

## WEEEEKLY HOLDS UPDATE

Week 3-10 June 2001

(Prepared by OIP, Contracts Processing Section)

### HIGHLIGHTS

- **Following the release of a large number of applications last week, releases this week register the lowest value in months;**
- **Holds “hold on” resulting in the level of holds going above US\$3.0 billion mark after a brief drop below the mark last week**
- **Two additional applications related to air spraying placed on hold**

1. The holds stand at **US\$3,048.0M** or some US\$79.0M more compared to US\$2.968M to last week [erroneously reported as US\$2.998M last week due to a typing error].

2. The total number of applications on hold is **1,334 (to include 873 humanitarian applications)** or 25 more than last week. The relative value of holds remains almost the same -- **14.3 percent** of the total value circulated to the Committee or **11.5 percent** of the value circulated to the Committee AND approved by OIP (based on pre-approved lists).

3. Oil spare parts applications on hold show some increase compared to last week, -- with the total value of **US\$428.0M** ( and US\$399.0M respectively last week). A single largest application placed on hold last week was in oil sector (**comm. 730826 worth US\$29.19M**) thus largely contributing to the increase both generally and in oil spare parts sector.

4. **GENERAL TRENDS:** Clearly, there is a degree of temporary “release fatigue” following the release of over 400 applications last week. This was an expected development which manifested itself in only US\$2.48M released last week with US\$81.3M placed on hold. The reasons for hold remain unchanged – in most cases it is the request for additional tech specs, mainly material composition of various metal parts; all applications found by the UN Secretariat to contain 1051 goods are almost automatically placed on hold.

[NOTE: **Just as we were concluding this report, the US released additional 49 applications from hold worth total of US\$34.6M, suggesting that the release trend is likely to continue. Among those were 13 oil spare parts applications previously on hold for “purchase not directly related to the repair of oil infrastructure for the purpose of increasing exports”, a phrase reserved for applications earmarked for Basrah refinery. Such applications used to be placed on hold routinely without much chance of approval. Some of the 13 released had been on hold for over a year. Details of the releases will follow next week]**

5. **AIR SPRAYING EQUIPMENT PLACED ON HOLD:** While two applications for new agricultural helicopters worth almost US\$3.5M remain on non-compliant status awaiting technical information from the supplier, two other applications related to agricultural air spraying were placed on hold last week:

|                  |                |  |
|------------------|----------------|--|
| <b>801980(A)</b> | <b>\$0.86M</b> | ULV Spraying System for MI-2 helicopters       |
| <b>900144(A)</b> | <b>\$3.3M</b>  | Small Agriculture Fixed-Wing Aircraft (Poland) |

In both cases the applications were placed on hold for containing 1051 goods as determined by the UN Secretariat (aircraft mounted spraying systems), as well as for additional technical information on various parts. This hold comes in addition to the hold on **Comm. 900039** on 30 April 2001 (overhauling of agricultural helicopters). Another application for the same purpose (comm. 900038) remains un-circulated as non-compliant. It should be noted here that the two similar applications, albeit in different phase and with different company, were previously approved (after some months on hold) under comms. 601076 and 601077. However, both applications were subsequently declared null-and-void by GOI . We would be grateful for clarification if 900038 and 900039 were submitted in their place and are, in fact, for the same helicopters and services as in 601076 and 601077. This information may facilitate lifting of the hold on 900039.

6. **APPLICATION FOR COLD STORES PLACED ON HOLD:** The Committee placed on hold comm.. **802421 (US\$10.82M)** for five pre-fabricated cold stores for Kimadia. This hold comes in addition to the hold on 701835 (15.1M) for pre-fabricated A/C warehouses that has been on hold since September 2000 in spite of provision of precise end-use information and repeated assurances that we would observe the use of stores to be erected in known location in Baghdad, frequently visited by the UN observers. Clearly, these holds reflect dual-use concerns some members of the 661Committee have about facilities that can also be used to store materials related to chemical and biological weapons. Although the end-use location for comm.. 802421 was not specifically requested (yet), it may be a good idea to obtain that information from Kimadia to facilitate process of approval.

7. Only **5 applications worth US\$2.48M** were released last week. Four of these were one-day holds for “pending further evaluation”, released within the same week. Only one application was released as the result of an amendment changing material composition of condenser tubes:

|                   |                |                 |                              |
|-------------------|----------------|-----------------|------------------------------|
| <b>701561 (L)</b> | <b>\$1.77M</b> | Condenser Tubes | Material composition changed |
|-------------------|----------------|-----------------|------------------------------|

8. Total of **28 applications worth US\$81.2M** were placed on hold during the last week. Apart from the applications referred to above, the holds included, inter alia, following applications:

|                   |                 |                     |  |
|-------------------|-----------------|---------------------|--|
| <b>730826(O)</b>  | <b>\$29.19M</b> | Activity 58         | 1051 items, techs specs                              |
| <b>802146(A)</b>  | <b>\$8.95M</b>  | Bulldozers/parts    | Specs for valves, pumps, etc.                        |
| <b>802539(A)</b>  | <b>\$8.24M</b>  | Tower cranes        | Specs on hydraulic pumps                             |
| <b>702215(T)</b>  | <b>\$6.03M</b>  | Car washing service | Specs on pumps, valves, microprocessors              |
| <b>802558(L)</b>  | <b>\$5.37M</b>  | Skylift Meter       | specs on pumps, valves, stabilizing/leveling devices |
| <b>802551(M)</b>  | <b>\$3.22M</b>  | A/C equipment       | Specs on valves, compressors                         |
| <b>501298 (A)</b> | <b>\$1.48M</b>  | Casing Pipes        | Material composition required                        |