



# Security Council

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## Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait

**Provisional summary record of the 205th meeting (closed)**

Held at Headquarters, New York, on Monday, 2 October 2000, at 3.30 p.m.

*Chairman:* Mr. van Walsum ..... (Netherlands)

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*The meeting was called to order at 3.45 p.m.*

#### **Adoption of the agenda**

1. **The Chairman** said that France was to submit a proposal concerning passenger flights to Iraq at the next meeting, on Thursday, 5 October, and suggested that items 5 and 11 of the draft agenda, which also related to flights, should be postponed to that meeting.

*The agenda, as amended, was adopted.*

#### **Briefing by a representative of the Office of the Iraq Programme on the housing sector**

2. **The Chairman** said that, since the expert was absent, the briefing on the housing sector would be postponed until a later meeting.

3. **Mr. Young** (United States of America) expressed regret at the expert's absence and stressed his delegation's eagerness to hear a briefing on the housing sector in Iraq.

#### **Letter dated 28 July 2000 from the Under-Secretary-General for Management concerning the management of the Iraq Account (S/AC.25/2000/COMM.81)**

4. **Mr. McGurk** (United Kingdom) requested more time to consider the proposals contained in the letter.

5. **Mr. Li Junhua** (China) said that, while his delegation had no objection, he wished to know how much time the United Kingdom delegation would need in order to decide its position, since the letter in question had been distributed at the end of July. In the Chinese delegation's view, it was an important matter that should be settled as soon as possible.

6. **Mr. Mauriès** (France), after endorsing the remarks of the representative of China, observed that the matter had been raised in Security Council resolution 1302 (2000) and should therefore be considered as soon as possible. He would, however, welcome some clarification concerning the contents of the letter, such as the discrepancy between, on the one hand, the figures mentioned by the Under-Secretary-General for Management (a US\$ 200 million contingency reserve and US\$ 52 million in unencumbered funds) and, on the other hand, the actual balance of the account, which came to almost US\$ 700 million.

7. **Mr. Young** (United States of America) thanked the Under-Secretary-General for Management for his report. Since the micromanagement of the Iraq Account was not the question at issue, he considered the information given to be adequate.

8. **Mr. Smirnov** (Russian Federation) concurred with the views of the two previous speakers. Given the magnitude of the sums involved, the management procedures of the Account should be as transparent as possible so that the Committee could give its opinion in full knowledge of the facts on the use of the available funds.

9. **Mr. McGurk** (United Kingdom) said, in response to the representatives of China and France, that he hoped to be able to submit his delegation's comments to the Committee before the end of the week.

10. **Mr. Yeo** (Director of the Peacekeeping Financing Division and Officer-in-Charge of the Office of Programme Planning, Budget and Accounts) said, in response to the question from the representative of France, that it was a technical, not a political question. At the technical level, there was a distinction between cash in hand and the budgeted amounts. Thus some expenses had been incurred under phase VIII, but the actual sums had not yet been paid out. That did not mean that the balance in the Treasury should be considered a surplus. The best course would be to set up a rolling mechanism which would enable available funds to be managed more easily.

11. **Mr. Smirnov** (Russian Federation) again stressed the importance of procedural transparency. The sums in question were so substantial that the issue deserved all the Committee's attention.

12. **Mr. Mauriès** (France) thanked the Director of the Peacekeeping Financing Division for his explanations and concurred with him on the need for a mechanism whereby the surplus of the administrative account could be transferred to the humanitarian accounts every six months. Given that the administrative account regularly showed a surplus, the fixed percentage was probably too high. It might be preferable to withdraw an absolute sum rather than a percentage.

13. **Mr. Young** (United States of America) said that, since the operating methods of the Iraq Programme had developed over the years, it was difficult to provide for a fixed amount. In any case, the issue should be considered by a body other than the Committee.

14. Mr. Li Junhua (China) said that he endorsed the proposal by the representative of France. If the percentage was currently too high, it should be revised, in order to improve the humanitarian situation in Iraq. The Committee should consider the matter in more depth at a later meeting.

15. Mr. Yeo (Director of the Peacekeeping Financing Division and Officer-in-Charge of the Office of Programme Planning, Budget and Accounts) said that it was impossible to predict what the situation would be after phase VIII. As for the question of amending the fixed percentage, that was a political decision which lay outside his responsibility. He urged the Committee to be cautious, since the existing formula had the advantage of being flexible and allowing the budget to be increased according to circumstances. It could thus be used to fund all the administrative aspects of the new activities planned by the International Telecommunication Union (ITU), the United Nations Children's Fund (UNICEF) and the United Nations Centre for Human Settlements (Habitat).

16. Mr. Mauriès (France) pointed out that the 2.2 per cent rate had been set by the Secretariat but not ratified by the Security Council.

**Letter dated 9 September 2000 from the Executive Director of the Office of the Iraq Programme, concerning the Treasurer's report (S/AC.25/2000/COMM.103)**

17. Ms. Bishopric (Treasurer) submitted her report, which contained recommendations to ensure timely payment for Iraqi petroleum and petroleum products.

18. Mr. Smirnov (Russian Federation), Mr. Mauriès (France), Mr. Young (United States of America) and Mr. Li Junhua (China) considered that it would be useful to hear the opinion of the oil overseers on such technical questions as petroleum prices.

19. The Chairman informed the Committee that arrangements had already been made for a meeting with the oil overseers.

**Letter dated 25 June 2000 from the Multinational Interception Force, concerning sanctions enforcement (S/AC.25/2000/COMM.87)**

20. The Chairman said that the Multinational Interception Force had brought to the Committee's attention its observations on the smuggling of Iraqi oil

in the Gulf and was asking the Committee to persuade Iran to deny sanctuary to ships which violated the sanctions regime and to encourage the Gulf States to continue their support for the Force's efforts. In that connection, he mentioned that the Committee had received a letter dated 21 June 2000 (S/AC.25/2000/COMM.62) from Iran, informing the Committee that its navy had intercepted a Belize oil tanker carrying 1,400 tonnes of Iraqi oil.

21. Mr. Young (United States of America) said that, in his delegation's opinion, the Gulf States should indeed be asked for their continued support for the Force's efforts to put an end to smuggling in the region. A letter could be sent to them to draw their attention to the information provided by the Force Coordinator.

22. Mr. Smirnov (Russian Federation) said that, while his delegation had no objection to the dispatch of a letter to the Gulf States, it would like to know why the letter from the Force, although dated 25 June 2000, was being considered only on 2 October.

23. The Chairman said that a letter addressed to the Force had already been drafted but put on hold, which could give the impression of a lack of diligence. Since there were several other letters on hold, it would be useful to organize an informal meeting of experts to consider them.

24. Mr. Mauriès (France) said that his delegation was in favour of holding an informal meeting to deal with the letters that were on hold. As for the letter from the Multinational Interception Force, he noted that it made a distinction between Iran, which had been indexed, and other countries, which would support the Force's efforts far more strongly. That picture, however, did not tally with the documented information provided to the Committee in the past by the Force Coordinator, according to which a number of Gulf States had provided the destination for smuggled goods. In those circumstances, and on condition that the smallest possible distinction was made between States, his delegation was in favour of sending all the States of the region a letter reminding them of their obligations, as appropriate.

25. Mr. Li Junhua (China) supported the idea of an informal meeting to deal with the letters on hold. As for the letter from the Multinational Interception Force, the Committee had been informed that Iran had taken

measures against smuggling. That should be taken into account.

26. **Mr. Smirnov** (Russian Federation) said that the whole issue should be re-examined, since the situation had changed. He fully concurred with the representative of France that countries should be treated more even-handedly. The report of the Force Coordinator gave the impression that, once ships had passed through the Strait of Hormuz, they did not enter the Gulf but reached waters where any attempt to deal with smuggling was useless. The situation should be considered from a more comprehensive point of view.

27. **Mr. McGurk** (United Kingdom) supported the proposal made by the representatives of France and China concerning the holding of an informal meeting on the letters that were on hold. The letter from the Multinational Interception Force stated that over 400,000 tonnes of Iraqi oil, with an estimated value of US\$ 75 million, were smuggled every month. That level of traffic was disturbing, which explained why the Force Coordinator had stressed the efforts that Iran should make to bring it to an end. In his opinion, the Force Coordinator ought to have written similar letters indexing other countries, if they were in the same situation. The Gulf States should thus be encouraged to continue supporting the Force's efforts.

28. **Mr. Young** (United States of America) said that what mattered was the content of the letter from the Force and not its date. He concurred with the representative of France that countries should be treated even-handedly when they were sent letters encouraging them to support the Force.

29. **The Chairman** took note of the fact that the Committee wished him to draft a letter addressed to the Gulf States, taking into account the views expressed by delegations, particularly with regard to the need for even-handedness. If the letter had to be put on hold, it would be considered by the proposed informal meeting.

30. **Mr. Li Junhua** (China) supported the idea of drafting a letter but suggested that a meeting should be organized with the Force in order to get an update on the situation since 25 June.

31. **The Chairman** said that, since all delegations had found the Committee's meeting with the Force Coordinator useful, another meeting could be organized.

32. *It was so decided.*

**Notes verbales dated 15 August and 5 September 2000 from Qatar, concerning the establishment of a shipping line (S/AC.25/2000/COMM.89 and Add.1)**

33. **The Chairman** recalled that in 1997 the Committee had considered an identical request from the United Arab Emirates for the establishment of a shipping line to transport passengers between the United Arab Emirates and Iraq. The Committee had concluded that such a service would not violate the sanctions, provided that certain conditions were met. Some questions had been raised, however, and it had been necessary to seek additional information. A letter drafted to that effect had been put on hold.

34. **Mr. Young** (United States of America) said that the notes verbales from Qatar related back to two parallel cases. Qatar had already requested authorization to extend the ferry service, which the Committee had initially approved for religious purposes. His delegation had requested additional information and had subsequently decided that the information provided by Qatar in response had been insufficient. With regard to the current request, merchandise was already transported by ship under the oil-for-food programme. As for passenger transport, the Committee had already approved the ferry service for religious and humanitarian purposes and could not, therefore, in the absence of any relevant new information, approve the request. His delegation considered that the Committee might in due course consent to prolonging the passenger transport service for religious purposes, if further information were supplied by Qatar.

35. **Mr. Li Junhua** (China) said that Qatar's request also related to passenger transport and the Committee could give its approval to that.

36. **Mr. Smirnov** (Russian Federation), concurring with the representative of China, pointed out that Security Council resolution 661 (1990) did not forbid the sea transport of passengers. Since the ship concerned would belong to Qatar, it could not be said that Iraq would gain any particular advantage. As for the transport of merchandise, the Chairman could indicate in his reply that the services must be provided in accordance with the relevant Security Council resolutions.

37. **Mr. McGurk** (United Kingdom) asked for further details on the ferry service, including its destination,

and on the control mechanisms applied to avoid forbidden products being imported into Iraq.

38. **Mr. Lawrence** (Jamaica), supporting the proposals by China and the Russian Federation, said that the Committee should clearly indicate what it could authorize. The Chairman should state in his letter to Qatar that the Committee had already considered the question of passenger transport and was awaiting additional information.

39. **Mr. Rani Ismael Hadi** (Malaysia) supported the views expressed by China, the Russian Federation and Jamaica.

40. **The Chairman** suggested that he should draft a letter to be distributed to members of the Committee under the no-objection procedure, taking into account the views expressed.

41. **Mr. Li Junhua** (China) said that his delegation was in favour of the Chairman's suggestion but would ask him to indicate in the letter that the Committee was disposed to look favourably on the request concerning passenger transport, if the relevant information requested were provided.

42. **Mr. Young** (United States of America) said that the letter should not raise too many hopes and thus prejudge the outcome.

43. **Mr. Mauriès** (France) said that basically his position was the same as that of the representatives of the Russian Federation, China, Malaysia and Jamaica. He recognized, however, that the questions raised by the representative of the United Kingdom were pertinent. Care must be taken to ensure that the services were in conformity with the oil-for-food programme.

44. **Mr. Chaouachi** (Tunisia) said that his delegation supported the proposal by the representative of China.

45. **The Chairman** said that he was not in favour of the Chinese proposal, since it would have the effect of obscuring the fact that experience had taught the Committee to take its decisions by consensus. If a delegation opposed the decision, the Committee would find itself in an uncomfortable situation, which would be regrettable. He suggested, however, that a letter should be drafted and submitted to members for their comments.

46. **Mr. McGurk** (United Kingdom) said that, before agreeing to Qatar's request, the Committee should

ensure that the services concerned did not run counter to Security Council resolution 661 (1990), paragraph 3. His delegation would want assurances that control mechanisms were in place to avoid any breach of the sanctions regime.

47. **Mr. Li Junhua** (China) said that he fully shared the concerns of the representative of the United Kingdom. However, he saw no point in the Chairman's writing to Qatar to request additional information, if he did not at least indicate that the information received might enable the Committee to give the request a positive response. The Chairman could at least indicate that the Committee would consider the question in depth.

48. **The Chairman** said that it would be wrong to raise too many hopes that might be disappointed. He thought, however, that he could draft a letter with wording acceptable to all delegations.

49. *It was so decided.*

**Letter dated 1 September 2000 from Jordan, concerning the Jordanian company ACDIMA (S/AC.25/2000/COMM.32 and Add.1)**

50. **The Chairman** said that the issue concerned the second letter requesting the Committee to authorize ACDIMA to sell its pharmaceuticals and release the funds of its subsidiary, ACAI, which were held by the Bank of New York. The company had provided additional information and Jordan hoped that the Committee would approve the request.

51. **Mr. Li Junhua** (China) said that the question had already been considered previously and that, if it were not possible to reach a consensus, the Committee should defer consideration to its next meeting. He wished to know whether the positions of all delegations had remained unchanged.

52. **Mr. McGurk** (United Kingdom) said that the delegation's position had not changed and that in fact there was nothing new in the information provided. Jordan's request should be rejected because over 50 per cent of the company in question was under Iraqi control and three of its four founders were Iraqi entities. Iraq had not yet implemented the provisions of Security Council resolution 1284 (1999) and nothing in the resolution authorized the realization of investments in an Iraqi company operating in Iraq. Jordan's request on Iraq's behalf was thus not admissible.

53. Mr. Mauriès (France) said that, when the Committee had last considered the question, it had wondered whether the matter fell within its competence. In view of the information provided by the Jordanian company, it seemed that it might. ACAI was not an Iraqi company, since attachment 4 to the communication indicated that it had been established as part of ACDIMA by a special Iraqi law. He asked the representative of the United Kingdom to state on what grounds he called ACAI an Iraqi company, even though Jordan maintained that it was not.

54. Mr. McGurk (United Kingdom) said that, according to the information provided, Iraq had majority control over the company, which meant that it was an Iraqi company.

55. Mr. Li Junhua (China) asked the representative of the United Kingdom to indicate which of the two letters contained the information that Iraq controlled over 50 per cent of shares in the company.

56. Mr. Young (United States of America) said that, either way, the intention was to withdraw frozen funds in order to use them in Iraq, which would be a flagrant breach of the existing sanctions regime. Jordan's request should be rejected for that reason alone.

57. The Chairman said that the position of the United Kingdom, supported by the United States, was clear. He suggested that the Committee should write to the Permanent Representative of Jordan informing him that the Committee had not been able to reach a consensus on acceding to his Government's request.

*... was so decided.*

58. Note verbale dated 4 September 2000 from the United Nations Educational, Scientific and Cultural Organization (UNESCO), concerning a bank account in Iraqi currency (S/AC.25/2000/COMM.100)

*... was so decided.*

59. The Chairman suggested deferring consideration of the question to the next meeting. The Office of the Programme had not been informed about the letter from UNESCO (S/AC.25/2000/COMM.100) and was therefore unable to give an opinion on the matter.

*... was so decided.*

Note verbale dated 22 May 2000 from the Syrian Arab Republic, concerning wheat from Iraq to be ground in Syrian mills (S/AC.25/2000/COMM.60 and S/AC.25/2000/CN.36)

62. The Chairman said that at its 202nd meeting the Committee had considered a Syrian request to let Syria grind wheat in Syrian mills for return to Iraq as flour. At the Committee's request, the Chairman had asked the Permanent Representative of Syria to provide further information on the request. The Committee also had before it a report on Iraq's flour milling capacity which it had requested from the Office of the United Nations Humanitarian Coordinator in Iraq.

63. Mr. Smirnov (Russian Federation) said that the Committee had no choice but to approve the Syrian request on humanitarian grounds. The Committee had before it a United Nations report describing the status of Iraqi flour mills. Wheat flour was an essential part of the household basket. It was not a question of providing Iraq with equipment, but rather with a basic element of food production. His delegation saw no reason not to approve the request at the current meeting.

64. Mr. Young (United States of America) asked whether information concerning the manner in which the service would be rendered and whether or not payment would be made had been received from the Permanent Mission of Syria. He also noted that spare parts in the amount of US\$ 13 million had been approved under phase V, US\$ 11 million under phase VI and US\$ 7 million under phase VII. Accordingly, significant quantities of equipment would soon arrive in Iraq and the number of requests on hold was relatively low. It was clear from the communication from the Office of the Iraq Programme that the volume of flour production called for under Security Council resolution 986 (1995) had thus far been met. The World Food Programme was carrying out a logistical study, the results of which would soon be transmitted to the Committee. Therefore, there should be no hurry to move production capacity outside Iraq; the focus should be on capacity-building within the country. It would be premature to approve the Syrian request until all previously raised questions had been answered.

65. Mr. Li Junhua (China) said that he supported the position taken by the delegation of the Russian Federation.

66. Mr. Mauriès (France) said that he agreed with the delegations of the Russian Federation and China. The financial transactions associated with the request would be more disturbing if the situation had been reversed; in the case at hand, Iraqi wheat would be sent to Syria and returned to Iraq as flour. It was Iraq which would have to make any necessary payments to Syria. However, there was no reason not to ask Syria to provide the Committee with further information on that aspect of the operation, after which the Committee could approve the request if the reply was deemed satisfactory.

67. The Chairman said that Syria had informed the Secretariat that it had nothing to add to its reply. Since the Committee had agreed to request further information and that information had not been provided, he did not see how the Committee could arrive at a solution during the current meeting.

68. Mr. McGurk (United Kingdom) said that one of the problems that had arisen during the Committee's consideration of the matter was the question of how the request would fit into the Iraqi food programme. The Office of the Iraq Programme had indeed stated that the Iraqi infrastructure had deteriorated, but wheat flour was still being produced. He understood that other questions had been raised regarding verification of payment for transport and insurance and oversight of the process as a whole. Those questions would need to be answered before the Committee took a decision. Since Syria had nothing to add, the Committee had nothing to decide until it received the additional information.

69. Ms. González Posse (Argentina) said that it was, of course, necessary to improve capacities within Iraq; however, in the interim, the Committee could approve the Syrian request or, if the situation worsened, consider adding wheat flour to the Distribution Plan so that it could be imported directly.

70. The Chairman suggested that he should again contact the Permanent Mission of Syria in order to seek the additional information that had been requested.

*It was so decided.*

**Letters dated 19 July and 22 August 2000 from Iraq concerning the impact of sanctions**  
(S/AC.25/2000/COMM.78 and S/AC.25/2000/COMM.96)

72. The Chairman suggested that the Committee should take note of the letters dated 19 July and 22 August from Iraq concerning the impact of the sanctions (S/AC.25/2000/COMM.78 and S/AC.25/2000/COMM.96).

73. *It was so decided.*

**Communications under the "no-objection" procedure** (S/AC.25/2000/COMM.2813-3484)

74. The Chairman said he took it that the Committee wished to take note of the status lists of applications under the "no-objection" procedure (S/AC.25/2000/COMM.2813-3484) so that the secretariat of the Office of the Iraq Programme could inform the missions concerned.

75. *It was so decided.*

**Other matters**

76. Mr. McGurk (United Kingdom) drew attention to a document that he had just distributed: an advertisement for a private firm, Chandhok Associates, which was based in New Delhi, India, and had offices in the United Arab Emirates. The advertisement invited manufacturers to participate in the first Iraq International Specialized Motor Show, to be held in Baghdad with the support of the Iraqi Ministry of Trade and under the auspices of the Iraqi Olympic Committee. He said that in his opinion, the firm should be informed that the introduction of goods into Iraq was subject to the Committee's authorization and that measures should also be taken to verify that the merchandise in question would not remain in Iraq after the end of the show.

77. Furthermore, he noted that in 1997 the Office of Legal Affairs had stated that the payment of charges and other fees to Iraqi entities under the heading of port services did not fall under Security Council resolution 661 (1990), paragraph 4, if the maritime transport activity which gave rise to such payment was otherwise permitted under all relevant resolutions. His delegation requested the Office of the Iraq Programme to explain why the payment of port charges could be made directly to the Iraqi authorities and why such charges were to be paid in dinars.

78. **Mr. Mauriès** (France) said that the question of trade fairs and shows held in Iraq had already been discussed and that it had been clear that the Committee was divided in its views. His delegation considered that while it should be ensured that the goods brought into Iraq for the fair mentioned by the delegation of the United Kingdom were removed from Iraq at the end of the fair, there was no reason for the introduction into Iraq of goods intended for such an event to be authorized by the Committee since they were not exports.

79. **Mr. Li Junhua** (China) said that in his opinion, the introduction of such goods into Iraq was subject to the Committee's authorization.

80. **Mr. Young** (United States of America), replying to the representative of France, noted that it was impossible to verify that goods brought into Iraq were removed from the country unless they were monitored at the time of entry. He agreed with the representative of China that the Committee's authorization was required.

81. **Ms. Scheer** (Office of the Iraq Programme) said that the change of policy regarding the payment of port charges had been the subject of enquiries from companies and missions, which had been submitted to the Office of Legal Affairs. That issue, and others, would be considered by the oil overseers at their next meeting.

82. **The Chairman** said he took it that the Committee wished to send copies of the Chandhok Associates advertisement to the Governments of India and the United Arab Emirates with a letter asking them to implement the relevant Security Council resolutions. He would circulate a draft letter to the Committee in the near future.

83. *It was so decided.*

84. **Mr. Li Junhua** (China) said that, with respect to Security Council resolution 1302 (2000), his delegation had raised an issue that the Committee had discussed in August 2000. Since the Executive Director of the Office of the Iraq Programme had appeared before the Committee on 21 September to provide explanations and apologies on that matter, his delegation would not insist that the opinion of the Legal Counsel should be sought and would make no further mention of the issue in the Committee.

85. **Mr. Mauriès** (France) said that his delegation wondered what had become of the list of additional items in the agriculture sector, which the Office of the Iraq Programme had mentioned in a letter dated 29 August 2000 and which had been disseminated under the "no-objection" procedure under paragraphs 17 and 25 of Security Council resolution 1284 (1999). He also requested information on the list of oil sector spare parts under phase VIII of the Programme, which had not been approved.

86. **The Chairman** said that all the lists in question were still on hold.

*The meeting rose at 5.45 p.m.*