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NSC/RMO PROFILE

RECORD ID: 9904414
RECEIVED: 09 JUN 99 15

TO: PRESIDENT

FROM: BERGER
STEIN, L

DOC DATE: 22 JUN 99
SOURCE REF:

KEYWORDS: YUGOSLAVIA
EO

KOSOVO
CONGRESSIONAL

PERSONS:

SUBJECT: IEEPA / NEA RPT ON FRY TO CONGRESS

ACTION: PRESIDENT SGD PER WH EXEC CLERK DUE DATE: 15 JUN 99 STATUS: C

STAFF OFFICER: MOYN

LOGREF:

FILES: PA

NSCP:

CODES:

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

FOR ACTION

FOR CONCURRENCE

FOR INFO

FICKLIN
MOYN
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DOC 3 OF 3

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ACTION DATA SUMMARY REPORT

RECORD ID: 9904414

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001 HURLEY	Z 99060915 PREPARE MEMO FOR BERGER
002 BERGER	Z 99061616 FWD TO PRESIDENT FOR SIGNATURE
002 MOYN	Z 99061718 FOR REDO
002 BERGER	Z 99061812 FWD TO PRESIDENT FOR SIGNATURE
002 STEIN, L	Z 99061817 FOR SIGNATURE
003 PRESIDENT	Z 99062217 FOR SIGNATURE
003	X 99062918 PRESIDENT SGD PER WH EXEC CLERK

UNCLASSIFIED

**NATIONAL SECURITY COUNCIL
THE WHITE HOUSE**

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**NATIONAL SECURITY COUNCIL
THE WHITE HOUSE**

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**NATIONAL SECURITY COUNCIL
THE WHITE HOUSE**

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EXEC SEC OFFICE HAS DISKETTE

Yes

NATIONAL SECURITY COUNCIL

THE WHITE HOUSE

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A = ACTION I = INFORMATION D = DISPATCH R = RETAIN N = NO FURTHER ACTION

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Edit made. Back to Stein

EXEC SEC OFFICE HAS DISKETTE _____

NATIONAL SECURITY COUNCIL

THE WHITE HOUSE

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EXEC SEC OFFICE HAS DISKETTE yes

NATIONAL SECURITY COUNCIL

THE WHITE HOUSE

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EXEC SEC OFFICE HAS DISKETTE

Yes

NATIONAL SECURITY COUNCIL

THE WHITE HOUSE

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NATIONAL SECURITY COUNCIL

To: Sam Moyn

Where is the transmittal letter?

@ Rice

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A = ACTION I = INFORMATION D = DISPATCH R = RETAIN N = NO FURTHER ACTION

CC:

'99 JUN 16 0:15
COMMENTS:

EXEC SEC OFFICE HAS DISKETTE

Yes

THE WHITE HOUSE
WASHINGTON

June 22, 1999

President sgd per WH
Executive Clerk E 6/29

ACTION

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE EXECUTIVE CLERK

FROM: SAMUEL BERGER K fm
LARRY STEIN LS

SUBJECT: IEEPA/NEA Report on the FRY to Congress

Purpose

To submit IEEPA/NEA report to Congress.

Background

You are required under the International Emergency Economic Powers Act (IEEPA) to submit to the Congress every six months a report concerning the Yugoslavia (Serbia and Montenegro) emergency declared in Executive Order No. 12808 on May 30, 1992, and concerning the Kosovo emergency declared in Executive Order No. 13088 on June 9, 1998.

In addition, under the National Emergencies Act, you are required, during each six-month interval of a declared national emergency, to report to the Congress the total expenditures incurred by the U.S. government directly attributable to the exercise of the powers and authorities conferred by the declared emergency.

Attached is a combined report responding to these requirements for the latest six-month period. The report indicates that it is a combined report submitted pursuant to each of the foregoing statutes. Copies of the prior reports on the same emergencies are enclosed for reference.

The Departments of State and Treasury concur in the recommendation that you transmit the report to Congress.

cc: Vice President
Chief of Staff

RECOMMENDATION

That you sign and transmit to the Congress the enclosed letter and report.

Attachments

Tab A	Transmittal Letters
Tab B	Report to Congress
Tab C	Incoming Correspondence

Tab A

THE WHITE HOUSE
WASHINGTON

Dear Mr. President:

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 six-month periodic report on the national emergency with respect to the Yugoslavia (Serbia and Montenegro) emergency declared in Executive Order No. 12808 on May 30, 1992, and with respect to the Kosovo emergency declared in Executive Order No. 13088 on June 9, 1998.

Sincerely,

The Honorable Al Gore, Jr.
President of the Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Mr. Speaker:

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 six-month periodic report on the national emergency with respect to the Yugoslavia (Serbia and Montenegro) emergency declared in Executive Order No. 12808 on May 30, 1992, and with respect to the Kosovo emergency declared in Executive Order No. 13088 on June 9, 1998.

Sincerely,

The Honorable Dennis Hastert
Speaker of the
House of Representatives
Washington, D.C. 20515

Tab B

REPORT TO CONGRESS ON THE NATIONAL EMERGENCIES
WITH RESPECT TO THE FEDERAL REPUBLIC OF YUGOSLAVIA
(SERBIA & MONTENEGRO) AND KOSOVO

On May 30, 1992, by Executive Order 12808, President Bush declared a national emergency to deal with the unusual and extraordinary threat to the national security, foreign policy and economy of the United States constituted by the actions and policies of the Governments of Serbia and Montenegro, blocking all property and interests in property of those Governments. President Bush took additional measures to prohibit trade and other transactions with the Federal Republic of Yugoslavia (Serbia and Montenegro) (the "FRY (S&M)"), by Executive Orders 12810 and 12831, issued on June 5, 1992, and January 15, 1993, respectively.

On April 25, 1993, I issued Executive Order 12846, blocking the property and interests in property of all commercial, industrial, or public utility undertakings or entities organized or located in FRY (S&M), and prohibiting trade-related transactions by U.S. persons involving those areas of the Republic of Bosnia and Herzegovina controlled by the Bosnian

Serb forces and the United Nations Protected Areas in the Republic of Croatia. On October 25, 1994, because of the actions and policies of the Bosnian Serbs, I expanded the scope of the national emergency by issuance of Executive Order 12934. On November 22, 1995, the United Nations Security Council passed Resolution ("UNSCR") 1022, immediately and indefinitely suspending U.N. economic sanctions against the FRY (S&M). On October 1, 1996, the United Nations passed UNSCR 1074, terminating U.N. sanctions against the FRY (S&M) and the Bosnian Serbs in light of the elections that took place in Bosnia and Herzegovina on September 14, 1996. Both UNSCR 1022 and UNSCR 1074, however, provided that funds and assets previously blocked pursuant to sanctions against the FRY (S&M) that are subject to claims and encumbrances, or that are the property of persons deemed insolvent, shall remain blocked until "released in accordance with applicable law." This provision was implemented in the United States on December 27, 1995, by Presidential Determination No. 96-7, which directed the Secretary of the Treasury to suspend the application of sanctions on the FRY (S&M) and to continue to block property previously blocked.

On June 9, 1998, by Executive Order 13088, I declared a national emergency to deal with the unusual and extraordinary

threat to the national security and foreign policy of the United States constituted by the actions and policies of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), and the Republic of Serbia with respect to Kosovo. Executive Order 13088, with certain exceptions, blocked all property and interests in property of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Republic of Serbia, and the Republic of Montenegro within the United States or within the possession or control of U.S. persons, and prohibited all new investment in the territory of the Republic of Serbia by U.S. persons, and the approval or other facilitation by U.S. persons of other persons' new investment in the territory of the Republic of Serbia.

On April 30, 1999, I took additional steps with respect to the national emergency declared in Executive Order 13088 by issuing Executive Order 13121 (64 FR 24021, May 5, 1999). Executive Order 13121 blocks all property and interests in property of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Republic of Serbia, and the Republic of Montenegro within the United States or within the possession or control of U.S. persons. The Order also revoked section 2 of Executive Order 13088, which had permitted

U.S. persons to engage in certain financial transactions within the territory of the FRY (S&M). Executive Order 13121 added a new section 2 to Executive Order 13088, which prohibits trade transactions involving the FRY (S&M). These orders now prohibit (1) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, to the Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Federal Republic of Yugoslavia (S&M), the Government of the Republic of Serbia, or the Government of the Republic of Montenegro, of any goods (including petroleum and petroleum products), software, technology (including technical data), or services; (2) the importation into the United States, directly or indirectly, of any goods, software, technology (including technical data), or services from the Federal Republic of Yugoslavia (S&M) or owned or controlled by the Government of the Federal Republic of Yugoslavia (S&M), the Government of the Republic of Serbia, or the Government of the Republic of Montenegro; and (3) any transaction or dealing by a U.S. person, wherever located, in goods, software, technology (including technical data), or services, regardless of country of origin, for exportation, reexportation, sale, or supply to, or exportation from or by, the Federal Republic of Yugoslavia (S&M) or the Government of

the Federal Republic of Yugoslavia (S&M), the Government of the Republic of Serbia, or the Government of the Republic of Montenegro. This prohibition includes, without limitation, purchase, sale, transport, swap, or brokerage transactions in such items, and approving, financing, insuring, facilitating, or guaranteeing any such transactions. Any transaction by a U.S. person that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions of the Order, and any conspiracy formed to violate the prohibitions of the Order, are prohibited.

Executive Order 13121 directs the Secretary of the Treasury, in consultation with the Secretary of State, in implementation of the Order, to (1) give special consideration to the circumstances of the Government of the Republic of Montenegro and persons located in and organized under the laws of the Republic of Montenegro; (2) give special consideration to the humanitarian needs of refugees from Kosovo and other civilians within the Federal Republic of Yugoslavia (S&M); and (3) authorize commercial sales of agricultural commodities and products, medicine, and medical equipment for civilian end use in the territory of the Federal Republic of Yugoslavia (S&M) under appropriate safeguards to prevent diversion to military,

paramilitary, or political use by the Government of Federal Republic of Yugoslavia (S&M), the Government of the Republic of Serbia, or the Government of the Republic of Montenegro. The Order became effective at 12:01 a.m., EDT, May 1, 1999.

The present report is submitted pursuant to 50 U.S.C. 1641(c) and 1703(c) and, with respect to the national emergency declared in Executive Order 12808, covers the period from November 30, 1998 through May 29, 1999, and with respect to the national emergency declared in Executive Order 13088, covers the period from December 9, 1998 through June 8, 1999. It discusses Administration actions and expenses directly related to the exercise of powers and authorities conferred by the declaration of a national emergency in Executive Order 12808 as modified by Executive Order 12810, Executive Order 12831, Executive Order 12846, and Executive Order 12934, and the declaration of national emergency in Executive Order 13088, as amended by Executive Order 13121.

1. The declaration of the national emergency in Executive Order 12808 on May 30, 1992, and the declaration of a national emergency in Executive Order 13088 on June 9, 1998, were made pursuant to the authority vested in the President by the

Constitution and laws of the United States, including the International Emergency Economic Powers Act ("IEEPA") (50 U.S.C. 1701 *et seq.*), the National Emergencies Act (50 U.S.C. 1601 *et seq.*), and section 301 of title 3 of the United States Code. The additional sanctions set forth in related Executive orders were imposed pursuant to the authority vested in the President by the Constitution and laws of the United States, including the statutes cited above, section 1114 of the Federal Aviation Act (49 U.S.C. App. 1514), and section 5 of the United Nations Participation Act (22 U.S.C. 287c).

2. The Office of Foreign Assets Control ("OFAC"), acting under authority delegated by the Secretary of the Treasury, implemented the sanctions imposed under the foregoing statutes in the Federal Republic of Yugoslavia (S&M) and Bosnian Serb-Controlled Areas of the Republic of Bosnia and Herzegovina Sanctions Regulations, 31 CFR Part 585 (the "Regulations") and the Federal Republic of Yugoslavia (Serbia and Montenegro) Kosovo Sanctions Regulations, 31 CFR Part 586 (the "Kosovo Sanctions Regulations") (63 *Fed. Reg.* 54575, October 13, 1998).

On May 5, 1999, OFAC issued a Notice revoking provisions of the Kosovo Sanctions Regulations that were inconsistent with the additional sanctions imposed in Executive Order 13121. By the

Notice of May 5, 1999, OFAC also issued General License No. 2 authorizing trade transactions involving the Republic of Montenegro that would otherwise be prohibited by Executive Order 13121. These include (1) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, destined for end-use in the Republic of Montenegro (except by the Government of the Federal Republic of Yugoslavia (S&M) or the Government of the Republic of Serbia) or the Government of the Republic of Montenegro, of any goods (including petroleum and petroleum products), software, technology (including technical data), or services; (2) the importation into the United States, directly or indirectly, of any goods, software, technology (including technical data), or services originating in the Republic of Montenegro or owned or controlled by the Government of the Republic of Montenegro; and (3) any transaction or dealing by a U.S. person, wherever located, in goods, software, technology (including technical data), or services, regardless of country of origin, for exportation, reexportation, sale, or supply to, or exportation from or by, the Republic of Montenegro or the Government of the Republic of Montenegro. A copy of the Notice is attached to this report.

On May 20, 1999, OFAC issued General License No. 3, authorizing all transactions ordinarily incident to the exportation of goods (including petroleum and petroleum products), software, or technology (including technical data) from the United States or reexportation of U.S.-origin goods, software, or technology from a foreign country to any person in the FRY (S&M), to the Government of the FRY (S&M), to the Government of the Republic of Serbia, provided that the following terms and conditions are met: (1) the exportation or reexportation is licensed or otherwise authorized by the Department of Commerce under the provisions of the Export Administration Act of 1979 (50 U.S.C. App. 2401 et seq.) and IEEPA; (2) the exportation or reexportation is financed by a financial institution in a third country that is neither a U.S. person nor a person whose property is blocked pursuant to the Kosovo Sanctions Regulations, or by cash payment in advance, or by open account financing not to exceed 90 days net. General License No. 3 also provides that financial institutions that are U.S. persons, prior to confirming or advising, or accepting or paying drafts draft under, or reimbursing themselves for payment made under, any letter of credit, or making any other payment or transfer of credit in connection with any exportation or reexportation licensed pursuant to this general license, or engaging in any other transactions authorized in this general

license shall satisfy themselves that: (1) each such transaction is incident to a bona fide exportation or reexportation and is customary in the normal course of business, and that the value of such exportation or reexportation reasonably corresponds to the sums of money involved in financing such transaction; and (2) the exportation or reexportation and any financing therefor are made pursuant to all the terms and conditions of this general license.

General License No. 3 does not authorize: (1) the financing of any transaction from a blocked account; (2) any transaction by a financial institution in the United States or by any U.S. person, wherever located, under, or with respect to an exportation or reexportation financed by, a letter of credit issued by a person whose property is blocked pursuant to the Kosovo Sanctions Regulations; (3) any transaction by a U.S. person related to the reexportation of non-U.S.-origin goods, software, or technology from a foreign country to any person in the FRY (S&M) or to the Government of the FRY (S&M) or to the Government of the Republic of Serbia; or (4) any transaction by a U.S. person related to the sale or supply within the same foreign country of goods, software, or technology to the Government of the FRY (S&M) or to the Government of the Republic of Serbia, except as incidental to an exportation or

reexportation authorized pursuant to paragraph (a) of this general license; or (5) the opening or operation by any U.S. person of a correspondent account for a financial institution whose property is blocked pursuant to the Kosovo Sanctions Regulations.

For the purposes of General License No. 3, the terms "foreign country" and "third country" include the Republic of Montenegro. A copy of General License No. 3 is attached to this report.

3. Over the past two and a half years, the Departments of State and the Treasury have worked closely with European Union member states and other U.N. member nations to implement the provisions of UNSCR 1022 and UNSCR 1074. In the United States, retention of blocking authority pursuant to the extension of a national emergency provides a framework for administration of an orderly claims settlement. This accords with past policy and practice with respect to the suspension of sanctions regimes.

4. During this reporting period, OFAC issued five specific licenses pursuant to the Regulations authorizing transactions pertaining to the FRY (S&M) or property in which it has an interest. In addition, OFAC issued a total of 65

specific licenses pursuant to the Kosovo Sanctions Regulations. Specific licenses were issued (1) to unblock wire transfers involving generally small amounts of individuals' purely personal funds; (2) to authorize receipt of payment for legal services; (3) to authorize certain transactions relating to air safety policy; and (4) to authorize certain administrative transactions by other U.S. government agencies.

During the past six months, OFAC has continued to oversee the maintenance of FRY (S&M) accounts blocked pursuant to 31 CFR Part 585, and records with respect to: (1) liquidated tangible assets and personalty of the fifteen blocked U.S. subsidiaries of entities organized in the FRY (S&M); (2) the blocked personalty, files, and records of the two Serbian banking institutions in New York previously placed in secure storage; and (3) remaining blocked FRY (S&M) tangible property, including real estate. Pursuant to the Kosovo Sanctions Regulations, 31 CFR Part 586, OFAC blocked 341 transactions totaling nearly \$5 million during this reporting period. Most of the blockings were of funds transfers originating from, or destined for, Serbian banks.

D.C. Precision, Inc. v. United States, et al., 97 Civ. 9123 CRLC, was filed in the Southern District of New York on

December 10, 1997, alleging that the Government had improperly blocked D.C. Precision's funds held at one of the closed Serbian banking agencies in New York. This case is still pending.

5. OFAC has continued to work closely with the U.S. Customs Service and other cooperating agencies to investigate alleged violations of the sanctions imposed pursuant to Executive Order 12808, as modified, and Executive Order 13088, as amended. On April 15, 1999, a U.S. citizen was sentenced in the Southern District of Florida to six months in prison and ordered to pay a \$6,000 criminal fine as the result of a guilty plea entered on October 23, 1998. The Miami, Florida, businessman entered a guilty plea for himself and his corporation to one count of violating IEEPA for the export of aircraft parts to Serbia. The U.S. citizen, his corporation, and two nationals of the FRY (S&M) were named in a 13-count indictment on February 13, 1997, charging them with conspiracy to purchase three Cessna propeller aircraft, a Cessna jet aircraft, and various aircraft parts in the United States and export them to the FRY (S&M) in violation of U.S. sanctions and the Regulations. Timely interdiction action prevented the export of the aircraft from the United States. The two foreign nationals are fugitives residing outside the United States.

Since my last report, OFAC has collected three civil monetary penalties totaling more than \$54,000 for violations of the sanctions. These violations involved prohibited exports of goods and services, contract dealings, and payments to the Government of the FRY (S&M), persons in the FRY (S&M), or to blocked entities owned or controlled by the Government of the FRY (S&M). The violators included one U.S. financial institution, one company, and one individual. Additional 14 cases are undergoing penalty action for violation of the Regulations, and additional 24 cases are undergoing penalty action for violation of the Kosovo Sanctions Regulations.

6. The expenses incurred by the Federal Government in the six-month period from November 30, 1998, through May 29, 1999, and the six-month period from December 9, 1998, through June 8, 1999, that are directly attributable to the declaration of the national emergencies in Executive Orders 12808 and 13088 are estimated at approximately \$470,000, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in OFAC and its Chief Counsel's Office, and the U.S. Customs Service), the Department of State, the National Security Council, and the Department of Commerce.

7. The resolution of the crisis and conflict in the former Yugoslavia that has resulted from the actions and policies of the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro), and of the Bosnian Serb forces and the authorities in the territory that they controlled, will not be complete until such time as the Peace Agreement is implemented and the terms of UNSCR 1022 have been met. Therefore, on May 27, 1999, I continued for another year the national emergency declared on May 30, 1992, as expanded in scope on October 25, 1994, and will continue to enforce the measures adopted pursuant thereto.

The declaration of the national emergency with respect to the Federal Republic of Yugoslavia (Serbia and Montenegro) and the Republic of Serbia contained in Executive Order No. 13088 was made in reaction to the unacceptable actions and policies of the Belgrade authorities in Kosovo, and continues to apply. The current situation in Kosovo is fragile and, as yet, unresolved. It is of particular importance that developments in Kosovo should not disrupt progress in implementing the Dayton peace agreement. This threat to the peace of the region constitutes an unusual and extraordinary threat to the national security of the United States.

With this in mind and in support of UNSCR 1099 and UNSCR 1203, on May 27, 1999, I continued for another year the national emergency declared on June 9, 1998, and will continue to enforce the measures adopted pursuant thereto. Therefore, I shall continue to exercise the powers at my disposal with respect to the measures against the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Government of the Republic of Serbia, and the Government of the Republic of Montenegro, as well as against the Bosnian Serb forces, civil authorities, and entities, 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).

THE WHITE HOUSE

Tab C

4414



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

June 8, 1999

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 Yugoslavia (Serbia and Montenegro) emergency declared in Executive Order No. 12808 on May 30, 1992, and concerning the Kosovo emergency declared in Executive Order No. 13088 on June 9, 1998.

In addition, under the National Emergencies Act, you are required, during each six-month interval of a declared national emergency, to report to the Congress the total expenditures incurred by the United States Government. These expenditures must be directly attributable to the exercise of the powers and authorities conferred by the declared emergency.

Enclosed is a proposed combined report covering events under the Yugoslavia (Serbia and Montenegro) and Kosovo emergency declarations for the latest six-month periods. The proposed report indicates that it is a combined report submitted pursuant to each of the foregoing statutes. Copies of the prior reports on the Yugoslavia and Kosovo emergencies are enclosed for 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.

Sincerely,

A handwritten signature in cursive script that reads "Robert E. Rubin".

Robert E. Rubin

Enclosures

4414



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

Staff

SECRETARY OF THE TREASURY

June 8, 1999

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 Yugoslavia (Serbia and Montenegro) emergency declared in Executive Order No. 12808 on May 30, 1992, and concerning the Kosovo emergency declared in Executive Order No. 13088 on June 9, 1998.

In addition, under the National Emergencies Act, you are required, during each six-month interval of a declared national emergency, to report to the Congress the total expenditures incurred by the United States Government. These expenditures must be directly attributable to the exercise of the powers and authorities conferred by the declared emergency.

Enclosed is a proposed combined report covering events under the Yugoslavia (Serbia and Montenegro) and Kosovo emergency declarations for the latest six-month periods. The proposed report indicates that it is a combined report submitted pursuant to each of the foregoing statutes. Copies of the prior reports on the Yugoslavia and Kosovo emergencies are enclosed for 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.

Sincerely,

Robert E. Rubin

Robert E. Rubin

Enclosures

Dear Mr. President:

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 six-month periodic report on the national emergency with respect to the Yugoslavia (Serbia and Montenegro) emergency declared in Executive Order No. 12808 on May 30, 1992, and with respect to the Kosovo emergency declared in Executive Order No. 13088 on June 9, 1998.

Sincerely,

William J. Clinton

The Honorable Al Gore, Jr.
President of the Senate
Washington, D.C. 20510

Dear Mr. Speaker:

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 six-month periodic report on the national emergency with respect to the Yugoslavia (Serbia and Montenegro) emergency declared in Executive Order No. 12808 on May 30, 1992, and with respect to the Kosovo emergency declared in Executive Order No. 13088 on June 9, 1998.

Sincerely,

William J. Clinton

The Honorable Dennis Hastert
Speaker of the
House of Representatives
Washington, D.C. 20515

*President's Periodic Report on the National Emergencies
with respect to the Federal Republic of Yugoslavia
(Serbia & Montenegro) and Kosovo*

On May 30, 1992, by Executive Order 12808, President Bush declared a national emergency to deal with the unusual and extraordinary threat to the national security, foreign policy, and economy of the United States constituted by the actions and policies of the Governments of Serbia and Montenegro, blocking all property and interests in property of those Governments. President Bush took additional measures to prohibit trade and other transactions with the Federal Republic of Yugoslavia (Serbia and Montenegro) (the "FRY (S&M)"), by Executive Orders 12810 and 12831, issued on June 5, 1992, and January 15, 1993, respectively.

On April 25, 1993, I issued Executive Order 12846, blocking the property and interests in property of all commercial, industrial, or public utility undertakings or entities organized or located in FRY (S&M), and prohibiting trade-related transactions by U.S. persons involving those areas of the Republic of Bosnia and Herzegovina controlled by the Bosnian Serb forces and the United Nations Protected Areas in the Republic of Croatia. On October 25, 1994, because of the actions and policies of the Bosnian Serbs, I expanded the scope of the national emergency by issuance of Executive Order 12934. On November 22, 1995, the United Nations Security Council passed Resolution ("UNSCR") 1022, immediately and indefinitely suspending U.N. economic sanctions against the FRY (S&M). On October 1, 1996, the United Nations passed UNSCR 1074, terminating U.N. sanctions against the FRY (S&M) and the Bosnian

Serbs in light of the elections that took place in Bosnia and Herzegovina on September 14, 1996. Both UNSCR 1022 and UNSCR 1074, however, provided that funds and assets previously blocked pursuant to sanctions against the FRY (S&M) that are subject to claims and encumbrances, or that are the property of persons deemed insolvent, shall remain blocked until "released in accordance with applicable law." This provision was implemented in the United States on December 27, 1995, by Presidential Determination No. 96-7, which directed the Secretary of the Treasury to suspend the application of sanctions on the FRY (S&M) and to continue to block property previously blocked.

On June 9, 1998, by Executive Order 13088, I declared a national emergency to deal with the unusual and extraordinary threat to the national security and foreign policy of the United States constituted by the actions and policies of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), and the Republic of Serbia with respect to Kosovo. Executive Order 13088, with certain exceptions, blocked all property and interests in property of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Republic of Serbia, and the Republic of Montenegro within the United States or within the possession or control of U.S. persons, and prohibited all new investment in the territory of the Republic of Serbia by U.S. persons, and the approval or other facilitation by U.S. persons of other persons' new investment in the territory of the Republic of Serbia.

On April 30, 1999, I took additional steps with respect to the national emergency declared in Executive Order 13088 by

issuing Executive Order 13121 (64 FR 24021, May 5, 1999). Executive Order 13121 blocks all property and interests in property of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Republic of Serbia, and the Republic of Montenegro within the United States or within the possession or control of U.S. persons. The Order also revoked section 2 of Executive Order 13088, which had permitted U.S. persons to engage in certain financial transactions within the territory of the FRY (S&M). Executive Order 13121 added a new section 2 to Executive Order 13088, which prohibits trade transactions involving the FRY (S&M). These orders now prohibit (1) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, to the Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Federal Republic of Yugoslavia (S&M), the Government of the Republic of Serbia, or the Government of the Republic of Montenegro, of any goods (including petroleum and petroleum products), software, technology (including technical data), or services; (2) the importation into the United States, directly or indirectly, of any goods, software, technology (including technical data), or services from the Federal Republic of Yugoslavia (S&M) or owned or controlled by the Government of the Federal Republic of Yugoslavia (S&M), the Government of the Republic of Serbia, or the Government of the Republic of Montenegro; and (3) any transaction or dealing by a U.S. person, wherever located, in goods, software, technology (including technical data), or services, regardless of country of origin, for exportation, reexportation, sale, or supply to, or

exportation from or by, the Federal Republic of Yugoslavia (S&M) or the Government of the Federal Republic of Yugoslavia (S&M), the Government of the Republic of Serbia, or the Government of the Republic of Montenegro. This prohibition includes, without limitation, purchase, sale, transport, swap, or brokerage transactions in such items, and approving, financing, insuring, facilitating, or guaranteeing any such transactions. Any transaction by a U.S. person that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions of the Order, and any conspiracy formed to violate the prohibitions of the Order, are prohibited.

Executive Order 13121 directs the Secretary of the Treasury, in consultation with the Secretary of State, in implementation of the Order, to (1) give special consideration to the circumstances of the Government of the Republic of Montenegro and persons located in and organized under the laws of the Republic of Montenegro; (2) give special consideration to the humanitarian needs of refugees from Kosovo and other civilians within the Federal Republic of Yugoslavia (S&M); and (3) authorize commercial sales of agricultural commodities and products, medicine, and medical equipment for civilian end use in the territory of the Federal Republic of Yugoslavia (S&M) under appropriate safeguards to prevent diversion to military, paramilitary, or political use by the Government of Federal Republic of Yugoslavia (S&M), the Government of the Republic of Serbia, or the Government of the Republic of Montenegro. The Order became effective at 12:01 a.m., EDT, May 1, 1999.

The present report is submitted pursuant to 50 U.S.C. 1641(c) and 1703(c) and, with respect to the national emergency declared in Executive Order 12808, covers the period from November 30, 1998 through May 29, 1999, and with respect to the national emergency declared in Executive Order 13088, covers the period from December 9, 1998 through June 8, 1999. It discusses Administration actions and expenses directly related to the exercise of powers and authorities conferred by the declaration of a national emergency in Executive Order 12808 as modified by Executive Order 12810, Executive Order 12831, Executive Order 12846, and Executive Order 12934, and the declaration of national emergency in Executive Order 13088, as amended by Executive Order 13121.

1. The declaration of the national emergency in Executive Order 12808 on May 30, 1992, and the declaration of a national emergency in Executive Order 13088 on June 9, 1998, were made pursuant to the authority vested in the President by the Constitution and laws of the United States, including the International Emergency Economic Powers Act ("IEEPA") (50 U.S.C. 1701 *et seq.*), the National Emergencies Act (50 U.S.C. 1601 *et seq.*), and section 301 of title 3 of the United States Code. The additional sanctions set forth in related Executive orders were imposed pursuant to the authority vested in the President by the Constitution and laws of the United States, including the statutes cited above, section 1114 of the Federal Aviation Act (49 U.S.C. App. 1514), and section 5 of the United Nations Participation Act (22 U.S.C. 287c).

2. The Office of Foreign Assets Control ("OFAC"), acting under authority delegated by the Secretary of the Treasury, implemented the sanctions imposed under the foregoing statutes in the Federal Republic of Yugoslavia (S&M) and Bosnian Serb-Controlled Areas of the Republic of Bosnia and Herzegovina Sanctions Regulations, 31 CFR Part 585 (the "Regulations") and the Federal Republic of Yugoslavia (Serbia and Montenegro) Kosovo Sanctions Regulations, 31 CFR Part 586 (the "Kosovo Sanctions Regulations") (63 *Fed. Reg.* 54575, October 13, 1998).

On May 5, 1999, OFAC issued a Notice revoking provisions of the Kosovo Sanctions Regulations that were inconsistent with the additional sanctions imposed in Executive Order 13121. By the Notice of May 5, 1999, OFAC also issued General License No. 2 authorizing trade transactions involving the Republic of Montenegro that would otherwise be prohibited by Executive Order 13121. These include (1) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, destined for end-use in the Republic of Montenegro (except by the Government of the Federal Republic of Yugoslavia (S&M) or the Government of the Republic of Serbia) or the Government of the Republic of Montenegro, of any goods (including petroleum and petroleum products), software, technology (including technical data), or services; (2) the importation into the United States, directly or indirectly, of any goods, software, technology (including technical data), or services originating in the Republic of Montenegro or owned or controlled by the Government of the Republic of Montenegro; and (3) any transaction or dealing by a U.S. person, wherever located, in goods, software, technology (including technical data), or services, regardless of country of origin, for

exportation, reexportation, sale, or supply to, or exportation from or by, the Republic of Montenegro or the Government of the Republic of Montenegro. A copy of the Notice is attached to this report.

On May 20, 1999, OFAC issued General License No. 3, authorizing all transactions ordinarily incident to the exportation of goods (including petroleum and petroleum products), software, or technology (including technical data) from the United States or reexportation of U.S.-origin goods, software, or technology from a foreign country to any person in the FRY (S&M), to the Government of the FRY (S&M), to the Government of the Republic of Serbia, provided that the following terms and conditions are met: (1) the exportation or reexportation is licensed or otherwise authorized by the Department of Commerce under the provisions of the Export Administration Act of 1979 (50 U.S.C. App. 2401 *et seq.*) and IEEPA; (2) the exportation or reexportation is financed by a financial institution in a third country that is neither a U.S. person nor a person whose property is blocked pursuant to the Kosovo Sanctions Regulations, or by cash payment in advance, or by open account financing not to exceed 90 days net. General License No. 3 also provides that financial institutions that are U.S. persons, prior to confirming or advising, or accepting or paying drafts draft under, or reimbursing themselves for payment made under, any letter of credit, or making any other payment or transfer of credit in connection with any exportation or reexportation licensed pursuant to this general license, or engaging in any other transactions authorized in this general license shall satisfy themselves that: (1) each such transaction is incident to a bona fide exportation or

reexportation and is customary in the normal course of business, and that the value of such exportation or reexportation reasonably corresponds to the sums of money involved in financing such transaction; and (2) the exportation or reexportation and any financing therefor are made pursuant to all the terms and conditions of this general license.

General License No. 3 does not authorize: (1) the financing of any transaction from a blocked account; (2) any transaction by a financial institution in the United States or by any U.S. person, wherever located, under, or with respect to an exportation or reexportation financed by, a letter of credit issued by a person whose property is blocked pursuant to the Kosovo Sanctions Regulations; (3) any transaction by a U.S. person related to the reexportation of non-U.S.-origin goods, software, or technology from a foreign country to any person in the FRY (S&M) or to the Government of the FRY (S&M) or to the Government of the Republic of Serbia; or (4) any transaction by a U.S. person related to the sale or supply within the same foreign country of goods, software, or technology to the Government of the FRY (S&M) or to the Government of the Republic of Serbia, except as incidental to an exportation or reexportation authorized pursuant to paragraph (a) of this general license; or (5) the opening or operation by any U.S. person of a correspondent account for a financial institution whose property is blocked pursuant to the Kosovo Sanctions Regulations.

For the purposes of General License No. 3, the terms "foreign country" and "third country" include the Republic of Montenegro. A copy of General License No. 3 is attached to this report.

3. Over the past two and a half years, the Departments of State and the Treasury have worked closely with European Union member states and other U.N. member nations to implement the provisions of UNSCR 1022 and UNSCR 1074. In the United States, retention of blocking authority pursuant to the extension of a national emergency provides a framework for administration of an orderly claims settlement. This accords with past policy and practice with respect to the suspension of sanctions regimes.

4. During this reporting period, OFAC issued five specific licenses pursuant to the Regulations authorizing transactions pertaining to the FRY (S&M) or property in which it has an interest. In addition, OFAC issued a total of 65 specific licenses pursuant to the Kosovo Sanctions Regulations. Specific licenses were issued (1) to unblock wire transfers involving generally small amounts of individuals' purely personal funds; (2) to authorize receipt of payment for legal services; (3) to authorize certain transactions relating to air safety policy; and (4) to authorize certain administrative transactions by other U.S. government agencies.

During the past six months, OFAC has continued to oversee the maintenance of FRY (S&M) accounts blocked pursuant to 31 CFR Part 585, and records with respect to: (1) liquidated tangible assets and personalty of the fifteen blocked U.S. subsidiaries of entities organized in the FRY (S&M); (2) the blocked personalty, files, and records of the two Serbian banking institutions in New York previously placed in secure storage; and (3) remaining blocked FRY (S&M) tangible property, including real estate. Pursuant to the Kosovo Sanctions Regulations, 31 CFR Part 586, OFAC blocked 341 transactions totaling nearly \$5 million during

this reporting period. Most of the blockings were of funds transfers originating from, or destined for, Serbian banks.

D.C. Precision, Inc. v. United States, et al., 97 Civ. 9123 CRLC, was filed in the Southern District of New York on December 10, 1997, alleging that the Government had improperly blocked D.C. Precision's funds held at one of the closed Serbian banking agencies in New York. This case is still pending.

5. OFAC has continued to work closely with the U.S. Customs Service and other cooperating agencies to investigate alleged violations of the sanctions imposed pursuant to Executive Order 12808, as modified, and Executive Order 13088, as amended. On April 15, 1999, a U.S. citizen was sentenced in the Southern District of Florida to six months in prison and ordered to pay a \$6,000 criminal fine as the result of a guilty plea entered on October 23, 1998. The Miami, Florida, businessman entered a guilty plea for himself and his corporation to one count of violating IEEPA for the export of aircraft parts to Serbia. The U.S. citizen, his corporation, and two nationals of the FRY (S&M) were named in a 13-count indictment on February 13, 1997, charging them with conspiracy to purchase three Cessna propeller aircraft, a Cessna jet aircraft, and various aircraft parts in the United States and export them to the FRY (S&M) in violation of U.S. sanctions and the Regulations. Timely interdiction action prevented the export of the aircraft from the United States. The two foreign nationals are fugitives residing outside the United States.

Since my last report, OFAC has collected three civil monetary penalties totaling more than \$54,000 for violations of the sanctions. These violations involved prohibited exports of goods and services, contract dealings, and payments to the

Government of the FRY (S&M), persons in the FRY (S&M), or to blocked entities owned or controlled by the Government of the FRY (S&M). The violators included one U.S. financial institution, one company, and one individual. An additional 14 cases are undergoing penalty action for violation of the Regulations, and an additional 24 cases are undergoing penalty action for violation of the Kosovo Sanctions Regulations.

6. The expenses incurred by the Federal Government in the six-month period from November 30, 1998, through May 29, 1999, and the six-month period from December 9, 1998, through June 8, 1999, that are directly attributable to the declaration of the national emergencies in Executive Orders 12808 and 13088 are estimated at approximately \$470,000, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in OFAC and its Chief Counsel's Office, and the U.S. Customs Service), the Department of State, the National Security Council, and the Department of Commerce.

7. The resolution of the crisis and conflict in the former Yugoslavia that has resulted from the actions and policies of the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro), and of the Bosnian Serb forces and the authorities in the territory that they controlled, will not be complete until such time as the Peace Agreement is implemented and the terms of UNSCR 1022 have been met. Therefore, on May 27, 1999, I continued for another year the national emergency declared on May 30, 1992, as expanded in scope on October 25, 1994, and will continue to enforce the measures adopted pursuant thereto.

The declaration of the national emergency with respect to the Federal Republic of Yugoslavia (Serbia and Montenegro) and

the Republic of Serbia contained in Executive Order No. 13088 was made in reaction to the unacceptable actions and policies of the Belgrade authorities in Kosovo, and continues to apply. The current situation in Kosovo is fragile and, as yet, unresolved. It is of particular importance that developments in Kosovo should not disrupt progress in implementing the Dayton peace agreement. This threat to the peace of the region constitutes an unusual and extraordinary threat to the national security of the United States.

With this in mind and in support of UNSCR 1099 and UNSCR 1203, on May 27, 1999, I continued for another year the national emergency declared on June 9, 1998, and will continue to enforce the measures adopted pursuant thereto. Therefore, I shall continue to exercise the powers at my disposal with respect to the measures against the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Government of the Republic of Serbia, and the Government of the Republic of Montenegro, as well as against the Bosnian Serb forces, civil authorities, and entities, 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).

William J. Clinton

The White House

June ___, 1999



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF FOREIGN ASSETS CONTROL

FEDERAL REPUBLIC OF YUGOSLAVIA (SERBIA AND MONTENEGRO)

KOSOVO SANCTIONS REGULATIONS, 31 CFR PART 586

NOTICE

The exemption contained in § 586.201(c) and the general license contained in § 586.513 of the Federal Republic of Yugoslavia (Serbia and Montenegro) Kosovo Sanctions Regulations, 31 CFR Part 586 (the "Regulations"), are hereby revoked. The general license contained in § 586.516 of the Regulations authorizing transactions with respect to property in which the Government of Montenegro has an interest remains in effect.

GENERAL LICENSE NO. 2

Trade Transactions involving the Republic of Montenegro

(a) The exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, destined for end-use in the Republic of Montenegro (except by the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Republic of Serbia) or by the Government of the Republic of Montenegro, of any goods (including petroleum and petroleum

products), software, technology (including technical data), or services otherwise prohibited by Executive Order 13121 of April 30, 1999, with respect, *inter alia*, to trade with the Federal Republic of Yugoslavia (Serbia and Montenegro) are hereby authorized.

(b) The importation into the United States, directly or indirectly, of any goods, software, technology (including technical data) or services originating in the Republic of Montenegro or owned or controlled by the Government of the Republic of Montenegro otherwise prohibited by Executive Order 13121 of April 30, 1999, with respect, *inter alia*, to trade with the Federal Republic of Yugoslavia (Serbia and Montenegro) is hereby authorized.

(c) Any transaction or dealing by a United States person, wherever located, in goods, software, technology (including technical data) or services, regardless of country of origin, for exportation, reexportation, sale, or supply to, or exportation from or by, the Republic of Montenegro or the Government of the Republic of Montenegro otherwise prohibited by Executive Order 13121 of April 30, 1999, with respect, *inter alia*, to trade with the Federal Republic of Yugoslavia (Serbia and Montenegro) is hereby authorized.

Note: This general license does not excuse the U.S. person from compliance with other applicable U.S. laws governing the exportation and reexportation of U.S.-origin goods, software, technology (including technical data) or services.

Dated: May 5, 1999

Richard Newcomb

R. Richard Newcomb

Director

Office of Foreign Assets Control



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF FOREIGN ASSETS CONTROL

FEDERAL REPUBLIC OF YUGOSLAVIA (SERBIA AND MONTENEGRO)

KOSOVO SANCTIONS REGULATIONS, 31 CFR PART 586

GENERAL LICENSE NO. 3

Exportations, Reexportations and Incidental Transactions

(a) All transactions ordinarily incident to the exportation of goods (including petroleum and petroleum products), software, or technology (including technical data) from the United States or reexportation of U.S.-origin goods, software, or technology from a foreign country to any person in the Federal Republic of Yugoslavia (Serbia and Montenegro), to the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Republic of Serbia are hereby authorized, provided that the following terms and conditions are met:

(1) The exportation or reexportation is licensed or otherwise authorized by the Department of Commerce under the provisions of the Export Administration Act of 1979, 50 U.S.C. App. 2401-2420, and the International Emergency Economic Powers Act, 50 U.S.C. 1701-1706;

(2) The exportation or reexportation is financed by a financial institution in a third country that is neither a U.S. person nor a person whose property is blocked pursuant to 31 C.F.R. § 586.201, or

by cash payment in advance, or by open account financing not to exceed 90 days net.

(b) Financial institutions that are U.S. persons, prior to confirming or advising, or accepting or paying drafts drawn under, or reimbursing themselves for payment made under, any letter of credit, or making any other payment or transfer of credit in connection with any exportation or reexportation licensed pursuant to this general license, or engaging in any other transactions authorized in this general license shall satisfy themselves that:

(1) Each such transaction is incident to a bona fide exportation or reexportation and is customary in the normal course of business, and that the value of such exportation or reexportation reasonably corresponds to the sums of money involved in financing such transaction; and

(2) The exportation or reexportation and any financing therefor are made pursuant to all the terms and conditions of this general license.

(c) This general license does not authorize:

(1) The financing of any transaction from a blocked account;

(2) Any transaction by a financial institution in the United States or by any U.S. person, wherever located, under, or with respect to an exportation or reexportation financed by, a letter of credit issued by a person whose property is blocked pursuant to 31 C.F.R. 586.201;

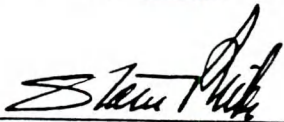
(3) Any transaction by a U.S. person related to the reexportation of non-U.S.-origin goods, software, or technology from a foreign country to any person in the Federal Republic of Yugoslavia (Serbia and Montenegro) or to the Government of Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Republic of Serbia; or

(4) Any transaction by a U.S. person related to the sale or supply within the same foreign country of goods, software, or technology to the Government of Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Republic of Serbia, except as incidental to an exportation or reexportation authorized pursuant to paragraph (a) of this general license; or

(5) The opening or operation by any U.S. person of a correspondent account for a financial institution whose property is blocked pursuant to 31 C.F.R. 586.201.

(d) For the purposes of this general license, the terms "foreign country" and "third country" shall include the Republic of Montenegro.

Dated: May 20, 1999



Steven I. Pinter

Acting Director,

Office of Foreign Assets Control

NOTE: This proclamation and the attached annex will be published in the *Federal Register* on December 8.

**Letter to Congressional Leaders
Reporting on the National
Emergency With Respect to the
Federal Republic of Yugoslavia
(Serbia and Montenegro)**

December 3, 1998

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

On May 30, 1992, by Executive Order 12808, President Bush declared a national emergency to deal with the unusual and extraordinary threat to the national security, foreign policy, and economy of the United States constituted by the actions and policies of the Governments of Serbia and Montenegro, blocking all property and interests in property of those Governments. President Bush took additional measures to prohibit trade and other transactions with the Federal Republic of Yugoslavia (Serbia and Montenegro) by Executive Orders 12810 and 12831, issued on June 5, 1992, and January 15, 1993, respectively.

On April 25, 1993, I issued Executive Order 12846, blocking the property and interests in property of all commercial, industrial, or public utility undertakings or entities organized or located in the Federal Republic of Yugoslavia (Serbia and Montenegro) (the "FRY (S&M)"), and prohibiting trade-related transactions by United States persons involving those areas of the Republic of Bosnia and Herzegovina controlled by the Bosnian Serb forces and the United Nations Protected Areas in the Republic of Croatia. On October 25, 1994, because of the actions and policies of the Bosnian Serbs, I expanded the scope of the national emergency by issuance of Executive Order 12934 to block the property of the Bosnian Serb forces and the authorities in the territory that they controlled within the Republic of Bosnia and Herzegovina, as well as the property of any entity organized or located in, or controlled by any person in, or resident in, those areas.

On November 22, 1995, the United Nations Security Council passed Resolution 1022 ("Resolution 1022"), immediately and

indefinitely suspending U.N. economic sanctions against the FRY (S&M). Sanctions were subsequently lifted by the United Nations Security Council pursuant to Resolution 1074 on October 1, 1996. Resolution 1022, however, continues to provide for the release of funds and assets previously blocked pursuant to sanctions against the FRY (S&M), provided that such funds and assets that are subject to claims and encumbrances, or that are the property of persons deemed insolvent, remain blocked until "released in accordance with applicable law." This provision was implemented in the United States on December 27, 1995, by Presidential Determination No. 96-7. The determination, in conformity with Resolution 1022, directed the Secretary of the Treasury, *inter alia*, to suspend the application of sanctions imposed on the FRY (S&M) pursuant to the above-referenced Executive orders and to continue to block property previously blocked until provision is made to address claims or encumbrances, including the claims of the other successor states of the former Yugoslavia. This sanctions relief was an essential factor motivating Serbia and Montenegro's acceptance of the General Framework Agreement for Peace in Bosnia and Herzegovina initialed by the parties in Dayton on November 21, 1995 (the "Peace Agreement") and signed in Paris on December 14, 1995. The sanctions imposed on the FRY (S&M) and on the United Nations Protected Areas in the Republic of Croatia were accordingly suspended prospectively, effective January 16, 1996. Sanctions imposed on the Bosnian Serb forces and authorities and on the territory that they controlled within the Republic of Bosnia and Herzegovina were subsequently suspended prospectively, effective May 10, 1996, in conformity with Resolution 1022. On October 1, 1996, the United Nations Security Council passed Resolution 1074, terminating U.N. sanctions against the FRY (S&M) and the Bosnian Serbs in light of the elections that took place in Bosnia and Herzegovina on September 14, 1996. Resolution 1074, however, reaffirms the provisions of Resolution 1022 with respect to the release of blocked assets, as set forth above.

The present report is submitted pursuant to 50 U.S.C. 1641(c) and 1703(c) and covers

the period from May 30 through November 29, 1998. It discusses Administration actions and expenses directly related to the exercise of powers and authorities conferred by the declaration of a national emergency in Executive Order 12808 as expanded with respect to the Bosnian Serbs in Executive Order 12934, and against the FRY (S&M) contained in Executive Order 12810, Executive Order 12831, and Executive Order 12846.

1. The declaration of the national emergency on May 30, 1992, was made pursuant to the authority vested in the President by the Constitution and laws of the United States, including the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*), the National Emergencies Act (50 U.S.C. 1601 *et seq.*), and section 301 of title 3 of the United States Code. The emergency declaration was reported to the Congress on May 30, 1992, pursuant to section 204(b) of the International Emergency Economic Powers Act (50 U.S.C. 1703(b)) and the expansion of that national emergency under the same authorities was reported to the Congress on October 25, 1994. The additional sanctions set forth in related Executive orders were imposed pursuant to the authority vested in the President by the Constitution and laws of the United States, including the statutes cited above, section 1114 of the Federal Aviation Act (49 U.S.C. App. 1514), and section 5 of the United Nations Participation Act (22 U.S.C. 287c).

2. The Office of Foreign Assets Control (OFAC), acting under authority delegated by the Secretary of the Treasury, implemented the sanctions imposed under the foregoing statutes in the Federal Republic of Yugoslavia (Serbia and Montenegro) and Bosnian Serb-Controlled Areas of the Republic of Bosnia and Herzegovina Sanctions Regulations, 31 C.F.R. Part 585 (the "Regulations"). To implement Presidential Determination No. 96-7, the Regulations were amended to authorize prospectively all transactions with respect to the FRY (S&M) otherwise prohibited (61 *Fed. Reg.* 1282, January 19, 1996). Property and interests in property of the FRY (S&M) previously blocked within the jurisdiction of the United States remain blocked, in conformity with the Peace Agreement and Resolution 1022, until provision is made to

address claims or encumbrances, including the claims of the other successor states of the former Yugoslavia.

On May 10, 1996, OFAC amended the Regulations to authorize prospectively all transactions with respect to the Bosnian Serbs otherwise prohibited, except with respect to property previously blocked (61 *Fed. Reg.* 24696, May 16, 1996). On December 4, 1996, OFAC amended Appendices A and B to 31 C.F.R. Chapter V, containing the names of entities and individuals in alphabetical order and by location that are subject to the various economic sanctions programs administered by OFAC, to remove the entries for individuals and entities that were determined to be acting for or on behalf of the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro). These assets were blocked on the basis of these persons' activities in support of the FRY (S&M)—activities no longer prohibited—not because the Government of the FRY (S&M) or entities located in or controlled from the FRY (S&M) had any interest in those assets (61 *Fed. Reg.* 64289, December 4, 1996).

On April 18, 1997, the Regulations were amended by adding new section 585.528, to provide for the unblocking of the following five vessels: the M/V MOSLAVINA, M/V ZETA, M/V LOVCEN, M/V DURMITOR and M/V BAR (a/k/a M/V INVIKEN) after 30 days (62 *Fed. Reg.* 19672, April 23, 1997). Two previously blocked vessels, the M/V KAPETAN MARTINOVIC and the M/V BOR, were sold prior to August 18, 1997, pursuant to licenses and the proceeds of the sales placed in blocked interest-bearing accounts at U.S. financial institutions as substitute property for the blocked vessels.

On November 6, 1998, section 585.528 was amended to provide for the unblocking of these accounts, representing the two vessels, after 30 days (63 *Fed. Reg.* 59883, November 6, 1998). During this period, United States persons may negotiate settlements of their outstanding claims with respect to the vessels with the vessels' owners or agents. If claims remain unresolved by November 27, United States persons are generally licensed

to seek and obtain judicial writs of attachment against the funds during the 10-day period prior to the accounts' unblocking. A copy of the amendment is attached to this report.

3. Over the past 2 years, the Departments of State and the Treasury have worked closely with European Union member states and other U.N. member nations to implement the provisions of Resolution 1022. In the United States, retention of blocking authority pursuant to the extension of a national emergency provides a framework for administration of an orderly claims settlement. This accords with past policy and practice with respect to the suspension of sanctions regimes.

4. During this reporting period, OFAC issued two specific licenses regarding transactions pertaining to the FRY (S&M) or property in which it has an interest. Specific licenses were issued (1) to authorize the payment from blocked funds of licensing fees due to the New York State Banking Department for one of the Serbian financial institutions blocked in 1992 and (2) to authorize the transfer of a blocked account from one financial institution into another.

During the past 6 months, OFAC has continued to oversee the maintenance of blocked FRY (S&M) accounts, and records with respect to: (1) liquidated tangible assets and personalty of the 15 blocked U.S. subsidiaries of entities organized in the FRY (S&M); (2) the blocked personalty, files, and records of the two Serbian banking institutions in New York previously placed in secure storage; and (3) remaining blocked FRY (S&M) tangible property, including real estate.

D.C. Precision, Inc. v. United States, et al., 97 Civ. 9123 CRLC, was filed in the Southern District of New York on December 10, 1997, alleging that the Government had improperly blocked Precision's funds held at one of the closed Serbia banking agencies in New York. This case is still pending.

5. Despite the prospective authorization of transactions with the FRY (S&M), OFAC has continued to work closely with the U.S. Customs Service and other cooperating agencies to investigate alleged violations that occurred while sanctions were in force. On February 13, 1997, a Federal grand jury in the Southern District of Florida, Miami, returned a

13-count indictment against one U.S. citizen and two nationals of the FRY (S&M). The indictment charges that the subjects participated and conspired to purchase three Cessna propeller aircraft, a Cessna jet aircraft, and various aircraft parts in the United States and to export them to the FRY (S&M) in violation of U.S. sanctions and the Regulations. Timely interdiction action prevented the aircraft from being exported from the United States. On October 23, 1998, the defendants in the case entered guilty pleas. A sentencing date has not yet been scheduled.

Since my last report, OFAC has collected one civil monetary penalty totaling nearly \$4,200 for violations of the sanctions. These violations involved prohibited importations into the United States of goods originating in Serbia.

6. The expenses incurred by the Federal Government in the 6-month period from May 30 through November 29, 1998, that are directly attributable to the declaration of a national emergency with respect to the FRY (S&M) and the Bosnian Serb forces and authorities are estimated at approximately \$360,000, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in OFAC and its Chief Counsel's Office, and the U.S. Customs Service), the Department of State, the National Security Council, and the Department of Commerce.

7. In the last 2 years, substantial progress has been achieved to bring about a settlement of the conflict in Bosnia-Herzegovina acceptable to the parties. Resolution 1074 terminated sanctions in view of the first free and fair elections to occur in Bosnia and Herzegovina, as provided for in the Dayton Peace Agreement. In reaffirming Resolution 1022, however, Resolution 1074 contemplates the continued blocking of assets potentially subject to conflicting claims and encumbrances until provision is made to address them under applicable law, including claims of the other successor states of the former Yugoslavia.

The resolution of the crisis and conflict in the former Yugoslavia that has resulted from the actions and policies of the Government of the Federal Republic of Yugoslavia (Serbia

and Montenegro), and of the Bosnian Serb forces and the authorities in the territory that they controlled, will not be complete until such time as the Peace Agreement is implemented and the terms of Resolution 1022 have been met. Therefore, on May 28, 1998, I continued for another year the national emergency declared on May 30, 1992, as expanded in scope on October 25, 1994, and will continue to enforce the measures adopted pursuant thereto. The importance of maintaining these sanctions is further reinforced by the unacceptable actions and policies of Belgrade authorities in Kosovo and in the areas of human rights, democratization, and war crimes investigations. These developments threaten to disrupt progress in implementation of Dayton and security in the region generally.

Accordingly, I shall continue to exercise the powers at my disposal with respect to the measures against the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro), and the Bosnian Serb forces, civil authorities and entities, 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).

Sincerely,

William J. Clinton

NOTE: Identical letters were sent to Newt Gingrich, Speaker of the House of Representatives, and Albert Gore, Jr., President of the Senate.

Remarks on the Earned-Income Tax Credit

December 4, 1998

Amy's children are over there. And we also have Bernadette Hockaday and her children, and Rhonda Clarke and her children here. They're all here, and we thank them all for coming because they all have benefitted from the earned-income tax credit.

I'd like to thank Gene Sperling, who believed passionately in this when I first met him, well over 6 years ago now; Janet Yellen, the Council of Economic Advisers; Secretary Herman, who was here in the White House helping us to implement the earned-income tax credit in '93. I thank Congressman John

Lewis and Congressman Bob Matsui, who are here, who have been passionate advocates; and all the other advocates in the room here—Bob Greenstein, Justin Dart, the others who are here—we thank you for your support.

One of the main reasons that I ran for President in 1992 was that I believed that people like Amy could achieve real success if we could unstack the deck against them. I knew that when our Nation was taxing working families into poverty, that was wrong. I knew that when a mother rises at dawn, putting in an honest day's work and still can't afford to buy the children's clothes, that's wrong. And I was determined to try to do something about it.

I also knew that there was a little-known provision in the tax code which had been in for several years called the earned-income tax credit that had the potential if it were actually expanded at an appropriate level to lift all working families out of poverty. And that's how all this started.

Again, let me say, I'm very grateful for everybody who has supported this. I think the important—one important thing I'd like to point out is that we have representatives here from the AFL-CIO, from AFSCME, from other unions, most of whose members do not get the earned-income tax credit, and they lobbied for it, too, because they thought it was right. And so, for all of you, I just say I'm very grateful.

What we tried to do in 1993 was two things. First of all, we had to get the economy moving again, and secondly, we had to focus on the special needs of people who were working hard at lower wage levels. But first things first—we had to get the whole economy moving again. Middle-class incomes have been stagnant for 20 years, and we could never have given lower-income working people the chance to raise their incomes if it hadn't been for a policy promoting overall economic growth.

Just this morning, we received more good news for America's families on our overall economic policies. Secretary Herman's Department reports that, last month, unemployment fell to 4.4 percent, while inflation remains low and stable. But for nearly a year

EXECUTIVE ORDER 13088

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT ON THE NATIONAL EMERGENCY DECLARED BY EXECUTIVE ORDER NO. 13088 OF JUNE 9, 1998, IN RESPONSE TO THE THREAT TO THE NATIONAL SECURITY AND FOREIGN POLICY OF THE UNITED STATES CONSTITUTED BY THE ACTIONS AND POLICIES OF THE GOVERNMENTS OF THE FEDERAL REPUBLIC OF YUGOSLAVIA, AND THE REPUBLIC OF SERBIA WITH RESPECT TO KOSOVO, PURSUANT TO 50 U.S.C. 1703(c)



FEBRUARY 2, 1999.—Referred to the Committee on International Relations and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

69-011

WASHINGTON : 1999

THE WHITE HOUSE,
Washington, January 5, 1999.

Hon. NEWT GINGRICH,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: On June 9, 1998, by Executive Order 13088 (63 *Fed. Reg.* 32109, June 12, 1998), I declared a national emergency to deal with the unusual and extraordinary threat to the national security and foreign policy of the United States constituted by the actions and policies of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), and the Republic of Serbia with respect to Kosovo. The order blocks all property and interests in property of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Republic of Serbia and the Republic of Montenegro within the United States or within the possession or control of United States persons, and prohibits all new investment in the territory of the Republic of Serbia by United States persons, and the approval or other facilitation by United States persons of other persons' new investment in the territory of the Republic of Serbia.

1. The declaration of the national emergency on June 9, 1998, was made pursuant to the authority vested in me by the Constitution and laws of the United States, including the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*), the National Emergencies Act (50 U.S.C. 1601 *et seq.*), and section 301 of title 3 of the United States Code. The emergency declaration was reported by message to the Congress dated June 10, 1998, pursuant to section 204(b) of the International Emergency Economic Powers Act (50 U.S.C. 1703(b)).

The present report is submitted pursuant to 50 U.S.C. 1641(c) and 1703(c) and covers the period from June 9 through December 8, 1998. It discusses only Administration actions and expenses directly related to the exercise of powers and authorities conferred by the declaration of a national emergency in Executive Order 13088.

2. The Office of Foreign Assets Control (OFAC), acting under authority delegated by the Secretary of the Treasury, implemented the sanctions imposed under the foregoing statutes and Executive Order 13088 and has issued the Federal Republic of Yugoslavia (Serbia and Montenegro) Kosovo Sanctions Regulations, 31 CFR part 586 (the "Regulations") (63 *Fed. Reg.* 54575, October 13, 1998). A copy of the Regulations is attached to this report.

The Regulations block all property and interests in property of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Republic of Serbia, and the Republic of Montenegro that are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of United States persons, including their overseas

branches. The Regulations also prohibit financial transactions with, including trade financing for, the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Republic of Serbia, and the Republic of Montenegro by United States persons. However, the Regulations provide an exemption, contained in section 2 of Executive Order 13088, for financial transactions, including trade financing, by United States persons within the territory of the Federal Republic of Yugoslavia (Serbia and Montenegro) that are (a) conducted exclusively through the domestic banking system within the Federal Republic of Yugoslavia (Serbia and Montenegro) in local currency (dinars), or (b) conducted using bank notes or barter.

The Regulations also prohibit all new investment in the territory of the Republic of Serbia by United States persons, and the approval or other facilitation by United States persons of other persons' new investment in the territory of the Republic of Serbia. The term "new investment," means (a) the acquisition of debt or equity interests in, (b) a commitment or contribution of funds or other assets to, or (c) a loan or other extension of credit to, a public or private undertaking, entity, or project, other than donations of funds to charitable organizations for purely humanitarian purposes. Any transaction by a United States person that evades or avoids, or that has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order 13088 is prohibited. Finally, the Regulations provide a general license, authorizing all transactions by United States persons involving property or interests in property of the Government of the Republic of Montenegro, except as provided pursuant to the Federal Republic of Yugoslavia (Serbia and Montenegro) and Bosnian Serb-Controlled Areas of the Republic of Bosnia and Herzegovina Sanctions Regulations, 31 CFR part 585.

3. Since the issuance of Executive Order 13088 on June 9, 1998, OFAC has issued 73 specific licenses, the majority of which (55) authorized financial transactions with respect to personal remittances by individuals to the territory of the Federal Republic of Yugoslavia (Serbia and Montenegro) and funding of humanitarian operations by nongovernmental organizations (NGOs) within the Federal Republic of Yugoslavia (Serbia and Montenegro). Other licenses authorized certain diplomatic transactions, transactions related to air safety issues and payment of overflight fees, the closure of Federal Republic of Yugoslavia (Serbia and Montenegro) entities formerly operating within the United States and the liquidation and maintenance of blocked tangible property, and intellectual property protection for U.S. firms operating in the Federal Republic of Yugoslavia (Serbia and Montenegro). OFAC also instituted a mechanism for NGOs to continue to support humanitarian operations in Yugoslavia and administers a registration program for NGOs to route money and supplies there as appropriate.

Since June 9, 1998, U.S. banks and banks in the United States have reported to OFAC that they have blocked 877 transactions totaling \$20,361,767 pursuant to the sanctions. Most of the blockings were of funds transfers originating from, or destined for, Serbian banks.

4. The expenses incurred by the Federal Government in the 6-month period from June 9 through December 8, 1998, that are directly attributable to the declaration of a national emergency with respect to the Federal Republic of Yugoslavia (Serbia and Montenegro) and the Republic of Serbia in connection with the situation in Kosovo are estimated at approximately \$715,000, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in OFAC and its Chief Counsel's Office), the Department of State, and the National Security Council.

5. The situation reviewed above continues to present an extraordinary and unusual threat to the national security and foreign policy of the United States. The declaration of the national emergency with respect to the Federal Republic of Yugoslavia (Serbia and Montenegro) and the Republic of Serbia contained in Executive Order 13088 was made in reaction to the unacceptable actions and policies of the Belgrade authorities in Kosovo, and continues to apply. The current situation in Kosovo is fragile and, as yet, unresolved. It is of particular importance that developments in Kosovo should not disrupt progress in implementing the Dayton peace agreement. This threat to the peace of the region constitutes an unusual and extraordinary threat to the national security of the United States.

With this in mind and in support of United Nations Security Council Resolutions 1099 and 1203, I shall continue to exercise the powers at my disposal with respect to the measures against the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Republic of Serbia, and the Republic of Montenegro, 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).

Sincerely,

WILLIAM J. CLINTON.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

4414

June 10, 1999

ACTION

MEMORANDUM FOR SAMUEL R. BERGER *10 R*
THROUGH: GREG SCHULTE *JS*
FROM: SAMUEL MOYN *Sm*
SUBJECT: IEEPA/NEA Report on the FRY to Congress

Attached at Tab I is a memorandum to the President recommending that he submit the attached combined report to Congress required under the International Emergency Economic Powers Act and the National Emergencies Act. The report concerns the national emergencies with respect to the Federal Republic of Yugoslavia that he recently renewed pursuant to the relevant section of the National Emergencies Act, including information on the total expenditures incurred by the U.S. government directly attributable to the exercise of the powers and authorities conferred by the declared emergency.

Concurrences by: Joseph Bouchard, Miles Lackey, Mary B. DeRosa and Mike Hurley *JS*

RECOMMENDATION

That you sign the memorandum to the President.

Attachments

Tab I Memorandum to the President
Tab A Transmittal Letters
Tab B Report to Congress
Tab C Incoming Correspondence

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9904414
RECEIVED: 09 JUN 99 15

TO: PRESIDENT

FROM: RUBIN, R

DOC DATE: 08 JUN 99
SOURCE REF:

KEYWORDS: YUGOSLAVIA
EO

KOSOVO
CONGRESSIONAL

PERSONS:

SUBJECT: RPT TO CONGRESS ON IEEPA RE YUGOSLAVIA IN EO 12808 & KOSOVO IN EO 13088

ACTION: PREPARE MEMO FOR BERGER

DUE DATE: 15 JUN 99 STATUS: S

STAFF OFFICER: HURLEY

LOGREF:

FILES: PA

NSCP:

CODES:

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

FOR ACTION
HURLEY

FOR CONCURRENCE
BAKER
BUSBY
LACKEY
SCHULTE

FOR INFO
BLINKEN
FICKLIN
SCHWARTZ

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSEMK

CLOSED BY:

DOC 1 OF 1

UNCLASSIFIED

THE WHITE HOUSE
WASHINGTON

Dear Mr. Speaker:

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 six-month periodic report on the national emergency with respect to the Yugoslavia (Serbia and Montenegro) emergency declared in Executive Order No. 12808 on May 30, 1992, and with respect to the Kosovo emergency declared in Executive Order No. 13088 on June 9, 1998.

Sincerely,

The Honorable Dennis Hastert
Speaker of the
House of Representatives
Washington, D.C. 20515

↑
line up the "of's"

Speaker of the
House of Represent...

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20504

4414

June 10, 1999

ACTION

MEMORANDUM FOR SAMUEL R. BERGER

THROUGH: GREG SCHULTE *hs*
FROM: SAMUEL MOYN *Sam*
SUBJECT: IEEPA/NEA Report on the FRY to Congress

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Concurrences by: Joseph Bouchard, Miles Lackey, Mary B. DeRosa and Mike Hurley *Sam*

RECOMMENDATION

That you sign the memorandum to the President.

Attachments

Tab I Memorandum to the President
Tab A Report to Congress
Tab B Incoming Correspondence

This should either be a message to Congress or we need transmittal thro

THE WHITE HOUSE
WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

THROUGH: THE EXECUTIVE CLERK

FROM: SAMUEL BERGER
LARRY STEIN

SUBJECT: IEEPA/NEA Report on the FRY to Congress

Purpose

To submit IEEPA/NEA report to Congress.

Background

You are required under the International Emergency Economic Powers Act (IEEPA) to submit to the Congress every six months a report concerning the Yugoslavia (Serbia and Montenegro) emergency declared in Executive Order No. 12808 on May 30, 1992, and concerning the Kosovo emergency declared in Executive Order No. 13088 on June 9, 1998.

In addition, under the National Emergencies Act, you are required, during each six-month interval of a declared national emergency, to report to the Congress the total expenditures incurred by the U.S. government directly attributable to the exercise of the powers and authorities conferred by the declared emergency.

Attached is ^a ~~proposed~~ combined report responding to these requirements for the latest six-month period~~s~~. The ~~proposed~~ report indicates that it is a combined report submitted pursuant to each of the foregoing statutes. Copies of the prior reports on the same emergencies are enclosed for reference.

~~It is recommended that you sign and transmit the proposed report to the Congress. The Departments of State and Treasury concur in this recommendation.~~

In the

that you transmit the report to Congress.

cc: Vice President
Chief of Staff

RECOMMENDATION

That you sign and transmit to the Congress the enclosed letter and report.

Attachments

Tab A Report to Congress
Tab B Incoming Correspondence

Serb forces and the United Nations Protected Areas in the Republic of Croatia. On October 25, 1994, because of the actions and policies of the Bosnian Serbs, I expanded the scope of the national emergency by issuance of Executive Order 12934. On November 22, 1995, the United Nations Security Council passed Resolution ("UNSCR") 1022, immediately and indefinitely suspending U.N. economic sanctions against the FRY (S&M). On October 1, 1996, the United Nations passed UNSCR 1074, terminating U.N. sanctions against the FRY (S&M) and the Bosnian Serbs in light of the elections that took place in Bosnia and Herzegovina on September 14, 1996. Both UNSCR 1022 and UNSCR 1074, however, provided that funds and assets previously blocked pursuant to sanctions against the FRY (S&M) that are subject to claims and encumbrances, or that are the property of persons deemed insolvent, shall remain blocked until "released in accordance with applicable law." This provision was implemented in the United States on December 27, 1995, by Presidential Determination No. 96-7, which directed the Secretary of the Treasury to suspend the application of sanctions on the FRY (S&M) and to continue to block property previously blocked.

On June 9, 1998, by Executive Order 13088, I declared a national emergency to deal with the unusual and extraordinary

threat to the national security and foreign policy of the United States constituted by the actions and policies of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), and the Republic of Serbia with respect to Kosovo. Executive Order 13088, with certain exceptions, blocked all property and interests in property of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Republic of Serbia, and the Republic of Montenegro within the United States or within the possession or control of U.S. persons, and prohibited all new investment in the territory of the Republic of Serbia by U.S. persons, and the approval or other facilitation by U.S. persons of other persons' new investment in the territory of the Republic of Serbia.

On April 30, 1999, I took additional steps with respect to the national emergency declared in Executive Order 13088 by issuing Executive Order 13121 (64 FR 24021, May 5, 1999). Executive Order 13121 blocks all property and interests in property of the Governments of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Republic of Serbia, and the Republic of Montenegro within the United States or within the possession or control of U.S. persons. The Order also revoked section 2 of Executive Order 13088, which had permitted U.S. persons to engage in certain financial transactions within

the territory of the FRY (S&M). Executive Order 13121 added a new section 2 to Executive Order 13088, which prohibits trade transactions involving the ^QFRY (S&M). These orders now prohibit (1) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, to the Federal Republic of Yugoslavia (Serbia and Montenegro) or the Government of the Federal Republic of Yugoslavia (S&M), the Government of the Republic of Serbia, or the Government of the Republic of Montenegro, of any goods (including petroleum and petroleum products), software, technology (including technical data), or services; (2) the importation into the United States, directly or indirectly, of any goods, software, technology (including technical data), or services from the Federal Republic of Yugoslavia (S&M) or owned or controlled by the Government of the Federal Republic of Yugoslavia (S&M), the Government of the Republic of Serbia, or the Government of the Republic of Montenegro; and (3) any transaction or dealing by a U.S. person, wherever located, in goods, software, technology (including technical data), or services, regardless of country of origin, for exportation, reexportation, sale, or supply to, or exportation from or by, the Federal Republic of Yugoslavia (S&M) or the Government of the Federal Republic of Yugoslavia (S&M), the Government of the

Republic of Serbia, or the Government of the Republic of Montenegro. This prohibition includes, without limitation, purchase, sale, transport, swap, or brokerage transactions in such items, and approving, financing, insuring, facilitating, or guaranteeing any such transactions. Any transaction by a U.S. person that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions of the Order, and any conspiracy formed to violate the prohibitions of the Order, are prohibited.

Executive Order 13121 directs the Secretary of the Treasury, in consultation with the Secretary of State, in implementation of the Order, to (1) give special consideration to the circumstances of the Government of the Republic of Montenegro and persons located in and organized under the laws of the Republic of Montenegro; (2) give special consideration to the humanitarian needs of refugees from Kosovo and other civilians within the Federal Republic of Yugoslavia (S&M); and (3) authorize commercial sales of agricultural commodities and products, medicine, and medical equipment for civilian end use in the territory of the Federal Republic of Yugoslavia (S&M) under appropriate safeguards to prevent diversion to military, paramilitary, or political use by the Government of Federal

Republic of Yugoslavia (S&M), the Government of the Republic of Serbia, or the Government of the Republic of Montenegro. The Order became effective at 12:01 a.m., EDT, May 1, 1999.

The present report is submitted pursuant to 50 U.S.C. 1641(c) and 1703(c) and, with respect to the national emergency declared in Executive Order 12808, covers the period from November 30, 1998 through May 29, 1999, and with respect to the national emergency declared in Executive Order 13088, covers the period from December 9, 1998 through June 8, 1999. It discusses Administration actions and expenses directly related to the exercise of powers and authorities conferred by the declaration of a national emergency in Executive Order 12808 as modified by Executive Order 12810, Executive Order 12831, Executive Order 12846, and Executive Order 12934, and the declaration of national emergency in Executive Order 13088, as amended by Executive Order 13121.

1. The declaration of the national emergency in Executive Order 12808 on May 30, 1992, and the declaration of a national emergency in Executive Order 13088 on June 9, 1998, were made pursuant to the authority vested in the President by the Constitution and laws of the United States, including the

International Emergency Economic Powers Act ("IEEPA") (50 U.S.C. 1701 et seq.), the National Emergencies Act (50 U.S.C. 1601 et seq.), and section 301 of title 3 of the United States Code. The additional sanctions set forth in related Executive orders were imposed pursuant to the authority vested in the President by the Constitution and laws of the United States, including the statutes cited above, section 1114 of the Federal Aviation Act (49 U.S.C. App. 1514), and section 5 of the United Nations Participation Act (22 U.S.C. 287c).

2. The Office of Foreign Assets Control ("OFAC"), acting under authority delegated by the Secretary of the Treasury, implemented the sanctions imposed under the foregoing statutes in the Federal Republic of Yugoslavia (S&M) and Bosnian Serb-Controlled Areas of the Republic of Bosnia and Herzegovina Sanctions Regulations, 31 CFR Part 585 (the "Regulations") and the Federal Republic of Yugoslavia (Serbia and Montenegro) Kosovo Sanctions Regulations, 31 CFR Part 586 (the "Kosovo Sanctions Regulations") (63 Fed. Reg. 54575, October 13, 1998).

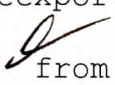
On May 5, 1999, OFAC issued a Notice revoking provisions of the Kosovo Sanctions Regulations that were inconsistent with the additional sanctions imposed in Executive Order 13121. By the Notice of May 5, 1999, OFAC also issued General License No. 2

authorizing trade transactions involving the Republic of Montenegro that would otherwise be prohibited by Executive Order 13121. These include (1) the exportation, reexportation, sale, or supply, directly or indirectly, from the United States, or by a U.S. person, wherever located, destined for end-use in the Republic of Montenegro (except by the Government of the Federal Republic of Yugoslavia (S&M) or the Government of the Republic of Serbia) or the Government of the Republic of Montenegro, of any goods (including petroleum and petroleum products), software, technology (including technical data), or services; (2) the importation into the United States, directly or indirectly, of any goods, software, technology (including technical data), or services originating in the Republic of Montenegro or owned or controlled by the Government of the Republic of Montenegro; and (3) any transaction or dealing by a U.S. person, wherever located, in goods, software, technology (including technical data), or services, regardless of country of origin, for exportation, reexportation, sale, or supply to, or exportation from or by, the Republic of Montenegro or the Government of the Republic of Montenegro. A copy of the Notice is attached to this report.

On May 20, 1999, OFAC issued General License No. 3, authorizing all transactions ordinarily incident to the

exportation of goods (including petroleum and petroleum products), software, or technology (including technical data) from the United States or reexportation of U.S.-origin goods, software, or technology from a foreign country to any person in the FRY (S&M), to the Government of the FRY (S&M), to the Government of the Republic of Serbia, provided that the following terms and conditions are met: (1) the exportation or reexportation is licensed or otherwise authorized by the Department of Commerce under the provisions of the Export Administration Act of 1979 (50 U.S.C. App. 2401 et seq.) and IEEPA; (2) the exportation or reexportation is financed by a financial institution in a third country that is neither a U.S. person nor a person whose property is blocked pursuant to the Kosovo Sanctions Regulations, or by cash payment in advance, or by open account financing not to exceed 90 days net. General License No. 3 also provides that financial institutions that are U.S. persons, prior to confirming or advising, or accepting or paying drafts draft under, or reimbursing themselves for payment made under, any letter of credit, or making any other payment or transfer of credit in connection with any exportation or reexportation licensed pursuant to this general license, or engaging in any other transactions authorized in this general license shall satisfy themselves that: (1)  each such transaction is incident to a bona fide exportation or

reexportation and is customary in the normal course of business, and that the value of such exportation or reexportation reasonably corresponds to the sums of money involved in financing such transaction; and (2) the exportation or reexportation and any financing therefor are made pursuant to all the terms and conditions of this general license.

General License No. 3 does not authorize: (1)  the financing of any transaction from a blocked account; (2) any transaction by a financial institution in the United States or by any U.S. person, wherever located, under, or with respect to an exportation or reexportation financed by, a letter of credit issued by a person whose property is blocked pursuant to the Kosovo Sanctions Regulations; (3) any transaction by a U.S. person related to the reexportation of non-U.S.-origin goods, software, or technology  from a foreign country to any person in the FRY (S&M) or to the Government of the FRY (S&M) or to the Government of the Republic of Serbia; or (4) any transaction by a U.S. person related to the sale or supply within the same foreign country of goods, software, or technology to the Government of the FRY (S&M) or to the Government of the Republic of Serbia, except as incidental to an exportation or reexportation authorized pursuant to paragraph (a) of this general license; or (5) the opening or operation by any U.S.

person of a correspondent account for a financial institution whose property is blocked pursuant to the Kosovo Sanctions Regulations.

For the purposes of General License No. 3, the terms "foreign country" and "third country" include the Republic of Montenegro. A copy of General License No. 3 is attached to this report.

3. Over the past two and a half years, the Departments of State and the Treasury have worked closely with European Union member states and other U.N. member nations to implement the provisions of UNSCR 1022 and UNSCR 1074. In the United States, retention of blocking authority pursuant to the extension of a national emergency provides a framework for administration of an orderly claims settlement. This accords with past policy and practice with respect to the suspension of sanctions regimes.

4. During this reporting period, OFAC issued five specific licenses pursuant to the Regulations authorizing transactions pertaining to the FRY (S&M) or property in which it has an interest. In addition, OFAC issued a total of 65 specific licenses pursuant to the Kosovo Sanctions Regulations. Specific licenses were issued (1) to unblock wire transfers

involving generally small amounts of individuals' purely personal funds; (2) to authorize receipt of payment for legal services; (3) to authorize certain transactions relating to air safety policy; and (4) to authorize certain administrative transactions by other U.S. government agencies.

During the past six months, OFAC has continued to oversee the maintenance of FRY (S&M) accounts blocked pursuant to 31 CFR Part 585, and records with respect to: (1) liquidated tangible assets and personalty of the fifteen blocked U.S. subsidiaries of entities organized in the FRY (S&M); (2) the blocked personalty, files, and records of the two Serbian banking institutions in New York previously placed in secure storage; and (3) remaining blocked FRY (S&M) tangible property, including real estate. Pursuant to the Kosovo Sanctions Regulations, 31 CFR Part 586, OFAC blocked 341 transactions totaling nearly \$5 million during this reporting period. Most of the blockings were of funds transfers originating from, or destined for, Serbian banks.

D.C. Precision, Inc. v. United States, et al., 97 Civ. 9123 CRLC, was filed in the Southern District of New York on

December 10, 1997, alleging that the Government had improperly blocked D.C. Precision's funds held at one of the closed Serbian banking agencies in New York. This case is still pending.

5. OFAC has continued to work closely with the U.S. Customs Service and other cooperating agencies to investigate alleged violations of the sanctions imposed pursuant to Executive Order 12808, as modified, and Executive Order 13088, as amended. On April 15, 1999, a U.S. citizen was sentenced in the Southern District of Florida to six months in prison and ordered to pay a \$6,000 criminal fine as the result of a guilty plea entered on October 23, 1998. The Miami, Florida, businessman entered a guilty plea for himself and his corporation to one count of violating IEEPA for the export of aircraft parts to Serbia. The U.S. citizen, his corporation, and two nationals of the FRY (S&M) were named in a 13-count indictment on February 13, 1997, charging them with conspiracy to purchase three Cessna propeller aircraft, a Cessna jet aircraft, and various aircraft parts in the United States and export them to the FRY (S&M) in violation of U.S. sanctions and the Regulations. Timely interdiction action prevented the export of the aircraft from the United States. The two foreign nationals are fugitives residing outside the United States.

Since my last report, OFAC has collected three civil monetary penalties totaling more than \$54,000 for violations of the sanctions. These violations involved prohibited exports of goods and services, contract dealings, and payments to the Government of the FRY (S&M), persons in the FRY (S&M), or to blocked entities owned or controlled by the Government of the FRY (S&M). The violators included one U.S. financial institution, one company, and one individual. Additional 14 cases are undergoing penalty action for violation of the Regulations, and additional 24 cases are undergoing penalty action for violation of the Kosovo Sanctions Regulations.

6. The expenses incurred by the Federal Government in the six-month period from November 30, 1998, through May 29, 1999, and the six-month period from December 9, 1998, through June 8, 1999, that are directly attributable to the declaration of the national emergencies in Executive Orders 12808 and 13088 are estimated at approximately \$470,000, most of which represents wage and salary costs for Federal personnel. Personnel costs were largely centered in the Department of the Treasury (particularly in OFAC and its Chief Counsel's Office, and the U.S. Customs Service), the Department of State, the National Security Council, and the Department of Commerce.

7. The resolution of the crisis and conflict in the former Yugoslavia that has resulted from the actions and policies of the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro), and of the Bosnian Serb forces and the authorities in the territory that they controlled, will not be complete until such time as the Peace Agreement is implemented and the terms of UNSCR 1022 have been met. Therefore, on May 27, 1999, I continued for another year the national emergency declared on May 30, 1992, as expanded in scope on October 25, 1994, and will continue to enforce the measures adopted pursuant thereto.

The declaration of the national emergency with respect to the Federal Republic of Yugoslavia (Serbia and Montenegro) and the Republic of Serbia contained in Executive Order No. 13088 was made in reaction to the unacceptable actions and policies of the Belgrade authorities in Kosovo, and continues to apply. The current situation in Kosovo is fragile and, as yet, unresolved. It is of particular importance that developments in Kosovo should not disrupt progress in implementing the Dayton peace agreement. This threat to the peace of the region constitutes an unusual and extraordinary threat to the national security of the United States.

*Hard
Bond*

With this in mind and in support of UNSCR 1099 and UNSCR 1203, on May 27, 1999, I continued for another year the national emergency declared on June 9, 1998, and will continue to enforce the measures adopted pursuant thereto. Therefore, I shall continue to exercise the powers at my disposal with respect to the measures against the Government of the Federal Republic of Yugoslavia (Serbia and Montenegro), the Government of the Republic of Serbia, and the Government of the Republic of Montenegro, as well as against the Bosnian Serb forces, civil authorities, and entities, 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).

THE WHITE HOUSE

Dear Mr. Speaker:

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 six-month periodic report on the national emergency with respect to the Yugoslavia (Serbia and Montenegro) emergency declared in Executive Order No. 12808 on May 30, 1992, and with respect to the Kosovo emergency declared in Executive Order No. 13088 on June 9, 1998.

Sincerely,

The Honorable Dennis Hastert
Speaker of the
House of Representatives
Washington, D.C. 20515

Dear Mr. President:

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 six-month periodic report on the national emergency with respect to the Yugoslavia (Serbia and Montenegro) emergency declared in Executive Order No. 12808 on May 30, 1992, and with respect to the Kosovo emergency declared in Executive Order No. 13088 on June 9, 1998.

Sincerely,

The Honorable Al Gore, Jr.
President of the Senate
Washington, D.C. 20510