On March 15, 1995, I issued Executive

Order 12957 (60 *Fed. Reg.* 14615, March 17,

1995) to declare a national emergency with

respect to Iran pursuant to IEEPA, and to

prohibit the financing, management, or supervision

by United States persons of the development

of Iranian petroleum resources.

This action was in response to actions and

policies of the Government of Iran, including

support for international terrorism, efforts to

undermine the Middle East peace process,

and the acquisition of weapons of mass destruction

and the means to deliver them. A

copy of the Order was provided to the Speaker

of the House and the President of the Senate

by letter dated March 15, 1995.

Following the imposition of these restrictions

with regard to the development of Iranian

petroleum resources, Iran continued to

engage in activities that represent a threat

to the peace and security of all nations, including

Iran’s continuing support for international

terrorism, its support for acts that

undermine the Middle East peace process,

and its intensified efforts to acquire weapons

of mass destruction. On May 6, 1995, I issued

Executive Order 12959 (60 *Fed. Reg.* 24757,

May 9, 1995) to further respond to the Iranian

threat to the national security, foreign

policy, and economy of the United States.

The terms of that order and an earlier order

imposing an import ban on Iranian-origin

goods and services (Executive Order 12613

of October 29, 1987) were consolidated and

clarified in Executive Order 13059 of August

19, 1997.

At the time of signing Executive Order

12959, I directed the Secretary of the Treasury

to authorize through specific licensing

certain transactions, including transactions

by United States persons related to the Iran-

United States Claims Tribunal in The Hague,

established pursuant to the Algiers Accords,

and related to other international obligations

and U.S. Government functions, and transactions

related to the export of agricultural

commodities pursuant to preexisting contracts

consistent with section 5712(c) of title

7, United States Code. I also directed the

Secretary of the Treasury, in consultation

with the Secretary of State, to consider authorizing

United States persons through specific

licensing to participate in market-based

swaps of crude oil from the Caspian Sea area

for Iranian crude oil in support of energy

projects in Azerbaijan, Kazakhstan, and

Turkmenistan.

Executive Order 12959 revoked sections

1 and 2 of Executive Order 12613 of October

29, 1987, and sections 1 and 2 of Executive

Order 12957 of March 15, 1995, to the extent

they are inconsistent with it. A copy of Executive

Order 12959 was transmitted to the

Congressional leadership by letter dated May

6, 1995.

2. On August 19, 1997, I issued Executive

Order 13059 in order to clarify the steps

taken in Executive Order 12957 and Executive

Order 12959, to confirm that the embargo

on Iran prohibits all trade and investment

activities by United States persons, wherever

located, and to consolidate in one order the

various prohibitions previously imposed to

deal with the national emergency declared

on March 15, 1995. A copy of the Order was

transmitted to the Speaker of the House and

the President of the Senate by letter dated

August 19, 1997.

The Order prohibits (1) the importation

into the United States of any goods or services

of Iranian origin or owned or controlled

by the Government of Iran except information

or informational material; (2) the exportation,

reexportation, sale, or supply from the

United States or by a United States person,

wherever located, of goods, technology, or

services to Iran or the Government of Iran,

including knowing transfers to a third country

for direct or indirect supply, transshipment,

or reexportation to Iran or the

Government of Iran, or specifically for use

in the production, commingling with, or incorporation

into goods, technology, or services

to be supplied, transshipped, or reexported

exclusively or predominantly to Iran

or the Government of Iran; (3) knowing reexportation

from a third country to Iran or

the Government of Iran of certain controlled

U.S.-origin goods, technology, or services by

a person other than a United States person;

(4) the purchase, sale, transport, swap, brokerage,

approval, financing, facilitation, guarantee,

or other transactions or dealings by

United States persons, wherever located, related

to goods, technology, or services for exportation,

reexportation, sale or supply, directly

or indirectly, to Iran or the Government

of Iran, or to goods or services of Iranian

origin or owned or controlled by the

Government of Iran; (5) new investment by

United States persons in Iran or in property

or entities owned or controlled by the Government

of Iran; (6) approval, financing, facilitation,

or guarantee by a United States

person of any transaction by a foreign person

that a United States person would be prohibited

from performing under the terms of the

Order; and (7) any transaction that evades,

avoids, or attempts to violate a prohibition

under the Order.

Executive Order 13059 became effective

at 12:01 a.m., eastern daylight time on August

20, 1997. Because the Order consolidated

and clarified the provisions of prior orders,

Executive Order 12613 and paragraphs

(a), (b), (c), (d), and (f) of section 1 of Executive

Order 12959 were revoked by Executive

Order 13059. The revocation of corresponding

provisions in the prior Executive orders

did not affect the applicability of those provisions,

or of regulations, licenses or other administrative

actions taken pursuant to those

provisions, with respect to any transaction or

violation occurring before the effective date

of Executive Order 13059. Specific licenses

issued pursuant to prior Executive orders

continue in effect, unless revoked or amended

by the Secretary of the Treasury. General

licenses, regulations, orders, and directives

issued pursuant to prior orders continue in

effect, except to the extent inconsistent with

Executive Order 13059 or otherwise revoked

or modified by the Secretary of the Treasury.

The declaration of national emergency

made by Executive Order 12957, and renewed

each year since, remains in effect and

is not affected by the Order.

On March 4, 1998, I renewed for another

year the national emergency with respect

to Iran pursuant to IEEPA. This renewal

extended the authority for the current

comprehensive trade embargo against Iran in

effect since May 1995. Under these sanctions,

virtually all trade with Iran is prohibited

except for trade in information and informational

materials and certain other limited

exceptions.

There have been no amendments to the

Iranian Transactions Regulations, 31 C.F.R.

Part 560 (the ‘‘ITR’’), since my report of September

17, 1997.

During the current 6-month period, the

Department of the Treasury’s Office of Foreign

Assets Control (OFAC) made numerous

decisions with respect to applications for licenses

to engage in transactions under the

ITR, and issued seven licenses. The majority

of denials were in response to requests to

authorize commercial exports to Iran—particularly

of machinery and equipment for various

industries—and the importation of Iranian-

origin goods. The licenses issued authorized

certain financial transactions, transactions

relating to air safety policy, and to

disposal of U.S.-owned goods located in Iran.

Pursuant to sections 3 and 4 of Executive

Order 12959 and consistent with the Iran-

Iraq Arms Non-Proliferation Act of 1992 and

other statutory restrictions concerning certain

goods and technology, including those

involved in air-safety cases, the Department

of the Treasury continues to consult with the

Departments of State and Commerce on

these matters.

The U.S. financial community continues to

scrutinize transactions associated with Iran

and to consult with OFAC about their appropriate

handling. Many of these inquiries have

resulted in investigations into the activities

of U.S. parties and, where appropriate, the

initiation of enforcement action.

6. The U.S. Customs Service has continued

to effect numerous seizures of Iranian origin

merchandise, primarily carpets, for

violation of the import prohibitions of the

ITR. Various enforcement actions carried

over from previous reporting periods are

continuing and new reports of violations are

being aggressively pursued. Since my last report,

OFAC has collected six civil monetary

penalties totaling nearly $84,000 for violations

of IEEPA and the ITR.

The expenses incurred by the Federal

Government in the 6-month period from

September 15, 1997, through March 14,

1998, that are directly attributable to the exercise

of powers and authorities conferred by

the declaration of a national emergency with

respect to Iran are reported to be approximately

$1.3 million, most of which represent

wage and salary costs for Federal personnel.

Personnel costs were largely centered in the

Department of the Treasury (particularly in

the Office of Foreign Assets Control, the

U.S. Customs Service, the Office of the

Under Secretary for Enforcement, and the

Office of the General Counsel), the Department

of State (particularly the Bureau of

Economic and Business Affairs, the Bureau

of Near Eastern Affairs, the Bureau of Intelligence

and Research, and the Office of the

Legal Adviser), and the Department of Commerce

(the Bureau of Export Administration

and the General Counsel’s Office).

8. The situation reviewed above continues

to present an extraordinary and unusual

threat to the national security, foreign policy,

and economy of the United States. The declaration

of the national emergency with respect

to Iran contained in Executive Order

12957 and the comprehensive economic

sanctions imposed by Executive Order 12959

underscore the United States Government’s

opposition to the actions and policies of the

Government of Iran, particularly its support

of international terrorism and its efforts to

acquire weapons of mass destruction and the

means to deliver them. The Iranian Transactions

Regulations issued pursuant to Executive

Orders 12957, 12959, and 13059 continue

to advance important objectives in promoting

the nonproliferation and anti-terrorism

policies of the United States. I shall exercise

the powers at my disposal to deal with

these problems and will report periodically

to the Congress on significant developments.