

PERIODIC REPORT ON THE NATIONAL EMERGENCY
WITH RESPECT TO PERSONS WHO COMMIT, THREATEN
TO COMMIT, OR SUPPORT TERRORISM

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A 6-MONTH PERIODIC REPORT ON THE NATIONAL EMERGENCY
WITH RESPECT TO PERSONS WHO COMMIT, THREATEN TO COM-
MIT, OR SUPPORT TERRORISM THAT WAS DECLARED IN EXECU-
TIVE ORDER 13224 OF SEPTEMBER 23, 2001, PURSUANT TO 50
U.S.C. 1641(c) AND 50 U.S.C. 1703(c)



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Committee on International Relations and ordered to be printed

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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, 50 U.S.C. 1703(c), I transmit herewith the 6-month periodic report prepared by my Administration on the national emergency with respect to persons who commit, threaten to commit, or support terrorism that was declared in Executive Order 13224 of September 23, 2001.

GEORGE W. BUSH.

THE WHITE HOUSE, *March 21, 2003*.

PERIODIC REPORT ON THE NATIONAL EMERGENCY WITH RESPECT TO
PERSONS WHO COMMIT, THREATEN TO COMMIT, OR SUPPORT TER-
RORISM

This report to the Congress covers developments over the course of the past 6 months concerning the national emergency declared in Executive Order 13224 of September 23, 2001, "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism" (66 Fed. Reg. 49079, September 25, 2001) (the "Order"). The 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).

1. As of January 31, 2003, the United States designated 22 individuals and entities as "Specially Designated Global Terrorists" (SDGTs), for a total of 258 individuals and entities currently listed as blocked persons pursuant to the Order and designated as SDGTs. Some of these individuals and entities were also previously designated as persons whose property and interests in property are blocked in or pursuant to Executive Order 12947 of January 23, 1995 (60 Fed. Reg. 5079, January 25, 1995), "Prohibiting Transactions with Terrorists who Threaten to Disrupt the Middle East Peace Process," and Executive Order 13099 of August 22, 1998, in which the President took additional steps by amending the Annex of Executive Order 12947 to add four individuals or entities, including Usama bin Laden and al-Qaida.

2. Also designated in or pursuant to the Order are 36 Foreign Terrorist Organizations (FTOs), also designated by the Secretary of State under section 219 of the Immigration and Nationality Act, 8 U.S.C. 1189, as amended by the Antiterrorism and Effective Death Penalty Act of 1996, Public Law 104-132, 110 Stat. 1247-1258.

3. The international community has recognized the need to take action against terrorism and has condemned such acts of terrorism in United Nations Security Council resolutions 1267 of October 15, 1999, 1333 of December 19, 2000, 1368 of September 12, 2001, 1373 of September 28, 2001, 1390 of January 16, 2002, and 1455 of January 17, 2003. These resolutions, taken together, obligate U.N. member states, among other things, to take necessary steps to prevent the financing of terrorism, to deny safe haven to terrorists, and to restrict the transfer of arms and arms-related material to terrorists. In particular, resolutions 1267, 1390, and 1455 impose sanctions against the Taliban, Usama bin Laden, and al-Qaida, and obligate all U.N. member states to "Freeze without delay the funds and other financial assets or economic resources" of those entities and individuals included on the consolidated list maintained by the U.N. 1267 Sanctions Committee pursuant to resolutions 1267, 1390, and 1455. Executive Order 13224 is a fundamental tool in the U.S. effort to work closely with governments around the world

in identifying and freezing the assets of terrorists and their supporters. During the current reporting period, on October 23, 2002, more than 40 countries joined with the United States in requesting that the entity Jemaah Islamiya be included on the consolidated list maintained by the U.N. 1267 Sanctions Committee pursuant to United Nations Security Council resolutions 1267, 1390, and 1455.

4. There have also been a series of developments with respect to previously designated entities. On December 4, 2001, the Holy Land Foundation for Relief and Development (HLF), headquartered in Richardson, Texas, was designated as an SDGT pursuant to the Order and Executive Order 12947 based on its support for Hamas. On May 31, 2002, the Treasury Department made a superseding designation of HLF under the Order and Executive Order 12947 based on additional information concerning the connection between HLF and Hamas. HLF filed suit in federal district court in the District of Columbia raising statutory and constitutional issues and challenging its designation. On July 18, 2002, the court heard argument on the parties' motion. On August 8, 2002, the court denied HLF's motion for preliminary injunctive relief, by which it sought to overturn the designation, and granted the government's motion to dismiss and/or for summary judgment as to all but one of the statutory and constitutional claims. The ruling is being appealed and has been briefed by both parties.

Funds, accounts, and business records of Global Relief Foundation, Inc. (GRF), and Benevolence International Foundation, Inc. (BIF), both headquartered in Chicago, were blocked by the Department of the Treasury's Office of Foreign Assets Control (OFAC) pending investigation on December 14, 2001. On May 24 and June 14, 2002, OFAC notified GRF and BIF, respectively, that OFAC intended to designate them as blocked entities pursuant to the Order. On October 17, 2002, and November 18, 2002, OFAC designated GRF and BIF, respectively, as SDGTs. As a result of the designations, OFAC issued orders to both GRF and BIF informing them of their designation under the Order and blocking all of their property and interests in property located in the United States and within the possession or control of U.S. persons anywhere in the world.

Prior to OFAC's notification of intent to designate, GRF and BIF filed separate lawsuits in the Northern District of Illinois raising constitutional and statutory issues and seeking the unblocking of their assets. GRF's motion for preliminary injunction against the government defendants was denied by the district court and GRF appealed this decision to the Seventh Circuit. On December 31, 2002, the Seventh Circuit dismissed the Constitutional claims and remanded to the District Court the issue as to whether there was sufficient evidence for OFAC to designate GRF. In the BIF criminal case, the Director, Enaam Aranout, pled guilty to a racketeering conspiracy charge. As a result, BIF has dropped its civil suit.

5. OFAC has responded to numerous license applications under this program. Most of these requests were made in the context of litigation by U.S.-based entities challenging designations or the blocking of assets in aid of investigation. Licenses were issued authorizing the payment from blocked funds for the legal representation of U.S.-based designated entities and entities whose assets are

blocked in aid of investigation (“BIA entities”). Licenses were also issued to: release blocked funds to pay debts that the designated entities and BIA entities incurred prior to the designation or blocking; return blocked funds after OFAC determined that no designated entity had a property interest in the funds; and authorize access to blocked property (other than funds), particularly records and computers.

6. Since the effective date of the Order, OFAC has emphasized to the financial community the importance of identifying and blocking payments and accounts in which interests of persons designated under the Order are implicated. OFAC has worked very closely with banks, broker-dealers, and others to assure the effectiveness of interdiction software systems to identify payments, other transactions, and accounts, and has fielded thousands of phone calls from the financial community regarding suspect activities. As of January 22, 2003, there are \$5.6 million in terrorist-related assets reported domestically to OFAC as currently blocked. This figure represents a decrease of approximately \$2 million since the last report in September 2002. The decrease is attributable to the licensed transactions described in paragraph five above, as well as a decline in the value of certain blocked marketable securities. Also, the total U.S. figure understates the actual impact of blocking actions in several ways: our international partners have taken parallel blocking actions in their own financial sectors. Each of the accounts frozen had the potential to be a pipeline for far more money than what was in the account on the day the account was frozen. In addition to closing off these identified pipelines, blocking actions have a larger deterrent effect on those who would consider assisting the financing of terrorism.

Between July 25, 2002, and January 23, 2003, OFAC updated its website no less than 40 times to keep the public informed of the latest sanctions developments. This included adding new names to its list of Specially Designated Nationals and Blocked Persons, posting special alerts and bulletins, and removing names that had been delisted.

7. The expenses incurred by the Federal Government in the 6-month period from September 24, 2002 through March 23, 2003, that are directly attributable to the exercise of powers and authorities conferred by the declaration of the national emergency with respect to persons who commit, threaten to commit, or support terrorism in the Order are estimated at approximately \$9 million. These data do not reflect certain costs of operations by the intelligence and law enforcement communities. Reported costs were predominantly related to salary and expenses for personnel in the Department of the Treasury (particularly in the Office of Foreign Assets Control, the Office of the General Counsel, and the U.S. Customs Service), the Department of State, and components of the Department of Justice.

8. The United States continues to be concerned by the grave acts of terrorism committed or threatened by foreign terrorists, including the heinous attacks committed in New York and Pennsylvania, and against the Pentagon, on September 11, 2001. Available information confirms that terrorist organizations seek to acquire weapons of mass destruction, including chemical weapons. In addition,

global financial networks continue to support and fund terrorists and their ability to escape in terrorist acts through a variety of financial mechanisms. For these reasons, persons who commit, threaten to commit, or support terrorism continue to pose an unusual and extraordinary threat to international security.

