

Message to the Congress Reporting on the National Emergency With Respect to Iran

May 14, 1992

To the Congress of the United States:

I hereby report to the Congress on developments since the last Presidential report on November 13, 1991, concerning the national emergency with respect to Iran that was declared in Executive Order No. 12170 of November 14, 1979, and matters relating to Executive Order No. 12613 of October 29, 1987. This report is submitted pursuant to section 204(c) of the International Emergency Economic Powers Act, 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). This report covers events through March 31, 1992. My last report dated November 13, 1991, covered events through September 30, 1991.

1. The Iranian Transactions Regulations ("ITRs"), 31 CFR Part 560, were amended on December 3, 1991, to further interpret the documentary requirements for obtaining a license to import Iranian-origin carpets from third countries, and to permit the importation of certain household and personal effects by persons arriving in the United States. A copy of these amendments is attached to this report. Except for minor clerical changes, the Iranian Assets Control Regulations ("IACRs"), 31 CFR Part 535, have not been amended since my last report.

2. The Office of Foreign Assets Control ("FAC") of the Department of the Treasury continues to process applications for import licenses under the ITRs. However, the December 3, 1991, amendments to the ITRs have resulted in a substantial reduction in the number of license applications received relating to the importation of nonfungible Iranian-origin goods, principally carpets, claimed to have been located outside of Iran prior to the imposition of the embargo. Those amendments have also made specific licenses unnecessary for most Iranian-origin goods permitted entry as duty-free household goods and personal effects by persons returning to the United States.

During the reporting period, the Customs Service has continued to effect numerous seizures of Iranian-origin merchandise, mostly carpets, for violation of the import prohibitions of the ITRs. FAC and Customs Service investigations of these violations have resulted in forfeiture actions and the imposition of civil monetary penalties. Numerous additional forfeiture and civil penalty actions are under review.

FAC worked closely with the Customs Service during the reporting period to further develop procedures to expeditiously dispose of cases involving the seizure of noncommercial importations of nonfungible Iranian goods by certain first-time importers. The opportunity for immediate re-exportation of such goods, under Customs supervision and upon payment of a mitigated forfeiture amount, has been made available in a greater number of cases to reduce the total cost of the violation to those importers.

3. 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 my last report, the Tribunal has rendered 7 awards, for a total of 528 awards. Of that total, 357 have been awards in favor of American claimants: 217 of these were awards on agreed terms, authorizing and approving payment of settlements negotiated by the parties, and 140 were decisions adjudicated on the merits. The Tribunal has issued 34 decisions dismissing claims on the merits and 80 decisions dismissing claims for jurisdictional reasons. Of the 57 remaining awards, 3 approved the withdrawal of cases and 54 were in favor of Iranian claimants. As of March 31, 1992, payments on awards to successful American claimants from the Security Account held by the NV Settlement Bank stood at \$2,045,284,993.99.

As of March 31, 1992, the Security Account has fallen below the required balance of \$500 million 34 times. Iran has periodically replenished the account, as required

by the Algiers Accords, by transferring funds from the separate account held by the NV Settlement Bank in which interest on the Security Account is deposited. The last transfer of interest occurred on November 27, 1991, and resulted in a transfer of \$26.6 million from the interest account to the Security Account. The aggregate amount that has been transferred from the interest account to the Security Account is \$859,472,986.47. As noted in my last report, Iran has also replenished the Security Account with the proceeds from the sale of Iranian-origin oil imported into the United States, pursuant to transactions licensed on a case-by-case basis by FAC.

The Security Account was also increased on December 3, 1991, by an \$18 million payment from the United States that was a part of the settlement of case B/1 (Claim 4). This payment brought the balance of the Security Account up to the required \$500 million for the first time since June 1990. As of March 31, 1992, the total amount in the Security Account was \$500,334,516.76, and the total amount in the interest account was \$8,332,610.75.

4. The Tribunal continues to make progress in the arbitration of claims of U.S. nationals for \$250,000.00 or more. Since the last report, six large claims have been decided, including two claims that were settled by the parties. Approximately 85 percent of the nonbank claims have now been disposed of through adjudication, settlement, or voluntary withdrawal, leaving 89 such claims on the docket. The largest of the large claims, the progress of which has been slowed by their complexity, are finally being resolved, sometimes with sizable damage awards to the U.S. claimant. Since September 30, 1991, U.S. claimants have been awarded over \$4 million by the Tribunal.

5. As anticipated by the May 13, 1990, agreement settling the claims of U.S. nationals against Iran for less than \$250,000.00 the Foreign Claims Settlement Commission ("FCSC") has begun its review of 3,112 claims. The FCSC has issued decisions in 460 claims, for total awards of over \$8 million. The FCSC expects to complete its adjudication of the remaining claims by September 1993.

6. In coordination with concerned Gov-

ernment agencies, the Department of State continues to present United States Government claims against Iran, as well as responses by the United States Government to claims brought against it by Iran. Since the last report, the United States Government has settled one case with Iran, resulting in a payment to Iran of \$278,000,000. As noted above, \$18 million of this payment was deposited into the Security Account for replenishment purposes. The Department of State also represented the United States before the Tribunal in a case filed by an Iranian national.

7. As anticipated in my last report, after a final determination that there were no longer any bank syndicates pursuing claims against Dollar Account No. 1 at the Federal Reserve Bank of New York, appropriate steps were taken to close the account. On February 19, 1992, the remaining balance in the dollar account, \$134,128.56, was transferred to Bank Markazi. On March 12, 1992, the United States and Iran filed a joint submission to the Tribunal requesting termination of Case No. A/15 (I:G), the case brought by Iran involving the syndicate claims.

8. 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 IACRs issued pursuant to Executive Order No. 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. Similarly, the ITRs issued pursuant to Executive Order No. 12613 continue to advance important objectives in combatting international terrorism. 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.

GEORGE BUSH

The White House,
May 14, 1992.