

PARTIAL RELEASE

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ACTION IO-00

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B1, 1.4(B)(D)
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INFO	LOG-00	NP-00	AF-00	ACQ-00	SMEC-00	CIP-00	COME-00
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	AC-01	NEA-00	NSAE-00	OIC-02	OMB-01	PA-00	PM-00
	PRS-00	ACE-00	P-00	SP-00	IRM-00	SSO-00	SS-00
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 FM USMISSION USUN NEW YORK
 TO SECSTATE WASHDC IMMEDIATE 3965
 INFO IRAQ COLLECTIVE IMMEDIATE
 UN SECURITY COUNCIL COLLECTIVE IMMEDIATE
 CJCS WASHDC IMMEDIATE
 NSC WASHDC IMMEDIATE
 SECDEF WASHDC IMMEDIATE
 CIA WASHDC IMMEDIATE
 WHITEHOUSE WASHDC IMMEDIATE

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WHITE HOUSE FOR OVP

E.O. 12958: DECL: 06/05/2011
 TAGS: ETTC, PREL, UNSC, IZ
 SUBJECT: UN/IRAQ: SECOND POST-1352 EXPERTS' DISCUSSION;
 US/UK PERMREPS' MEETING WITH COUNCIL NAM AMBASSADORS

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REF: USUN 1301 AND PREVIOUS

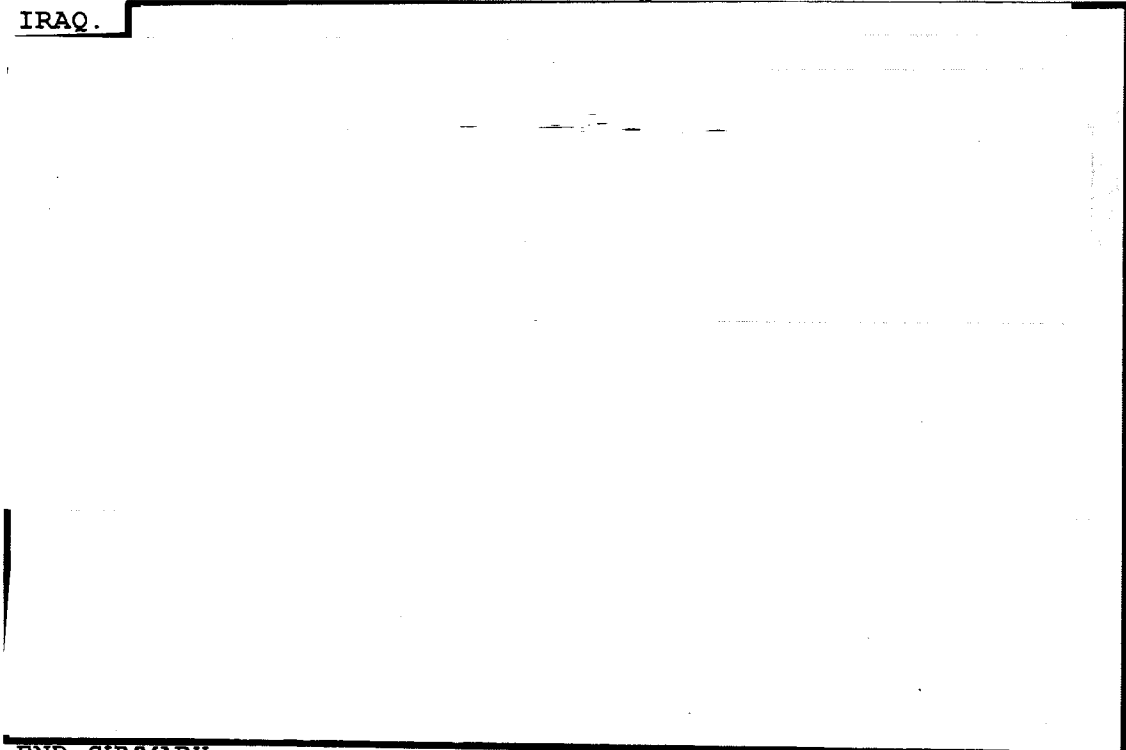
(U) CLASSIFIED BY: [REDACTED] B-6
 REASONS: 1.5 (B/D).

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1. ~~(S)~~ SUMMARY: SECURITY COUNCIL IRAQ EXPERTS MET JUNE 5 TO CONTINUE DISCUSSIONS ON THE NEW APPROACH TO IRAQ SET OUT IN UNSCR 1352. FOLLOWING THEIR JUNE 4 DISCUSSION OF THE PROCESSING OF OIL FOR FOOD CONTRACTS USING THE GOODS REVIEW LIST (GRL), THE EXPERTS TOOK UP THE SECOND MAJOR ISSUE AREA OF CONTROLLING THE FLOW OF GOODS AND REVENUES TO IRAQ THROUGH THE NEIGHBORING STATES. THE GROUP ALSO BEGAN DISCUSSION OF "OTHER ISSUES" IDENTIFIED IN RESOLUTION 1352 WITH COMMENTS ON

IRAQ'S OIL SURCHARGE AND ON NON-IRAQI CIVILIAN FLIGHTS TO IRAQ.

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END SUMMARY.

NEIGHORING STATES ISSUES

2. ~~(C)~~ ON CONTROLLING THE FLOW OF GOODS AND REVENUES TO IRAQ THROUGH THE NEIGHBORING STATES, ISSUES OF CONCERN AMONG SECURITY COUNCIL EXPERTS WERE AS FOLLOWS:

-- CONSULTATIONS WITH NEIGHBORING STATES: THE U.S., UK, FRANCE, CHINA AND OTHERS SPOKE OF THE IMPORTANCE OF CONSULTING WITH JORDAN, SYRIA AND TURKEY -- THE THREE STATES SHARING LAND BORDERS WITH IRAQ THAT WOULD BE AFFECTED BY THE PROPOSED MEASURES TO CONTROL THE FLOWS OF GOODS AND REVENUES. FRANCE SUGGESTED INVITING JORDAN, SYRIA AND TURKEY'S EXPERTS TO A MEETING OF COUNCIL IRAQ EXPERTS, WHILE RUSSIA PROPOSED HOLDING AN AMBASSADORIAL-LEVEL MEETING WITH THE AFFECTED STATES AND CALLED THE CONSULTATIONS AN IMPORTANT PUBLIC RELATIONS MEASURE. THE U.S. AND NORWAY URGED THE GROUP TO RESPECT THE SENSITIVITIES OF THE STATES IN QUESTION WITH REGARD TO CONSULTING ON IRAQ SANCTIONS. THE U.S. ENCOURAGED ALL COUNCIL MEMBERS TO CONSULT BILATERALLY WITH THOSE STATES RATHER THAN PUTTING THEM IN AN "AWKWARD AND UNCOMFORTABLE" POSITION IN THIS DISCUSSION. THE UK INDICATED THAT IT WOULD SPEAK WITH THE NEIGHBORS ON WAYS TO ENGAGE IN CONSULTATIONS.

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-- HELPING OR HURTING NEIGHBORING STATES: FRANCE SAID THAT

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THE UK DRAFT SOUGHT TO ALTER THE LEGAL JORDANIAN BARTER ARRANGEMENT BY IMPOSING BORDER CONTROLS, MONITORING AND A GOODS NOTIFICATION PROCEDURE. FRANCE ARGUED THAT THE NEIGHBORING STATES WOULD NOT COOPERATE WITH THE PROPOSED ARRANGEMENTS IF THESE WOULD HURT THEIR FINANCIAL INTERESTS OR CONSTRAIN THEM MORE THAN THEY ARE NOW. THE UK SAID THAT WHILE THE LEGITIMACY OF THE EXISTING JORDAN-IRAQ ARRANGEMENT WAS NOT IN QUESTION, THE COUNCIL HAD ACKNOWLEDGED A PROBLEM WITH THE FLOW FROM THE REGION OF GOODS AND REVENUES TO IRAQ OUTSIDE UN CONTROL. THE UK RESOLUTION "PROPOSED BRINGING ALL LEGAL ARRANGEMENTS IN THE REGION INTO THE SAME FRAMEWORK." THE U.S. ACKNOWLEDGED THE CURRENT JORDANIAN ARRANGEMENTS BUT NOTED THAT NONE OF US WERE SATISFIED WITH THE CURRENT SITUATION AND IT HAD TO BE IMPROVED. ULTIMATELY, FRANCE SOUGHT A RESOLUTION THAT PROVIDED INCENTIVES FOR NEIGHBORING STATES TO BE INVOLVED IN THIS PROCESS. IT ALSO SOUGHT MAXIMUM ROOM FOR THE SECRETARY-GENERAL TO MANEUVER IN WORKING WITH NEIGHBORING STATES. THE UK PARAMETERS, ACCORDING TO THE FRENCH, WERE TOO CONSTRAINING ON THE SECRETARY-GENERAL. THE U.S. ARGUED THAT THE SECRETARY-GENERAL WOULD WANT THE COUNCIL'S GUIDANCE AND THAT THE COUNCIL NEEDED TO STRIKE A BALANCE BETWEEN PROTECTING NEIGHBORING STATES' ECONOMIC INTERESTS AND PROTECTING THE SECURITY INTERESTS OF THE COUNCIL BY LIMITING THE FLOW OF DANGEROUS GOODS AND REVENUE

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TO IRAQ. THE UK POINTED OUT THAT THERE WERE ALREADY
INCENTIVES BUILT INTO THE RESOLUTION THAT: (A) ALLOWED FOR
FREE PRICING BETWEEN IRAQ AND THE STATE CONCERNED, AND (B)
EXEMPTED ANY NATIONAL ESCROW ACCOUNTS FROM DEDUCTIONS FOR
OTHER UN ACCOUNTS.

-- SAFETY NET FOR NEIGHBORING STATES: FRANCE ASSERTED THAT
THE RESOLUTION ELABORATING THE NEW APPROACH NEEDED TO INCLUDE
A MECHANISM TO COMPENSATE JORDAN, SYRIA AND TURKEY IF IRAQ
RETALIATED AGAINST THEIR COOPERATION WITH THE COUNCIL BY
SEVERING TRADE. THE FRENCH PROPOSED DRAWING ON THE UNCC, BUT
NOT ON THE HUMANITARIAN ACCOUNTS FOR IRAQ, SINCE ONE OF THE
COUNCIL'S GOALS WAS TO IMPROVE IRAQ'S HUMANITARIAN SITUATION.
THE UNMOVIC ACCOUNT ALSO HAD FUNDS AVAILABLE. [

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-- SAFETY NET (CONTINUED): FRANCE THOUGHT THE SAFETY NET
SHOULD ADDRESS ANY COUNTRIES' REQUESTS FOR COMPENSATION, EVEN

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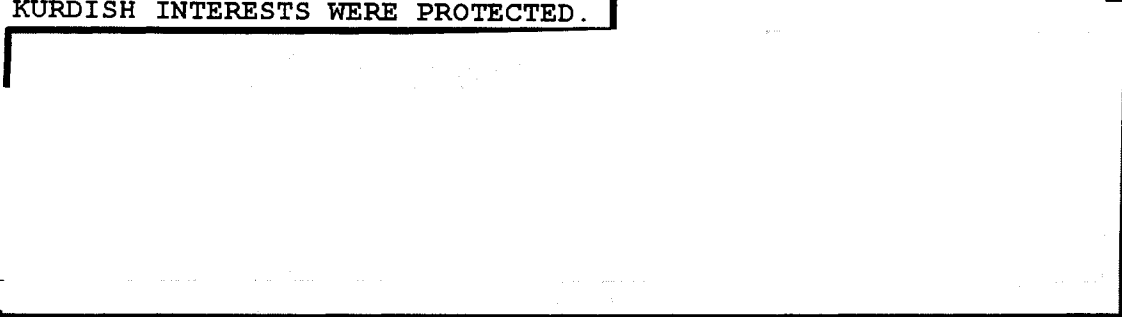
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THOSE THAT WERE NOT NEIGHBORS TO IRAQ. FRANCE ARGUED THAT, SINCE NON-NEIGHBORING STATES TRADED WITH IRAQ, THEY ALSO SHOULD BE SUBJECT TO NEW ARRANGEMENTS -- SUCH AS THE PROPOSED INSPECTIONS OF FLIGHTS TO IRAQ -- AND SHOULD BE COMPENSATED IF IRAQ RETALIATED. THE UK CLARIFIED THAT ONLY JORDAN, SYRIA AND TURKEY WOULD BE REQUIRED TO IMPLEMENT NEW CUSTOMS AND FINANCIAL ARRANGEMENTS BECAUSE ONLY THEY IMPORTED IRAQI OIL AND THEREBY PROVIDED IRAQ WITH SUBSTANTIAL REVENUES. IRAN DID NOT IMPORT IRAQI OIL OR TRADE HEAVILY WITH IRAQ, AND THEREFORE DID NOT NEED TO ADOPT FINANCIAL OR TRADE CONTROLS. THE COUNCIL SHOULD WORK WITH IRAN ON PREVENTING OIL SMUGGLING THROUGH ITS WATERS, AND THE RESOLUTION OFFERED IRAN CUSTOMS ASSISTANCE. THE U.S. SAID THE ARRANGEMENTS FOR NEIGHBORING STATES WERE INTENDED TO MINIMIZE ILLEGAL FLOWS OF GOODS AND REVENUES TO IRAQ, AND WERE NOT/NOT RELATED TO THIRD COUNTRIES' UN CHARTER ARTICLE 50 REQUESTS FOR COMPENSATION FOR THE ECONOMIC COSTS OF SANCTIONS. ANY SAFETY NET DISCUSSIONS NEEDED TO BE SEPARATE FROM ARTICLE 50 CLAIMS AS THEY WERE SPECIFICALLY RELATED TO NEIGHBORING STATES AND THE RESOLUTIONS' PROPOSALS. THE U.S. AGREED WITH BANGLADESH THAT THE PROPOSED ARRANGEMENTS WOULD NOT SUPERSEDE THE RIGHT OF STATES TO MAKE ARTICLE 50 REQUESTS TO THE 661 COMMITTEE.

-- ASSISTANCE FOR THE KURDS: FRANCE ASKED HOW THE NEIGHBORING STATES PROVISIONS WOULD AFFECT THE FLOW OF REVENUES TO THE KURDS WHO THEY SAID WERE THE MAJOR BENEFICIARIES OF THE ILLEGAL IRAQ-TURKEY TRADE. THE KURDS CHARGED TRANSIT FEES AND ACTED AS MIDDLEMEN IN THE SALE OF IRAQI OIL TO TURKEY, AND WOULD LOSE IF IRAQ SEVERED TRADE WITH TURKEY. THE UK AND U.S. APPRECIATED THE CONCERN FOR THE KURDS, BUT ASSERTED THAT KURDISH INTERESTS WERE PROTECTED.

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-- NATIONAL ESCROW ACCOUNTS VS. BARTER: FRANCE ASSERTED THAT THE UK DRAFT BLURRED THE DISTINCTION BETWEEN THE PROPOSED BARTER ARRANGEMENTS AND NATIONAL ESCROW ACCOUNT ARRANGEMENTS BY OBLIGING THE STATES TO NOTIFY ALL CONTRACTS TO THE SECRETARIAT UNDER EITHER ARRANGEMENT.

-- CAP ON NEIGHBORING STATES OIL FLOWS: FRANCE ARGUED THAT THE UK-PROPOSED CAP (150,000 BARRELS/DAY) ON JORDAN, SYRIA AND TURKEY'S OIL IMPORTS FROM IRAQ WAS TOO LOW SINCE SYRIA

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AND TURKEY PRESENTLY IMPORTED OVER 200,000 BARRELS/DAY OF IRAQI OIL.

OIL SURCHARGE

3. ~~(S)~~ ON MINIMIZING IRAQ'S OIL SURCHARGE, THE ISSUES OF CONCERN TO COUNCIL EXPERTS WERE AS FOLLOWS:

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-- RUSSIAN OBJECTION: RUSSIA OPPOSED SETTING INTERNATIONAL CRITERIA FOR COMPANIES ELIGIBLE TO PURCHASE IRAQI OIL AND MAINTAINED THAT NATIONAL MEASURES WERE ADEQUATE TO WEED OUT

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COMPANIES PAYING THE SURCHARGE. RUSSIA WONDERED WHY THEY WOULD NOT BE COMPENSATED IF THEIR COMPANIES WERE PENALIZED. THE U.S., UK, NORWAY AND IRELAND ARGUED THAT COLLECTIVE MEASURES WERE NECESSARY. NATIONAL MEASURES, ON WHICH THE SYSTEM RELIED AT PRESENT, WERE CLEARLY NOT SUFFICIENT SINCE IRAQ CONTINUED TO COLLECT SIGNIFICANT SURCHARGES. THE U.S. EMPHASIZED THAT THE INTENTION WAS NOT TO DAMAGE LEGITIMATE TRADERS, AND OFFERED TO WORK WITH RUSSIA TO ADDRESS ANY CONCERNS THAT THE MEASURES WOULD HURT RUSSIAN COMPANIES.

-- TIMELINESS: FRANCE WORRIED ABOUT DELAYS IN ESTABLISHING THE PROPOSED SYSTEM, AND WANTED A DEADLINE FOR THE 661 COMMITTEE TO PREPARE THE LIST OF COMPANIES. THE UK AGREED THAT THE RESOLUTION MIGHT SET SUCH A DEADLINE. FRANCE INVITED COUNTRIES TO WEED OUT THEIR OWN LISTS OF OIL TRADERS BEFORE THE NEW SYSTEM WAS OPERATIONAL. THE UK EXPLAINED THAT UK LAW DID NOT PERMIT THE GOVERNMENT TO BAR COMPANIES FROM PURCHASING IRAQI OIL. THE UK WOULD REQUIRE INTERNATIONAL LAW, SUCH AS THE PROPOSED RESOLUTION, TO DO SO. IRELAND INDICATED THAT IT SHARED THE UK DIFFICULTY IN THIS REGARD. BANGLADESH AND CHINA QUESTIONED WHICH BODY WOULD DETERMINE WHICH COMPANIES MET THE CRITERIA -- THE COMMITTEE, THE SECRETARIAT, OR NATIONAL GOVERNMENTS.

-- OBJECTIVITY: CHINA AND RUSSIA EXPRESSED CONCERN THAT POLITICAL INTERESTS WOULD INFLUENCE THE COMPOSITION OF THE

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LIST BY THE 661 COMMITTEE. NORWAY ARGUED THAT THE SECRETARY GENERAL COULD DEVISE OBJECTIVE CRITERIA THAT WOULD PRECLUDE POLITICIZATION.

CIVILIAN FLIGHTS TO IRAQ

4. ~~(C)~~ ON AUTHORIZING NON-IRAQI CIVILIAN FLIGHTS TO IRAQ, THE ISSUES OF CONCERN TO COUNCIL EXPERTS WERE AS FOLLOWS:

-- IMPLEMENTATION: FRANCE WAS CONCERNED ABOUT DELAYS IN ESTABLISHING THE INSPECTION SYSTEM FOR FLIGHTS TO IRAQ. FRANCE WANTED TO APPEND TO THE PROPOSED RESOLUTION A LIST OF COUNTRIES VOLUNTEERING TO CARRY OUT FLIGHT INSPECTIONS, WHICH WOULD INCLUDE FRANCE. THE UK CAUTIONED THAT ESTABLISHING THE LIST AND SETTING UP NATIONAL AND UN MONITORS WOULD TAKE TIME, SO ANNEXING THE LIST TO THE RESOLUTION MIGHT NOT BE POSSIBLE. FRANCE WANTED TO ENSURE THAT THIS PARAGRAPH BECAME OPERATIONAL IMMEDIATELY UPON THE ADOPTION OF THE RESOLUTION.

-- NOTIFICATION PERIOD: FRANCE WANTED A TWO-DAY NOTIFICATION

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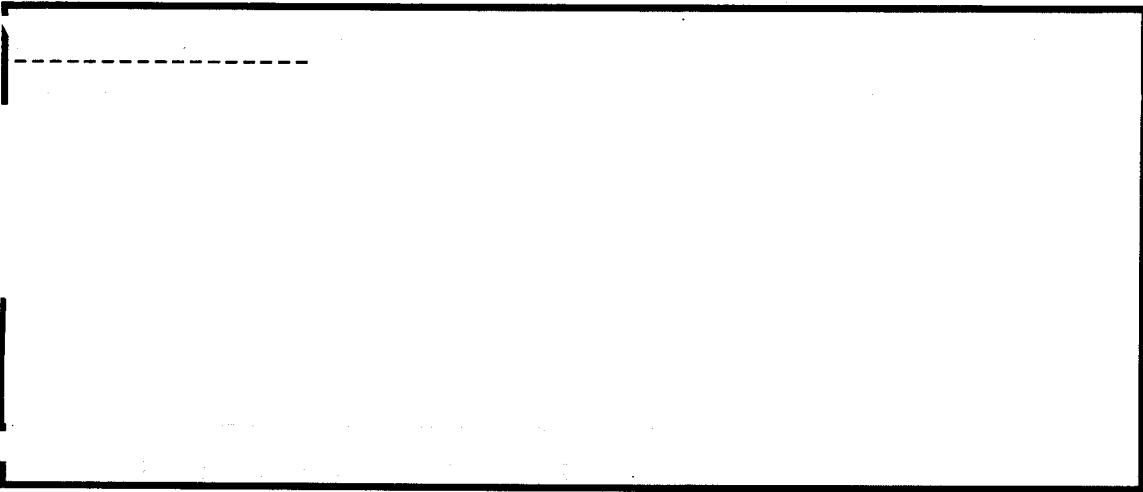
PERIOD FOR FLIGHTS, NOT THE PROPOSED FIVE-DAY PERIOD. THE UK PROPOSED CONSULTING WITH THE SECRETARIAT TO DETERMINE HOW MUCH TIME WOULD BE REQUIRED TO FACILITATE INSPECTIONS.

-- USE OF IRAQI AIRCRAFT: FRANCE ARGUED THAT IRAQI AS WELL AS NON-IRAQI AIRCRAFT SHOULD BE AUTHORIZED TO FLY INTERNATIONALLY. THE UK WAS RESISTANT TO THE FRENCH PROPOSAL. THE U.S. ARGUED THAT FRANCE SHOULD EMBRACE THE PROPOSAL TO ALLOW INTERNATIONAL CIVILIAN FLIGHTS TO IRAQ, WHICH ADDRESSED FRANCE'S HUMANITARIAN CONCERN. IRAQI FLIGHTS

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PAGE 04 USUN N 01314 03 OF 04 060010Z WERE NOT NECESSARY IN ORDER TO PROVIDE INTERNATIONAL AIR LINKS TO THE IRAQI PEOPLE.

-- INSPECTION OF RETURN FLIGHTS: FRANCE ASSERTED THAT ONLY FLIGHTS TO IRAQ AND NOT/NOT FLIGHTS FROM IRAQ SHOULD BE INSPECTED. THE U.S. ARGUED THAT FLIGHTS FROM IRAQ COULD CARRY BANNED NON-OIL EXPORTS, GOODS FOR RE-EXPORT, AND MILITARY EQUIPMENT FOR REPAIR. UKUN SIGNALLED THAT IT MIGHT BE ABLE TO AGREE WITH FRANCE ON THIS POINT.



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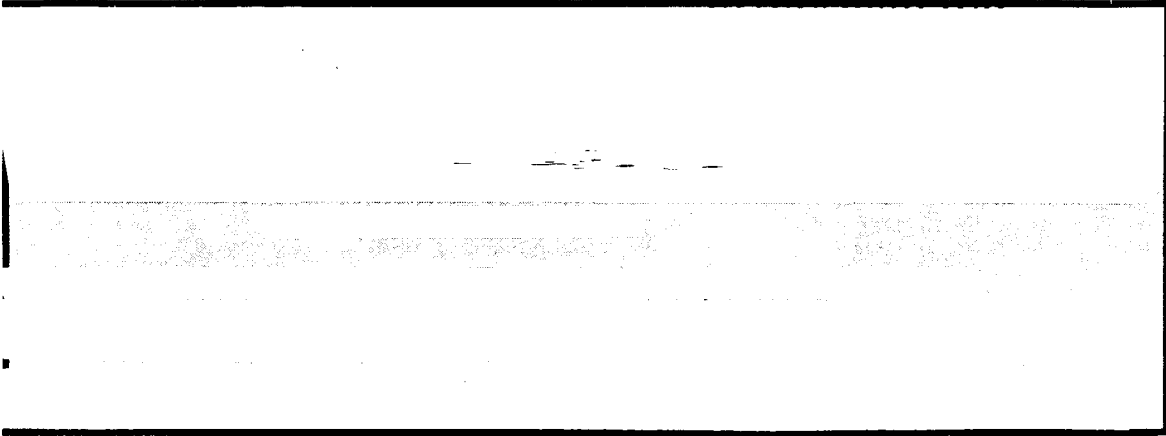
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