



Security Council

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Letter dated 22 March 2000 from the Chairman of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait addressed to the President of the Security Council

I have the honour to transmit herewith a report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait, pursuant to paragraph 10 of Security Council resolution 1281 (1999) (see annex).

The report was approved by the Committee on 22 March 2000.

(Signed) A. Peter **van Walsum**
Chairman

Security Council Committee established by
resolution 660 (1990) concerning the
situation between Iraq and Kuwait

Annex

Report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995)

I. Introduction

1. The present report is submitted to the Security Council pursuant to paragraph 10 of resolution 1281 (1999), in which the Committee was requested, in close coordination with the Secretary-General, to report to the Security Council 90 days after the entry into force of paragraph 1 of the above resolution on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995). By paragraph 1 of resolution 1281 (1999), the Council decided that the provisions of resolution 986 (1995), except those contained in paragraphs 4, 11 and 12, would remain in force for a new period of 180 days beginning at 00.01 hours, Eastern Standard Time, on 12 December 1999.

2. This report, the thirteenth of its kind, covers the Committee's major activities with regard to the implementation of the above arrangements during the first 90-day period of phase VII of the oil-for-food programme after paragraph 1 of resolution 1281 (1999) came into force on 12 December 1999.

II. Sale of petroleum and petroleum products

3. Since the beginning of phase VII the export of petroleum from Iraq has proceeded smoothly, with excellent cooperation among the oil overseers, the independent inspection agents (Saybolt Nederland BV), the Iraqi State Oil Marketing Organization and the national oil purchasers.

4. The overseer continues to advise the Committee on the oil pricing mechanisms, oil contract approval and modifications, management of the revenue objective and other pertinent questions related to export and monitoring, under Security Council resolutions 986 (1995), 1175 (1998) and 1281 (1999).

5. As of 2 March 2000, the Committee, acting under the recommendation of the overseer, has reviewed and approved a total of 96 oil contracts for the sale of oil in phase VII, involving purchasers from 34 countries. The total quantity of oil approved for export under those contracts is approximately 272 million barrels. All contracts submitted used the pricing mechanisms approved by the Committee, on the recommendation of the overseer.

6. As of 2 March 2000, 116 liftings, totalling 141.3 million barrels worth of US\$ 3,519 million have been completed. Letters of credit opened for each of the liftings were reviewed and confirmed by the overseer in accordance with the terms and conditions of the approved contracts. About 42 per cent of the liftings were made at Ceyhan in Turkey. At current high prices the total revenue for phase VII is estimated to be around US\$ 7.2 billion, including the pipeline fees valued at about US\$ 200 million.

7. The overseer has worked with the independent inspection agents (Saybolt Nederland BV) to ensure the effective monitoring of the relevant oil installations and the liftings. They have received the full cooperation of the Iraqi authorities.

8. Pursuant to paragraph 2 of the procedures of the Committee (S/1996/636*), 472 national oil purchasers have been nominated from 67 countries who are authorized to communicate directly with the overseers.

9. Pursuant to paragraph 14 of the procedures of the Committee, the overseer has continued to report to it once a week on the contracts considered by him regarding the sale of petroleum originating in Iraq, including the cumulative quantity and approximate value of petroleum authorized for export. To date, 168 reports have been submitted to the Committee.

10. Since 1 July 1999 there has been only one oil overseer in function. The Committee is concerned about this situation and is committed to find a viable solution on the matter as soon as possible. In the meantime, the remaining overseer attends diligently to his work.

III. Humanitarian supplies to Iraq

11. As in previous phases, during the first 90-day period of phase VII, the Committee continued to attach high priority to the work of processing contracts for the supply of humanitarian goods to Iraq. Since the adoption of resolution 1284 in December 1999, the Committee has been working continuously in close cooperation with the Office of the Iraq Programme with a view to the early implementation of measures provided for in paragraphs 17, 18 and 25 in section C of the resolution.

12. As at 29 February 2000, the Secretariat had received 1,253 applications under phase V for exports of humanitarian supplies to Iraq. Of that total, 97 were subsequently cancelled, 1,125 have been circulated to Committee members for action and 31 are still being processed. Of those sent to the Committee for consideration, 962 have been found eligible for payment from the United Nations Iraq Account, totalling approximately \$1.6 billion (including 219 applications worth approximately \$344.4 million released from holds); none are still pending under the "no-objection" procedure; and 160, with a total value of \$504.2 million, have been placed on hold. During the same period of time, the Secretariat received 1,692 applications under phase VI for exports of humanitarian supplies to Iraq, 1,290 of which have been circulated to Committee members for action and 381 of which are still being processed. Of those sent to the Committee for consideration, 833 have been found eligible for payment from the United Nations Iraq Account, totalling approximately \$1.5 billion (including 121 applications worth approximately \$182.4 million released from holds). Five are still pending under the "no-objection" procedure; and 399, with a total value of \$886.8 million, have been placed on hold.

13. The work of goods-arrival confirmation by the United Nations independent inspection agents (Cotecna) has continued, in accordance with the established procedures, at the four entry points to Iraq, at Al-Walid, Trebil, Umm Qasr and Zakho. As in previous phases, the Iraqi authorities have accorded the independent agents full cooperation in their work. During the second half of phase VI, 4,360 consignments of humanitarian supplies from current and previous phases have been confirmed as having arrived in Iraq in full or partial shipments.

14. Members of the Committee will continue the practice of keeping under review those humanitarian contracts that have been placed on hold. The Committee intends to convene another meeting during this phase to conduct such a review.

IV. Matters relating to oil spare parts and equipment to Iraq

15. The Committee has made continuous efforts to expedite the approval process for contracts for sending oil spare parts and equipment to Iraq in accordance with existing procedures.

16. During the period covered by the present report, the Secretariat has received 885 new applications valued at \$565.1 million to export oil spare parts and equipment to Iraq and has circulated 590 applications to the members of the Committee for consideration, including those left from previous resolutions. A total of 346 applications worth \$194.3 million have been approved during this period, including 51 applications valued at \$39.5 million, which were released from previous holds since the Committee's previous report. At the same time, 347 contracts valued at \$220.4 million have been placed on hold (with 42 of them valued at \$17 million subsequently released from hold).

17. From the beginning of the process to 29 February 2000, the number of applications received by the Committee to ship oil spare parts and equipment to Iraq under previous resolutions reached a total of 2,181, with a value of \$1.2 billion. Of those, 1,706 have been circulated to the members of the Committee for consideration, 13 are being reviewed by customs experts awaiting amendments to the distribution plan, 184 have been returned to the applicant missions for clarification and 60 have been declared null and void. Of the 1,706 applications circulated, 1,128, with a total value of \$591.5 million, have been approved; 564, valued at \$324.9 million, have been placed on hold; and 14 applications are pending under the "no-objection" procedure. As at 29 February 2000, 509 such shipments have arrived in Iraq in full or in part.

18. Members of the Committee will continue the practice of keeping under review those contracts for oil parts and equipment that have been placed on hold and the Committee intends to convene another meeting during this phase to conduct such a review.

V. Other activities

19. The Committee has held two formal meetings and seven informal consultations at expert level during the reporting period to discuss various issues related to the implementation of the oil-for-food programme. The Committee has considered, *inter alia*, the following issues:

(a) Mr. Benon Sevan, the Executive Director of the Office of the Iraq Programme, briefed the Committee on the steady increase in the number of holds placed on applications for contracts under resolution 986 (1995), as expressed in the Secretary-General's reports S/1999/896 and S/1999/1162. He drew members' attention in particular to the increase in the number of holds under phase VI.

(b) The Committee met a number of times at expert level to discuss matters related to the implementation of section C of resolution 1284 (1999). Members of the Committee considered the draft procedures proposed by the OIP for the implementation of paragraphs 17 and 25 of that resolution and found the draft procedures were generally acceptable. The Committee has approved the lists of foodstuffs and educational items pursuant to paragraph 17 of resolution 1284 (1999) and is now reviewing all humanitarian applications submitted to it within a two working day deadline pursuant to paragraph 25 of resolution 1284 (1999).

(c) Currently, members of the Committee are studying the draft procedures, proposed by the OIP, which are to be employed by the Secretariat for the implementation of paragraph 18 of resolution 1284 (1999) concerning the approval of contracts for parts and equipment necessary to enable Iraq to increase its oil export.

(d) At the same time, members of the Committee are reviewing two more lists of humanitarian items related to agriculture and health which are submitted by the OIP pursuant to paragraph 17 of resolution 1284 (1999).

VI. Conclusions

20. The Committee is committed to work closely with the Office of the Iraq Programme and all parties concerned to ensure the effective implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995). The Committee wishes to reiterate its appreciation to all parties concerned for their cooperation and contribution in this regard.
