

A PERIODIC REPORT ON THE NATIONAL EMERGENCY  
WITH RESPECT TO IRAN

---

MESSAGE

FROM

**THE PRESIDENT OF THE UNITED STATES**

TRANSMITTING

A 6-MONTH PERIODIC REPORT ON THE NATIONAL EMERGENCY  
WITH RESPECT TO IRAN THAT WAS DECLARED IN EXECUTIVE  
ORDER 12957 OF MARCH 15, 1995, PURSUANT TO 50 U.S.C. 1641(c)



MARCH 16, 1999.—Message and accompanying papers referred to the  
Committee on International Relations and ordered to be printed

---

U.S. GOVERNMENT PRINTING OFFICE



*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 the national emergency with respect to Iran that was declared in Executive Order 12957 of March 15, 1995.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *March 15, 1999.*

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 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 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 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 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 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 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 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 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 10, 1999, 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.

4. There has been one amendment to the Iranian Transactions Regulations, 31 CFR Part 560 (the "ITR"), since my report of September 16, 1998. On November 10, 1998, § 560.603 was amended to eliminate dealings in Iranian-origin petrochemicals from the definition of 'reportable transactions' and to terminate the reporting requirement for subsidiaries' sales of oilfield supplies and equipment (63 *Fed. Reg.* 62940, November 10, 1998). The revised § 560.603 retains the reporting requirements covering crude oil and natural gas. A copy of the amendment is attached to this report.

5. During the current six-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 14 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 administrative, diplomatic, and financial transactions, and the importation of art objects for public exhibition. 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, Treasury continues to consult with the Departments of State and Commerce prior to issuing licenses.

Since September 15, 1998, more than 900 financial transactions involving Iran have been initially 'rejected' by U.S. financial

institutions based on their possibly constituting transactions prohibited by IEEPA and the ITR. U.S. banks declined to process these instructions in the absence of OFAC authorization. Twelve percent of the 900 transactions scrutinized by OFAC resulted in investigations by OFAC to assure compliance with the Regulations by U.S. persons. As of January 29, 1999, such investigations have resulted in 15 referrals for civil penalty action and the issuance of 36 warning letters involving *de minimis* transactions. Numerous other cases are still undergoing compliance or legal review prior to final agency action.

Since my last report, OFAC has collected nearly \$380,000 in civil monetary penalties from one U.S. financial institution, three companies, and eight individuals for violations of IEEPA and the Regulations.

6. On October 6, 1998, a Federal Grand Jury in Milwaukee, Wisconsin, returned a five-count indictment against a Wisconsin corporation and two of its officers for transactions relating to the illegal exportation of U.S. origin aircraft parts to Iran. Trial is scheduled for March 1999. On December 2, 1998, a Federal Grand Jury in Atlanta, Georgia, returned a 24-count indictment against a Georgia corporation and two of its officers for transactions relating to the illegal exportation of automobile parts to Iran.

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 six-month period from September 15, 1998, through March 14, 1999, 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 \$1.2 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.

Office that it will seek corrective action. The Director shall notify the FBI of the receipt of the request and allow the FBI 25 calendar days to respond in writing. If the Complainant presents a request for corrective action to the Director under this paragraph, the Conducting Office may continue to investigate the reprisal allegation only with the consent of the Complainant. If the Complainant refuses such consent, the Conducting Office will discontinue investigation of the reprisal allegation and will not prepare a report for the Director. In such event, however, the Conducting Office may continue to investigate any separate violation of law, rule, or regulation discovered during the investigation of reprisal that is otherwise within the Conducting Office's pre-existing jurisdiction. When the Complainant presents a request for corrective action directly to the Director and does not consent to the Conducting Office continuing an independent investigation of the reprisal allegation, the Conducting Office shall submit to the Complainant and to the FBI its Memoranda of Interviews (or portions thereof) that relate to the reprisal investigation, consistent with the Conducting Office's obligations regarding confidentiality and privacy.

(2) The Director may not direct the Conducting Office to reinstate an investigation that the Conducting Office has terminated in accordance with section 27.3(h).

(d) Where a Complainant has presented a request for corrective action directly to the Director under paragraph (c)(1) of this section, the Director may hold a hearing at which the Complainant may present evidence in support of his or her claim, in accordance with such procedures as the Director may adopt. The Director is hereby authorized to compel the attendance and testimony of, or the production of documentary or other evidence from, any person employed by the Department if doing so appears reasonably calculated to lead to the discovery of admissible evidence, is not otherwise prohibited by law or regulation, and is not unduly burdensome. Any privilege available in judicial and administrative proceedings relating to the release of documents or the giving of testimony shall be available to the parties in the hearing before the Director. All assertions of such privileges shall be decided by the Director. Upon the request of either the Complainant, the Conducting Office, or the FBI, the Director may certify a ruling on an assertion of privilege for review by the Deputy Attorney General.

(e) Where a Complainant has presented a request for corrective action to the Director under paragraph (c) of this section, the Complainant may at any time request the Director to order a stay of any personnel action allegedly taken or to be taken in reprisal for a protected disclosure. The request for a stay must be in writing, and the FBI shall have an opportunity to respond. The request shall be granted within 10 business days of the receipt of any response by the FBI if the Director determines that such a stay would be appropriate. A stay granted under this paragraph shall remain in effect for such period as the Director deems appropriate. The Director may modify or dissolve a stay under this paragraph at any time if the Director determines that such a modification or dissolution is appropriate.

(f) The Director shall determine, based upon all the evidence, whether a protected disclosure was a contributing factor in a personnel action taken or to be taken. If the Director determines that a protected disclosure was a contributing factor in a personnel action taken or to be taken, he shall order corrective action as he deems appropriate. The Director may conclude that the disclosure was a contributing factor in the personnel action based upon circumstantial evidence, such as evidence that the employee taking the personnel action knew of the disclosure or that the personnel action occurred within a period of time such that a reasonable person could conclude that the disclosure was a contributing factor in the personnel action. Corrective action may not be ordered, however, if the FBI demonstrates by clear and convincing evidence that it would have taken the same personnel action in the absence of such disclosure.

(g) If the Director orders corrective action, such corrective action may include: placing the Complainant, as nearly as possible, in the position he would have been in had the reprisal not taken place; reimbursement for attorneys fees, reasonable costs, medical costs incurred, and travel expenses; back pay and related benefits; and any other reasonable and foreseeable consequential damages.

(h) If the Director determines that there has not been a reprisal, the Director shall report this finding in writing to the Complainant, the FBI, and the Conducting Office.

#### §27.5 Review.

The Complainant or the FBI may request from the Deputy Attorney General a review of the Director's decision within 30 calendar days. The

Deputy Attorney General (or a designee) shall set aside or modify the Director's actions, findings, or conclusions found to be arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law; obtained without procedures required by law, rule, or regulation having been followed; or unsupported by substantial evidence. The Deputy Attorney General has full discretion to review and modify corrective action ordered by the Director, provided, however, that if the Deputy Attorney General upholds a finding that there has been a reprisal, then the Deputy Attorney General shall order appropriate corrective action.

#### §27.6 Extensions of time.

The Director may extend, for extenuating circumstances, any of the time limits provided in these regulations relating to proceedings before him and to requests for review by the Deputy Attorney General.

Dated: October 29, 1998.

Janet Reno,  
Attorney General.  
[FR Doc. 98-29700 Filed 11-9-98; 8:45 am]  
BILLING CODE 4410-AR-M

## DEPARTMENT OF THE TREASURY

### Office of Foreign Assets Control

#### 31 CFR Part 560

#### Iranian Transactions Regulations: Reporting on Foreign Affiliates' Oil-Related Transactions

AGENCY: Office of Foreign Assets Control, Treasury.

ACTION: Final rule; amendment.

SUMMARY: The Treasury Department is amending the Iranian Transactions Regulations to terminate the reporting requirement for subsidiaries' Iranian petrochemical transactions and Iran-related sales of services (including insurance and financing) and goods (including oilfield supplies and equipment).

EFFECTIVE DATE: November 10, 1998.

FOR FURTHER INFORMATION CONTACT: Michael Layne, Blocked Assets Division (tel.: 202/622-2440), or William B. Hoffman, Chief Counsel (tel.: 202/622-2410), Office of Foreign Assets Control, Department of the Treasury, Washington, DC 20220.

#### SUPPLEMENTARY INFORMATION:

##### Electronic Availability

This document is available as an electronic file on *The Federal Bulletin Board* the day of publication in the

**Federal Register.** By modem, dial 202/512-1387 and type "/GO FAC." or call 202/512-1530 for disk or paper copies. This file is available for downloading without charge in ASCII and Adobe Acrobat® readable (\*.PDF) formats. For Internet access, the address for use with the World Wide Web (Home Page), Telnet, or FTP protocol is: fedbbs.access.gpo.gov. The document is also accessible for downloading in ASCII format without charge from Treasury's Electronic Library ("TEL") in the "Research Mail" of the FedWorld bulletin board. By modem, dial 703/321-3339, and select self-expanding file "T11FR00.EXE" in TEL. For Internet access, use one of the following protocols: Telnet = fedworld.gov (192.239.93.3); World Wide Web (Home Page) = http://www.fedworld.gov; FTP = ftp.fedworld.gov (192.239.92.205). Additional information concerning the programs of the Office of Foreign Assets Control is available for downloading from the Office's Internet Home Page: http://www.treas.gov/ofac, or in fax form through the Office's 24-hour fax-on-demand service: call 202/622-0077 using a fax machine, fax modem, or (within the United States) a touch-tone telephone.

#### Background

The Office of Foreign Assets Control ("OFAC") introduced reporting requirements on certain oil-related transactions by foreign affiliates of U.S. persons as an amendment to the Iranian Transactions Regulations in September 1995 (60 FR 47061, Sept. 11, 1995 — the "Regulations"). This amendment implemented the President's declaration of national emergency and imposition of sanctions against Iran, contained in Executive Order 12957 of March 15, 1995, 60 FR 14615, 3 CFR, 1995 Comp., p. 332; and Executive Order 12959 of May 6, 1995, 60 FR 24757, 3 CFR, 1995 Comp., p. 356. On November 15, 1996, OFAC clarified that the scope of the reporting requirements in § 560.603 extends beyond transactions directly involving crude oil or natural gas to include transactions involving petrochemicals and the provision of certain goods (including oilfield supplies and equipment) and services (including financing and insurance) (61 FR 58480, Nov. 15, 1996). On April 23, 1997, OFAC further amended the § 560.603 reporting requirements to require U.S. persons to file reports only with respect to foreign affiliates engaging in a reportable transaction or transactions totaling \$1,000,000 or more during the calendar quarter. The foreign affiliate's relationship to the U.S. person, including percentage of direct

and indirect ownership, no longer had to be reported. Reports were to be filed within 60 days, rather than 15 days, of the end of each calendar quarter. The present amendment eliminates Iranian-origin petrochemicals from the definition of "reportable transactions" and terminates the reporting requirements for subsidiaries' sales of the services and goods noted above. The revised § 560.603 retains the reporting requirements covering crude oil and natural gas.

Since the Regulations involve a foreign affairs function, Executive Order 12866 and the provisions of the Administrative Procedure Act (5 U.S.C. 553) requiring notice of proposed rulemaking, opportunity for public participation, and delay in effective date, are inapplicable. Because no notice of proposed rulemaking is required for this rule, the Regulatory Flexibility Act (5 U.S.C. 601-612) does not apply.

#### Paperwork Reduction Act

Pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3507), the collections of information related to the Regulations have been approved by the Office of Management and Budget ("OMB") under control number 1505-0106. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid control number.

#### List of Subjects in 31 CFR Part 560

Administrative practice and procedure, Agricultural commodities, Banks, banking, Exports, Foreign trade, Imports, Information, Investments, Iran, Penalties, Reporting and recordkeeping requirements, Services, Specially designated nationals, Terrorism, Transportation.

For the reasons set forth in the preamble, 31 CFR part 560 is amended as follows:

#### PART 560—IRANIAN TRANSACTIONS REGULATIONS

1. The authority citation for part 560 is revised to read as follows:

Authority: 3 U.S.C. 301; 18 U.S.C. 2332d; 22 U.S.C. 2349aa-9; 31 U.S.C. 321(b); 50 U.S.C. 1601-1651, 1701-1706; Pub. L. 101-410, 104 Stat. 890 (28 U.S.C. 2461 note); E.O. 12613, 52 FR 41940, 3 CFR, 1987 Comp., p. 256; E.O. 12957, 60 FR 14615, 3 CFR, 1995 Comp., p. 332; E.O. 12959, 60 FR 24757, 3 CFR, 1995 Comp., p. 356; E.O. 13059, 62 FR 44531, 3 CFR, 1997 Comp., p. 217.

#### Subpart F—Reports

2. Section 560.603 is revised to read as follows:

##### § 560.603 Reports on oil transactions engaged in by foreign affiliates.

(a) *Requirement for reports.* A report must be filed with the Office of Foreign Assets Control with respect to each foreign affiliate of a United States person that engaged in a reportable transaction, as defined in paragraph (b) of this section, during the calendar quarter. Reports are due within 60 days after the end of each calendar quarter.

(b) *Definitions.* For purposes of this section:

(1) The term *reportable transaction* means any purchase, sale, or swap of Iranian-origin crude oil or natural gas. For purposes of this paragraph (b), a purchase, sale, or swap is deemed to have occurred as of the date of the bill of lading used in connection with such transaction.

(2) The term *foreign affiliate* means a person or entity other than a United States person (see § 560.314) which is organized or located outside the United States and which is owned or controlled by a United States person or persons.

(c) *Who must report.* A United States person must file a report with respect to each foreign affiliate owned or controlled by it which engaged in a reportable transaction or transactions during the calendar quarter. For the calendar quarter beginning October 1, 1996, and all subsequent quarters, a United States person must file a report only as to each foreign affiliate owned or controlled by it which engaged in a reportable transaction or transactions totaling \$1,000,000 or more during the calendar quarter. A single United States entity within a consolidated or affiliated group may be designated to report on each foreign affiliate of the United States members of the group. Such centralized reporting may be done by the United States person who owns or controls, or has been delegated authority to file on behalf of, the remaining United States persons in the group.

(d) *What must be reported.* (1) Part I of the report must provide the name, address, and principal place of business of the United States person; its place of incorporation or organization if an entity; and the name, title, and telephone number of the individual to contact concerning the report.

(2) Part II of the report must provide, with respect to the foreign affiliate, its name and address; the type of entity, e.g., corporation, partnership, limited liability company; the country of its incorporation or organization; and its principal place of business.

62942 Federal Register / Vol. 63, No. 217 / Tuesday, November 10, 1998 / Rules and Regulations

(3) Part III of the report must include the following information with respect to each reportable transaction (a separate Part III must be submitted for each reportable transaction):

(i) The nature of the transaction, e.g., purchase, sale, swap;

(ii) A description of the product involved;

(iii) The name of the Iranian or third country party or parties involved in the transaction;

(iv) The currency and amount of the transaction, and corresponding United States dollar value of the transaction if not denominated in United States dollars;

(v) Where to report. Reports must be filed with the Compliance Programs Division, Office of Foreign Assets Control, Department of the Treasury, 1500 Pennsylvania Avenue, NW—Annex, Washington, DC 20220. Reports may be submitted by facsimile transmission at 202/622-1657. A copy must be retained for the reporter's records.

(v) Whom to contact. Blocked Assets Division, Office of Foreign Assets Control, Department of the Treasury, 1500 Pennsylvania Avenue, NW—Annex, Washington, DC 20220; telephone: 202/622-2440.

Dated: October 9, 1998.  
R. Richard Newcomb,  
Director, Office of Foreign Assets Control.  
Approved: October 22, 1998.  
Elizabeth A. Brease  
Assistant Secretary (Enforcement),  
Department of the Treasury.  
[FR Doc. 98-30126 Filed 11-5-98; 3:17 pm]  
BILLING CODE 4810-25-F