There have been no amendments to the

Iranian Assets Control Regulations, 31 CFR

Part 535 (the ‘‘IACR’’), since my last report.

The Iran-United States Claims Tribunal

(the ‘‘Tribunal’’), established at The Hague

pursuant to the Algiers Accords, continues

to make progress in arbitrating the claims before

it. Since the period covered in my last

report, the Tribunal has rendered three

awards. This brings the total number of

awards rendered by the Tribunal to 588, the

majority of which have been in favor of U.S.

claimants. As of September 30, 1998, the

value of awards to successful U.S. claimants

paid from the Security Account held by the

NV Settlement Bank was $2,501,515,655.22.

Since my last report, Iran has failed to replenish

the Security Account established by

the Algiers Accords to ensure payment of

awards to successful U.S. claimants. Thus,

since November 5, 1992, the Security Account

has continuously remained below the

$500 million balance required by the Algiers

Accords. As of September 30, 1998, the total

amount in the Security Account was

$107,563,705.15, and the total amount in the

Interest Account was $26,226,833.16. Therefore,

the United States continues to pursue

Case No. A/28, filed in September 1993, to

require Iran to meet its obligation under the

Algiers Accords to replenish the Security Account.

The United States also continues to pursue

Case No. A/29 to require Iran to meet its

obligation of timely payment of its equal

share of advances for Tribunal expenses

when directed to do so by the Tribunal.

The Department of State continues to

present other United States Government

claims against Iran and to respond to claims

brought against the United States by Iran,

in coordination with concerned government

agencies.

On April 20, 1998, the United States filed

a major submission in Case No. B/1, a case

in which Iran seeks repayment for alleged

wrongful charges to Iran over the life of its

Foreign Military Sales (FMS) program, including

the costs of terminating the program.

The April filing addressed liability for the

costs arising out of termination of the FMS

program.

Under the February 22, 1996, settlement

agreement related to the Iran Air case before

the International Court of Justice and Iran’s

bank-related claims against the United States

before the Tribunal (see report of May 16,

1996), the Department of State has been

processing payments. As of September 30,

1998, the Department has authorized payment

to U.S. nationals totaling

$17,521,261.89 for 55 claims against Iranian

banks. The Department has also authorized

payments to surviving family members of 228

Iranian victims of the aerial incident, totaling

$56,550,000.

On June 5, 1998, the full Tribunal issued

an award in Case No. A/27. The Tribunal

held that, because of decisions of a United

States District Court and Court of Appeals

declining to enforce the Tribunal’s July 1988

award to Iran in *Avco v. Iran*, the United

States violated its obligation under the Algiers

Accords to ensure that Tribunal awards

be treated as binding.

On June 17, 1998, the Tribunal issued an

order in Case No. B/61, in which Iran seeks

compensation for the alleged non-transfer of

certain military property. The order dismissed

certain claims on grounds that they

were duplicative of claims in other cases.

In Case No. A/30, a case in which Iran

alleges that the United States has violated

paragraphs 1 and 10 of the General Declaration

of the Algiers Accords, based on an alleged

covert action program aimed at Iran

and U.S. sanctions, the United States and

Iran filed submissions in response to Iran’s

request that the Tribunal require the United

States to produce classified intelligence information.

U.S. nationals continue to pursue claims

against Iran at the Tribunal. Since my last

report, the Tribunal has issued awards in two

private claims. On July 2, 1998, Chamber

Two issued an award in *Kamran Hakim v.*

Iran, AWD No. 587–953–2, ordering Iran to

pay the claimant $691,611 plus interest as

compensation for measures that deprived the

claimant of his interest in a company he had

established. The Tribunal dismissed claims

regarding parcels of real property on grounds

that, in certain instances, the claimant failed

to prove expropriation or other measures affecting

property rights, and failed in other

instances to prove ownership.

On July 8, 1998, Chamber One issued an

award in *Brown & Root, Inc. v. Iran*, AWD

No. 588–432–1, giving effect to a settlement

agreement between the parties, ordering

Iran to pay the claimant $16,718,214.

The situation reviewed above continues

to implicate important diplomatic, financial,

and legal interests of the United States and

its nationals and presents an unusual challenge

to the national security and foreign policy

of the United States. The Iranian Assets

Control Regulations issued pursuant to Executive

Order 12170 continue to play an important

role in structuring our relationship with

Iran and in enabling the United States to implement

properly the Algiers Accords. I shall

continue to exercise the powers at my disposal

to deal with these problems and will

continue to report periodically to the Congress

on significant developments.