AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO



105th Congress, 2d Session – – – – – – – – – – – – House Document No. 105–336

# DEVELOPMENTS CONCERNING NATIONAL EMERGENCY WITH NARCOTICS TRAFFICKERS IN COLOMBIA

## COMMUNICATION

FROM

## THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

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

DECEMBER 17, 1998.—Referred to the Committee on International Relations and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

69–011 WASHINGTON : 1998

THE WHITE HOUSE,
*Washington, DC, October 21, 1998.*

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

DEAR MR. SPEAKER: I hereby report to the Congress on the developments since my last report concerning the national emergency with respect to significant narcotics traffickers centered in Colombia that was declared in Executive Order 12978 of October 21, 1995. 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 October 21, 1995, I signed Executive Order 12978, "Blocking Assets and Prohibiting Transactions with Significant Narcotics Traffickers" (the "Order") (60 *Fed. Reg.* 54579, October 24, 1995). The Order blocks all property subject to U.S. jurisdiction in which there is any interest of four significant foreign narcotics traffickers, one of whom is now deceased, who were principals in the so-called Cali drug cartel centered in Colombia. These persons are listed in the annex to the Order. The Order also blocks the property and interests in property of foreign persons determined by the Secretary of the Treasury, in consultation with the Attorney General and the Secretary of State, (a) to play a significant role in international narcotics trafficking centered in Colombia or (b) to materially assist in or provide financial or technological support for, or goods or services in support of, the narcotics trafficking activities of persons designated in or pursuant to the Order. In addition, the Order blocks all property and interests in property, subject to U.S. jurisdiction, of persons determined by the Secretary of the Treasury, in consultation with the Attorney General and the Secretary of State, to be owned or controlled by, or to act for or on behalf of, persons designated in or pursuant to the Order (collectively "Specially Designated Narcotics Traffickers" or "SDNTs").

The Order further prohibits any transaction or dealing by a United States person or within the United States in property or interests in property of SDNTs, and any transaction that evades or avoids, has the purpose of evading or avoiding, or attempts to violate, the prohibitions contained in the Order. Designations of foreign persons blocked pursuant to the Order are effective upon the date of determination by the Director of the Department of the Treasury's Office of Foreign Assets Control (OFAC) acting under authority delegated by the Secretary of the Treasury. Public notice of blocking is effective upon the date of filing with the Federal Register, or upon prior actual notice.

2. On October 24, 1995, the Department of the Treasury issued a notice containing 76 additional names of persons determined to

meet the criteria set forth in Executive Order 12978 (60 *Fed. Reg.* 54582, October 24, 1995). Additional notices expanding and updating the list of SDNTs were published on November 29, 1995 (60 *Fed. Reg.* 61288), March 8, 1996 (61 *Fed. Reg.* 9523), and January 21, 1997 (62 *Fed. Reg.* 2903).

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

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

On May 27, 1998 (63 *Fed. Reg.* 28896, May 27, 1998), OFAC amended appendices A and B to 31 C.F.R. chapter V, by expanding the list for the first time beyond the Cali cartel by adding the names of one of the leaders of Colombia's North Coast cartel, Julio Ceasar Nasser David, who has been determined to play a significant role in international narcotics trafficking centered in Colombia, and 14 associated businesses and 4 individuals acting as fronts for the North Coast cartel. Also added were six companies and one individual that have been determined to be owned or controlled by, or to act for or on behalf of, or to be acting as fronts for the Cali cartel in Colombia. These actions are part of the ongoing interagency implementation of Executive Order 12978 of October 21, 1995. These changes to the previous SDNT list brought it to a total of 451 businesses and individuals with whom financial and business dealings are prohibited and whose assets are blocked under the Order. A copy of the amendment is attached to this report.

3. OFAC has disseminated and routinely updated details of this program to the financial, securities, and international trade communities by both electronic and conventional media. In addition to bulletins to banking institutions via the Federal Reserve System and the Clearing House Interbank Payments System (CHIPS), individual notices were provided to all relevant State and Federal regulatory agencies, automated clearing houses, and State and independent banking associations across the country. OFAC contacted all major securities industry associations and regulators. It posted electronic notices on the Internet and over 10 computer bulletin boards and 2 fax-on-demand services, and provided the same material to the U.S. Embassy in Bogota for distribution to U.S. companies operating in Colombia.

4. As of September 4, 1998, OFAC had issued 11 specific licenses pursuant to Executive Order 12978. These licenses were issued in accordance with established Department of the Treasury policy authorizing the completion of presanctions transactions, the provision of legal services to and payment of fees for representation of

SDNTs in proceedings within the United States arising from the imposition of sanctions, and certain administrative transactions. In addition, a license was issued to authorize a U.S. company in Colombia to make certain payments to two SDNT entities in Colombia (currently under the control of the Colombian government) for services provided to the U.S. company in connection with the U.S. company's occupation of office space and business activities in Colombia.

5. The narcotics trafficking sanctions have had a significant impact on the Colombian drug cartels. Of the 154 business entities designated as SDNTs as of September 4, 1998, 44, with an estimated aggregate income of more than $210 million, had been liquidated or were in the process of liquidation. As a result of OFAC designations, Colombian banks have closed nearly 400 SDNT accounts, affecting nearly 200 SDNTs. One of the largest SDNT commercial entities, a discount drugstore with an annual income exceeding $136 million, has been reduced to operating on a cash basis. These specific results augment the less quantifiable but significant impact of denying the designated individuals and entities of the Cartel access to U.S. financial and commercial facilities.

Various enforcement actions carried over from prior reporting periods are continuing and new reports of violations are being aggressively pursued. One criminal investigation is ongoing and a second, not presented for prosecution, was referred for civil penalty action, bringing the total of referrals since my last report to five.

6. The expenses incurred by the Federal Government in the 6-month period from April 21 through October 20, 1998, that are directly attributable to the exercise of powers and authorities conferred by the declaration of the national emergency with respect to Significant Narcotics Traffickers are estimated at approximately $600,000. Personnel costs were largely centered in the Department of the Treasury (particularly in the Office of Foreign Assets Control, the U.S. Customs Service, and the Office of the General Counsel), the Department of Justice, and the Department of State. These data do not reflect certain costs of operations by the intelligence and law enforcement communities.

7. Executive Order 12978 provides this Administration with a tool for combatting the actions of significant foreign narcotics traffickers centered in Colombia and the violence, corruption, and harm that they cause in the United States and abroad. The Order is designed to deny these traffickers the benefit of any assets subject to the jurisdiction of the United States and to prevent United States persons from engaging in any commercial dealings with the traffickers, their front companies, or their agents. Executive Order 12978 demonstrates the United States commitment to end the damage that such traffickers inflict upon society in the United States and abroad.

The magnitude and scope of the problem in Colombia—perhaps the most pivotal country of all in terms of the world's cocaine trade—are extremely grave. I shall continue to exercise the powers at my disposal to apply economic sanctions against significant foreign narcotics traffickers 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.

○