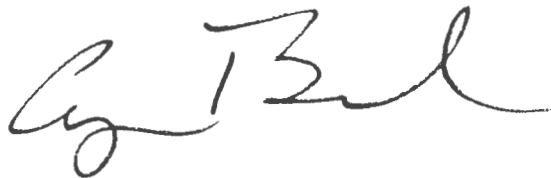
5. The expenses incurred by the Federal Government in the 6-month period from August 2, 1991, through February 1, 1992, that are directly attributable to the exercise of powers and authorities conferred by the declaration of a national emergency with respect to Iraq are estimated at \$2,992,210, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in FAC, the U.S. Customs Service, the Office of the Assistant Secretary for Enforcement, the Office of the Assistant Secretary for International Affairs, and the Office of the General Counsel), the Department of State (particularly in the Bureau of Economic and Business Affairs and the Office of the Legal Adviser), and the Department of Commerce (particularly in the Bureau of Export Administration and the Office of the General Counsel).

6. The United States imposed economic sanctions on Iraq in response to Iraq's invasion and illegal 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 binding United Nations Security Council resolutions calling for the elimination of Iraqi weapons of mass destruction, an end to the repression of the Iraqi civilian

population, the release of Kuwaiti and other prisoners, and the return of Kuwaiti assets stolen during its illegal occupation of Kuwait. The U.N. sanctions remain in place; the United States will continue to enforce those sanctions.

The Saddam Hussein regime continues to violate basic human rights by repressing the Iraqi civilian population and depriving it of humanitarian assistance. The United Nations Security Council passed resolutions that permit Iraq to sell \$1.6 billion of oil under U.N. auspices to fund the provision of food, medicine, and other humanitarian supplies to the people of Iraq. Under the U.N. resolutions, the equitable distribution within Iraq of this assistance would be supervised and monitored by the United Nations and other international organizations. The Iraqi regime has refused to accept these resolutions and has thereby continued to perpetuate the suffering of its civilian population.

The regime of Saddam Hussein continues 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 United States will therefore continue to apply economic sanctions to deter Iraq from threatening peace and stability in the region, and I will continue to report periodically to the Congress on significant developments, pursuant to 50 U.S.C. 1703(c).



THE WHITE HOUSE,

February 11, 1992.

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GEORGE BUSH

THE WHITE HOUSE,
February 11, 1992.

#

0888



THE SECRETARY OF THE TREASURY
WASHINGTON

February 5, 1992

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Under the International Emergency Economic Powers Act, you are required every six months to submit a report to the Congress concerning the Iraq emergency declared in Executive Order No. 12722 on August 2, 1990. In addition, under the National Emergencies Act, you are required to report to Congress during each six-month interval of a declared national emergency the total expenditures incurred during that interval by the United States Government which are directly attributable to the exercise of the powers and authorities conferred by the declaration of emergency.

Enclosed is a proposed report covering events under the Iraq emergency declaration during the period August 2, 1991, through February 1, 1992. The proposed report indicates in its initial paragraph that it is a combined report submitted pursuant to each of the foregoing statutes. The current report under the International Emergency Economic Powers Act is due to Congress on February 2, 1992.

Your last report to Congress on Iraq under the foregoing statutes, dated July 26, 1991, is also enclosed for your reference.

I recommend that you sign and transmit the proposed report to the Congress. The report has been reviewed and approved by the Department of State.

Respectfully,

Nicholas F. Brady

Enclosures

DEVELOPMENTS CONCERNING THE NATIONAL
EMERGENCY WITH RESPECT TO IRAQ

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT ON DEVELOPMENTS SINCE HIS LAST REPORT OF FEBRUARY 11, 1991, CONCERNING THE NATIONAL EMERGENCY WITH RESPECT TO IRAQ, PURSUANT TO 50 U.S.C. 1641(c); 50 U.S.C. 1703(c)



JULY 29, 1991.—Message and accompanying papers referred to the Committee on Foreign Affairs and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

49-011

WASHINGTON : 1991

To the Congress of the United States:

I hereby report to the Congress on the developments since my last report of February 11, 1991, concerning the national emergency with respect to Iraq that was declared in Executive Order No. 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).

In Executive Order No. 12722, I 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 U.S. person. I 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. I prohibited travel-related transactions and transportation transactions to or from Iraq and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. persons were also prohibited from granting or extending credit or loans to the Government of Iraq.

At the request of the Government of Kuwait, I also issued on August 2, 1990, Executive Order No. 12723, blocking all property of the Government of Kuwait then or thereafter in the United States or in the possession or control of a U.S. person.

On August 9, 1990, I issued Executive Orders Nos. 12724 and 12725 to ensure that the sanctions imposed by the United States were consistent with United Nations Security Council Resolution 661 of August 6, 1990. Under these orders, additional steps were taken with regard to Iraq and sanctions were applied to Kuwait as well to ensure that no benefit to Iraq resulted from its military occupation of Kuwait. The present report discusses only Administration actions and expenses directly related to the national emergency with respect to Iraq declared in Executive Order No. 12722, as implemented pursuant to that order and Executive Orders Nos. 12723, 12724, and 12725.

1. Since my last report, the Kuwaiti Assets Control Regulations ("KACR"), 31 C.F.R. Part 570, and the Iraqi Sanctions Regulations ("ISR"), 31 C.F.R. Part 575, which were issued by the Office of Foreign Assets Control of the Department of the Treasury ("FAC") to implement the prohibitions contained in Executive Orders Nos. 12722-12725, have been amended. The KACR were first amended on February 11, 1991 (56 FR 5351), to make technical amendments and clarify that a blocked account must be maintained in a U.S. financial institution. On March 6, 1991, a notice was issued (56 FR 9403) informing the public that specific licenses had been issued on February 25, 1991, permitting seven blocked Kuwaiti banks to settle obligations which arose prior to August 2, 1990.

On March 8, 1991, after the armed forces of the United States and its allies successfully ejected Iraqi troops from Kuwait, I notified the Congress of my intention to terminate all or part of the sanctions which had been imposed with respect to Kuwait. On March 11, 1991, the KACR were amended (56 FR 10356) to permit trade and commerce with and travel to Kuwait, effective March 8, 1991.

On March 26, 1991, the KACR were further amended (56 FR 12450) to authorize transactions on or after March 25, 1991, with respect to assets in which the Government of Kuwait has an interest, with the exception of the seven Kuwaiti banks previously authorized by specific license to utilize their blocked assets to engage in the orderly settlement of their pre-invasion obligations. On June 6, 1991, the KACR were amended with effect from June 4, 1991 (56 FR 26034), to authorize all transactions involving the property of these seven blocked banks.

Finally, on July 25, 1991, I issued Executive Order No. 12771 completely terminating the Kuwaiti sanctions.

The ISR were first amended on February 11, 1991 (56 FR 5636), to make certain technical amendments and to impose a one-time reporting requirement, for planning and administrative purposes, regarding blocked Iraqi Government assets and claims by U.S. nationals against the Government of Iraq. The preliminary results of this census of blocked assets and claims are reported below. On April 3, 1991, two appendices to the ISR were published (56 FR 13584). The first contained a list of individuals and organizations determined by the Office of Foreign Assets Control to be acting, or purporting to act, directly or indirectly on behalf of the Government of Iraq (Specially Designated Nationals of the Government of Iraq—"SDNs"). The second was a list of merchant vessels determined to be registered, owned, or controlled by the Government of Iraq. An amendment to the first appendix was published on June 25, 1991 (56 FR 29120), adding the names of seven individuals determined to be acting on behalf of the Government of Iraq and deleting the names of two organizations included in the initial listing.

A copy of each of the amendments to the KACR and the ISR is enclosed with this report.

2. The census of blocked Iraqi Government assets resulted in the identification of approximately 400 separate accounts or assets. Amounts totally in excess of \$1.2 billion were reported by domestic branches of U.S. banks and approximately \$420 million by the offshore branches of U.S. banks. These are primarily deposits that were frozen on August 2, 1990, and amounts deposited into blocked accounts thereafter as a result of the completion of importations of Iraqi oil already en route to the United States on August 2. A small number of tangible and other properties held by non-financial institutions were also reported.

In the claims census, FAC received reports of claims from approximately 1100 U.S. nationals. Included were claims for items such as personal property looted or destroyed in Kuwait, loans or other obligations on which Iraq has defaulted, and lost future business or concession rights. Inasmuch as these claims have not been submitted to a formal claims resolution body, much less adjudicated, their actual aggregate value is not known. The process by

which U.S. claims will be addressed will be determined when the details of the UN reparations plan are finalized.

3. FAC has issued 189 specific licenses (31 since my last report) to Kuwaiti entities administering assets or direct investments in the United States. These licenses permitted the continued operation and preservation of Kuwaiti Government assets in the United States, as well as certain expenditures by or on behalf of the Government of Kuwait. In addition, 148 specific licenses (80 since my last report) were issued regarding transactions pertaining to Iraq or Iraqi assets. Specific licenses were issued for the settlement, consistent with the prohibition against transfer of assets to Iraq, of pre-embargo imports and exports, the conduct of procedural transactions such as the filing of lawsuits, and compensation for legal representation. Pursuant to United Nations Security Council Resolutions 661, 666, and 687, specific licenses were also issued to authorize the exportation to Iraq of donated medicine, medical supplies, and food intended for humanitarian relief purposes.

To ensure compliance with the terms and conditions of licenses, reporting requirements have been imposed and are closely monitored. More than 1,400 compliance reports involving licenses issued pursuant to the Iraq emergency have been reviewed since my last report. Licensed accounts are regularly audited by FAC compliance personnel and by deputized auditors on loan from other regulatory agencies. In addition, FAC compliance personnel have also worked closely with both State and Federal bank regulatory and law enforcement agencies in conducting special audits of Iraqi accounts subject to the ISR. Compliance analyses are prepared monthly on major licensed corporations.

4. FAC and the Department of Justice have taken action in litigation concerning the blocked status of Iraqi Government assets. In *Brewer v. The Socialist People's Republic of Iraq*, Civ. No. 90-0004 (D.C. Feb. 1, 1991), plaintiffs sought to attach and execute against blocked Iraqi property in the District of Columbia to satisfy a default judgment entered by the U.S. District Court for the Eastern District of Missouri. The District of Columbia district court issued an order to show cause to the United States, providing the United States with an opportunity to explain why execution on blocked Iraqi Government property should be disallowed. After the United States filed a Statement of Interest, the district court denied the plaintiff's motion for attachment and execution against the blocked Iraqi property. Plaintiffs have requested reconsideration of the court's ruling.

In *Consarc Corporation v. Iraqi Ministry of Industry and Minerals, et al.*, Civ. No. 90-2269 (D.C. April 10, 1991), the plaintiff sued the Iraqi Ministry of Industry and Minerals and others for relief relating to a breach of contract for the supply of certain goods. The court entered a default judgment in favor of Consarc, awarding compensatory and punitive damages and declaring the rights of the parties in various items of blocked property. On June 17, 1991, the United States filed a Statement of Interest opposing the entry of the *in personam* damage award unless restricted to preclude unlicensed execution against blocked assets. The Statement of Interest also requests vacation of those portions of the declaratory relief

which permanently dispose of rights in *Iraqi property blocked pursuant to U.S. law.*

5. Various enforcement actions discussed in previous reports continue to be pursued, and additional investigations of possible violations of the Iraqi sanctions have been initiated. These efforts will ensure that no activities in violation of the sanctions are allowed to confer any benefit on Iraq. Three individuals were successfully prosecuted in the U.S. District Court for the Middle District of Florida for attempting to broker the sale of 1.2 million barrels of Iraqi oil. On March 22, 1991, the property and accounts of a U.S. company identified as a participant in Saddam Hussein's arms acquisition network were blocked.

The recent amendments to the ISR listing organizations determined to be Specially Designated Nationals ("SDNs") of the Government of Iraq publicly identifies 50 organizations and 44 individuals located both inside and outside Iraq which have been determined by FAC to be owned or controlled by, or acting on behalf of, the Government of Iraq. For purposes of the ISR, all dealings with the organizations and individuals listed will be considered dealings with the Government of Iraq. All unlicensed transactions with these persons, or in property in which they have an interest, are prohibited. The listing of Iraqi SDNs is not exhaustive and will be augmented from time to time as it is determined that additional organizations or individuals found to be owned or controlled by, or acting on behalf of, the Government of Iraq should be identified.

6. The expenses incurred by the Federal Government in the six-month period from February 2, 1991, through August 1, 1991, that are directly attributable to the exercise of powers and authorities conferred by the declaration of a national emergency with respect to Iraq (including sanctions against Iraq and occupied Kuwait) are estimated at \$6,520,000, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in FAC, in U.S. Customs Service, the Office of the Assistant Secretary for Enforcement, the Office of the Assistant Secretary for International Affairs, and the Office of the General Counsel), the Department of State (particularly in the Bureau of Economic and Business Affairs and the Office of the Legal Adviser), and the Department of Commerce (particularly in the Bureau of Export Administration and the Office of the General Counsel).

7. The United States imposed economic sanctions on Iraq in response to Iraq's invasion and illegal 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 regime of Saddam Hussein continues 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 stability. The United Nations sanctions remain in place; the United States will continue to enforce those sanctions.

The Saddam Hussein regime has continued to violate basic human rights by repressing the Iraqi civilian population and depriving it of humanitarian assistance, and by failing to comply fully with binding United Nations Security Council resolutions. The Iraqi regime has failed to comply with UN resolutions calling

for the elimination of Iraqi weapons of mass destruction, an end to the repression of the Iraqi civilian population, the release of Kuwaiti and other prisoners, and the return of Kuwaiti assets stolen during its illegal occupation of Kuwait. The United States will continue to apply economic sanctions to deter Iraq from threatening peace and stability in the region, and I will continue to report periodically to the Congress on significant developments, pursuant to 50 U.S.C. 1703(c).

GEORGE BUSH.

THE WHITE HOUSE, *July 26, 1991.*

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February 11, 1992

TO THE CONGRESS OF THE UNITED STATES:

I hereby report to the Congress on the developments since my last report of July 26, 1991, concerning the national emergency with respect to Iraq that was declared in Executive Order No. 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).

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1. Since my last report, important and rapid progress has been made in establishing the framework for processing U.S. and other nations' claims against Iraq for damages arising from its unlawful invasion and occupation of Kuwait. The Governing Council of the U.N. Compensation Commission has adopted criteria for various categories of claims, including small and large claims of individuals, claims of corporations, and claims of government and international organizations (including environmental damage and natural resource depletion claims). In addition, the Governing Council agreed to begin expedited consideration of claims of individuals for up to \$100,000 as of July 1, 1992, and set July 1, 1993, as the deadline for filing this category of claims with the Commission.

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Since the Iraqi government tends to operate its international fronts as interlocking networks of third-world countries and key individuals, the SDN program is an important tool in disrupting Saddam Hussein's nuclear, military, and technological acquisitions efforts. The impact is considerable: all assets with U.S. jurisdiction of parties found to be Iraqi SDN's are blocked; all economic transactions with SDN's by U.S. persons are prohibited; and the SDN individual or organization is exposed.

more

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GEORGE BUSH

THE WHITE HOUSE,
February 11, 1992.

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February 11, 1992

Received from the White House a sealed envelope said to contain a message from the President wherein he makes a 6-month periodic report on the national emergency with respect to Iraq.

For Ronald K. Andersson
(Clerk of the House of Representatives)

Ann Fletcher

2:54 p.m.
(Time received)

OFFICE OF THE EXECUTIVE CLERK
TRACKING SHEET FOR PRESIDENTIAL DOCUMENTS

TITLE: 6-MONTH PERIODIC REPORT RE NATIONAL EMERGENCY
WITH IRAQ

TYPE DOCUMENT:

PROCLAMATION

LETTER(S)

EXECUTIVE ORDER

MESSAGE TO THE CONGRESS/SENATE

MEMORANDUM

STATEMENT BY THE PRESIDENT

DECISION MEMORANDUM

SIGNING STATEMENT

DETERMINATION (numbered)

TREATY/CONVENTION/AGREEMENT, etc.

OTHER: _____

RECEIVED: (Advance: 1/92 Time: a.m./p.m.)
In final: 2/10/92 Time: 2:15 a.m. (p.m.)

SENT TO CORRESPONDENCE FOR TYPING IN FINAL:

(Advance: 1/92 Time: a.m./p.m.)
In final: 2/10/92 Time: 2:20 a.m. (p.m.)

TO PHILLIP D. BRADY'S OFFICE:

(For staffing: 1/92 Time: a.m./p.m.)
In final: 2/10/92 Time: 5:00 a.m. (p.m.)

INFO, INCLUDING STENCIL, TO PRESS OFFICE:

Date: 2/11/92 Time: 9:30 a.m. (p.m.)
POSTED: 2/11/92 Time: 11:32 a.m. (p.m.)

NOTIFICATIONS:

Jim / 11:57a
(Person/time)
Cathy M. / 11:55a
(Person/time)
John Roth / 11:55a
(Person/time)

Each time a message, report, etc., is xmitted to the Congress, call OLA -- x2230.

0888

NSC, when appropriate -- Desk Officer;
W.H. Situation Room -- x2585.

JOHN ROTH, FAC, 535-9445 (NEEDS TO KNOW WHEN XMITTED.)
(Other)

(Person/time)

(Other)

OTHER INFORMATION:

W. M. G.

ORM OPTICAL DISK NETWORK

ID# 306 758SS

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Report not scanned.

Enclosure(s) not scanned.

Proclamation not scanned.

Incoming letter(s) not scanned.

Proposal not scanned.

Statement not scanned.

Duplicate letters attached - not scanned.

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No incoming letter attached.

Only tracking sheet scanned.

Photo(s) not scanned.

Bill not scanned.

Comments:

UNCLASSIFIED
NSC/S PROFILE

RECORD ID: 9200888
RECEIVED: 05 FEB 92 17

TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 10 FEB 92
SOURCE REF:

KEYWORDS: IRAQ
CO

EO
WH REFERRAL

PERSONS:

SUBJECT: RPT TO CONGRESS ON IRAQ

ACTION: PRES SGD PER WH EXEC CLERK . DUE DATE: 08 FEB 92 STATUS: C

STAFF OFFICER: HAASS LOGREF: 9100855 9105330

FILES: WH NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO
LAMPLEY
NSC CHRON
RIEDEL

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSWEA CLOSED BY: NSWEA DOC 3 OF 3

UNCLASSIFIED

UNCLASSIFIED
ACTION DATA SUMMARY REPORT

RECORD ID: 9200888

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001 HAASS
002 SCOWCROFT
003 PRESIDENT
003

Z 92020519 PREPARE MEMO FOR SCOWCROFT
Z 92020720 FWD TO PRES FOR SIG
Z 92021012 FOR SIGNATURE
X 92021114 PRES SGD PER WH EXEC CLERK

Report to Congress on
National Security Council
The White House

Major Emergency

PROOFED BY: JRS LOG # 0888
 URGENT NOT PROOFED: _____ SYSTEM PRS NSC INT
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WFO

	SEQUENCE TO	HAS SEEN	DISPOSITION
Ken Hill	<u>1</u>	<u>K</u>	<u>A</u>
Bill Sittmann	<u>2</u>	<u>copy</u>	
Jon Howe	<u>3</u>	<u>[Signature]</u>	
Brent Scowcroft			
Bill Sittmann			
Situation Room			
West Wing Desk	<u>4</u>	<u>AW²/10</u>	<u>[Signature]</u>
NSC Secretariat	<u>5</u>		<u>D</u>

A = Action I = Information D = Dispatch R = Retain N = No further Action

cc: [Signature] VP Skinner Other _____

Should be seen by: _____
 (Date/Time)

COMMENTS

DISPATCH INSTRUCTIONS:

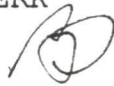
[Congress on the]

THE WHITE HOUSE
WASHINGTON

February 10, 1992

ACTION

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE EXECUTIVE CLERK
FROM: BRENT SCOWCROFT 
SUBJECT: Report to Congress on Iraq

Purpose

To transmit to Congress a report on the Iraqi emergency stressing the need to maintain economic sanctions.

Background

You are required by the International Emergency Economic Powers Act to report every six months to Congress on the status of the Iraqi emergency. Treasury has prepared the report (Tab B) which has inter-agency clearance.

RECOMMENDATION

That you sign the report at Tab A to Congress.

Attachments

Tab A Report to Congress
Tab B Letter from Treasury Secretary
Tab C Copy of July 1991 Report

cc: Vice President
Chief of Staff

TABLE 7



TO THE CONGRESS OF THE UNITED STATES:

I hereby report to the Congress on the developments since my last report of July 26, 1991, concerning the national emergency with respect to Iraq that was declared in Executive Order No. 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, 50 U.S.C. 1703(c) ("IEEPA").

Executive Order No. 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 U.S. person. In that order, I 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. I prohibited travel-related transactions and transportation transactions to or from Iraq and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. 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 No. 12724 which I issued in order to align the sanctions imposed by the United States with United Nations Security Council Resolution 661 of August 6, 1990.

1. Since my last report, important and rapid progress has been made in establishing the framework for processing U.S. and other nations' claims against Iraq for damages arising from its unlawful invasion and occupation of Kuwait. The Governing Council of the U.N. Compensation Commission has adopted criteria for various categories of claims, including small and large claims of individuals, claims of corporations, and claims of government and international organizations (including environmental damage and natural resource depletion claims). In addition, the Governing Council agreed to begin expedited consideration of claims of individuals for up to \$100,000 as of July 1, 1992, and set July 1, 1993, as the deadline for filing this category of claims with the Commission.

In a claims census conducted by the Treasury Department's Office of Foreign Assets Control (FAC) during the first quarter of 1991 pursuant to section 575.605 of the Iraqi Sanctions Regulations, 31 CFR Part 575 ("ISR"), reports of claims from approximately 1100 U.S. nationals were received. Included were claims for items such as personal property looted or destroyed in Kuwait, loans or other obligations on which Iraq has defaulted, and lost future business or concession rights. Inasmuch as these claims have not been submitted to a formal claims resolution body, much less adjudicated, their actual aggregate value is not known.

2. FAC has issued 199 specific licenses (51 since my last report) regarding transactions pertaining to Iraq or Iraqi assets. Specific licenses were issued for payment to U.S. or third-country creditors of Iraq, under certain narrowly-defined circumstances, for pre-embargo import and export transactions. Additionally, licenses were issued for conducting procedural transactions such as the filing of legal actions, and for legal representation. Pursuant to United Nations Security Council Resolutions 661, 666, and 687, specific licenses were also issued to authorize the exportation to Iraq of donated medicine, medical supplies and food intended for humanitarian relief purposes.

To ensure compliance with the terms of the licenses which have been issued, stringent reporting requirements have been imposed which are closely monitored. Licensed accounts are regularly audited by FAC compliance personnel and by deputized auditors from other regulatory agencies. FAC compliance personnel have also worked closely with both State and Federal bank regulatory and law enforcement agencies in conducting special audits of Iraqi accounts subject to the ISR.

3. Various enforcement actions discussed in previous reports continue to be pursued, and additional investigations of possible violations of the Iraqi sanctions have been initiated. These are intended to deter future activities in violation of the sanctions. Additional civil penalty notices were issued during the reporting period for violations of the IEEPA and ISR with respect to

attempted transactions involving Iraq, and substantial penalties were collected.

After investigation by FAC and the U.S. Customs Service, a Virginia corporation and its export director were convicted in U.S. District Court for conspiracy and violations of the ISR. Investigation revealed that the corporation and its export director continued to engage in activities which were in violation of the Executive orders and the ISR after August 2, 1990. The corporation and its export director performed contracts in support of a government industrial project in Iraq, and engaged in prohibited transactions relating to travel by a U.S. person to Iraq. After conviction, the corporation was fined \$50,000 and the export director sentenced to 5 months' incarceration, 5 months' supervised work release, and 2 years of supervised release administered by the Department of Justice.

4. The various firms and individuals outside of Iraq in Saddam Hussein's procurement network continue to be investigated for possible inclusion in the FAC listing of individuals and organizations determined to Specially Designated Nationals ("SDN's") of the Government of Iraq. In practice, an Iraqi SDN is a representative, agent, intermediary or front (whether open or covert) of the Iraqi government that is located outside of Iraq. Iraqi SDN's are Saddam Hussein's principal instruments for doing business in third countries, and doing business with them is the same as doing business with Saddam Hussein himself.

Since the Iraqi government tends to operate its international fronts as interlocking networks of third-world countries and key individuals, the SDN program is an important tool in disrupting Saddam Hussein's nuclear, military and technological acquisitions efforts. The impact is considerable: all assets with U.S. jurisdiction of parties found to be Iraqi SDN's are blocked; all economic transactions with SDN's by U.S. persons are prohibited; and the SDN individual or organization is exposed.

5. The expenses incurred by the Federal Government in the six-month period from August 2, 1991, through February 1, 1992, that are directly attributable to the exercise of powers and authorities conferred by the declaration of a national emergency with respect to Iraq are estimated at \$2,992,210, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in FAC, the U.S. Customs Service, the Office of the Assistant Secretary for Enforcement, the Office of the Assistant Secretary for International Affairs, and the Office of the General Counsel), the Department of State (particularly in the Bureau of Economic and Business Affairs and the Office of the Legal Adviser), and the Department of Commerce (particularly in the Bureau of Export Administration and the Office of the General Counsel).

6. The United States imposed economic sanctions on Iraq in response to Iraq's invasion and illegal 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 binding United Nations Security Council resolutions calling for the elimination of Iraqi weapons of mass destruction, an end to the repression of the Iraqi civilian population, the release of Kuwaiti and other prisoners, and the return of Kuwaiti assets stolen during its illegal occupation of Kuwait. The United Nations sanctions remain in place; the United States will continue to enforce those sanctions.

The Saddam Hussein regime continues to violate basic human rights by repressing the Iraqi civilian population and depriving it of humanitarian assistance. The United Nations Security Council passed resolutions that permit Iraq to sell \$1.6 billion of oil under UN auspices to fund the provision of food, medicine, and other humanitarian supplies to the people of Iraq. Under the UN resolutions, the equitable distribution within Iraq of this assistance would be supervised and monitored by the UN and other international organizations. The Iraqi regime has refused to accept these resolutions, and has thereby continued to perpetuate the suffering of its civilian population.

The regime of Saddam Hussein continues 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 United States will therefore continue to apply economic sanctions to deter Iraq from threatening peace and stability in the region,



and I will continue to report periodically to the Congress on significant developments, pursuant to 50 U.S.C. 1703(c).

George Bush

The White House

February ____, 1992

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

Brent : give me a
call on
this before
you sign.



February 6, 1992

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: RICHARD N. HAASS 




FROM: BRUCE O. RIEDEL 

SUBJECT: Report to Congress on Iraqi Emergency

President sgd per WH
Executive Clerk Feb 11, 1992

The President is required by law to submit a report to Congress every six months on the Iraqi emergency declared in Executive Order No. 12722 on August 2, 1990.

The report (Tab A) was prepared by Treasury and cleared by State. The report states that Iraq continues to violate U.N. resolutions and that economic sanctions must remain in place. In light of Iraq's decision to break off talks on complying with United Nations Security Council Resolutions 706 and 712 this week the report is particularly timely.

Concurrences by: Tim Deal, Virginia Lampley and Nick Rostow   

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Approve _____ Disapprove _____

Attachments

- Tab I Memorandum to the President
- Tab A Report to Congress
- Tab B Letter from Treasury Secretary
- Tab C Copy of July 1991 Report



THE SECRETARY OF THE TREASURY
WASHINGTON

February 5, 1992

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Under the International Emergency Economic Powers Act, you are required every six months to submit a report to the Congress concerning the Iraq emergency declared in Executive Order No. 12722 on August 2, 1990. In addition, under the National Emergencies Act, you are required to report to Congress during each six-month interval of a declared national emergency the total expenditures incurred during that interval by the United States Government which are directly attributable to the exercise of the powers and authorities conferred by the declaration of emergency.

Enclosed is a proposed report covering events under the Iraq emergency declaration during the period August 2, 1991, through February 1, 1992. The proposed report indicates in its initial paragraph that it is a combined report submitted pursuant to each of the foregoing statutes. The current report under the International Emergency Economic Powers Act is due to Congress on February 2, 1992.

Your last report to Congress on Iraq under the foregoing statutes, dated July 26, 1991, is also enclosed for your reference.

I recommend that you sign and transmit the proposed report to the Congress. The report has been reviewed and approved by the Department of State.

Respectfully,

Nicholas F. Brady

Enclosures

DEVELOPMENTS CONCERNING THE NATIONAL
EMERGENCY WITH RESPECT TO IRAQ

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT ON DEVELOPMENTS SINCE HIS LAST REPORT OF FEBRUARY 11, 1991, CONCERNING THE NATIONAL EMERGENCY WITH RESPECT TO IRAQ, PURSUANT TO 50 U.S.C. 1641(c); 50 U.S.C. 1703(c)



JULY 29, 1991.—Message and accompanying papers referred to the Committee on Foreign Affairs and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1991

To the Congress of the United States:

I hereby report to the Congress on the developments since my last report of February 11, 1991, concerning the national emergency with respect to Iraq that was declared in Executive Order No. 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).

In Executive Order No. 12722, I 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 U.S. person. I 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. I prohibited travel-related transactions and transportation transactions to or from Iraq and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. persons were also prohibited from granting or extending credit or loans to the Government of Iraq.

At the request of the Government of Kuwait, I also issued on August 2, 1990, Executive Order No. 12723, blocking all property of the Government of Kuwait then or thereafter in the United States or in the possession or control of a U.S. person.

On August 9, 1990, I issued Executive Orders Nos. 12724 and 12725 to ensure that the sanctions imposed by the United States were consistent with United Nations Security Council Resolution 661 of August 6, 1990. Under these orders, additional steps were taken with regard to Iraq and sanctions were applied to Kuwait as well to ensure that no benefit to Iraq resulted from its military occupation of Kuwait. The present report discusses only Administration actions and expenses directly related to the national emergency with respect to Iraq declared in Executive Order No. 12722, as implemented pursuant to that order and Executive Orders Nos. 12723, 12724, and 12725.

1. Since my last report, the Kuwaiti Assets Control Regulations ("KACR"), 31 C.F.R. Part 570, and the Iraqi Sanctions Regulations ("ISR"), 31 C.F.R. Part 575, which were issued by the Office of Foreign Assets Control of the Department of the Treasury ("FAC") to implement the prohibitions contained in Executive Orders Nos. 12722-12725, have been amended. The KACR were first amended on February 11, 1991 (56 FR 5351), to make technical amendments and clarify that a blocked account must be maintained in a U.S. financial institution. On March 6, 1991, a notice was issued (56 FR 9403) informing the public that specific licenses had been issued on February 25, 1991, permitting seven blocked Kuwaiti banks to settle obligations which arose prior to August 2, 1990.

On March 8, 1991, after the armed forces of the United States and its allies successfully ejected Iraqi troops from Kuwait, I notified the Congress of my intention to terminate all or part of the sanctions which had been imposed with respect to Kuwait. On March 11, 1991, the KACR were amended (56 FR 10356) to permit trade and commerce with and travel to Kuwait, effective March 8, 1991.

On March 26, 1991, the KACR were further amended (56 FR 12450) to authorize transactions on or after March 25, 1991, with respect to assets in which the Government of Kuwait has an interest, with the exception of the seven Kuwaiti banks previously authorized by specific license to utilize their blocked assets to engage in the orderly settlement of their pre-invasion obligations. On June 6, 1991, the KACR were amended with effect from June 4, 1991 (56 FR 26034), to authorize all transactions involving the property of these seven blocked banks.

Finally, on July 25, 1991, I issued Executive Order No. 12771 completely terminating the Kuwaiti sanctions.

The ISR were first amended on February 11, 1991 (56 FR 5636), to make certain technical amendments and to impose a one-time reporting requirement, for planning and administrative purposes, regarding blocked Iraqi Government assets and claims by U.S. nationals against the Government of Iraq. The preliminary results of this census of blocked assets and claims are reported below. On April 3, 1991, two appendices to the ISR were published (56 FR 13584). The first contained a list of individuals and organizations determined by the Office of Foreign Assets Control to be acting, or purporting to act, directly or indirectly on behalf of the Government of Iraq (Specially Designated Nationals of the Government of Iraq—"SDNs"). The second was a list of merchant vessels determined to be registered, owned, or controlled by the Government of Iraq. An amendment to the first appendix was published on June 25, 1991 (56 FR 29120), adding the names of seven individuals determined to be acting on behalf of the Government of Iraq and deleting the names of two organizations included in the initial listing.

A copy of each of the amendments to the KACR and the ISR is enclosed with this report.

2. The census of blocked Iraqi Government assets resulted in the identification of approximately 400 separate accounts or assets. Amounts totally in excess of \$1.2 billion were reported by domestic branches of U.S. banks and approximately \$420 million by the offshore branches of U.S. banks. These are primarily deposits that were frozen on August 2, 1990, and amounts deposited into blocked accounts thereafter as a result of the completion of importations of Iraqi oil already en route to the United States on August 2. A small number of tangible and other properties held by non-financial institutions were also reported.

In the claims census, FAC received reports of claims from approximately 1100 U.S. nationals. Included were claims for items such as personal property looted or destroyed in Kuwait, loans or other obligations on which Iraq has defaulted, and lost future business or concession rights. Inasmuch as these claims have not been submitted to a formal claims resolution body, much less adjudicated, their actual aggregate value is not known. The process by

which U.S. claims will be addressed will be determined when the details of the UN reparations plan are finalized.

3. FAC has issued 189 specific licenses (31 since my last report) to Kuwaiti entities administering assets or direct investments in the United States. These licenses permitted the continued operation and preservation of Kuwaiti Government assets in the United States, as well as certain expenditures by or on behalf of the Government of Kuwait. In addition, 148 specific licenses (80 since my last report) were issued regarding transactions pertaining to Iraq or Iraqi assets. Specific licenses were issued for the settlement, consistent with the prohibition against transfer of assets to Iraq, of pre-embargo imports and exports, the conduct of procedural transactions such as the filing of lawsuits, and compensation for legal representation. Pursuant to United Nations Security Council Resolutions 661, 666, and 687, specific licenses were also issued to authorize the exportation to Iraq of donated medicine, medical supplies, and food intended for humanitarian relief purposes.

To ensure compliance with the terms and conditions of licenses, reporting requirements have been imposed and are closely monitored. More than 1,400 compliance reports involving licenses issued pursuant to the Iraq emergency have been reviewed since my last report. Licensed accounts are regularly audited by FAC compliance personnel and by deputized auditors on loan from other regulatory agencies. In addition, FAC compliance personnel have also worked closely with both State and Federal bank regulatory and law enforcement agencies in conducting special audits of Iraqi accounts subject to the ISR. Compliance analyses are prepared monthly on major licensed corporations.

4. FAC and the Department of Justice have taken action in litigation concerning the blocked status of Iraqi Government assets. In *Brewer v. The Socialist People's Republic of Iraq*, Civ. No. 90-0004 (D.C. Feb. 1, 1991), plaintiffs sought to attach and execute against blocked Iraqi property in the District of Columbia to satisfy a default judgment entered by the U.S. District Court for the Eastern District of Missouri. The District of Columbia district court issued an order to show cause to the United States, providing the United States with an opportunity to explain why execution on blocked Iraqi Government property should be disallowed. After the United States filed a Statement of Interest, the district court denied the plaintiff's motion for attachment and execution against the blocked Iraqi property. Plaintiffs have requested reconsideration of the court's ruling.

In *Consarc Corporation v. Iraqi Ministry of Industry and Minerals, et al.*, Civ. No. 90-2269 (D.C. April 10, 1991), the plaintiff sued the Iraqi Ministry of Industry and Minerals and others for relief relating to a breach of contract for the supply of certain goods. The court entered a default judgment in favor of Consarc, awarding compensatory and punitive damages and declaring the rights of the parties in various items of blocked property. On June 17, 1991, the United States filed a Statement of Interest opposing the entry of the *in personam* damage award unless restricted to preclude unlicensed execution against blocked assets. The Statement of Interest also requests vacation of those portions of the declaratory relief

which permanently dispose of rights in *Iraqi property blocked pursuant to U.S. law*.

5. Various enforcement actions discussed in previous reports continue to be pursued, and additional investigations of possible violations of the Iraqi sanctions have been initiated. These efforts will ensure that no activities in violation of the sanctions are allowed to confer any benefit on Iraq. Three individuals were successfully prosecuted in the U.S. District Court for the Middle District of Florida for attempting to broker the sale of 1.2 million barrels of Iraqi oil. On March 22, 1991, the property and accounts of a U.S. company identified as a participant in Saddam Hussein's arms acquisition network were blocked.

The recent amendments to the ISR listing organizations determined to be Specially Designated Nationals ("SDNs") of the Government of Iraq publicly identifies 50 organizations and 44 individuals located both inside and outside Iraq which have been determined by FAC to be owned or controlled by, or acting on behalf of, the Government of Iraq. For purposes of the ISR, all dealings with the organizations and individuals listed will be considered dealings with the Government of Iraq. All unlicensed transactions with these persons, or in property in which they have an interest, are prohibited. The listing of Iraqi SDNs is not exhaustive and will be augmented from time to time as it is determined that additional organizations or individuals found to be owned or controlled by, or acting on behalf of, the Government of Iraq should be identified.

6. The expenses incurred by the Federal Government in the six-month period from February 2, 1991, through August 1, 1991, that are directly attributable to the exercise of powers and authorities conferred by the declaration of a national emergency with respect to Iraq (including sanctions against Iraq and occupied Kuwait) are estimated at \$6,520,000, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in FAC, in U.S. Customs Service, the Office of the Assistant Secretary for Enforcement, the Office of the Assistant Secretary for International Affairs, and the Office of the General Counsel), the Department of State (particularly in the Bureau of Economic and Business Affairs and the Office of the Legal Adviser), and the Department of Commerce (particularly in the Bureau of Export Administration and the Office of the General Counsel).

7. The United States imposed economic sanctions on Iraq in response to Iraq's invasion and illegal 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 regime of Saddam Hussein continues 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 stability. The United Nations sanctions remain in place; the United States will continue to enforce those sanctions.

The Saddam Hussein regime has continued to violate basic human rights by repressing the Iraqi civilian population and depriving it of humanitarian assistance, and by failing to comply fully with binding United Nations Security Council resolutions. The Iraqi regime has failed to comply with UN resolutions calling

for the elimination of Iraqi weapons of mass destruction, an end to the repression of the Iraqi civilian population, the release of Kuwaiti and other prisoners, and the return of Kuwaiti assets stolen during its illegal occupation of Kuwait. The United States will continue to apply economic sanctions to deter Iraq from threatening peace and stability in the region, and I will continue to report periodically to the Congress on significant developments, pursuant to 50 U.S.C. 1703(c).

THE WHITE HOUSE, *July 26, 1991.*

GEORGE BUSH.

**NATIONAL SECURITY COUNCIL
EXECUTIVE SECRETARIAT STAFFING DOCUMENT**

TIME STAMP CEIVED

SYSTEM LOG NUMBER: 0888

ACTION OFFICER: HAASS

DUE: 8 FEB 92 *ASAP*

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CONCURRENCES/COMMENTS*

PHONE* to action officer at ext. 6900

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INFORMATION

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COMMENTS

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TO THE CONGRESS OF THE UNITED STATES:

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I hereby report to the Congress on the developments since my last report of July 26, 1991, concerning the national emergency with respect to Iraq that was declared in Executive Order No. 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, 50 U.S.C. 1703(c). ("IEEPA")

Executive Order No. 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 U.S. person. In that order, I 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. I prohibited travel-related transactions and transportation transactions to or from Iraq and the performance of any contract in support of any industrial, commercial, or governmental project in Iraq. U.S. 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 No. 12724 ~~which~~ ^{THAT} I issued in order to align the sanctions imposed by the United States with United Nations Security Council Resolution 661 of August 6, 1990.

1. Since my last report, important and rapid progress has been made in establishing the framework for processing U.S. and other nations' claims against Iraq for damages arising from its unlawful invasion and occupation of Kuwait. The Governing Council of the U.N. Compensation Commission has adopted criteria for various categories of claims, including small and large claims of individuals, claims of corporations, and claims of government and international organizations (including environmental damage and natural resource depletion claims). In addition, the Governing Council agreed to begin expedited consideration of claims of individuals for up to \$100,000 as of July 1, 1992, and set July 1, 1993, as the deadline for filing this category of claims with the Commission.

In a claims census conducted by the Treasury Department's Office of Foreign Assets Control (FAC) during the first quarter of 1991 pursuant to section 575.605 of the Iraqi Sanctions Regulations, 31 CFR Part 575 ("ISR"), reports of claims from approximately 1,100 U.S. nationals were received. Included were claims for items such as personal property looted or destroyed in Kuwait, loans or other obligations on which Iraq has defaulted, and lost future business or concession rights. Inasmuch as these claims have not been submitted to a formal claims resolution body, much less adjudicated, their actual aggregate value is not known.

2. FAC has issued 199 specific licenses (51 since my last report) regarding transactions pertaining to Iraq or Iraqi assets. Specific licenses were issued for payment to U.S. or third-country ✓ creditors of Iraq, under certain narrowly defined circumstances, for pre-embargo import and export transactions. Additionally, licenses were issued for conducting procedural transactions such as ✓ the filing of legal actions, and for legal representation. Pursuant to United Nations Security Council Resolutions 661, 666, and 687, specific licenses were also issued to authorize the ✓ exportation to Iraq of donated medicine, medical supplies, and food intended for humanitarian relief purposes.

✓ To ensure compliance with the terms of the licenses ^{THAT} ~~which~~ have been issued, stringent reporting requirements have been imposed ✓ ^{THAT} ~~which~~ are closely monitored. Licensed accounts are regularly audited by FAC compliance personnel and by deputized auditors from other regulatory agencies. FAC compliance personnel have also worked closely with both State and Federal bank regulatory and law enforcement agencies in conducting special audits of Iraqi accounts subject to the ISR.

3. Various enforcement actions discussed in previous reports continue to be pursued, and additional investigations of possible violations of the Iraqi sanctions have been initiated. These are intended to deter future activities in violation of the sanctions. Additional civil penalty notices were issued during the reporting period for violations of the IEEPA and ISR with respect to

attempted transactions involving Iraq, and substantial penalties were collected.

After investigation by FAC and the U.S. Customs Service, a Virginia corporation and its export director were convicted in U.S. District Court for conspiracy and violations of the ISR. Investigation revealed that the corporation and its export director continued to engage in activities ^{THAT} ~~which~~ were in violation of the Executive orders and the ISR after August 2, 1990. The corporation and its export director performed contracts in support of a government industrial project in Iraq, and engaged in prohibited transactions relating to travel by a U.S. person to Iraq. After conviction, the corporation was fined \$50,000 and the export director sentenced to 5 months' incarceration, 5 months' supervised work release, and 2 years of supervised release administered by the Department of Justice.

4. The various firms and individuals outside of Iraq in Saddam Hussein's procurement network continue to be investigated for possible inclusion in the FAC listing of individuals and organizations determined to ^{BE A} ~~be a~~ Specially Designated Nationals ("SDN's") of the Government of Iraq. In practice, an Iraqi SDN is a representative, agent, intermediary, or front (whether open or covert) of the Iraqi government that is located outside of Iraq. Iraqi SDN's are Saddam Hussein's principal instruments for doing business in third countries, and doing business with them is the same as doing business with Saddam Hussein himself.

Since the Iraqi government tends to operate its international fronts as interlocking networks of third-world countries and key individuals, the SDN program is an important tool in disrupting ✓ Saddam Hussein's nuclear, military, and technological acquisitions efforts. The impact is considerable: all assets with U.S. jurisdiction of parties found to be Iraqi SDN's are blocked; all economic transactions with SDN's by U.S. persons are prohibited; and the SDN individual or organization is exposed.

✓ 5. ⁶ The expenses incurred by the Federal Government in the ~~six~~-month period from August 2, 1991, through February 1, 1992, that are directly attributable to the exercise of powers and authorities conferred by the declaration of a national emergency with respect to Iraq are estimated at \$2,992,210, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in FAC, the U.S. Customs Service, the Office of the Assistant Secretary for Enforcement, the Office of the Assistant Secretary for International Affairs, and the Office of the General Counsel), the Department of State (particularly in the Bureau of Economic and Business Affairs and the Office of the Legal Adviser), and the Department of Commerce (particularly in the Bureau of Export Administration and the Office of the General Counsel).

6. The United States imposed economic sanctions on Iraq in response to Iraq's invasion and illegal 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 binding United Nations Security Council resolutions calling for the elimination of Iraqi weapons of mass destruction, an end to the repression of the Iraqi civilian population, the release of Kuwaiti and other prisoners, and the return of Kuwaiti assets stolen during its illegal occupation of Kuwait. The United Nations sanctions remain in place; the United States will continue to enforce those sanctions.

The Saddam Hussein regime continues to violate basic human rights by repressing the Iraqi civilian population and depriving it of humanitarian assistance. The United Nations Security Council passed resolutions that permit Iraq to sell \$1.6 billion of oil under UN auspices to fund the provision of food, medicine, and other humanitarian supplies to the people of Iraq. Under the UN resolutions, the equitable distribution within Iraq of this assistance would be supervised and monitored by the UN^{SPELL OUT} and other international organizations. The Iraqi regime has refused to accept these resolutions and has thereby continued to perpetuate the suffering of its civilian population.

The regime of Saddam Hussein continues 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 United States will therefore continue to apply economic sanctions to deter Iraq from threatening peace and stability in the region,

and I will continue to report periodically to the Congress on significant developments, pursuant to 50 U.S.C. 1703(c).

(ALL CAPS)
The White House)

February , 1992

~~George Bush~~

corr.

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The White House

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George Bush

The White House

February ____, 1992

February 11, 1992

Received from the White House a sealed envelope said to contain a message from the President wherein he makes a 6-month periodic report on the national emergency with respect to Iraq.


(Secretary of the Senate)


(Time received)