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.

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 CFR

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

March 16, 1998.

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 12 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

that were issued authorized certain financial

transactions and transactions relating

to air safety policy. Pursuant to sections 3

and 4 of Executive Order 12959, Executive

Order 13059, and consistent with 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.

Since the issuance of Executive Order

13059, more than 1,500 transactions involving

Iran initially have been ‘‘rejected’’ by U.S.

financial institutions under IEEPA and the

ITR. United States banks declined to process

these transactions in the absence of OFAC

authorization. Twenty percent of the 1,500

transactions scrutinized by OFAC resulted in

investigations by OFAC to assure compliance

with IEEPA and ITR by United States persons.

Such investigations resulted in 15 referrals

for civil penalty action, issuance of 5 warning

letters, and an additional 52 cases still under

compliance or legal review prior to final

agency action.

Since my last report, OFAC has collected

20 civil monetary penalties totaling more

than $110,000 for violations of IEEPA and

the ITR related to the import or export to

Iran of goods and services. Five U.S. financial

institutions, twelve companies, and three individuals

paid penalties for these prohibited

transactions. Civil penalty action is pending

against another 45 United States persons for

violations of the ITR.

6. On January 22, 1997, an Iranian national

resident in Oregon and a U.S. citizen were

indicted on charges related to the attempted

exportation to Iran of spare parts for gas turbines

and precursor agents utilized in the

production of nerve gas. The 5-week trial of

the American citizen defendant, which began

in early February 1998, resulted in his conviction

on all counts. That defendant is awaiting

sentencing. The other defendant pleaded

guilty to one count of criminal conspiracy and

was sentenced to 21 months in prison.

On March 24, 1998, a Federal grand jury

in Newark, New Jersey, returned an indictment

against a U.S. national and an Iranianborn

resident of Singapore for violation of

IEEPA and the ITR relating to exportation

of munitions, helicopters, and weapons systems

components to Iran. Among the merchandise

the defendants conspired to export

were parts for Phoenix air-to-air missiles

used on F–14A fighter jets in Iran. Trial is

scheduled to begin on October 6, 1998.

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.

7. The expenses incurred by the Federal

Government in the 6-month period from

March 15 through September 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 $1.7

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 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.