

SIX-MONTH PERIODIC REPORT WITH RESPECT TO THE
NATIONAL EMERGENCY IN IRAN

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT ON DEVELOPMENTS CONCERNING THE NATIONAL
EMERGENCY WITH RESPECT TO IRAN THAT WAS DECLARED IN
EXECUTIVE ORDER 13059 OF AUGUST 19, 1997, PURSUANT TO
50 U.S.C. 1641(c)



SEPTEMBER 25, 2000.—Message and accompanying papers referred to the
Committee on International Relations and ordered to be printed

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To the Congress of the United States:

As required by section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), section 204(c) of the International Emergency Economic Powers Act (IEEPA) 50 U.S.C. 1703(c), and section 505(c) of the International Security and Development Cooperation Act of 1985, 22 U.S.C. 2349aa-9(c), I transmit herewith a 6-month periodic report on developments concerning the national emergency with respect to Iran that was declared in Executive Order 12957 of March 15, 1995, and matters relating to the measures in that order and in Executive Order 12959 of May 6, 1995, and in Executive Order 13059 of August 19, 1997.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *September 26, 2000.*

PRESIDENT'S PERIODIC REPORT ON THE NATIONAL EMERGENCY WITH
RESPECT TO IRAN

I hereby report to the Congress on developments concerning the national emergency with respect to Iran that was declared in Executive Order 12957 of March 15, 1995, and matters relating to the measures in that order and in Executive Order 12959 of May 6, 1995, and in Executive Order 13059 of August 19, 1997. This report is submitted pursuant to section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c) ("IEEPA"), section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), and section 505(c) of the International Security and Development Cooperation Act of 1985, 22 U.S.C. 2349aa-9(c). This report discusses only matters concerning the national emergency with respect to Iran that was declared in Executive Order 12957 and does not deal with those relating to the emergency declared on November 14, 1979, in connection with the hostage crisis.

1. 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 U.S. 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 Congress by message 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 U.S. 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 United States 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 U.S. 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 Speaker of the House and the President of the Senate by letter dated May 6, 1995.

2. On August 19, 1997, I issued Executive Order 13059 (the "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 U.S. 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 other 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 materials; (2) the exportation, reexportation, sale, or supply from the United States or by a U.S. 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 U.S. person; (4) the purchase, sale, transport, swap, brokerage, approval, financing, facilitation, guarantee, or other transactions or dealings by U.S. 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 U.S. persons in Iran or in property or entities owned or controlled by the Government of Iran; (6) approval, financing, facilitation, or guarantee by a U.S. person of any transaction by a foreign person that a U.S. 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.

3. On March 13, 2000, I renewed for another year the national emergency with respect to Iran pursuant to IEIPA. This renewal extended the authority for the current comprehensive trade embargo against Iran in effect since May 1995.

4. On April 28, 1999, I announced that existing unilateral economic sanctions programs would be amended to modify licensing policies to permit case-by-case review of specific proposals for the commercial sale of agricultural commodities and products, as well as medicine and medical equipment, where the United States Government has the discretion to do so. I further announced that the Administration was developing country-specific licensing criteria to guide the case-by-case review process so that governments subject to sanctions do not gain unwarranted benefits from such sales.

On July 27, 1999, the Iranian Transactions Regulations, 31 CFR Part 560 (the "ITR" or the "Regulations") were amended to add statements of licensing policy with respect to commercial sales of agricultural commodities and products, medicine and medical equipment (64 Fed. Reg. 41784, August 2, 1999). These provisions were amended on October 27, 1999 (64 Fed. Reg. 58789, November 1, 1999) to remove language that had prohibited the issuance of specific licenses authorizing financing by entities of the governments of Sudan, Libya, and Iran. In addition, technical revisions were made to the Regulations pertaining to informational materials and visas.

On March 17, 2000, Secretary of State Madeleine Albright announced that economic sanctions against Iran would be eased to allow Americans to purchase and import carpets and food products such as dried fruits, nuts, and caviar from Iran. To implement this policy, the Department of the Treasury's Office of Foreign Assets Control ("OFAC") amended the Regulations to authorize by general license the importation into the United States of, and dealings in, certain Iranian-origin foodstuffs and carpets and related transactions (65 Fed. Reg. 25642, May 3, 2000).

5. During the current six-month period, OFAC made numerous decisions with respect to applications for licenses to engage in transactions under the ITR, and issued 62 licenses. The majority of license 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. Twenty-one licenses were issued authorizing commercial sales and exportation to Iran of bulk agricultural commodities; in addition, li-

censes were issued that authorized 20 sales of medicines or medical equipment. Other licenses that were issued authorized certain air and marine safety, diplomatic, legal, financial, and travel transactions, filmmaking, humanitarian, journalistic, and research activities, and the importation of the art objects for public exhibition. Pursuant to Section 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, Treasury continues to consult with the Department of State and Commerce prior to issuing licenses.

For the period March 15 through September 14, 2000, on OFAC's instruction, U.S. banks refused to process more than 1,100 commercial transactions, the majority involving foreign financial institutions, that would have been contrary to U.S. sanctions against Iran. The transactions rejected amounted to nearly \$170 million worth of business denied Iran by virtue of U.S. economic sanctions.

Since my last report, OFAC has collected nearly \$342,000 in civil monetary penalties for violations of IEEPA and the Regulations. The violators included one insurer, seven companies, six U.S. financial institutions, and six individuals. An additional 102 cases are undergoing penalty action for violations of IEEPA and the Regulations.

6. On January 14, 2000, the vice president of a Wisconsin corporation was sentenced in the Eastern District of Wisconsin to 41 months in prison for his October 1999 jury conviction on charges he violated IEEPA and the Arms Export Control Act by illegally exporting U.S.-origin military aircraft component parts to Iran. On February 3, 2000, the corporation president was sentenced to six months in prison and ordered to pay \$5,000 fine for his guilty plea to one count of making false statements to the Government, and the corporation was ordered to pay a fine of \$15,000. The defendants were charged with violating sanctions against Iran in an August 1998 indictment.

A California resident is scheduled to be tried in October 2000 in the District of Maryland for IEEPA and other charges filed in a superseding indictment on March 20, 1997. The indictment charges the defendant with the attempted exportation to Iran of gas chromatographs from the United States.

On May 10, 2000, a Georgia corporation plead guilty in U.S. District Court in Atlanta to one count of violating IEEPA by exporting automobile parts from the United States to Iran through third countries. Two company officials and entered guilty pleas for making false statements to the United States Government in connection with the shipments. Sentencing is pending. The guilty pleas were the result of a 24-count indictment returned in December 1998.

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 six-month period from March 15 through September 14, 2000 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 \$1.5 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 Advisor), and the Department of Commerce (the Bureau of Export Administration and the Chief 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.

