

Letter to Congressional Leaders Reporting on Economic Sanctions Against Libya December 30, 1992

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

I hereby report to the Congress on the developments since my last report of July 7, 1992, concerning the national emergency with respect to Libya that was declared in Executive Order No. 12543 of January 7, 1986. This report is submitted pursuant to section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c); section 204(c) of the International Emergency Economic Powers Act ("IEEPA"), 50 U.S.C. 1703(c); and section 505(c) of the International Security and Development Cooperation Act of 1985, 22 U.S.C. 2349aa-9(c).

1. Since my last report on July 7, 1992, the Libyan Sanctions Regulations (the "Regulations"), 31 C.F.R. Part 550, administered by the Office of Foreign Assets Control ("FAC") of the Department of the Treasury have been amended twice. The first amendment, published on September 11, 1992, 57 *Fed. Reg.* 41696, revoked (1) the authority in section 550.511 for transfers between blocked accounts in different domestic banking institutions and (2) section 550.515, which authorized receipt of payments from unblocked sources for obligations of the Government of Libya to persons in the United States. These classes of transactions are now prohibited unless specifically licensed by FAC. In addition, the amendment required banking institutions to pay interest on blocked funds and authorized debits to blocked accounts by U.S. banking institutions for normal service charges. A copy of the amendment is attached to this report.

Section 550.511 of the Regulations previously permitted transfers of funds between blocked accounts in different domestic banking institutions, provided the name or designation of the accounts remained identical. Out of concern for possible abuse of such funds movements, future transfers of this nature may only be authorized by specific license.

Section 550.515 of the Regulations had previously authorized the transfer of fresh

funds through or to any banking institution or other person within the United States solely for purposes of payment of obligations owed by the Libyan government to persons within the United States. "Fresh funds" are funds from an unblocked account outside the United States. To ensure that transfers from the Libyan government are received only for obligations lawfully arising within the context of the Libyan Sanctions Regulations, such payments must now be authorized by specific license.

Another amendment, published on November 17, 1992, 57 *Fed. Reg.* 54176, added the names of six companies and banks to Appendix A, the list of organizations determined to be within the term "Government of Libya" (Specially Designated Nationals of Libya), revised the information for one company previously listed at Appendix A, and added the names of five individuals to Appendix B, the list of individuals determined to be Specially Designated Nationals of Libya. A Specially Designated National ("SDN") of Libya is an entity or individual that is owned or controlled by the Government of Libya or that engages in transactions directly or indirectly on behalf of the Libyan government. A copy of the amendment is attached to this report.

The most significant of these designations is the listing of a bank in the United Arab Emirates, the Arab Bank for Investment and Foreign Trade, also known as "ARBIFT," which has been identified by FAC as an institution that engages in U.S. dollar clearing transactions on behalf of the Government of Libya. The ARBIFT is held 42 percent by the Libyan Arab Foreign Bank, another SDN of Libya, while ARBIFT's chairman also serves as the Governor of the Central Bank of Libya. Two other Libyan-controlled banks, two Libyan-owned petroleum marketing firms, and an insurance company controlled by Libya also were added to the Libyan SDN list. All five of the individuals named to the SDN list are senior Libyan banking officials who act on

behalf of the Government of Libya.

2. During the current 6-month period, FAC made numerous decisions with respect to applications for licenses to engage in transactions under the Regulations, issuing 81 licensing determinations—both approvals and denials. Consistent with FAC's ongoing scrutiny of banking transactions, the majority of the determinations (70) concerned requests to unblock bank accounts initially blocked because of an apparent Libyan interest. An additional seven determinations involved license applications for export sales transactions from the United States to Libya. Finally, four determinations concerned registration of individuals pursuant to a general license authorizing travel to Libya for the sole purpose of visiting close family members.

FAC has participated actively on the Operating Committee of the Department of Commerce to coordinate review by State, Defense, Energy, and Commerce of certain reexport applications, including those where Libya is the new destination for goods. In addition to providing guidance on such reexport applications, FAC has identified attempted illegal transactions involving exportation of parts to Libyan SDNs and continues to work closely with the Department of Commerce to assure compliance with the Regulations.

3. Various enforcement actions mentioned in previous reports continue to be pursued, and several new investigations of possibly significant violations of the Libyan sanctions were initiated. As a result of such initiatives, the amount of Government of Libya assets blocked in U.S. banking institutions has risen to more than \$818,218,440.

During the current reporting period, substantial monetary penalties were assessed against U.S. firms for engaging in prohibited transactions with Libya. Since my last report, FAC has collected nearly \$560,000 in civil penalties for violations of U.S. sanctions against Libya. The majority of the violations involved banks' failure to block funds transfers to Libyan-owned or -controlled banks.

Due to aggressive enforcement efforts and increased public awareness, FAC has received numerous voluntary disclosures from U.S. firms concerning their sanctions

violations. Many of these reports continue to be triggered by the periodic amendments to the Regulations listing additional organizations and individuals determined to be Specially Designated Nationals ("SDNs") of Libya. For purposes of the Regulations, all dealings with the organizations and individuals listed will be considered dealings with the Government of Libya. All unlicensed transactions with these persons, or in property in which they have an interest, are prohibited. The listing of Libyan SDNs is not static and will be augmented from time to time as additional organizations or individuals owned or controlled by, or acting on behalf of, the Government of Libya are identified.

In March 1992, FAC announced a new law enforcement initiative, Operation Roadblock, which targets U.S. travellers who violate the U.S. sanctions on Libya. Under this initiative, FAC has issued more than 100 warning letters and demands for information to persons believed to have travelled to and worked in Libya, or made travel-related payments to Libya in violation of U.S. law. FAC's investigation of suspected violations is ongoing, assisted by an inter-agency task force including the Departments of State and Justice, the Treasury Department's Financial Crimes Enforcement Network (FinCEN), the Federal Bureau of Investigation, and the U.S. Customs Service.

4. The expenses incurred by the Federal Government in the 6-month period from June 15 through December 15, 1992, that are directly attributable to the exercise of powers and authorities conferred by the declaration of the Libyan national emergency are estimated at approximately \$1.8 million. Personnel costs were largely centered 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 the Department of Commerce.

5. The policies and actions of the Government of Libya continue to pose an unusual and extraordinary threat to the national security and foreign policy of the United States. I shall continue to exercise the powers at my disposal to apply economic

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sanctions against Libya fully and effectively, so long as those measures are appropriate, and will continue to report periodically to the Congress on significant developments as required by law.

Sincerely,

GEORGE BUSH

Note: Identical letters were sent to Thomas S. Foley, Speaker of the House of Representatives, and Dan Quayle, President of the Senate.

Memorandum on Delegations of Authority Concerning Former Soviet Republics

December 30, 1992

Memorandum for the Secretary of State, the Secretary of Defense, the Director, Office of Management and Budget

Subject: Delegation of Responsibilities under Title XIV of Public Law 102–484 and Title V of Public Law 102–511

By the authority vested in me by the Constitution and the laws of the United States of America, including section 301 of title 3 of the United States Code, I hereby delegate:

1. to the Secretary of State the authority and duty vested in the President under section 1412(d) of the Former Soviet Union Demilitarization Act of 1992 (title XIV of the National Defense Authorization Act for Fiscal Year 1993, Public Law 102–484) and section 502 of the Freedom Support Act (Public Law 102–511).

2. to the Secretary of Defense the authorities and duties vested in the President under sections 1412(a), 1431, and 1432 of Public Law 102–484 and sections 503 and 508 of Public Law 102–511.

The Secretary of Defense shall not exercise authority delegated by paragraph 2

hereof with respect to any former Soviet republic unless the Secretary of State has exercised his authority and performed the duty delegated by paragraph 1 hereof with respect to that former Soviet Republic. The Secretary of Defense shall not obligate funds in the exercise of authority delegated by paragraph 2 hereof unless the Director of the Office of Management and Budget has determined that expenditures during fiscal year 1993 pursuant to such obligation shall be counted against the defense category of discretionary spending limits for that fiscal year (as defined in section 601(a)(2) of the Congressional Budget Act of 1974) for purposes of Part C of the Balanced Budget and Emergency Deficit Control Act of 1985.

The Secretary of State is directed to publish this memorandum in the *Federal Register*.

GEORGE BUSH

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