

SIX MONTH PERIODIC REPORT ON SIGNIFICANT
NARCOTICS TRAFFICKERS CENTERED IN COLOMBIA

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A SIX MONTH PERIODIC REPORT ON THE NATIONAL EMERGENCY
WITH RESPECT TO SIGNIFICANT NARCOTICS TRAFFICKERS CEN-
TERED IN COLOMBIA THAT WAS DECLARED IN EXECUTIVE
ORDER NO. 12978 OF OCTOBER 21, 1995, PURSUANT TO 50 U.S.C.
1703(c)



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To the Congress of the United States:

As required by 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), I transmit herewith a 6-month periodic report on the national emergency with respect to significant narcotics traffickers centered in Colombia that was declared in Executive Order 12978 of October 21, 1995.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *October 30, 2000.*

PRESIDENT'S PERIODIC REPORT ON THE NATIONAL EMERGENCY WITH
RESPECT TO SIGNIFICANT NARCOTICS TRAFFICKERS CENTERED IN
COLOMBIA

I hereby report to the Congress on the developments since my last report concerning the national emergency with respect to significant narcotics traffickers centered in Colombia that was declared in Executive Order 12978 of October 21, 1995 (the "Order"). 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). Sanctions imposed against significant narcotics traffickers centered in Colombia pursuant to Executive Order 12978 are separate from, and independent of, sanctions imposed pursuant to the Foreign Narcotics Kingpin Sanctions Act (Pub. L. 106-120, Title VIII). This report covers sanctions imposed and persons named as specially designated narcotics traffickers pursuant to Executive Order 12978, but does not cover those persons identified pursuant to the Foreign Narcotics Kingpin Designation Act, who are addressed in a separate report as provided in that Act.

1. On October 21, 1995, I signed Executive Order 12978, "Blocking Assets and Prohibiting Transactions with Significant Narcotics Traffickers" (the "Order") (60 Fed. Reg. 54579, October 24, 1995). The Order blocks all property and interests in property that are or hereafter come within the United States, or that are or hereafter come within the possession or control of U.S. persons, in which there is any interest of four individuals named as significant narcotics traffickers. These traffickers, two of whom are now deceased, were listed in the Annex to the Order and identified as principals in the so-called Cali drug cartel centered in Colombia. The Order also blocks the property and interests in property of foreign persons determined by the Secretary of the Treasury, in consultation with the Attorney General and the Secretary of State, (a) to play a significant role in international narcotics trafficking centered in Colombia, or (b) materially to assist in or provide financial or technological support for, or goods or services in support of, the narcotics trafficking activities of persons designated in or pursuant to the Order. In addition, the Order blocks all property and interests in property of persons determined by the Secretary of the Treasury, in consultation with the Attorney General and the Secretary of State, to be owned or controlled by, or to act for or on behalf of, persons designated in or pursuant to the Order (collectively "specially Designated Narcotics Traffickers" or "SDNTs").

The Order further prohibits any transaction or dealing by a U.S. person or within the United States in property or interests in property of SDNTs, and any transaction that evades or avoids, has the purpose of evading or avoiding, or attempts to violate, the prohibitions contained in the Order.

Designations of foreign persons blocked pursuant to the Order are effective upon the date of determination by the Director of the Department of the Treasury's Office of Foreign Assets Control ("OFAC") acting under authority delegated by the Secretary of the Treasury. Public notice of blocking is effective upon the date of filing with the *Federal Register*, or upon prior actual notice.

2. On October 24, 1995, the Department of the Treasury issued a Notice containing 76 additional names of persons determined to meet the criteria set forth in the Order. Additional Notices expanding and updating the list of SDNTs were published on November 29, 1995 (60 *Fed. Reg.* 61288), March 8, 1996 (61 *Fed. Reg.* 9523), and January 21, 1997 (62 *Fed. Reg.* 2903).

Effective February 28, 1997, OFAC issued the Narcotics Trafficking Sanctions Regulations ("NTSR" or the "Regulations"), 31 C.F.R. Part 536, to further implement the President's declaration of a national emergency and imposition of sanctions against significant foreign narcotics traffickers centered in Colombia (62 *Fed. Reg.* 9959, March 5, 1997).

On April 17, 1997 (62 *Fed. Reg.* 19500, April 22, 1997), July 30, 1997 (62 *Fed. Reg.* 41850, August 4, 1997), September 9, 1997 (62 *Fed. Reg.* 48177, September 15, 1997), and June 1, 1998 (63 *Fed. Reg.* 29608, June 1, 1998), OFAC amended the appendices to 31 C.F.R. chapter V, revising information concerning individuals and entities who have been determined to play a significant role in international narcotics trafficking centered in Colombia or have been determined to be owned or controlled by, or to act for or on behalf of, or to be acting as fronts for the Cali cartel in Colombia.

On May 27, 1998 (63 *Fed. Reg.* 28896, May 27, 1998), OFAC amended the appendices to 31 C.F.R. chapter V by expanding the list for the first time beyond the Cali cartel by adding the name of one of the leaders of Colombia's North Coast cartel, Julio Cesar Nasser David, who has been determined to play a significant role in international narcotics trafficking centered in Colombia, and 14 associated businesses and four individuals acting as fronts for the North Coast cartel. Also added were six companies and one individual that have been determined to be owned or controlled by, or to act for or on behalf of, or to be acting as fronts for the Cali cartel in Colombia. These changes to the previous SDNT list brought it to a total of 451 businesses and individuals.

On June 25, 1999, OFAC amended the appendices to 31 C.F.R. chapter V by adding the names of eight individuals and 41 business entities acting as fronts for the Cali or North Coast cartels and supplementary information concerning 44 individuals already on the list (64 *Fed. Reg.* 34984, June 30, 1999). The entries for four individuals previously listed as SDNTs were removed from appendix A because OFAC had determined that these individuals no longer meet the criteria for designation as SDNTs. These actions were part of the ongoing interagency implementation of the Order. The addition of these 41 business entities and eight individuals to appendix A (and the removal of four individuals) brought the total number of SDNTs to 496 (comprised of five principals, 195 entities, and 296 individuals) with whom financial and business dealings are prohibited and whose assets are blocked under the Order.

3. On March 29, 2000 (65 *Fed. Reg.* 17590, April 4, 2000), OFAC amended the appendices to 31 C.F.R. chapter V by expanding the SDNT list beyond the Cali cartel for the second time by adding the names of two of the leaders of Colombia's North Valle drug cartel, Ivan and Julio Fabio Urdinola Grajales, who have been determined to play a significant role in international narcotics trafficking centered in Colombia, and six associated businesses and two individuals acting as fronts for the North Valle cartel. Also added were 14 companies and 7 individuals that have been determined to be owned or controlled by, or to act for or on behalf of, the Cali cartel in Colombia. The entry for one individual previously listed as an SDNT was removed from appendix A because OFAC had determined that the individual no longer met the criteria for designation as an SDNT. These changes to the previous SDNT list brought it to a total of 526 businesses and individuals.

On June 1, 2000, OFAC announced the removal of two individuals previously listed as SDNTs because OFAC had determined that the two individuals no longer met the criteria for designation as SDNTs. These changes to the previous list brought it to a total of 524 businesses and individuals.

On August 18, 2000, OFAC expanded the SDNT list beyond the Cali cartel for the third time by adding the names of Arcangel de Jesus Henao Montoya, a leader of one of the most powerful drug trafficking groups that comprise Colombia's North Valle drug cartel, and Juan Carlos Ramirez Abadia, who have been determined to play a significant role in international narcotics trafficking centered in Colombia, and five associated businesses and one individual acting as fronts for the North Valle cartel. These changes to the previous SDNT list brought it to a total of 532 (comprised of nine principals, 220 entities, and 303 individuals) with whom financial and business dealings are prohibited and whose assets are blocked under the Order. The list of SDNTs now includes kingpins, associates, and businesses from Colombia's Cali, North Valle, and North Coast drug cartels. The SDNT list will continue to be expanded to include additional drug trafficking organizations centered in Colombia and their fronts.

4. OFAC has disseminated and routinely updated details of this program to the financial, securities, and international trade communities by both electronic and conventional media. In addition to bulletins to banking institutions via the Federal Reserve System and the Clearing House Interbank Payments System (CHIPS), individual notices were provided to all relevant state and federal regulatory agencies, automated clearing houses, and state and independent banking associations across the country. OFAC contacted all major securities industry associations and regulators. It posted electronic notices on the Internet and numerous computer bulletin boards, fax-on-demand services, and provided the same material to the U.S. Embassy in Bogota for distribution to U.S. companies operating in Colombia.

5. During the reporting period, as of September 6, 2000, seven financial transactions totaling more than \$203,000 were reported to OFAC as having been blocked. These funds will remain in that status pending investigation by OFAC. As of September 6, 2000, OFAC had issued 18 specific licenses pursuant to the Order since

the inception of the program. These licenses were issued in accordance with established Treasury policy authorizing the completion of pre-sanctions transactions, the receipt of payment of legal fees for representation of SDNTs in proceedings within the United States arising from the imposition of sanctions, and certain administrative transactions. In addition, a license was issued to authorize a U.S. company in Colombia to make certain payments to two SDNT-owned entities in Colombia (currently under the control of the Colombian government) for services provided to the U.S. company in connection with the U.S. company's occupation of office space and business activities in Colombia.

6. The narcotics trafficking sanctions have had a significant impact on the Colombian drug cartels. SDNTs have been forced out of business or are suffering financially. Of the 220 business entities designated as SDNTs as of September 6, 2000, nearly 60, with an estimated aggregate income of more than \$230 million, had been liquidated or were in the process of liquidation. Some SDNT companies have attempted to continue to operate through changes in their company names and/or corporate structures. OFAC has placed a total of 27 of these successor companies on the SDNT list under their new company names.

As a result of OFAC designations, Colombian banks have closed nearly 500 SDNT accounts, affecting more than 200 SDNTs. One of the largest SDNT commercial entities, a discount drugstore with an annual income exceeding \$136 million, has been reduced to operating on a cash basis. Another large SDNT commercial entity, a supermarket with an annual income exceeding \$32 million, entered liquidation in November 1998 despite changing its name to evade the sanctions. An SDNT professional soccer team was forced to reject an invitation to play in the United States, two of its directors resigned, and the team now suffers restrictions affecting its business negotiations, loans, and banking operations. An SDNT radio station has had difficulty in getting advertisers since its inclusion on the SDNT list. These specific results augment the less quantifiable but significant impact of denying the designated individuals and entities of the Colombian drug cartels access to U.S. financial and commercial facilities.

Various enforcement actions carried over from prior reporting periods are continuing and new periods of violations are being aggressively pursued. Since the last report, OFAC has collected no civil monetary penalties but is continuing to process three cases for violations of the Regulations.

7. The expenses incurred by the Federal Government in the six-month period from April 21, through October 20, 2000, that are directly attributable to the exercise of powers and authorities conferred by the declaration of the national emergency with respect to Significant Narcotics Traffickers are estimated at approximately \$570,000. Personnel costs were largely centered in the Department of the Treasury (particularly in the Office of Foreign Assets Control, the U.S. Customs Service, and the Office of the General Counsel), the Department of Justice, and the Department of State. This data does not reflect certain costs of operations by the intelligence and law enforcement communities.

8. Executive Order 12978 provides this Administration with a tool for combating the actions of significant foreign narcotics traffickers centered in Colombia and the unparalleled violence, corruption, and harm that they cause in the United States and abroad. The Order is designed to deny these traffickers the benefit of any assets subject to the jurisdiction of the United States and the benefit of trade with the United States by preventing U.S. persons from engaging in any commercial dealings with them, their front companies, and their agents. Executive Order 12978 and its associated SDNT list demonstrate the United States' commitment to end the damage that such traffickers wreak upon society in the United States and abroad. The SDNT list will continue to be expanded to include additional Colombian drug trafficking organizations and their fronts.

The magnitude and the dimension of the problem in Colombia—perhaps the most pivotal country of all in terms of the world's cocaine trade—are extremely grave. I shall continue to exercise the powers at my disposal to apply economic sanctions against significant foreign narcotics traffickers and their violent and corrupting activities as long as these measures are appropriate, and will continue to report periodically to the Congress on significant developments pursuant to 50 U.S.C. 1703(c).

