

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

WHORM Subject File Code: CO071
(Countries: Iran)
Case File Number(s): 426706 (2 of 2)
Box Number: 90

To see more digitized collections visit:

<https://www.reaganlibrary.gov/archives/digitized-textual-material>

To see all Ronald Reagan Presidential Library inventories visit:

<https://www.reaganlibrary.gov/archives/white-house-inventories>

Contact a reference archivist at: **reagan.library@nara.gov**

Citation Guidelines: <https://reaganlibrary.gov/archives/research-support/citation-guide>

National Archives Catalogue: <https://catalog.archives.gov/>

Last Updated: 11/13/2023

central bank), acting on behalf of the Government of Iran, its agencies, instrumentalities or controlled entities. This Agreed Clarification allows interest still owing on Iran's syndicated debt for the period January 1-18, 1981 ("January Interest"), to be paid from Dollar Account No. 2 at the Bank of England. Bank Markazi is now in the process of negotiating January Interest settlements with the relevant bank syndicates.

Since my last report, no settlements of nonsyndicated debt claims of U.S. banks against Iran have been paid from Dollar Account No. 2. Thus, among banks responding to a December 1981 *Federal Register* notice requiring the registration of all U.S. banks with claims against Dollar Account No. 2, about 16 banks have yet to settle their claims. In addition, a number of those banks that have already reached settlements with Iran have reserved claims against Dollar Account No. 2. The balance in Dollar Account No. 2 currently exceeds \$625 million, an amount clearly sufficient to satisfy both outstanding nonsyndicated debt claims and the January Interest claims now payable out of this account.

6. There have been no changes in the Iranian Assets Control Regulations since my last report.

7. My last report described a bench ruling issued by the United States Claims Court in a Sperry Corporation challenge to the two-percent administrative fee that had been deducted from Tribunal awards paid to U.S. claimants from the Security Account, pursuant to a Treasury Department directive license to the Federal Reserve Bank of New York. As I reported, Title V of the "Foreign Relations Authorization Act, Fiscal Years 1986 and 1987," Public Law 99-93 (P.L. 99-93), replaced the fee deducted pursuant to this directive license with somewhat lower statutory fees. I noted that, in light of this legislation, it was unlikely that the Claims Court would issue a judgment based on its bench ruling, but that Sperry Corporation, in a continuation of its litigation, was challenging the constitutionality of P.L. 99-93.

Since my last report, the Claims Court has rejected Sperry's challenge to P.L. 99-93, although no judgment has yet been issued. Because P.L. 99-93 was made effective as of the date the Treasury Depart-

ment directive license was issued, June 7, 1982, the Claims Court indicated that it would dismiss as moot Sperry's challenge to the two-percent fee deducted pursuant to the directive license. I also reported that the Treasury Department was in the process of refunding to all affected claimants the difference between the prior two-percent fee and the one-and-one-half-percent fee (one percent on amounts above \$5 million) authorized by P.L. 99-93. This process was completed in December 1985. The refunds totalled approximately \$2.6 million.

8. The claims settlement process created by the Algiers Accords continues to affect important diplomatic, financial, and legal interests of the United States and its nationals, and relations with Iran present an unusual challenge to the national security and foreign policy of the United States. The Iranian Assets Control Regulations issued pursuant to Executive Order No. 12170 continue to play an important role in regulating our relationship with Iran and in enabling the United States properly to implement the Algiers Accords. 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.

Ronald Reagan


The White House,
May 23, 1986.

THE WHITE HOUSE

WASHINGTON

November 18, 1986

MEMORANDUM FOR DAVID L. CHEW
DEPUTY ASSISTANT TO THE PRESIDENT AND
STAFF SECRETARY

FROM: PETER J. WALLISON 
COUNSEL TO THE PRESIDENT

SUBJECT: IEEPA Report to Congress on the
Iranian Emergency


As requested, we have reviewed the above-referenced report to Congress. We have no legal objection to the transmission of this report as required by statute.

11/17/86
10:30 AM

WHITE HOUSE STAFFING MEMORANDUM

DATE: 11/17/86 ACTION/CONCURRENCE/COMMENT DUE BY: 11/18/86


SUBJECT: REPORT TO CONGRESS ON THE IRAN EMERGENCY

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MILLER - ADMIN.	<input type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER - OMB	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BARBOUR	<input type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	WALLISON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
KING	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
KINGON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
MASENG	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please provide your comments/recommendation by close of business Tuesday, November 18th. Thank you.

RESPONSE:

The NSC concurs as is.


 Rodney B. McDaniel
 Executive Secretary
 18 November 1986

David L. Chew
 Staff Secretary
 Ext. 2702



THE SECRETARY OF THE TREASURY
WASHINGTON

November 13, 1986

Dear Mr. President:

Under the International Emergency Economic Powers Act, you are required to submit every six months a report to the Congress concerning the Iranian emergency declared in Executive Order No. 12170 on November 14, 1979. The next report is due on November 14, 1986.

Enclosed is a proposed report covering the six-month period since your last submission on this subject. The proposed report indicates in its initial paragraph that it covers only matters concerning the national emergency with respect to Iran that was declared on November 14, 1979. It is not intended to report on all activities regarding Iran.

Your last report to Congress on this matter, dated May 23, 1986, is also enclosed for your reference.

I recommend that you sign and transmit the proposed report to the Congress.

Respectfully,

James A. Baker, III

The President
The White House
Washington, D.C. 20500

Enclosures

THE WHITE HOUSE

WASHINGTON

Dear Mr. Speaker:

This report is made pursuant to Section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c), and, like previous reports, discusses only matters concerning the national emergency with respect to Iran that was declared in Executive Order No. 12170 of November 14, 1979. This report covers matters that have occurred since the report I made on May 23, 1986.

1. The Iran-United States Claims Tribunal, established at The Hague pursuant to the Claims Settlement Agreement of January 19, 1981, continues to make progress in arbitrating the claims before it. Since my last report, the Tribunal has rendered 37 more decisions for a total of 260 final decisions. Of that total, 197 have been awards in favor of American claimants; 119 were awards on agreed terms, authorizing and approving payment of settlements negotiated by the parties, and 78 were adjudicated decisions. The Tribunal has dismissed a total of 17 claims on the merits, and 33 for jurisdictional reasons. As of November 1, 1986, total payments to successful American claimants from the Security Account, held by the NV Settlement Bank, stood at approximately \$681 million.

In January 1986, the payment of awards in favor of U.S. nationals caused the balance of the Security Account to fall for the first time below \$500 million, thus triggering Iran's obligation to replenish. Iran acted quickly in instructing replenishment from interest earned on the Security Account, which is also held by the NV Settlement Bank. Although technical difficulties involving the concerned central banks delayed actual replenishment for several months, a procedure has now been established that should make future transfers administratively simple. On October 10, 1986, replenishment was again triggered, and the second replenishment occurred on October 27, 1986.

In cases between the two governments, the Tribunal to date has issued three decisions in favor of each government, dismissed one claim that had been filed by the United States, and dismissed four claims that had been filed by Iran. In addition, Iran has withdrawn 15 of its government-to-government claims, while the United States has withdrawn three.

2. The Tribunal continues to make progress in the arbitration of claims of U.S. nationals for \$250,000 or more. More than 50 percent of the claims have now been disposed of through adjudication, settlement, or voluntary withdrawal, leaving 251 such claims on the docket. Among recent cases, two U.S. claimant companies received large awards totalling approximately \$91 million. Other decisions were notable for the legal precedents set by the Tribunal: In one case, the Tribunal valued an expropriated service company at its going concern value, taking into account the negative impacts of the Iranian revolution on its business, rather than using the net book value of the business as advocated by Iran. In a second legally significant decision, the Tribunal held that an order by a local Iranian court prohibiting an Iranian company from making lease payments or returning equipment to the U.S. claimant constituted a taking by the Government of Iran requiring compensation under international law. Both these decisions should prove helpful to other U.S. claimants before the Tribunal.

3. The Tribunal continues to process claims of U.S. nationals against Iran of less than \$250,000 each. Iran has not to date been willing to negotiate a lump sum settlement of these claims. While the Tribunal's progress is slower than we would like, 50 additional claims have been selected by the Tribunal for active arbitration, making the total number of active small claims 170. The Department of State has submitted more than 44,000 pages of text and evidence in support of these claims, and additional pleadings are being filed weekly.

Since my last report, the Tribunal has held seven hearings on claims under \$250,000, and issued awards in three contested claims, raising the total number of such decisions to five, of which four favored the American claimant. These decisions will help in establishing guidelines for the adjudication or settlement of similar small claims. To date, American claimants have also received 15 awards on agreed terms reflecting settlements.

4. The Department of State continues to coordinate the efforts of concerned governmental agencies in presenting U.S. claims against Iran as well as responses by the U.S. Government to claims brought against it by Iran. Since my last report, the Department has filed pleadings in nine government-to-government claims based on contracts for the provision of goods and services. The Tribunal issued a decision holding the U.S. Atomic Energy Commission liable for simple interest at the rate of 10 percent per annum on a previously issued principal award of approximately \$8 million in favor of the Atomic Energy Organization of Iran. The Tribunal dismissed two major claims brought by the Ministry of Defense of Iran against the U.S. Government based on the alleged breach of contract by a U.S. defense contractor, finding that the U.S. Government was not a proper respondent. Forty-two government-to-government claims remain pending.

In addition to work on the government-to-government claims, the Department of State, working together with the Department of the Treasury and the Department of Justice, filed four pleadings in disputes concerning the interpretation and/or performance of various provisions of the Algiers Accords. Since my last report, the Tribunal has held no hearings on interpretive disputes. However, it did render its decision on Iran's request that different, and more stringent, standards be established by the Full Tribunal for proof of nationality of corporate claimants. Iran had contended that, under earlier decisions by the individual Chambers, some publicly held corporate claimants had been permitted to establish their United States nationality through insufficient evidence. The Full Tribunal held that no general rule is required and that none would be feasible given the widely varying fact situations in which corporate nationality must be determined. Thus, the individual Chambers can continue to approach each determination flexibly and pragmatically, as urged by the United States.

In August, following Iran's first replenishment of the Security Account, the Tribunal issued its decision on Iran's claim for the balance remaining from the \$3.667 billion transferred in January 1981 to the Federal Reserve Bank of New York, as fiscal agent for the United States, for the payment of Iran's syndicated indebtedness. The Tribunal determined that Iran is entitled to so much of the remaining balance as is not needed to satisfy outstanding claims against the fund, as soon as the two governments reach agreement on three points: 1) the amount of claims remaining against the fund; 2) the amount not needed for any such claims and thus

available for transfer to Iran; and 3) the terms of a release of all claims by Iran against the United States for administration of the fund. If the two governments are not able to reach such agreement within four months from the date of the order, either government may apply to the Tribunal for further action.

5. Since my last report, two bank syndicates have completed negotiations with Bank Markazi Jomhuri Islami Iran (Iran's central bank) and have been paid a total of \$252,723.67 for interest accruing for the period January 1 - 18, 1981 ("January Interest"). These payments were made from Dollar Account No. 2 at the Bank of England. Negotiations have been completed and payment of \$482,175.27 is pending for January Interest owed to two other bank syndicates, and Bank Markazi and additional bank syndicates are now negotiating January Interest settlements.

6. Since my last report, there has been one change in the Iranian Assets Control Regulations. In response to the Tribunal's decision on Iran's claim to any excess monies held by the Federal Reserve Bank of New York over those required to pay Iran's syndicated indebtedness, a new regulation has been issued, requiring registration of all claims against the fund, all claims against Dollar Account No. 2, and all claims for January Interest (which, as my previous reports have indicated, are arguably payable out of either fund).
51 Fed. Reg. 37568 (Oct. 23, 1986).

7. The ongoing claims settlement process created by the Algiers Accords 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. In particular, the Iranian Assets Control Regulations 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 properly to implement the Algiers Accords. 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.

Sincerely,

The Honorable Thomas P. O'Neill, Jr.
Speaker of the
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

Dear Mr. President:

This report is made pursuant to Section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c), and, like previous reports, discusses only matters concerning the national emergency with respect to Iran that was declared in Executive Order No. 12170 of November 14, 1979. This report covers matters that have occurred since the report I made on May 23, 1986.

1. The Iran-United States Claims Tribunal, established at The Hague pursuant to the Claims Settlement Agreement of January 19, 1981, continues to make progress in arbitrating the claims before it. Since my last report, the Tribunal has rendered 37 more decisions for a total of 260 final decisions. Of that total, 197 have been awards in favor of American claimants; 119 were awards on agreed terms, authorizing and approving payment of settlements negotiated by the parties, and 78 were adjudicated decisions. The Tribunal has dismissed a total of 17 claims on the merits, and 33 for jurisdictional reasons. As of November 1, 1986, total payments to successful American claimants from the Security Account, held by the NV Settlement Bank, stood at approximately \$681 million.

In January 1986, the payment of awards in favor of U.S. nationals caused the balance of the Security Account to fall for the first time below \$500 million, thus triggering Iran's obligation to replenish. Iran acted quickly in instructing replenishment from interest earned on the Security Account, which is also held by the NV Settlement Bank. Although technical difficulties involving the concerned central banks delayed actual replenishment for several months, a procedure has now been established that should make future transfers administratively simple. On October 10, 1986, replenishment was again triggered, and the second replenishment occurred on October 27, 1986.

In cases between the two governments, the Tribunal to date has issued three decisions in favor of each government, dismissed one claim that had been filed by the United States, and dismissed four claims that had been filed by Iran. In addition, Iran has withdrawn 15 of its government-to-government claims, while the United States has withdrawn three.

2. The Tribunal continues to make progress in the arbitration of claims of U.S. nationals for \$250,000 or more. More than 50 percent of the claims have now been disposed of through adjudication, settlement, or voluntary withdrawal, leaving 251 such claims on the docket. Among recent cases, two U.S. claimant companies received large awards totalling approximately \$91 million. Other decisions were notable for the legal precedents set by the Tribunal: In one case, the Tribunal valued an expropriated service company at its going concern value, taking into account the negative impacts of the Iranian revolution on its business, rather than using the net book value of the business as advocated by Iran. In a second legally significant decision, the Tribunal held that an order by a local Iranian court prohibiting an Iranian company from making lease payments or returning equipment to the U.S. claimant constituted a taking by the Government of Iran requiring compensation under international law. Both these decisions should prove helpful to other U.S. claimants before the Tribunal.

3. The Tribunal continues to process claims of U.S. nationals against Iran of less than \$250,000 each. Iran has not to date been willing to negotiate a lump sum settlement of these claims. While the Tribunal's progress is slower than we would like, 50 additional claims have been selected by the Tribunal for active arbitration, making the total number of active small claims 170. The Department of State has submitted more than 44,000 pages of text and evidence in support of these claims, and additional pleadings are being filed weekly.

Since my last report, the Tribunal has held seven hearings on claims under \$250,000, and issued awards in three contested claims, raising the total number of such decisions to five, of which four favored the American claimant. These decisions will help in establishing guidelines for the adjudication or settlement of similar small claims. To date, American claimants have also received 15 awards on agreed terms reflecting settlements.

4. The Department of State continues to coordinate the efforts of concerned governmental agencies in presenting U.S. claims against Iran as well as responses by the U.S. Government to claims brought against it by Iran. Since my last report, the Department has filed pleadings in nine government-to-government claims based on contracts for the provision of goods and services. The Tribunal issued a decision holding the U.S. Atomic Energy Commission liable for simple interest at the rate of 10 percent per annum on a previously issued principal award of approximately \$8 million in favor of the Atomic Energy Organization of Iran. The Tribunal dismissed two major claims brought by the Ministry of Defense of Iran against the U.S. Government based on the alleged breach of contract by a U.S. defense contractor, finding that the U.S. Government was not a proper respondent. Forty-two government-to-government claims remain pending.

In addition to work on the government-to-government claims, the Department of State, working together with the Department of the Treasury and the Department of Justice, filed four pleadings in disputes concerning the interpretation and/or performance of various provisions of the Algiers Accords. Since my last report, the Tribunal has held no hearings on interpretive disputes. However, it did render its decision on Iran's request that different, and more stringent, standards be established by the Full Tribunal for proof of nationality of corporate claimants. Iran had contended that, under earlier decisions by the individual Chambers, some publicly held corporate claimants had been permitted to establish their United States nationality through insufficient evidence. The Full Tribunal held that no general rule is required and that none would be feasible given the widely varying fact situations in which corporate nationality must be determined. Thus, the individual Chambers can continue to approach each determination flexibly and pragmatically, as urged by the United States.

In August, following Iran's first replenishment of the Security Account, the Tribunal issued its decision on Iran's claim for the balance remaining from the \$3.667 billion transferred in January 1981 to the Federal Reserve Bank of New York, as fiscal agent for the United States, for the payment of Iran's syndicated indebtedness. The Tribunal determined that Iran is entitled to so much of the remaining balance as is not needed to satisfy outstanding claims against the fund, as soon as the two governments reach agreement on three points: 1) the amount of claims remaining against the fund; 2) the amount not needed for any such claims and thus

available for transfer to Iran; and 3) the terms of a release of all claims by Iran against the United States for administration of the fund. If the two governments are not able to reach such agreement within four months from the date of the order, either government may apply to the Tribunal for further action.

5. Since my last report, two bank syndicates have completed negotiations with Bank Markazi Jomhuri Islami Iran (Iran's central bank) and have been paid a total of \$252,723.67 for interest accruing for the period January 1 - 18, 1981 ("January Interest"). These payments were made from Dollar Account No. 2 at the Bank of England. Negotiations have been completed and payment of \$482,175.27 is pending for January Interest owed to two other bank syndicates, and Bank Markazi and additional bank syndicates are now negotiating January Interest settlements.

6. Since my last report, there has been one change in the Iranian Assets Control Regulations. In response to the Tribunal's decision on Iran's claim to any excess monies held by the Federal Reserve Bank of New York over those required to pay Iran's syndicated indebtedness, a new regulation has been issued, requiring registration of all claims against the fund, all claims against Dollar Account No. 2, and all claims for January Interest (which, as my previous reports have indicated, are arguably payable out of either fund). 51 Fed. Reg. 37568 (Oct. 23, 1986).

7. The ongoing claims settlement process created by the Algiers Accords 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. In particular, the Iranian Assets Control Regulations 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 properly to implement the Algiers Accords. 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.

Sincerely,

The Honorable George Bush
President of the Senate
Washington, D.C. 20510

Speaker / Bush
TO THE CONGRESS OF THE UNITED STATES:

This report is made pursuant to Section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. ~~Section~~ 1703(c), and, like previous reports, discusses only matters concerning the national emergency with respect to Iran that was declared in Executive Order No. 12170 of November 14, 1979. This report covers matters that have occurred since the report I made on May 23, 1986.

1. The Iran-United States Claims Tribunal, established at The Hague pursuant to the Claims Settlement Agreement of January 19, 1981, continues to make progress in arbitrating the claims before it. Since my last report, the Tribunal has rendered 37 more decisions for a total of 260 final decisions. Of that total, 197 have been awards in favor of American claimants; 119 were awards on agreed terms, authorizing and approving payment of settlements negotiated by the parties; and 78 were adjudicated decisions. The Tribunal has dismissed a total of 17 claims on the merits, and 33 for jurisdictional reasons. As of November 1, 1986, total payments to successful American claimants from the Security Account, held by the NV Settlement Bank, stood at approximately \$681 million.

In January 1986, the payment of awards in favor of U.S. nationals caused the balance of the Security Account to fall for the first time below \$500 million, thus triggering Iran's

obligation to replenish. Iran acted quickly in instructing replenishment from interest earned on the Security Account, which is also held by the NV Settlement Bank. Although technical difficulties involving the concerned central banks delayed actual replenishment for several months, a procedure has now been established ~~which~~ ^{that} should make future transfers administratively simple. On October 10, 1986, replenishment was again triggered, and the second replenishment occurred on October 27, 1986.

In cases between the two governments, the Tribunal ~~has~~ ^{has} to date issued three decisions in favor of each government, dismissed one claim that had been filed by the United States, and dismissed four claims that had been filed by Iran. In addition, Iran has withdrawn ~~fifteen~~ ¹⁵ of its government-to-government claims, while the United States has withdrawn three.

2. The Tribunal continues to make progress in the arbitration of claims of U.S. nationals for \$250,000 or more. More than 50 percent of the claims have now been disposed of through adjudication, settlement, or voluntary withdrawal, leaving 251 such claims on the docket. Among recent cases, two U.S. claimant companies received large awards totalling approximately \$91 million. Other decisions were notable for the legal precedents set by the Tribunal: in one case, the Tribunal valued an expropriated service company at its going concern value, taking into account the negative impacts of the Iranian revolution on its business, rather than using the net book value of the

business as advocated by Iran. In a second legally significant decision, the Tribunal held that an order by a local Iranian court prohibiting an Iranian company from making lease payments or returning equipment to the U.S. claimant constituted a taking by the Government of Iran requiring compensation under international law. Both these decisions should prove helpful to other U.S. claimants before the Tribunal.

3. The Tribunal continues to process claims of U.S. nationals against Iran of less than \$250,000 each. Iran has not to date been willing to negotiate a lump sum settlement of these claims. While the Tribunal's progress is slower than we would like, 50 additional claims have been selected by the Tribunal for active arbitration, making the total number of active small claims 170. The Department of State has submitted more than 44,000 pages of text and evidence in support of these claims, and additional pleadings are being filed weekly.

Since my last report, the Tribunal has held seven hearings on claims under \$250,000, and issued awards in three contested claims, raising the total number of such decisions to five, of which four favored the American claimant. These decisions will help in establishing guidelines for the adjudication or settlement of similar small claims. To date, American claimants have also received ¹⁵~~fifteen~~ awards on agreed terms reflecting settlements.

4. The Department of State continues to coordinate the efforts of concerned governmental agencies in presenting U.S. claims against Iran as well as responses by the U.S. Government to claims brought against it by Iran. Since my last report, the Department has filed pleadings in nine government-to-government claims based on contracts for the provision of goods and services. The Tribunal issued a decision holding the U.S. Atomic Energy Commission liable for simple interest at the rate of 10% per annum on a previously-issued principal award of approximately \$8 million in favor of the Atomic Energy Organization of Iran. The Tribunal dismissed two major claims brought by the Ministry of Defense of Iran against the U.S. Government based on the alleged breach of contract by a U.S. defense contractor, finding that the U.S. Government was not a proper respondent. Forty-two government-to-government claims remain pending.

In addition to work on the government-to-government claims, the Department of State, working together with the Department of the Treasury and the Department of Justice, filed four pleadings in disputes concerning the interpretation and/or performance of various provisions of the Algiers Accords. Since my last report, the Tribunal has held no hearings on interpretive disputes. It did, ~~however~~, ^{However,} render its decision on Iran's request that different, and more stringent, standards be established by the Full Tribunal for proof of nationality of corporate claimants. Iran had contended that, under earlier decisions by the individual Chambers, some publicly-held corporate claimants had been

permitted to establish their United States nationality through insufficient evidence. The Full Tribunal held that no general rule is required, and that none would be feasible given the widely-varying fact situations in which corporate nationality must be determined. Thus, the individual Chambers can continue to approach each determination flexibly and pragmatically, as urged by the United States.

In August, following Iran's first replenishment of the Security Account, the Tribunal issued its decision on Iran's claim for the balance remaining from the \$3.667 billion transferred in January 1981 to the Federal Reserve Bank of New York, as fiscal agent for the United States, for the payment of Iran's syndicated indebtedness. The Tribunal determined that Iran is entitled to so much of the remaining balance as is not needed to satisfy outstanding claims against the fund, as soon as the two governments reach agreement on three points: 1) the amount of claims remaining against the fund; 2) the amount not needed for any such claims and thus available for transfer to Iran; and 3) the terms of a release of all claims by Iran against the U.S. for administration of the fund. If the two governments are not able to reach such agreement within four months from the date of the order, either government may apply to the Tribunal for further action.

5. Since my last report, two bank syndicates have completed negotiations with Bank Markazi Jomhuri Islami Iran

spell out?

(Iran's central bank) and have been paid a total of \$252,723.67 for interest accruing for the period January 1-18, 1981 ("January Interest"). These payments were made from Dollar Account No. 2 at the Bank of England. Negotiations have been completed and payment of \$482,175.27 is pending for January Interest owed to two other bank syndicates, and Bank Markazi and additional bank syndicates are now negotiating January Interest settlements.

6. Since my last report, there has been one change in the Iranian Assets Control Regulations. In response to the Tribunal's decision on Iran's claim to any excess monies held by the Federal Reserve Bank of New York over those required to pay Iran's syndicated indebtedness, a new regulation has been issued, requiring registration of all claims against the fund, all claims against Dollar Account No. 2, and all claims for January Interest (which, as my previous reports have indicated, are arguably payable out of either fund). 51 Fed. Reg. 37568 (Oct. 23, 1986).

✓ 7. The on-going claims settlement process created by the Algiers Accords 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. In particular, the Iranian Assets Control Regulations 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 properly to implement the Algiers Accords. I shall

-7-

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.

/Ronald Reagan/

The White House

November ____, 1986

MEMORANDUM
OF CALL

Previous editions usable

TO:

YOU WERE CALLED BY— YOU WERE VISITED BY—

Pos *Fei*

OF (Organization)

State Dept

PLEASE PHONE FTS AUTOVON

632-7416

WILL CALL AGAIN IS WAITING TO SEE YOU

RETURNED YOUR CALL WISHES AN APPOINTMENT

MESSAGE

*ref. on pg 4 para 4 of
IEEPA report on Iran
is correct - is Atomic Energy
Comm. not NRC - quest
of call per*

RECEIVED BY

DATE

11:30

OFFICE OF THE EXECUTIVE CLERK
TRACKING SHEET FOR PRESIDENTIAL DOCUMENTS

TITLE: Periodic Report re Iran

TYPE DOCUMENT:

PROCLAMATION

LETTER (S) to speaker + VP

EXECUTIVE ORDER

MESSAGE TO THE CONGRESS/SENATE

MEMORANDUM

STATEMENT BY THE PRESIDENT

DECISION MEMORANDUM

SIGNING STATEMENT

OTHER:

RECEIVED: (Advance: 11 / 17 / 86 Time: 9:00 a.m./p.m.)
Date: / / 86 Time: a.m./p.m.

SENT TO CORRESPONDENCE FOR TYPING IN FINAL:

(Advance: 11 / 17 / 86 Time: 9:35 a.m./p.m.)
Date: / / 86 Time: a.m./p.m.

TO DAVID L. CHEW'S OFFICE:

Date: 11 / 17 / 86 Time: 12:30 a.m./p.m.

INFO, INCLUDING STENCIL, TO PRESS OFFICE:

Date: 11 / 21 / 86 Time: 3:16 a.m./p.m.
POSTED: / / 86 Time: a.m./p.m.

NOTIFICATIONS:

ST
(initial) Each time a report or message is transmitted to the Congress, call Jane Moody, ext. 2230. 3:24P

ST
(initial) N.S.C., when appropriate (Cathy Millison or Cathy Bergeron, ext. 6534). 3:25P

ST
(initial) Bill Hoffman, Tres

OTHER INFORMATION:

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

November 21, 1986

TEXT OF A LETTER FROM THE
PRESIDENT TO THE SPEAKER OF THE
HOUSE OF REPRESENTATIVES AND THE
PRESIDENT OF THE SENATE

November 21, 1986

Dear Mr. Speaker: (Dear Mr. President)

This report is made pursuant to Section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c), and, like previous reports, discusses only matters concerning the national emergency with respect to Iran that was declared in Executive Order No. 12170 of November 14, 1979. This report covers matters that have occurred since the report I made on May 23, 1986.

1. The Iran-United States Claims Tribunal, established at The Hague pursuant to the Claims Settlement Agreement of January 19, 1981, continues to make progress in arbitrating the claims before it. Since my last report, the Tribunal has rendered 37 more decisions for a total of 260 final decisions. Of that total, 197 have been awards in favor of American claimants; 119 were awards on agreed terms, authorizing and approving payment of settlements negotiated by the parties, and 78 were adjudicated decisions. The Tribunal has dismissed a total of 17 claims on the merits, and 33 for jurisdictional reasons. As of November 1, 1986, total payments to successful American claimants from the Security Account, held by the NV Settlement Bank, stood at approximately \$681 million.

In January 1986, the payment of awards in favor of U.S. nationals caused the balance of the Security Account to fall for the first time below \$500 million, thus triggering Iran's obligation to replenish. Iran acted quickly in instructing replenishment from interest earned on the Security Account, which is also held by the NV Settlement Bank. Although technical difficulties involving the concerned central banks delayed actual replenishment for several months, a procedure has now been established that should make future transfers administratively simple. On October 10, 1986, replenishment was again triggered, and the second replenishment occurred on October 27, 1986.

In cases between the two governments, the Tribunal to date has issued three decisions in favor of each government, dismissed one claim that had been filed by the United States, and dismissed four claims that had been filed by Iran. In addition, Iran has withdrawn 15 of its government-to-government claims, while the United States has withdrawn three.

2. The Tribunal continues to make progress in the arbitration of claims of U.S. nationals for \$250,000 or more. More than 50 percent of the claims have now been disposed of through adjudication, settlement, or voluntary withdrawal, leaving 251 such claims on the docket. Among recent cases, two U.S. claimant companies received large awards totalling approximately \$91 million. Other decisions were notable for the legal precedents set by the Tribunal: In one case, the

more

(OVER)

Tribunal valued an expropriated service company at its going concern value, taking into account the negative impacts of the Iranian revolution on its business, rather than using the net book value of the business as advocated by Iran. In a second legally significant decision, the Tribunal held that an order by a local Iranian court prohibiting an Iranian company from making lease payments or returning equipment to the U.S. claimant constituted a taking by the Government of Iran requiring compensation under international law. Both these decisions should prove helpful to other U.S. claimants before the Tribunal.

3. The Tribunal continues to process claims of U.S. nationals against Iran of less than \$250,000 each. Iran has not to date been willing to negotiate a lump sum settlement of these claims. While the Tribunal's progress is slower than we would like, 50 additional claims have been selected by the Tribunal for active arbitration, making the total number of active small claims 170. The Department of State has submitted more than 44,000 pages of text and evidence in support of these claims, and additional pleadings are being filed weekly.

Since my last report, the Tribunal has held seven hearings on claims under \$250,000, and issued awards in three contested claims, raising the total number of such decisions to five, of which four favored the American claimant. These decisions will help in establishing guidelines for the adjudication or settlement of similar small claims. To date, American claimants have also received 15 awards on agreed terms reflecting settlements.

4. The Department of State continues to coordinate the efforts of concerned governmental agencies in presenting U.S. claims against Iran as well as responses by the U.S. Government to claims brought against it by Iran. Since my last report, the Department has filed pleadings in nine government-to-government claims based on contracts for the provision of goods and services. The Tribunal issued a decision holding the U.S. Atomic Energy Commission liable for simple interest at the rate of 10 percent per annum on a previously issued principal award of approximately \$8 million in favor of the Atomic Energy Organization of Iran. The Tribunal dismissed two major claims brought by the Ministry of Defense of Iran against the U.S. Government based on the alleged breach of contract by a U.S. defense contractor, finding that the U.S. Government was not a proper respondent. Forty-two government-to-government claims remain pending.

In addition to work on the government-to-government claims, the Department of State, working together with the Department of the Treasury and the Department of Justice, filed four pleadings in disputes concerning the interpretation and/or performance of various provisions of the Algiers Accords. Since my last report, the Tribunal has held no hearings on interpretive disputes. However, it did render its decision on Iran's request that different, and more stringent, standards be established by the Full Tribunal for proof of nationality of corporate claimants. Iran had contended that, under earlier decisions by the individual Chambers, some publicly held corporate claimants had been permitted to establish their United States nationality through insufficient evidence. The Full Tribunal held that no general rule is required and that none would be feasible given the widely varying fact situa-

more

tions in which corporate nationality must be determined. Thus, the individual Chambers can continue to approach each determination flexibly and pragmatically, as urged by the United States.

In August, following Iran's first replenishment of the Security Account, the Tribunal issued its decision on Iran's claim for the balance remaining from the \$3.667 billion transferred in January 1981 to the Federal Reserve Bank of New York, as fiscal agent for the United States, for the payment of Iran's syndicated indebtedness. The Tribunal determined that Iran is entitled to so much of the remaining balance as is not needed to satisfy outstanding claims against the fund, as soon as the two governments reach agreement on three points: 1) the amount of claims remaining against the fund; 2) the amount not needed for any such claims and thus available for transfer to Iran; and 3) the terms of a release of all claims by Iran against the United States for administration of the fund. If the two governments are not able to reach such agreement within four months from the date of the order, either government may apply to the Tribunal for further action.

5. Since my last report, two bank syndicates have completed negotiations with Bank Markazi Jomhuri Islami Iran (Iran's central bank) and have been paid a total of \$252,723.67 for interest accruing for the period January 1 - 18, 1981 ("January Interest"). These payments were made from Dollar Account No. 2 at the Bank of England. Negotiations have been completed and payment of \$482,175.27 is pending for January Interest owed to two other bank syndicates, and Bank Markazi and additional bank syndicates are now negotiating January Interest settlements.

6. Since my last report, there has been one change in the Iranian Assets Control Regulations. In response to the Tribunal's decision on Iran's claim to any excess monies held by the Federal Reserve Bank of New York over those required to pay Iran's syndicated indebtedness, a new regulation has been issued, requiring registration of all claims against the fund, all claims against Dollar Account No. 2, and all claims for January Interest (which, as my previous reports have indicated, are arguably payable out of either fund). 51 Fed. Reg. 37568 (Oct. 23, 1986).

7. The ongoing claims settlement process created by the Algiers Accords 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. In particular, the Iranian Assets Control Regulations 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 properly to implement the Algiers Accords. 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.

Sincerely,

RONALD REAGAN

#

EO
ID # 426706 CU
C0071

**WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET**



- O - OUTGOING
- H - INTERNAL
- I - INCOMING
Date Correspondence Received (YY/MM/DD) 1/1

Name of Correspondent: David L. Chew

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Report to Congress on the Iran Emergency

ROUTE TO:	ACTION	DISPOSITION			
Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>CellHoll</u>	ORIGINATOR	<u>861117</u>		<u>C</u>	<u>861118</u>
	Referral Note:				
<u>CUAT(26)</u>	<u>D</u>	<u>861117</u>		<u>C</u>	<u>861118</u>
	Referral Note:				
<u>cuwall</u>	<u>S</u>	<u>861118</u>		<u>C</u>	<u>861118</u>
	Referral Note:	<u>Nov 18 86 pgw memo to David Chew</u>			
		<u>1/1</u>			<u>1/1</u>
	Referral Note:				
		<u>1/1</u>			<u>1/1</u>
	Referral Note:				

- ACTION CODES:**
- A - Appropriate Action
 - C - Comment/Recommendation
 - D - Draft Response
 - F - Furnish Fact Sheet to be used as Enclosure
 - I - Info Copy Only/No Action Necessary
 - R - Direct Reply w/Copy
 - S - For Signature
 - X - Interim Reply
- DISPOSITION CODES:**
- A - Answered
 - B - Non-Special Referral
 - C - Completed
 - S - Suspended

FOR OUTGOING CORRESPONDENCE:
 Type of Response = Initials of Signer
 Code = "A"
 Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.
 Send all routing updates to Central Reference (Room 75, OEOB).
 Always return completed correspondence record to Central Files.
 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

RECORDS MANAGEMENT ONLY

CLASSIFICATION SECTION

No. of Additional Correspondents: _____ Media: _____ Individual Codes: _____

Prime Subject Code: _____ Secondary Subject Codes: _____

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C _____	_____	Time: _____	P- _____
DSP _____	_____	Time: _____	Media: _____

SIGNATURE CODES:

- CPn - Presidential Correspondence**
- n - 0 - Unknown
- n - 1 - Ronald Wilson Reagan
- n - 2 - Ronald Reagan
- n - 3 - Ron
- n - 4 - Dutch
- n - 5 - Ron Reagan
- n - 6 - Ronald
- n - 7 - Ronnie

- CLn - First Lady's Correspondence**
- n - 0 - Unknown
- n - 1 - Nancy Reagan
- n - 2 - Nancy
- n - 3 - Mrs. Ronald Reagan

- CBn - Presidential & First Lady's Correspondence**
- n - 1 - Ronald Reagan - Nancy Reagan
- n - 2 - Ron - Nancy

MEDIA CODES:

- B - Box/package
- C - Copy
- D - Official document
- G - Message
- H - Handcarried
- L - Letter
- M - Mailgram
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

PJW/CCC:jmy'
PJWallison
CCCoX
Chron.

THE WHITE HOUSE
WASHINGTON

November 18, 1986

MEMORANDUM FOR DAVID L. CHEW
DEPUTY ASSISTANT TO THE PRESIDENT AND
STAFF SECRETARY

FROM: PETER J. WALLISON *1s/pjw*
COUNSEL TO THE PRESIDENT

SUBJECT: IEEPA Report to Congress on the
Iranian Emergency


As requested, we have reviewed the above-referenced report to Congress. We have no legal objection to the transmission of this report as required by statute.

THE WHITE HOUSE

WASHINGTON

November 18, 1986

MEMORANDUM FOR PETER J. WALLISON

FROM: C. CHRISTOPHER COX 
SUBJECT: IEPPA Report to Congress on the
Iranian Emergency



Attached for your recommended use is a memorandum to David Chew stating that we have no legal objection to the transmission of the proposed report to Congress.

Importantly, the introductory paragraph of the report states clearly that it covers only matters concerning the national emergency with respect to Iran declared in Executive Order 12170 on November 14, 1979.

Reports pursuant to Section 204 of IEPPA, 50 U.S.C. § 1703, are due "[a]t least once during each . . . six-month period after transmitting a report . . . with respect to an exercise of authorities under [IEPPA]." The report should cover "the actions taken, since the last such report, in the exercise of such authorities, and with respect to any changes which have occurred concerning any information previously furnished" concerning the following:

- (1) The circumstances which necessitate such exercise of authorities;
- (2) Why the President believes those circumstances constitute an unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States;
- (3) The authorities to be exercised and the actions to be taken in the exercise of those authorities to deal with those circumstances;

- (4) Why the President believes such actions are necessary to deal with those circumstances; and
- (5) Any foreign countries with respect to which such actions are to be taken and why such actions are to be taken with respect to those countries.

The draft report prepared by Treasury conforms with the statutory requirements.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 11/17/86 ACTION/CONCURRENCE/COMMENT DUE BY: 11/18/86

SUBJECT: REPORT TO CONGRESS ON THE IRAN EMERGENCY

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	MILLER - ADMIN.	<input type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER - OMB	<input type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BARBOUR	<input type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/> P	<input checked="" type="checkbox"/> SS	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	WALLISON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
KING	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
KINGON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
MASENG	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please provide your comments/recommendation by close of business Tuesday, November 18th. Thank you.

RESPONSE:

1986 NOV 17 PM 3:03

David L. Chew
Staff Secretary
Ext. 2702



NOV 17 PM 3:12



THE SECRETARY OF THE TREASURY
WASHINGTON

November 13, 1986

Dear Mr. President:

Under the International Emergency Economic Powers Act, you are required to submit every six months a report to the Congress concerning the Iranian emergency declared in Executive Order No. 12170 on November 14, 1979. The next report is due on November 14, 1986.

Enclosed is a proposed report covering the six-month period since your last submission on this subject. The proposed report indicates in its initial paragraph that it covers only matters concerning the national emergency with respect to Iran that was declared on November 14, 1979. It is not intended to report on all activities regarding Iran.

Your last report to Congress on this matter, dated May 23, 1986, is also enclosed for your reference.

I recommend that you sign and transmit the proposed report to the Congress.

Respectfully,

James A. Baker, III

The President
The White House
Washington, D.C. 20500

Enclosures

THE WHITE HOUSE

WASHINGTON

Dear Mr. Speaker:

This report is made pursuant to Section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c), and, like previous reports, discusses only matters concerning the national emergency with respect to Iran that was declared in Executive Order No. 12170 of November 14, 1979. This report covers matters that have occurred since the report I made on May 23, 1986.

1. The Iran-United States Claims Tribunal, established at The Hague pursuant to the Claims Settlement Agreement of January 19, 1981, continues to make progress in arbitrating the claims before it. Since my last report, the Tribunal has rendered 37 more decisions for a total of 260 final decisions. Of that total, 197 have been awards in favor of American claimants; 119 were awards on agreed terms, authorizing and approving payment of settlements negotiated by the parties, and 78 were adjudicated decisions. The Tribunal has dismissed a total of 17 claims on the merits, and 33 for jurisdictional reasons. As of November 1, 1986, total payments to successful American claimants from the Security Account, held by the NV Settlement Bank, stood at approximately \$681 million.

In January 1986, the payment of awards in favor of U.S. nationals caused the balance of the Security Account to fall for the first time below \$500 million, thus triggering Iran's obligation to replenish. Iran acted quickly in instructing replenishment from interest earned on the Security Account, which is also held by the NV Settlement Bank. Although technical difficulties involving the concerned central banks delayed actual replenishment for several months, a procedure has now been established that should make future transfers administratively simple. On October 10, 1986, replenishment was again triggered, and the second replenishment occurred on October 27, 1986.

In cases between the two governments, the Tribunal to date has issued three decisions in favor of each government, dismissed one claim that had been filed by the United States, and dismissed four claims that had been filed by Iran. In addition, Iran has withdrawn 15 of its government-to-government claims, while the United States has withdrawn three.

2. The Tribunal continues to make progress in the arbitration of claims of U.S. nationals for \$250,000 or more. More than 50 percent of the claims have now been disposed of through adjudication, settlement, or voluntary withdrawal, leaving 251 such claims on the docket. Among recent cases, two U.S. claimant companies received large awards totalling approximately \$91 million. Other decisions were notable for the legal precedents set by the Tribunal: In one case, the Tribunal valued an expropriated service company at its going concern value, taking into account the negative impacts of the Iranian revolution on its business, rather than using the net book value of the business as advocated by Iran. In a second legally significant decision, the Tribunal held that an order by a local Iranian court prohibiting an Iranian company from making lease payments or returning equipment to the U.S. claimant constituted a taking by the Government of Iran requiring compensation under international law. Both these decisions should prove helpful to other U.S. claimants before the Tribunal.

3. The Tribunal continues to process claims of U.S. nationals against Iran of less than \$250,000 each. Iran has not to date been willing to negotiate a lump sum settlement of these claims. While the Tribunal's progress is slower than we would like, 50 additional claims have been selected by the Tribunal for active arbitration, making the total number of active small claims 170. The Department of State has submitted more than 44,000 pages of text and evidence in support of these claims, and additional pleadings are being filed weekly.

Since my last report, the Tribunal has held seven hearings on claims under \$250,000, and issued awards in three contested claims, raising the total number of such decisions to five, of which four favored the American claimant. These decisions will help in establishing guidelines for the adjudication or settlement of similar small claims. To date, American claimants have also received 15 awards on agreed terms reflecting settlements.

4. The Department of State continues to coordinate the efforts of concerned governmental agencies in presenting U.S. claims against Iran as well as responses by the U.S. Government to claims brought against it by Iran. Since my last report, the Department has filed pleadings in nine government-to-government claims based on contracts for the provision of goods and services. The Tribunal issued a decision holding the U.S. Atomic Energy Commission liable for simple interest at the rate of 10 percent per annum on a previously issued principal award of approximately \$8 million in favor of the Atomic Energy Organization of Iran. The Tribunal dismissed two major claims brought by the Ministry of Defense of Iran against the U.S. Government based on the alleged breach of contract by a U.S. defense contractor, finding that the U.S. Government was not a proper respondent. Forty-two government-to-government claims remain pending.

In addition to work on the government-to-government claims, the Department of State, working together with the Department of the Treasury and the Department of Justice, filed four pleadings in disputes concerning the interpretation and/or performance of various provisions of the Algiers Accords. Since my last report, the Tribunal has held no hearings on interpretive disputes. However, it did render its decision on Iran's request that different, and more stringent, standards be established by the Full Tribunal for proof of nationality of corporate claimants. Iran had contended that, under earlier decisions by the individual Chambers, some publicly held corporate claimants had been permitted to establish their United States nationality through insufficient evidence. The Full Tribunal held that no general rule is required and that none would be feasible given the widely varying fact situations in which corporate nationality must be determined. Thus, the individual Chambers can continue to approach each determination flexibly and pragmatically, as urged by the United States.

In August, following Iran's first replenishment of the Security Account, the Tribunal issued its decision on Iran's claim for the balance remaining from the \$3.667 billion transferred in January 1981 to the Federal Reserve Bank of New York, as fiscal agent for the United States, for the payment of Iran's syndicated indebtedness. The Tribunal determined that Iran is entitled to so much of the remaining balance as is not needed to satisfy outstanding claims against the fund, as soon as the two governments reach agreement on three points: 1) the amount of claims remaining against the fund; 2) the amount not needed for any such claims and thus

available for transfer to Iran; and 3) the terms of a release of all claims by Iran against the United States for administration of the fund. If the two governments are not able to reach such agreement within four months from the date of the order, either government may apply to the Tribunal for further action.

5. Since my last report, two bank syndicates have completed negotiations with Bank Markazi Jomhouri Islami Iran (Iran's central bank) and have been paid a total of \$252,723.67 for interest accruing for the period January 1 - 18, 1981 ("January Interest"). These payments were made from Dollar Account No. 2 at the Bank of England. Negotiations have been completed and payment of \$482,175.27 is pending for January Interest owed to two other bank syndicates, and Bank Markazi and additional bank syndicates are now negotiating January Interest settlements.

6. Since my last report, there has been one change in the Iranian Assets Control Regulations. In response to the Tribunal's decision on Iran's claim to any excess monies held by the Federal Reserve Bank of New York over those required to pay Iran's syndicated indebtedness, a new regulation has been issued, requiring registration of all claims against the fund, all claims against Dollar Account No. 2, and all claims for January Interest (which, as my previous reports have indicated, are arguably payable out of either fund). 51 Fed. Reg. 37568 (Oct. 23, 1986).

7. The ongoing claims settlement process created by the Algiers Accords 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. In particular, the Iranian Assets Control Regulations 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 properly to implement the Algiers Accords. 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.

Sincerely,

The Honorable Thomas P. O'Neill, Jr.
Speaker of the
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

Dear Mr. President:

This report is made pursuant to Section 204(c) of the International Emergency Economic Powers Act, 50 U.S.C. 1703(c), and, like previous reports, discusses only matters concerning the national emergency with respect to Iran that was declared in Executive Order No. 12170 of November 14, 1979. This report covers matters that have occurred since the report I made on May 23, 1986.

1. The Iran-United States Claims Tribunal, established at The Hague pursuant to the Claims Settlement Agreement of January 19, 1981, continues to make progress in arbitrating the claims before it. Since my last report, the Tribunal has rendered 37 more decisions for a total of 260 final decisions. Of that total, 197 have been awards in favor of American claimants; 119 were awards on agreed terms, authorizing and approving payment of settlements negotiated by the parties, and 78 were adjudicated decisions. The Tribunal has dismissed a total of 17 claims on the merits, and 33 for jurisdictional reasons. As of November 1, 1986, total payments to successful American claimants from the Security Account, held by the NV Settlement Bank, stood at approximately \$681 million.

In January 1986, the payment of awards in favor of U.S. nationals caused the balance of the Security Account to fall for the first time below \$500 million, thus triggering Iran's obligation to replenish. Iran acted quickly in instructing replenishment from interest earned on the Security Account, which is also held by the NV Settlement Bank. Although technical difficulties involving the concerned central banks delayed actual replenishment for several months, a procedure has now been established that should make future transfers administratively simple. On October 10, 1986, replenishment was again triggered, and the second replenishment occurred on October 27, 1986.

In cases between the two governments, the Tribunal to date has issued three decisions in favor of each government, dismissed one claim that had been filed by the United States, and dismissed four claims that had been filed by Iran. In addition, Iran has withdrawn 15 of its government-to-government claims, while the United States has withdrawn three.

2. The Tribunal continues to make progress in the arbitration of claims of U.S. nationals for \$250,000 or more. More than 50 percent of the claims have now been disposed of through adjudication, settlement, or voluntary withdrawal, leaving 251 such claims on the docket. Among recent cases, two U.S. claimant companies received large awards totalling approximately \$91 million. Other decisions were notable for the legal precedents set by the Tribunal: In one case, the Tribunal valued an expropriated service company at its going concern value, taking into account the negative impacts of the Iranian revolution on its business, rather than using the net book value of the business as advocated by Iran. In a second legally significant decision, the Tribunal held that an order by a local Iranian court prohibiting an Iranian company from making lease payments or returning equipment to the U.S. claimant constituted a taking by the Government of Iran requiring compensation under international law. Both these decisions should prove helpful to other U.S. claimants before the Tribunal.

3. The Tribunal continues to process claims of U.S. nationals against Iran of less than \$250,000 each. Iran has not to date been willing to negotiate a lump sum settlement of these claims. While the Tribunal's progress is slower than we would like, 50 additional claims have been selected by the Tribunal for active arbitration, making the total number of active small claims 170. The Department of State has submitted more than 44,000 pages of text and evidence in support of these claims, and additional pleadings are being filed weekly.

Since my last report, the Tribunal has held seven hearings on claims under \$250,000, and issued awards in three contested claims, raising the total number of such decisions to five, of which four favored the American claimant. These decisions will help in establishing guidelines for the adjudication or settlement of similar small claims. To date, American claimants have also received 15 awards on agreed terms reflecting settlements.

4. The Department of State continues to coordinate the efforts of concerned governmental agencies in presenting U.S. claims against Iran as well as responses by the U.S. Government to claims brought against it by Iran. Since my last report, the Department has filed pleadings in nine government-to-government claims based on contracts for the provision of goods and services. The Tribunal issued a decision holding the U.S. Atomic Energy Commission liable for simple interest at the rate of 10 percent per annum on a previously issued principal award of approximately \$8 million in favor of the Atomic Energy Organization of Iran. The Tribunal dismissed two major claims brought by the Ministry of Defense of Iran against the U.S. Government based on the alleged breach of contract by a U.S. defense contractor, finding that the U.S. Government was not a proper respondent. Forty-two government-to-government claims remain pending.

In addition to work on the government-to-government claims, the Department of State, working together with the Department of the Treasury and the Department of Justice, filed four pleadings in disputes concerning the interpretation and/or performance of various provisions of the Algiers Accords. Since my last report, the Tribunal has held no hearings on interpretive disputes. However, it did render its decision on Iran's request that different, and more stringent, standards be established by the Full Tribunal for proof of nationality of corporate claimants. Iran had contended that, under earlier decisions by the individual Chambers, some publicly held corporate claimants had been permitted to establish their United States nationality through insufficient evidence. The Full Tribunal held that no general rule is required and that none would be feasible given the widely varying fact situations in which corporate nationality must be determined. Thus, the individual Chambers can continue to approach each determination flexibly and pragmatically, as urged by the United States.

In August, following Iran's first replenishment of the Security Account, the Tribunal issued its decision on Iran's claim for the balance remaining from the \$3.667 billion transferred in January 1981 to the Federal Reserve Bank of New York, as fiscal agent for the United States, for the payment of Iran's syndicated indebtedness. The Tribunal determined that Iran is entitled to so much of the remaining balance as is not needed to satisfy outstanding claims against the fund, as soon as the two governments reach agreement on three points: 1) the amount of claims remaining against the fund; 2) the amount not needed for any such claims and thus

available for transfer to Iran; and 3) the terms of a release of all claims by Iran against the United States for administration of the fund. If the two governments are not able to reach such agreement within four months from the date of the order, either government may apply to the Tribunal for further action.

5. Since my last report, two bank syndicates have completed negotiations with Bank Markazi Jomhuri Islami Iran (Iran's central bank) and have been paid a total of \$252,723.67 for interest accruing for the period January 1 - 18, 1981 ("January Interest"). These payments were made from Dollar Account No. 2 at the Bank of England. Negotiations have been completed and payment of \$482,175.27 is pending for January Interest owed to two other bank syndicates, and Bank Markazi and additional bank syndicates are now negotiating January Interest settlements.

6. Since my last report, there has been one change in the Iranian Assets Control Regulations. In response to the Tribunal's decision on Iran's claim to any excess monies held by the Federal Reserve Bank of New York over those required to pay Iran's syndicated indebtedness, a new regulation has been issued, requiring registration of all claims against the fund, all claims against Dollar Account No. 2, and all claims for January Interest (which, as my previous reports have indicated, are arguably payable out of either fund). 51 Fed. Reg. 37568 (Oct. 23, 1986).

7. The ongoing claims settlement process created by the Algiers Accords 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. In particular, the Iranian Assets Control Regulations 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 properly to implement the Algiers Accords. 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.

Sincerely,

The Honorable George Bush
President of the Senate
Washington, D.C. 20510