

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

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A SIX MONTH PERIODIC REPORT ON THE NATIONAL EMERGENCY
WITH RESPECT TO PERSONS WHO COMMIT, THREATEN TO COM-
MIT, OR SUPPORT TERRORISM THAT WAS DECLARED IN EXECU-
TIVE ORDER 13224 OF SEPTEMBER 23, 2002, PURSUANT TO 50
U.S.C. 1641(c) AND 50 U.S.C. 1703(c)

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SEPTEMBER 24, 2002.—Referred to the Committee on International
Relations and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

To the Congress of the United States:

As required by section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), and section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c), I transmit herewith the 6-month periodic report prepared by my Administration on the national emergency with respect to persons who commit, threaten to commit, or support terrorism that was declared in Executive Order 13224 of September 23, 2001.

GEORGE W. BUSH.

THE WHITE HOUSE, *September 19, 2002.*

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

This report to the Congress covers developments over the course of the past 6 months concerning the national emergency declared in Executive Order 13224 of September 23, 2001, "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism" (66 Fed. Reg. 49079, September 25, 2001) (the "Order"). This report is submitted pursuant to section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), and section 204(c) of the International Emergency Economic Powers Act ("IEEPA"), 50 U.S.C. 1703(c).

1. On July 2, 2002, Executive Order 13268, "Termination of Emergency With Respect to the Taliban and Amendment of Executive Order 13224 of September 23, 2001" (67 Fed. Reg. 44751, July 3, 2002) amended the Order, to add Mohammed Omar and the Taliban to the list of blocked persons contained in the Annex to the Order.

2. As of September 13, 2002, 236 individuals and entities are listed as blocked persons pursuant to the Order and have been designated as Specially Designated Global Terrorists (SDGTs). Some of these individuals and entities were also previously designated as persons whose property and interests in property are blocked in or pursuant to Executive Order 12947 of January 23, 1995 (60 Fed. Reg. 5079, January 25, 1995), "Prohibiting Transactions with Terrorists who Threaten to Disrupt the Middle East Peace Process," and Executive Order 13099 of August 22, 1998, in which the President took additional steps by amending the Annex of Executive Order 12947 to add four individuals or entities, including Usama bin Laden and al-Qaida.

Also included as SDGTs pursuant to the Order are 34 Foreign Terrorist Organizations (FTO), also designated by the Secretary of State under section 219 of the Immigration and Nationality Act, 8 U.S.C. 1189, as amended by the Antiterrorism and Effective Death Penalty Act of 1996, Pub. L. 104-132, 110 Stat. 1247-1258.

3. The international community has recognized the need to take action against terrorism and has condemned such acts of terrorism in U.N. Security Council resolutions 1368 of September 12, 2001; 1373 of September 28, 2001; and 1390 of January 16, 2002. These resolutions, taken together, obligate U.N. member states, among other things, to take necessary steps to prevent the financing of terrorism, to deny safe haven to terrorists, and to restrict the transfer of arms and arms-related material to terrorists. In particular, these resolutions impose sanctions against the Taliban, Usama bin Laden, and al-Qaida, and obligate all U.N. member states to "Freeze without delay the funds and other financial assets or economic resources" of those entities and individuals designated

by the U.N. Executive Order 13224 is a fundamental tool in the U.S. effort to work closely with governments around the world in identifying and freezing the assets of terrorists and their supporters.

4. During the current reporting period, the United States designated a number of individuals and entities pursuant to the Order, including 44 individuals and entities whose designation resulted from joint efforts with international partners. On April 19, 2002, as a result of cooperation with other G-7 countries, the United States designated nine individuals and one organization based on links to al-Qaida, and referred these names to the U.N. jointly with the other G-7. Similarly, working with Italy, the United States designated another 25 individuals and entities on August 29, 2002, based on al-Qaida ties, and with Italy referred these names to the U.N. Likewise, the United States on September 6, 2002, designated Wa'el Hamza Julaidan as an al-Qaida supporter and, together with Saudi Arabia, referred his name to the U.N. Additionally, in collaboration with our European allies, the United States and the European Union undertook a coordinated blocking action on May 3, 2002, with respect to seven individuals and one organization based on their ties to the FTO Euzkadi Ta Askatasuna (ETA).

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

Funds, accounts, and business records of Global Relief Foundation, Inc. (GRF), and Benevolence International Foundation, Inc. (BIF), both headquartered in Chicago, were blocked by the Department of the Treasury's Office of Foreign Assets Control (OFAC) pending investigation on December 14, 2001. On May 24, 2002, and June 14, 2002, OFAC notified GRF and BIF, respectively, that OFAC intended to designate them as blocked entities pursuant to the Order. Prior to OFAC's notification of intent to designate, GRF and BIF filed separate lawsuits in the Northern District of Illinois raising constitutional and statutory issues and seeking the unblocking of their assets. GRF's motion for preliminary injunction against the Government defendants was denied by the district court and is now on appeal to the Seventh Circuit. Civil proceedings in the BIF case have been stayed pending certain criminal proceedings.

On November 7, 2001, OFAC blocked, pursuant to the Order, persons and entities that are part of the "Barakaat network," including nine entities and two individuals based in the United States. In addition, four U.S.-based entities were blocked in aid of investigation ("BIA entities"). One of the individuals, Liban Hussein, was delisted on July 15, 2002, and his property was unblocked. Aaran Money Wire, Mr. Garad Nor, and Global Service International, all located in Minneapolis, and one other U.S.-based entity, Barakaat Enterprises, Inc., located in Columbus, Ohio, and two Swedish individuals, Abdirisak Aden and Abdi Abdulaziz Ali, all designated on November 7, 2001, based on their affiliations with the "Barakaat network," were removed from the list of blocked entities on August 27, 2002, and their assets unblocked. The removal of these entities and individuals from the list of blocked persons is based on the actions taken by these individuals and entities to sufficiently eliminate the basis for their designations, which were premised on the parties' now severed affiliations with the "Barakaat network."

6. OFAC has responded to numerous license applications under this program. Most of these requests were made in the context of litigation by U.S.-based entities challenging designations or the blocking of assets in aid of investigation. Licenses were issued authorizing payment from offshore sources that are not blocked for legal services provided to designated offshore entities, and the payment from blocked funds for the legal representation of U.S.-based designated entities and entities whose assets are blocked in aid of investigation. Licenses were also issued authorizing the release of blocked funds to pay debts that the designated entities and BIA entities incurred prior to the designation or blocking; to pay certain limited operating expenses of BIA entities while the investigation of these entities continues; to pay living expenses of a designated U.S. person; to release assets to the participants of a retirement savings plan sponsored by a designated entity, provided that any plan assets in which the sponsor has a property interest remain blocked; and to return blocked funds transfers after OFAC determined that no designated entity had a property interest in the funds.

A license was issued authorizing a bank to release blocked funds pursuant to a seizure warrant issued to another governmental entity. Licenses were also issued authorizing the release of, or access to, blocked property (other than funds), particularly records and computers.

A number of license requests were denied, including requests for the release of an entity's blocked funds to pay the legal expenses of individuals whose personal assets are not blocked, and requests to pay offshore creditors or to fund an entity's offshore operations.

7. Since the effective date of the Order, OFAC has emphasized to the financial community the importance of identifying and blocking payments and accounts in which interests of persons designated under the Order are implicated. OFAC has worked very closely with banks, broker-dealers, and others to assure the effectiveness of interdiction software systems to identify payments, other transactions, and accounts, and has fielded thousands of phone calls from the financial community regarding suspect activi-

ties. As of September 13, 2002, OFAC has also blocked an additional \$75,000 in terrorist-related assets beyond the approximately \$7.6 million reported in my last report. Our international partners have taken parallel blocking actions in their own financial sectors. Each of the accounts frozen had the potential to be a pipeline for far more money than what was in the account on the day that account was frozen. In addition to closing off these identified pipelines, blocking actions have a larger deterrent effect on those who would otherwise consider assisting the financing of terrorism. Between February 15 and July 24, 2002, OFAC updated its website no less than 28 times to keep the public informed of the latest sanctions developments. This included adding new names to its list of Specially Designated Nationals and Blocked Persons and posting special alerts and bulletins.

8. The expenses incurred by the Federal Government in the six-month period beginning March 24, 2002, that are directly attributable to the exercise of powers and authorities conferred by the declaration of the national emergency with respect to persons who commit, threaten to commit, or support terrorism are estimated at approximately \$8.8 million. These data do not reflect costs of operations by the intelligence and certain law enforcement communities. Reported costs were predominantly related to salary and expenses for personnel in the Department of the Treasury (particularly in the Office of Foreign Assets Control, the Office of the General Counsel, and the U.S. Customs Service), the Department of State, and components of the Department of Justice.

9. The United States continues to be concerned by the grave acts of terrorism committed or threatened by foreign terrorists, including the heinous attacks committed in New York and Pennsylvania, and against the Pentagon, on September 11, 2001. Available information confirms that terrorist organizations seek to acquire weapons of mass destruction, including chemical, biological, and nuclear weapons. In addition, global financial networks continue to support and fund terrorists and their ability to engage in terrorist acts through a variety of financial mechanisms. For these reasons, persons who commit, threaten to commit, or support terrorism continue to pose an unusual and extraordinary threat to international security.