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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
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
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,

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GEORGE BUSH

THE WHITE HOUSE,

# # #
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,

[Signature]

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 Gov-
ernment 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, con-
istent with the prohibition against transfer of assets to Iraq, of
pre-embargo imports and exports, the conduct of procedural trans-
actions such as the filing of lawsuits, and compensation for legal
representation. Pursuant to United Nations Security Council Reso-
lutions 661, 666, and 687, specific licenses were also issued to au-
thorize the exportation to Iraq of donated medicine, medical sup-
plies, 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 moni-
tored. 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 en-
forcement 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 litiga-
tion 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 de-
fault judgment entered by the U.S. District Court for the Eastern
Distr.:ct 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 Min-
erals, 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 unli-
censed 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 Ku-
waiti and other prisoners, and the return of Kuwaiti assets stolen
during its illegal occupation of Kuwait. The United States will con-
tinue to apply economic sanctions to deter Iraq from threatening
peace and stability in the region, and I will continue to report peri-
odically to the Congress on significant developments, pursuant to
50 U.S.C. 1703(c).


George Bush.
TO THE CONGRESS OF THE UNITED STATES:

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more

(OVER)
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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.
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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 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                         (Clerk of the House of Representatives)
Donald K. Anderson
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
- EXECUTIVE ORDER
- MEMORANDUM
- DECISION MEMORANDUM
- DETERMINATION (numbered)
- LETTER(S)
- MESSAGE TO THE CONGRESS/SENATE
- STATEMENT BY THE PRESIDENT
- SIGNING STATEMENT
- TREATY/CONVENTION/AGREEMENT, etc.

OTHER: ________________________________

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

SENT TO CORRESPONDENCE FOR TYPING IN FINAL:
(Advance: 1/1/92)
In final: 2/10/92
Time: 2:20 a.m./p.m.

TO PHILLIP D. BRADY'S OFFICE:
(For staffing: 1/1/92)
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 / 11:57 a.m./p.m.
(Person/time)
Cathy M. / 11:55 a.m./p.m.
(Person/time)
John Roth / 11:55 a.m./p.m.
(Person/time)

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

John Roth, FAC, 535-9445 (needs to know when Xmitted)

OTHER INFORMATION:

Walter Mc

(Other)
Hardcopy pages are in poor condition (too light or too dark).
Remainder of case not scanned.
Oversize attachment not scanned.
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.
Only table of contents scanned.
No incoming letter attached.
Only tracking sheet scanned.
Photo(s) not scanned.
Bill not scanned.

Comments:
TO: PRESIDENT

FROM: SCOWCROFT

KEYWORDS: IRAQ

EO

CO

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:

DOCUMENT DISTRIBUTION

FOR ACTION

FOR CONCURRENCE

FOR INFO

LAMPLEY

NSC CHRON

RIEDEL

COMMENTS:


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OPENED BY: NSWEA  CLOSED BY: NSWEA

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National Security Council
The White House

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SEQUENCE TO HAS SEEN DISPOSITION

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NSC Secretariat 

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

CC: VP Skinner Other 

Should be seen by: (Date/Time)

COMMENTS

DISPATCH INSTRUCTIONS:

Congress on 5/20/80
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
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
February 6, 1992

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: RICHARD N. HAASS

FROM: BRUCE O. RIEDELM

SUBJECT: Report to Congress on Iraqi Emergency

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 Geithner, Virginia Lampley and Nick Roscow

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
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 10355) 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 Gov-
ernment 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, con-
sistent with the prohibition against transfer of assets to Iraq, of
pre-embargo imports and exports, the conduct of procedural trans-
actions such as the filing of lawsuits, and compensation for legal
representation. Pursuant to United Nations Security Council Reso-
lutions 661, 666, and 687, specific licenses were also issued to au-
thorize the exportation to Iraq of donated medicine, medical sup-
plies, 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 moni-
tored. 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 en-
forcement 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 litiga-
tion 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 de-
fault judgment entered by the U.S. District Court for the Eastern
Distr. 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 unli-
censed 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 Econom.: 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 Ku-
waiti and other prisoners, and the return of Kuwaiti assets stolen
during its illegal occupation of Kuwait. The United States will con-
tinue to apply economic sanctions to deter Iraq from threatening
peace and stability in the region, and I will continue to report peri-
odically to the Congress on significant developments, pursuant to
50 U.S.C. 1703(c).


GEORGE BUSH.
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| | Scowcroft (advance) | Howe (advance) | Secretariat | |

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TO THE CONGRESS OF THE UNITED STATES:

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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.

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 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 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 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).

(ALL CAPS)
The White House
February__, 1992

[Signature]

George Bush
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.

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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,
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George Bush

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.

(Dorothy Henderson)
(Secretary of the Senate)

2:30 p.m.
(Time received)