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BACKGROUND

Despite our clear warnings of U.S. action should he persist in fueling the civil war in Sierra Leone, Charles Taylor has continued to arm the RUF and direct RUF operations. With Taylor's support, the RUF has recently expanded its operations along the Liberia-Guinea border. Simultaneously, Taylor is trying harder to conceal his support of the RUF. Over the past month, he has engaged in a diplomatic charm offensive, hoping to convince regional leaders he is working hard to steer the RUF towards a peaceful settlement.

Consistent with the Deputies' August 7 agreement to look for ways to speed up implementation of sanctions against Liberia, an IWG on Liberian sanctions has examined several follow-on measures to the visa restrictions announced October 11. These measures are elaborated on below. They fall into two categories: measures which would be most effectively pursued multilaterally and unilateral measures. We had initially considered awaiting the report of a UN Sierra Leone Sanctions Committee Expert Panel. However, that report has been delayed and Taylor's support for the RUF continues. While we may not obtain UNSC support for all of the proposed multilateral sanctions against Liberia, we should press ahead seeking support for as a broad range of measures as possible in order to hasten the end of Taylor's support for the RUF.

In addition to the multilateral approach to Liberian sanctions, State believes we must also pursue additional unilateral measures. Such sanctions could derive from legal authority provided in the International Emergency Economic Powers Act (IEEPA), the Foreign Missions Act, or the Export Administration Act (State Sponsor of Terrorism). IEEPA provides the President broad legal authority to impose sanctions such as restrictions on Liberia's U.S.-based maritime registry, an import embargo, a financial assets freeze, or a ban on new direct U.S. investment. However, absent a UN resolution calling for international sanctions, some agencies question whether Taylor's continued support for the RUF meets the criteria for a Presidential emergency declaration invoking IEEPA

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In addition to these sanctions, we are pressing aid donors such as Taiwan to end direct assistance to the GOL. State is also seeking ways to support Liberia's democratic opposition and developing a public diplomacy strategy aimed at increasing the pressure on President Taylor to heed our message and end his support for the RUF.

Liberian Sanctions Issues and State Department Positions

- 1 - Diamond Embargo
- 2 - Tighter Enforcement of Arms Embargo
- 3 - Internationalize Travel Restrictions
- 4 - Timber Embargo
- 5 - IEEPA - Assets Freeze, Investment Ban
- 6 - Sanctions on Maritime Registry
- 7 - Pressing Taiwan and others to cut direct aid to GOL

1. - DIAMOND EMBARGO

DISCUSSION

The UNSCR 1306 experts panel on the illicit trade in arms and diamonds in Sierra Leone will report to the sanctions committee in December. We believe the report will demonstrate Liberian links to the illicit trade in diamonds from Sierra Leone. Assuming the report does this, we plan to introduce a UN resolution on Liberian diamonds following submission of the panel's written report.

Taylor has already requested technical assistance for Liberia to establish a diamond certification regime. In contrast to similar regimes in Angola and Sierra Leone, where Government-issued certificates of origin are intended to inhibit illegal diamond trade by rebel groups, we believe a similar regime in Liberia would simply legitimate Taylor's trade in diamonds. Instead, we should propose an outright ban on the importation of diamonds from Liberia, many of which have been illegally smuggled out of Sierra Leone. While other Council members may note that an outright diamond ban on Liberia would hurt legitimate traders and hurt the Liberian economy, an outright ban is the best means to deprive Taylor of resources with which to support the RUF.

STATE POSITION

The U.S. should seek a UN Security Council resolution that bans the importation of diamonds from Liberia. We would seek to designate an experts panel to investigate violations of the

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Liberian arms and diamond embargoes. State believes that an outright ban on all Liberian diamonds is the only effective way to deprive Taylor of resources used to support the RUF.

2. TIGHTER ENFORCEMENT OF UN ARMS EMBARGO

DISCUSSION

UNSCR 788 (1992) established an arms embargo in the midst of the Liberian civil war which remains in force but is flouted by Taylor. Paradoxically, efforts to reinforce this ban could destroy it, as UNSC members may question the need to continue or enforce the ban when the Liberian civil war for which it was enacted has ended.

The Sierra Leone sanctions committee, which is charged with monitoring the arms and diamonds embargoes imposed on the RUF, is also concerned about links between illicit arms and diamonds trafficking. We anticipate the report of the experts panel, which has traveled to Europe and Africa, will guide both committees efforts to curb the illicit trade. We will work with both committees to tighten the arms embargo on Liberia and Sierras Leone.

Taylor has proposed allowing border monitors to investigate reports of arms shipments to the RUF from Liberia. Our initial assessment is that this would be prohibitively costly and difficult to perform. Monitors dispersed in remote locations would be dubiously effective and make an easy target for hostage taking.

On the broader question of border monitors, however, the October 3 ECOWAS Mediation and Security Council ministerial agreed to deploy a military observer mission along the borders of Guinea, Liberia, and Sierra Leone to quell tensions in the region. Such a deployment requires a decision by ECOWAS Heads of State, at either an Extraordinary Executive Session or regular Summit (currently scheduled for December). It would also require significant external financing.

Taylor has requested technical assistance to enhance monitoring of Liberia's air and seaports. We could counter-propose that international monitors be placed at Liberian air and seaports. As an adjunct responsibility, some monitors might be able to provide the technical assistance Taylor has requested. Funding would, however, have to come from voluntary contributions. The program could be conducted under UN auspices or, alternatively, through ECOWAS.

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USUN reports that Council members are likely to oppose monitoring as costly and ineffective, citing previous failed attempts at international arms monitoring in Rwanda and the FRY. An ineffective system of UN (or ECOWAS) monitoring would likely be easy for the Liberians to circumvent, and Taylor could use it to reinforce his claims that Liberia is not involved in illicit arms trafficking.

STATE POSITION

We should approach Security Council members with sanitized information to demonstrate Taylor's role in supplying arms to the RUF and build the case for tightening the existing arms embargo on Liberia. State should prepare a series of strong bilateral demarches to countries wittingly or unwittingly involved in sanctions violations.

The USG should decline Taylor's offer of border monitoring as impractical and counterpropose placement of international monitors/trainers at air and seaports. If Taylor accepts our counterproposal, USUN will seek support to include in a UNSC resolution authorization to place monitors at Liberian air and seaports to enforce the arms embargo. While costly, we believe these monitors would send an important signal to Taylor that the UNSC is serious about enforcing the embargo, would raise the costs to Taylor and arms traffickers, and would help curb arms trafficking in the region.

3. TRAVEL RESTRICTIONS (VISA BAN)

DISCUSSION

We have begun pressuring Taylor and other RUF supporters with a unilateral visa ban, under authority of the U.S. Immigration and Nationality Act, announced October 11. The ban applies to those who support the RUF, regardless of nationality. We have instructed selected Embassies to approach key governments to try to internationalize travel restrictions on RUF supporters through unilateral and multilateral action. So far, the responses suggest that countries are more prepared to consider multilateral, rather than unilateral, visa sanctions. Some Council members may see Taylor as a key player in restoring stability in the region and question whether isolating his government via a visa ban is wise. We agree that Taylor plays a key role - the goal is to make him play that role responsibly.

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We should approach ECOWAS to get a Liberia visa ban on the agenda for next ECOWAS summit. USUN should also seek to include in a UN sanctions resolution language barring travel by Liberian RUF supporters, similar to the travel ban on the RUF itself under UNSCR 1171 (1998). We believe that UN travel restrictions would stigmatize these individuals and demonstrate a universal repudiation of Taylor's support for the RUF.

4. TIMBER EMBARGO

DISCUSSION

Taylor profits directly from a timber concession operated by the Oriental Timber Company (OTC), and there are indications Taylor's profits are funding his support for the RUF. To cut this revenue source, we will seek an embargo on Liberian timber.

To build support at the UNSC for a multilateral trade embargo on Liberian timber, we need to enlarge our database on the link between Liberia's timber and Taylor's support for the RUF, and share what we can with UNSC members. To obtain this information, we will need to task sensitive reporting. We may also want to consider working with NGO's with experience on this issue for assistance in developing this information.

Getting the timber embargo passed at the UN may be difficult. Unlike the diamonds issue, the Council is not aware of the problems connected to timber exports and will likely be concerned about the humanitarian impact of such an embargo. To convince governments of countries importing Liberian timber to support and enforce an embargo, we would have to establish a mechanism to convincingly demonstrate that the timber being imported is of Liberian origin, a process which does not currently exist.

A ban on Liberian timber, approved by the UNSC, would not violate WTO rules.

We are aware, however, that two of the largest purchasers of Liberian timber are Council members, China and Malaysia.

STATE POSITION

We should seek a UN embargo now on Liberian timber exports. We could also encourage and support NGO efforts to gather the

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information necessary to enforce such an embargo. We believe the UNSC must deprive Taylor of the revenues he uses to support the RUF and sow terror in the region. FAILURE TO DO ANYTHING TO CUT THIS APPARENT REVENUE SOURCE TO TAYLOR WILL MOST LIKELY LEAD TO AN ESCALATION OF REGIONAL INSTABILITY AND THE HUMANITARIAN CRISIS THAT ALREADY EXISTS.

5. IEEPA - ASSETS FREEZE AND BAN ON NEW DIRECT U.S. INVESTMENT

DISCUSSION

The International Emergency Economic Powers Act (IEEPA) provides broad legal authority for a range of possible economic sanctions, including a financial assets freeze, restrictions on the maritime registry, and halt to new investment. To invoke IEEPA, the President must issue an Executive Order declaring a national emergency based on "an unusual and extraordinary threat . . . to the national security, foreign policy, or economy of the United States" and identify prohibitions on economic activity by U.S. persons. To be effective, the scope of the Order should be broad enough to cover all assets under the control of Taylor, his advisers, and the GOL. Treasury/OFAC can subsequently license activities (such as the maritime registry) we might want to allow to continue while the Order is in place. Treasury requests that we defer further consideration of IEEPA and an assets freeze until discussed and approved by a Deputies meeting which includes Treasury.

As of 1998, cumulative U.S. direct investment in Liberia was \$228 million. We are seeking information on annual investment levels in recent years to quantify possible impact of a ban on new investment. We would need to seek information on the owners of Liberian assets in the U.S. that might be subject to the asset freeze.

STATE POSITION

The President should invoke IEEPA to institute a Liberian assets freeze, a ban on new U.S. direct investment in Liberia, and possibly other economic sanctions.

6. SANCTIONS ON THE MARITIME REGISTRY

DISCUSSION

Liberia has the second largest shipping fleet in the world (around 5.6 percent of the world's ships) under its flag of

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convenience. Its importance for the energy sector is even greater: 9.3 percent of the world's tanker fleet and 15.9 percent of tanker tonnage fly the Liberian flag. The U.S.-based Liberian International Ship and Corporate Register (LISCR) transfers an estimated \$20 million per year to the GOL, roughly 20 percent of current GOL revenues. The IMF notes this revenue stream is one of the most transparent elements of GOL finances.

We would aim to allow LISCR to continue normal operations, sequestering profits due the Government of Liberia into an escrow account until we are assured the revenues would be used for the benefit of the Liberian people. IEEPA authority would allow this, as described above.

As an alternative to IEEPA, the Foreign Missions Act (FMA) may provide authority to effect greater transparency in LISCR financial transactions and, eventually, place LISCR profits into an escrow account. State/OFM believes it might be possible to make a determination that LISCR is a Foreign Mission, based on precedents set by determinations on entities such as Xinhua and Aeroflot. However, unlike these precedents, LISCR is a United States entity, with attendant legal protections. Should the Department establish, as the FMA requires, that LISCR is "substantially owned or effectively controlled" by Liberia, then the Secretary has authority under the FMA to determine that it is a Foreign Mission. Even then, LISCR would continue to enjoy constitutional due process rights. So, too, would the U.S. owners of two or three hundred Liberian flagged vessels, whose economic interests could be affected by FMA controls over LISCR. Thus any attempt to control the registry as a Foreign Mission or sequester its funds presents very substantial litigation risks.

Putting LISCR under increased USG control, either under IEEPA or by declaring the company a foreign mission, carries the risk of compromising the registry's long-term viability. With a number of other countries offering the same services, owners may switch their ships to flags that they view as being more stable. Once the ships have transferred, Liberia will not easily be able to draw them back. Alternatively, LISCR could attempt to escape IEEPA or FMA controls by relocating operations outside the U.S., but even this will likely cause some owners to transfer registration.

Although we must consider the longer-term consequences for the Liberian economy and the world crude oil shipping market, and relations with important allies and trading partners, loss of registry revenues would be a severe blow to Taylor.

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STATE POSITION

We should move forward with preparations to freeze the transfer of assets from the Liberian maritime registry under IEEPA, a process which can be halted if Liberia drops its support of the RUF.

7. PRESSING TAIWAN AND OTHERS TO CUT DIRECT AID TO THE GOL

DISCUSSION

In reply to an AIT Taipei demarche requesting that Taiwan cut assistance provided directly to or through the GOL, Taiwan authorities said that most of their assistance did not go through the GOL. They also said they planned to continue assistance to Liberia, which improves conditions for ordinary Liberians. Our demarche was based on indications that Taiwan has been the single largest bilateral donor to Liberia (up to \$30 million). We are preparing a demarche requesting Taiwan to reconsider its position, especially on projects to rehabilitate Roberts International Airport, Monrovia Freeport navigational aids, and Monrovia electrification. We are also reiterating our request for information on amounts of Taiwan aid to Liberia so that we can better determine the potential impact of this measure. If our initial approaches are not successful, we can raise this request at senior levels. Taiwan, however, will likely take no action on assistance that would jeopardize recognition by Liberia, one of only twenty-nine countries maintaining relations with Taiwan.

STATE POSITION

We should continue raising the issue of cutting AID at senior USG-Taiwan levels.

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