

Week Ending Friday, March 21, 1997

**Message to the Congress on Iran**

*March 14, 1997*

*To the Congress of the United States:*

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. 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 Corporation 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 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 inter-

national 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 to further respond to the Iranian threat to the national security, foreign policy, and economy of the United States.

Executive Order 12959 (60 *Fed. Reg.* 24757, May 9, 1995) (1) prohibits exportation from the United States to Iran or to the Government of Iran of goods, technology, or services; (2) prohibits the reexportation of certain U.S. goods and technology to Iran from third countries; (3) prohibits dealings by United States persons in goods and services of Iranian origin or owned or controlled by the Government of Iran; (4) prohibits new investments by United States persons in Iran or in property owned or controlled by the Government of Iran; (5) prohibits U.S. companies and other United States persons from approving, facilitating, or financing performance by a foreign subsidiary or other entity owned or controlled by a United States person of certain reexport, investment, and trade transactions that a United States person is prohibited from performing; (6) continues the 1987 prohibition on the importation into the United States of goods and services of Iranian origin; (7) prohibits any transaction by a United States person or within the United States that evades or avoids or attempts to violate any prohibition of the order; and (8) allowed U.S. companies a 30-day period in which to perform trade transactions pursuant to contracts predating the Executive order.

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 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 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, Kazakstan, 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 of Representatives and the President of the Senate by letter dated May 6, 1995.

2. On March 5, 1997, 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 information and informational materials and certain other limited exceptions.

3. The Iranian Transactions Regulations (the "Regulations" or ITR), 31 CFR Part 560, were amended on October 21, 1996 (61 *Fed. Reg.* 54936, October 23, 1996), to implement section 4 of the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996, by adjusting for inflation the amount of the civil monetary penalties that may be assessed under the Regulations. The amendment increases the maximum civil monetary penalty provided in the Regulations from \$10,000 to \$11,000 per violation.

The amended Regulations also reflect an amendment to 18 U.S.C. 1001 contained in section 330016(1)(L) of Public Law 103-322, September 13, 1994; 108 Stat. 2147. The amendment notes the availability of higher criminal fines pursuant to the formulas set forth in 18 U.S.C. 3571. A copy of the amendment is attached.

Section 560.603 of the ITR was amended on November 15, 1996 (61 *Fed. Reg.* 58480), to clarify rules relating to reporting requirements imposed on United States persons with foreign affiliations. Initial reporting under the amended Regulation has been deferred until May 30, 1997, by a January 14, 1997, *Federal Register* notice (62 *Fed. Reg.* 1832). Copies of the amendment and the notice are attached.

4. 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 13 licenses. The majority of denials were in response to requests to authorize commercial exports to Iran—particularly of machinery and equipment for the petroleum and manufacturing industries—and the importation of Iranian-origin goods. The licenses issued authorized the export and re-export of goods, services, and technology essential to ensure the safety of civil aviation and safe operation of certain commercial passenger aircraft in Iran; certain financial and legal transactions; the importation of Iranian-origin artwork for public exhibition; and certain diplomatic transactions. Pursuant to sections 3 and 4 of Executive Order 12959 and in order to comply with the Iran-Iraq Arms Non-Proliferation Act of 1992 and other statutory restrictions applicable to certain goods and technology, including those involved in the 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 interdict 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.

5. The U.S. Customs Service has continued to effect numerous seizures of Iranian-origin merchandise, primarily carpets, for violations 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 re-

port, OFAC has collected a civil monetary penalty in the amount of \$5,000. The violation underlying this collection involves the unlicensed import of Iranian-origin goods for transshipment to a third country aboard a U.S.-flag vessel. Civil penalty action or review is pending against 21 companies, financial institutions, and individuals for possible violations of the Regulations.

6. The expenses incurred by the Federal Government in the 6-month period from September 15, 1996, through March 14, 1997, that are directly attributable to the exercise of powers and authorities conferred by the declaration of a national emergency with respect to Iran are approximately \$800,000, 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).

7. The situation reviewed above continues to involve important diplomatic, financial, and legal interests of the United States and its nationals and presents 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 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 and 12959 continue to advance important objectives in promoting the nonproliferation and antiterrorism 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.

**William J. Clinton**

The White House,  
March 14, 1997.

NOTE: This message was not received in time for publication in the appropriate issue.

**Letter to Congressional Leaders  
Reporting on the Situation in Albania  
March 15, 1997**

*Dear Mr. Speaker: (Dear Mr. President:)*

In February 1997, civil unrest broke out in Albania after a nationwide pyramid investment scheme destroyed the life savings of tens of thousands of investors unaware of the fraudulent nature of those investments. Protesters took to the streets and later joined political opponents of President Sali Berisha in demanding his removal. By March 13, much of Albania, including the capital city of Tirana, had fallen into widespread disorder. Looting and gunfire was reported throughout the country as sympathetic police and military officials refused to enforce the law. While there was no evidence that Americans were being directly targeted, the disorder and violence sweeping the country subjected American citizens and property to risks ranging from criminal acts to random violence.

On March 13, due to the rapidly deteriorating security situation and the potential threat to American citizens and the American Embassy, U.S. military personnel were deployed to provide enhanced security for the American Embassy in Tirana and to conduct the evacuation of certain U.S. Government employees and private U.S. citizens. Approximately 25 U.S. Marines entered the capital city on March 13 and immediately took up positions in and around the American Embassy compound. Evacuation operations began concurrently as U.S. CH-46 helicopters operating from the USS *Nassau* amphibious ready group transported approximately 50 U.S. citizens to U.S. Navy ships at sea. Evacuation efforts resumed on March 14 and are expected to continue for several