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INFO	LOG-00	NP-00	AF-00	AID-00	AMAD-00	ACQ-00	CIAE-00
	SMEC-00	INL-00	DODE-00	DOEE-00	WHA-00	SRPP-00	DS-00
	EAP-00	EB-00	EUR-00	OIGO-00	VC-00	H-01	TEDE-00
	INR-00	L-00	MCO-01	VCE-00	MOFM-04	MOF-03	M-00
	AC-01	NEA-00	NSAE-00	NSCE-00	OIC-02	OMB-01	PA-00
	PM-00	PRS-00	ACE-00	P-00	SP-00	SS-00	TRSE-00
	T-00	USIE-00	SA-00	SNIS-00	NISC-00	PMB-00	DSCC-00
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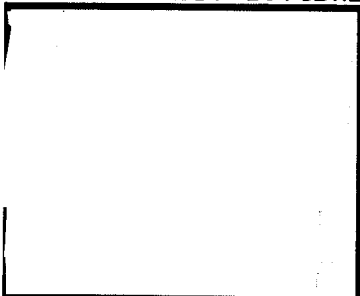
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FM SECSTATE WASHDC
TO AMEMBASSY BAMAKO IMMEDIATE

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AMEMBASSY BEIJING IMMEDIATE
 AMEMBASSY BERLIN IMMEDIATE
 AMEMBASSY BERN IMMEDIATE
 AMEMBASSY BRUSSELS IMMEDIATE
 AMEMBASSY BUDAPEST IMMEDIATE
 AMEMBASSY BUENOS AIRES IMMEDIATE
 AMEMBASSY CANBERRA IMMEDIATE
 AMEMBASSY COPENHAGEN IMMEDIATE
 AMEMBASSY DHAKA IMMEDIATE
 AMEMBASSY HELSINKI IMMEDIATE
 AMEMBASSY KIEV IMMEDIATE
 AMEMBASSY KINGSTON IMMEDIATE

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AMEMBASSY KUALA LUMPUR IMMEDIATE
AMEMBASSY LISBON IMMEDIATE
AMEMBASSY LONDON IMMEDIATE
AMEMBASSY LUXEMBOURG IMMEDIATE
AMEMBASSY MADRID IMMEDIATE
AMEMBASSY MOSCOW IMMEDIATE
AMEMBASSY OSLO IMMEDIATE
AMEMBASSY OTTAWA IMMEDIATE
AMEMBASSY PARIS IMMEDIATE
AMEMBASSY PRAGUE IMMEDIATE
AMEMBASSY REYKJAVIK IMMEDIATE
AMEMBASSY ROME IMMEDIATE
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AMEMBASSY THE HAGUE IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
AMEMBASSY TUNIS IMMEDIATE
AMEMBASSY WELLINGTON IMMEDIATE
AMEMBASSY WINDHOEK IMMEDIATE
INFO

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IRAQ COLLECTIVE IMMEDIATE
AMEMBASSY KUWAIT IMMEDIATE
AMEMBASSY RIYADH IMMEDIATE
USMISSION USUN NEW YORK IMMEDIATE

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E.O. 12958: DECL: 12/13/2005
TAGS: IZ, PREL, UNSC
SUBJECT: RESISTING IRAQ'S EFFORTS TO COLLECT UNAUTHORIZED
SURCHARGE

REF: STATE 228383

CLASSIFIED BY IO A/S DAVID WELCH FOR REASONS 1.5 (B) AND (D)

1. ~~(S)~~ RECENT PRESS REPORTS INDICATE THAT IRAQ IS ONCE AGAIN ATTEMPTING TO IMPOSE A SURCHARGE ON OIL BUYERS TO BE PAID INTO AN ACCOUNT NOT CONTROLLED BY THE UN. THE US BELIEVES SUCH AN ACTION--WHICH IS INTENDED TO EVADE UN SANCTIONS, DIVERT FUNDS FROM THE OIL FOR FOOD PROGRAM AND PROVIDE THE BAGHDAD REGIME WITH A SOURCE OF ILLICIT INCOME--MUST BE STRONGLY OPPOSED. A NUMBER OF SHIPS ARE WAITING TO LOAD IRAQI OIL BUT HAVE NOT DONE SO, LENDING CREDENCE TO THE REPORTS THAT IRAQ IS DEMANDING THE SURCHARGE AND OIL PURCHASERS ARE BALKING.

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2. ~~(C)~~ IT IS IMPORTANT FOR UNSC MEMBERS AND OTHER KEY NATIONS TO REBUFF THIS EFFORT BY IRAQ TO UNDERMINE THE UN SANCTIONS REGIME AND OBTAIN AN UNCONTROLLED SOURCE OF ILLICIT FUNDS. IT IS ALSO IMPORTANT TO WARN OIL BUYERS THAT MIGHT BE TEMPTED

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TO PAY A SURCHARGE TO THE IRAQIS. WE ISSUED A PRESS STATEMENT ON DECEMBER 11 (TEXT IN PARA 4 BELOW) DIRECTED AT THOSE TWO OBJECTIVES.

3. ~~(C)~~ ACTION REQUESTED. EMBASSY IS REQUESTED TO APPROACH HOST GOVERNMENT AT APPROPRIATE LEVEL AND MAKE POINTS BELOW AS A FOLLOW-ON TO REF DEMARCHE.
EMBASSY MAY PROVIDE A COPY OF THE PRESS STATEMENT IN PARA 4.

-- THE UN OIL OVERSEERS AND IRAQI STATE OIL COMPANY SOMO REACHED AN AGREEMENT ON OIL PRICING FOR DECEMBER. SINCE THEN, HOWEVER, THERE ARE CREDIBLE REPORTS THAT IRAQ IS DEMANDING THAT OIL BUYERS PAY A PER-BARREL SURCHARGE TO AN ACCOUNT NOT CONTROLLED BY THE UN.

-- SUCH PAYMENTS WOULD BE VIOLATIONS OF UN SANCTIONS AND DEPRIVE THE IRAQI PEOPLE OF OIL-FOR-FOOD INCOME.

-- WE ALL NEED TO BE VIGILANT TO IRAQ'S ATTEMPTS TO OBTAIN A SOURCE OF FUNDS NOT UNDER UN CONTROL.

-- AS WAS THE CASE DURING IRAQ'S RECENT ATTEMPTS TO CREATE AN IMPASSE WITH THE UN ON PRICING FOR ITS OIL, THE U.S. RESOLVE TO STAND UP TO IRAQI BLACKMAIL REMAINS FIRM. THE U.S. MAINTAINS LARGE STRATEGIC PETROLEUM RESERVES AND IS PREPARED TO ACT, IN CONCERT WITH ITS PARTNERS IN INTERNATIONAL ENERGY AGENCY, TO COUNTER THE EFFECT ON OIL SUPPLY OF IRAQI PROVOCATIONS.

-- WE ISSUED A PRESS STATEMENT ON DECEMBER 12 INTENDED TO ENSURE THAT OIL BUYERS KNOW THAT PAYING A SURCHARGE TO IRAQ

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IS NOT AUTHORIZED AND THAT THEY ARE UNDER CLOSE SCRUTINY.

-- URGE YOU TO CONSIDER TAKING SIMILAR ACTIONS AS APPROPRIATE.

(FOR SECURITY COUNCIL MEMBERS)

-- URGE YOU TO INSTRUCT YOUR MISSION IN NEW YORK TO SUPPORT ACTIONS BY THE UN OVERSEERS OR THE IRAQ SANCTIONS COMMITTEE

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THAT WOULD FIRMLY DISSUADE BUYERS OF IRAQI CRUDE FROM PAYING ANY SURCHARGE.

4. (U) BEGIN PRESS STATEMENT.

DECEMBER 12, 2000

U.S. DEPARTMENT OF STATE

STATEMENT BY PRESS SPOKESMAN

IRAQI ATTEMPT TO LEVY OIL SURCHARGE

THE U. S. GOVERNMENT IS AWARE OF MEDIA REPORTS THAT THE IRAQI GOVERNMENT IS ATTEMPTING TO FORCE ITS OIL CUSTOMERS TO VIOLATE UN SECURITY COUNCIL RESOLUTIONS BY DEMANDING THAT THEY SECRETLY PAY A PREMIUM INTO AN IRAQI CONTROLLED ACCOUNT.

THE U. S. GOVERNMENT IS CONCERNED ABOUT THESE REPORTS AND IS LOOKING INTO THEM VERY CLOSELY.

UN SECURITY COUNCIL RESOLUTIONS UNEQUIVOCALLY REQUIRE THAT FEES PAID FOR IRAQI OIL BE DEPOSITED INTO A UN-CONTROLLED ESCROW ACCOUNT, WHERE THE FUNDS CAN BE USED IN THE OIL-FOR-FOOD PROGRAM TO PROVIDE FOR THE HUMANITARIAN NEEDS OF

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THE IRAQI PEOPLE. PAYING A SURCHARGE OF ANY AMOUNT TO IRAQ WOULD VIOLATE UN SECURITY COUNCIL RESOLUTIONS AND DEPRIVE THE IRAQI PEOPLE OF OIL-FOR-FOOD FUNDS. IRAQ,S ATTEMPTED EXTORTION OF THE INTERNATIONAL COMMUNITY HAS ALREADY COST THE PEOPLE OF IRAQ HUNDREDS OF MILLIONS OF DOLLARS IN LOST OIL SALES. THIS MONEY WOULD HAVE GONE INTO THE UN-CONTROLLED FUND FOR THE BENEFIT OF THE IRAQI PEOPLE.

COMPANIES THAT BUY OIL ON WORLD MARKETS KNOW THE CLOSE ATTENTION THAT IS FOCUSED, IN ALL JURISDICTIONS, ON THE OIL INDUSTRY AND THE IMPORTANCE OF KEEPING ACTIVITIES STRICTLY LEGAL, AND WE WOULD EXPECT COMPANIES TO REJECT IRAQ,S LATEST ATTEMPT AT INTIMIDATION.

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