IRAN AND LIBYA SANCTIONS

HEARING

BEFORE THE

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

MAY 22, 1996

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IRAN AND LIBYA SANCTIONS

WEDNESDAY, MAY 22, 1996

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON TRADE,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:54 p.m., in room 1100, Longworth House Office Building, Hon. Philip M. Crane (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON TRADE

FOR IMMEDIATE RELEASE
May 17, 1996
No. TR-24

CONTACT: (202) 225-6649

Crane Announces Hearing on Iran and Libya Sanctions

Congressman Philip M. Crane (R-IL), Chairman of the Subcommittee on Trade of the Committee on Ways and Means, announced today that the Subcommittee will hold a hearing on Iran and Libya sanctions. **The hearing will take place on Wednesday, May 22, 1996, in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 2:00 p.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from Administration witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

Pledged to undermine the Middle East peace process, the Government of Iran continues to sponsor international terrorism, develop weapons of mass destruction and otherwise engage in behavior adverse to the national interest of the United States and to world stability. For its part, Libya continues to harbor the two individuals accused of blowing up Pan Am flight 103 over Scotland. The United States and its allies are under increasing pressure to address these activities through economic sanctions and other means.

H.R. 3107, the "Iran Oil Sanctions Act of 1996," sponsored by Congressman Benjamin A. Gilman (R-NY) was reported by the Committee on International Relations on March 21, 1996. The bill, as introduced, was referred sequentially to the Committee on Ways and Means. The House bill would require the President to impose two or more sanctions, from a list of five, which includes import and government procurement sanctions against persons that he determines have exported to Iran a list of goods or technology which enhance Iran's ability to develop its petroleum resources. Also subject to sanctions would be any person the President determines has made investments in Iran of at least $40 million in any 1 year, which directly contributed to enhancement of Iran's ability to develop its petroleum resources. The sanctions in this bill would apply in a similar manner to persons engaging in business with Libya.

Companion legislation, S. 1228, which would require the President to apply sanctions to violators of an investment ban, was approved by the Senate on December 20, 1995. The Senate bill does not include import sanctions on the list of economic sanctions to be applied to violators of the investment ban.

FOCUS OF THE HEARING:

The focus of the hearing will be to receive testimony from the Administration on its policy goals with respect to: (1) ending support for terrorist activities by Iran and Libya through economic sanctions or other means; (2) the efficacy of employing a secondary boycott to achieve the elimination of trade and investment by our allies in those countries; (3) the most effective mechanisms by which to achieve a multilateral trade and investment discipline with respect to countries that support international terrorism; and (4) how the use of secondary boycotts or extraterritorial unilateral actions might affect United States obligations under multilateral trade agreement and treaties.

WAYS AND MEANS SUBCOMMITTEE ON TRADE
PAGE TWO

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement, with their address and date of hearing noted, by the close of business, Thursday, May 23, 1996, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Trade office, 1104 Longworth House Office Building, at least one hour before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are now available over the Internet at GOPHER.HOUSE.GOV, under 'HOUSE COMMITTEE INFORMATION'.

*****

Chairman CRANE. First, I want to apologize to our witnesses for getting such a late start, but we do not control the activity over on the floor.

I would like to welcome the administration witnesses today. I look forward to hearing their testimony about the most effective mechanisms for curtailing support for international terrorist activities by Libya and Iran.

In an effort to undermine the Middle East peace process, the government of Iran continues to sponsor international terrorism, develop weapons of mass destruction and otherwise engage in behavior adverse to the national interest of the United States and to world stability.

For its part, Libya continues to harbor the two individuals accused of blowing up Pan Am flight 103 over Scotland. The United States and its allies are under increasing pressure to address these activities through economic sanctions and other means. Often, the United States feels alone in taking a stand against rogue states, while Europe and other allies pay only lip service and snap up contracts forfeited by U.S. firms.

However, the United States must not construct solutions that only further hurt U.S. businesses and drive a deeper wedge between the United States and its allies that makes improved cooperation against behavior we all abhor less likely. We must not make the United States the subject of criticism and challenges but rather keep Iran and Libya firmly in our collective sights.

I hope that during the course of the hearing, we can have a discussion on the appropriateness of secondary boycotts to achieve foreign policy goals, the impact such actions by the United States have on our international trade obligations and the effectiveness of unilateral and extraterritorial actions in pressuring rogue nations such as Iran and Libya. We want to ask the administration what Congress should do and what statutory restrictions should be placed on the trade and investment of our allies in order to achieve the goals we all desire. We also need to discuss how such actions affect our international obligations under the WTO and what actions might lead to dispute settlement under its rules.

Thank you again for coming, and I am looking forward to hearing your testimony. I will now yield to our Ranking Minority Member, Charlie Rangel.

Mr. RANGEL. Mr. Chairman, I am very pleased that you are holding this hearing today on the Iran Oil Sanctions Act. It is important that the Committee on Ways and Means follow its normal procedures and exercise its prerogative in dealing with legislation referred to it from other Committees containing consequential provisions within our jurisdiction.

There appears to be a general bipartisan agreement that strong measures are warranted and necessary to deal with renegade nations such as Iran and Libya, which pose a clear threat to vital U.S. national interests and to international security. At the same time, we must consider carefully the possible consequences of imposing unilateral sanctions for our economy and on relations with our allies.

In the end, we must decide whether the provisions of the Iran Oil Sanctions Act as reported by our colleagues on the Committee

on International Relations offer the most appropriate and effective means to achieve our foreign policy objectives. In view of the problems that we are having with Helms-Burton with our international trading friends, I welcome Principal Deputy Assistant Secretary of State David Welch, U.S. Trade Representative General Counsel Jennifer Hillman, and Deputy Assistant Secretary of the Treasury, William Barreda to the Subcommittee and look forward to the views of the administration.

I also welcome the opportunity to continue to work with you, Mr. Chairman, on a bipartisan basis as we consider this important bill.

Chairman CRANE. Thank you, Mr. Rangel.

Let me reassure other Members that if they have statements, they will be made a part of the record.

[The opening statement of Mr. Ramstad follows:]

OPENING STATEMENT OF HON. JIM RAMSTAD

Mr. Chairman, thank you for calling this hearing today to discuss sanctions against Iran and Libya.

I am encouraged that current trade sanctions against Iran appear to have made an impact on Iran's ability to add to its military power and acquire nuclear, biological and chemical weapons.

Clearly, however, more needs to be done. We must stop Iran from strengthening its political, economic and military position in the Middle East, spreading Islamic fundamentalism and subverting peace in the Middle East through international terrorism.

I strongly support proposals to undermine Iran's ability to fund international terrorism. It is important that we craft a sound bill which will also encourage our trading partners and allies to join us in a multilateral disciplinary effort against these terrorist countries.

Mr. Chairman, thanks again for calling this hearing. I look forward to listening to the testimony of today's witnesses and exploring in greater depth these important issues.

Chairman CRANE. With that, I would like to finally get to our witnesses, and I think we will take them in the order in which they appear on the witness list, so Mr. Welch, if you would go first, and then Ms. Hillman, next.

STATEMENT OF C. DAVID WELCH, PRINCIPAL DEPUTY ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. WELCH. Mr. Chairman, Members of the Subcommittee, I thank you for the opportunity to appear today to testify on the important subject of legislation regarding sanctions against Iran and Libya.

For the last 9 months, the administration has been closely engaged in bipartisan conversations with Congress about this bill. There are three key themes that strike me as having emerged from these consultations.

First, it is clear that we are all concerned about the threat posed to U.S. interests by unacceptable Iranian behavior.

Second, we share outrage about Qadhafi's defiance of U.N. Security Council resolutions which call on Libya to turn over the perpetrators of the Pan Am 103 bombing and to cease all support of international terrorism.

Third, we have agreed that we must take additional American action to respond to these challenges by increasing the pressure on these regimes.

We are now seeking the most effective way to increase the pressure on Iran and Libya.

With your permission, I would like to focus my remarks today on the question of effectiveness. Our objective as described by my boss, Secretary Christopher, is to maximize the pressure on Iran and Libya while minimizing the costs to other important American interests.

The unacceptable activities pursued by Iran and Libya are similar, as has been our firm response to these threats. I would welcome the opportunity in the question and answer period to address a catalog of what we have done diplomatically and in support of our response to these threats.

The administration has worked to develop recommendations for this legislation that are influenced by our understanding of the differences—and there are important ones—between these two countries. Some are obvious. There are differences in population, history, religion, and form of government. Some are less important, however.

One important example is the level of foreign involvement in the oil and gas sector. Only one foreign oil company has invested in Iran since the Iranian revolution in 1979. Libya, on the other hand, has long welcomed foreign involvement in its oil and gas sectors, over the years entering into contracts with some two dozen foreign companies for production and exploration rights.

A second crucial difference between Iran and Libya is the approach toward each country adopted by our allies. Following the Pan Am 103 bombing and that of the French airliner, we worked successfully with the British and French to galvanize support for a broad U.N. sanctions regime on Libya. By contrast, few other governments support the U.S. approach of economic pressure in Iran.

As you know, we engage in regular discussions about Iran and Libya with our G–7 partners and other nations. There is little disagreement about the threat Iran and Libyan behavior pose to our common interests. We differ in our assessment, however, of the best way to convince them that it is in their interest to abandon those threatening policies. Again, in the question and answer period, we can review this more at length, but in the interest of brevity, I will continue on.

We believe, in short, that other governments have to assume more responsibility for the efforts to contain threats that endanger us all. Fundamentally, we think our allies and trading partners do share our opposition to terrorist activities of Iran and Libya. Recently, many Western governments have begun reevaluating their policies toward these two countries. The EU, Canada, Japan and other allies want to see changes in Iranian and Libyan behavior, and our shared objectives in that regard provide a strong base for continued diplomatic efforts to gain greater cooperation for a policy of economic pressure.

Let me spend a little bit more time now on an effective solution. The administration has worked closely with the House International Relations Committee, the Ways and Means Committee, and the Banking Committee of the House to craft its version of the bill. Let me summarize our position.

First, we support sanctions against investment in Iran's petroleum resources. Investment is the chokepoint of Iran's economy. Fewer barrels mean fewer dollars. The mere threat of sanctions is already working to keep some foreign oil companies out of Iran.

Conversely, we believe sanctions against trade with Iran would be ineffective and counterproductive. We simply will be unable to keep Iran from acquiring those goods common to the oil and gas industry which are manufactured and sold by trading companies all over the world. And the costs, both of trying to monitor and enforce such a ban unilaterally, and of the potential retaliatory measures that other governments will take should we impose sanctions, are high.

Second, we support sanctions against companies that violate the U.N. Security Council bans on certain trade and transactions with Libya. We have worked hard in the United Nations to build and sustain international support for these sanctions against Libya, including bans on certain oil and gas equipment as well as prohibitions on military goods, aviation parts and services, and financial services.

Global restrictions are more effective than unilateral American action. It makes sense to add to this existing U.N. sanctions regime. But we believe sanctions against investment in Libya's oil and gas resources would be ineffective and counterproductive. It is too late for us to stop foreign investment in Libya's oil and gas sector because some two dozen companies are already working there now. It is likely that the governments of these companies would take action to protect them. Such retaliatory measures could have a harmful impact on U.S. companies and workers.

Third, we support a modification that would allow us to avoid imposing sanctions against institutions that finance investment deals. The administration is concerned that such sanctions by the United States against foreign financial institutions would be costly to our firms, could be disruptive to our own financial markets, would reduce the attractiveness of the United States as a financial center and could invite retaliation against U.S. financial firms. A focus on blocking the companies would be sufficient.

Fourth, we support modifications to the structure of the bill that would provide the President with greater flexibility in applying sanctions. We would like to give the President the latitude to respond most effectively to each individual situation. We will use the legislation to advance U.S. interests, but we need the flexibility to properly target our actions.

Fifth and finally, we support a modification to the provision that would require the President to indiscriminately impose sanctions against both parent companies and their subsidiaries, including American companies, whether or not the party was involved in the sanctionable activity.

Mr. Chairman, Members, we believe that these recommendations strike a responsible balance. They would permit us to succeed in imposing additional economic pressure on Iran and Libya without causing a boomerang effect that unnecessarily hurts other American interests.

In conclusion, let there be no doubt about the commitment of this President and the Secretary of State and others in the administra-

tion to take tough action to respond to the threat posed by Iran and Libya. But we are also responsible, and you share that responsibility, for considering the full spectrum of American interests. We believe it is possible to work together to craft a sanctions bill that maximizes the impact on Iran and Libya while minimizing the unnecessary costs to other U.S. interests.

We know Congress shares our concern. We welcome the opportunity to continue these consultations, and together, we think we can arrive at a bill that does the job.

Thank you very much.

[The prepared statement follows:]

Statement by C. David Welch
Assistant Secretary, Acting
Bureau of Near Eastern Affairs
U.S. Department of State

"STRIKING A BALANCE:
MAXIMUM PRESSURE ON IRAN AND LIBYA,
MINIMUM COST TO AMERICAN INTERESTS"

House Ways and Means Committee
Subcommittee on Trade
May 22, 1996

Introduction

Mr. Chairman, and Members of the Subcommittee, I would like to thank you for the opportunity to testify before you today on the important subject of legislation to impose sanctions against Iran and Libya. Throughout the past nine months, the Administration has been closely engaged in bipartisan discussions with Congress about this bill. During these consultations, three key themes have emerged. First, it is clear that we are all concerned about the threat posed to U.S. interests by unacceptable Iranian behavior. In recent weeks, for example, we have witnessed the devastating impact of Iran's political and material support for groups that use violence against the Middle East peace process. Second, we share outrage about Muammar Qadhafi's defiance of UN Security Council resolutions, which call on Libya to turn over the perpetrators of the Pan Am 103 bombing and to cease all support of international terrorism. Third, we have agreed that we must take additional American action to respond to these challenges by increasing the pressure on these regimes. Amid this harmony of views, we are now seeking the most effective way to increase the pressure on Iran and Libya.

With your permission, my remarks today will focus on this question of effectiveness. What measures should we adopt to ensure that our efforts to create economic pressure on Iran and Libya will have an impact on Tehran and Tripoli that does not boomerang into the United States? Our objective, as described by Secretary Christopher, is to maximize the pressure on Iran and Libya while minimizing the costs to other American interests.

A Brief Analysis of Iran and Libya

The unacceptable policies pursued by Iran and Libya are similar, as has been our firm response to these threats. We object to their support of international terrorism and their pursuit of weapons of mass destruction. To block Iran and Libya from obtaining the military capabilities they seek, we have pursued a policy designed to thwart their attempts

to acquire new equipment. For our part, we established the strictest national export controls in the world. We then engaged in successful negotiations with 30 other governments, and obtained their agreement to prevent countries whose behavior is of concern -- including Iran and Libya -- from acquiring arms and sensitive dual-use goods and technologies for military purposes. In addition, we cooperate with other governments in an effort to prevent either regime from acquiring items for their programs of weapons of mass destruction. Our policies have also exploited the financial troubles experienced by both regimes. To support their militaries and terrorist activities, both Iran and Libya need cash. The two countries are rich in oil and gas resources, and consequently their economies depend heavily upon the export sales of oil and gas. But because of government mismanagement, including financial support for rogue programs, both Iran and Libya are now experiencing economic troubles.

Since the Senate Banking Committee kicked off Congressional consideration of this bill last fall, the Administration has worked to develop recommendations for this bill that are influenced by our understanding of the important differences between the two countries. Some are obvious, like the differences in population, history, religion, and form of government. Some are less apparent, however. One important example is the level of foreign involvement in the oil and gas sector. Following the Iranian revolution in 1979, Iran refused to permit western companies to develop its oil and gas resources. Last year's decision to permit the French oil company, Total, to develop an offshore field was a dramatic shift in Iranian policy, brought on by Iran's cash flow problems. Yet despite its desire for foreign investment, Iran continues to put political and economic obstacles in the way of negotiations with foreign companies. Libya, on the other hand, has long welcomed foreign involvement in its oil and gas sector, contracting over the years with some two dozen foreign companies for production and exploration rights. Located just a few miles from southern Europe, Libya has worked hard to develop close and lucrative business ties with European oil companies.

A second crucial difference between Iran and Libya is the approach toward each country adopted by our allies. Following the Libyan bombing of Pan Am 103 and of the French airline UTA, flight 772, we worked successfully with the British and the French to establish global prohibitions on certain trade and transactions with Libya at the United Nations. This international consensus about how to respond to the Libyan threat has successfully restrained Libya's ability to engage in objectionable behavior. By contrast, few other governments support the U.S. approach of economic pressure on Iran. Despite their shared concerns about Iran's activities, most other countries have been unwilling to take action that would jeopardize their trade ties with Iran.

The Approach of Our Allies and Trading Partners

As you know, we engage in regular discussions about Iran and Libya with our G-7 partners and other nations. Together we review the record of objectionable behavior created by Iranian and Libyan activities. There is little disagreement about the threat

such behavior poses to our common interests. These shared concerns have led other governments to work closely with us on export controls for military goods. Our cooperation on this important issue has enabled us to constrain the military capabilities of both countries. Yet we want to eliminate the need for preventive measures by convincing Iran and Libya that it is in their interest to abandon threatening policies. It is here that we disagree with our allies. What is the best way to convince Iran to change its behavior? What is the best way to convince Libya to alter its behavior?

Our major trading partners, chiefly Canada, Europe, and Japan, are strongly opposed to this sanctions legislation because they consider it to be an attempt to force U.S. policy on their citizens. They also believe that trade-related sanctions imposed unilaterally by the United States will violate the principles of free trade that we have worked hard to establish internationally. These governments are also reluctant to adopt measures that will mean a loss in business for their companies. Some doubt whether economic pressure will succeed in altering the behavior of Iran and Libya. In addition, the Europeans -- especially the United Kingdom and France, who also suffered directly from Libyan terrorism -- are strongly opposed to any new U.S. action against Libya that is divorced from the existing UN consensus. They argue that other countries will have no incentive to abide by the UN sanctions regime if the United States acts independently.

As an alternative to economic pressure on Iran, the EU favors a policy called "critical dialogue." Japan and Canada favor a similar approach. We do not object to the EU's policy of dialogue with Iran, but we believe that dialogue without pressure is insufficient to bring about a change in Iran's policies. Likewise, although the EU expresses concern about Libyan behavior, European countries have been reluctant to support our efforts to increase UN sanctions against Libya. Until Iran and Libya are forced to pay a cost for their actions, they will have no incentive to change their policies. The challenge for the United States is to convince other nations to join our efforts.

Like you, we have been disappointed by the lack of support from our friends and allies for our efforts to increase the economic pressure on Iran and Libya. We believe other governments must assume more responsibility for the effort to contain threats which endanger us all. We also find it difficult to understand why these regimes merit financial benefits, or even "business as usual." We would prefer to work in cooperation with our allies and major trading partners, but we have told them we are committed to responding to these threats unilaterally, if necessary.

But, fundamentally, our allies and trading partners fully share our opposition to the terrorist activities of Iran and Libya. Like us, they do not want our common concerns to be overwhelmed by our difference in tactics. Recently, many western governments have begun reevaluating their policies toward the two countries, in response to continued unacceptable activities, including offensive statements made by Iranian and Libyan officials after suicide bombings in Israel. The EU, Canada, Japan, and other allies want to see changes in Iranian and Libyan behavior, and our shared objectives provide a strong

base for continued diplomatic efforts to gain greater cooperation for our policy of economic pressure.

An Effective Solution

Drawing upon these factors, including our understanding of the policies and economies of Iran and Libya, and the concerns and motives of our allies, the Administration has worked closely with the House International Relations Committee, the Ways and Means Committee, and the Banking Committee to craft the House version of the bill.

Let me summarize the Administration's position.

(1.) We support sanctions against investment in Iran's petroleum resources. Investment is the chokepoint of Iran's economy. Blocking foreign investment in Iran's oil and gas sector will have a major impact on the country's economy by limiting its level of oil and gas production, and thus the government's revenues. Fewer barrels will mean fewer dollars. Moreover, we are confident that we can succeed in this endeavor, because the mere threat of sanctions is already keeping some foreign oil companies out of Iran. But we believe sanctions against trade with Iran would be ineffective, and counterproductive. We simply will be unable to keep Iran from acquiring those goods common to the oil and gas industry, which are manufactured and sold by trading companies all over the world. And the costs -- both of trying to monitor and enforce such a ban unilaterally, and of the retaliatory measures that other governments will take if we impose sanctions on their companies -- are too high.

(2.) We support sanctions against companies that violate the UN Security Council bans on certain trade and transactions with Libya. We have worked hard in the UN to build and sustain international support for sanctions against Libya, including bans on certain oil and gas equipment as well as prohibitions on the transfer of military goods, aviation parts and services, and financial services. Global restrictions are more effective than unilateral American action. It makes sense to add to this existing UN sanctions regime. But we believe sanctions against investment in Libya's oil and gas resources would be ineffective, and counterproductive. It is too late for us to stop foreign investment in Libya's oil and gas sector, because some two dozen companies are already working there now. It is likely that the governments of these companies would take action to protect them. Such retaliatory measures could have a harmful impact on U.S. companies and workers.

(3.) We support a modification that would allow us to avoid imposing sanctions against institutions that finance investment deals. The administration is concerned that U.S. sanctions against foreign financial institutions would be costly to U.S. firms, could be disruptive to financial markets, would reduce the attractiveness of the United States as a financial center, and could invite retaliation against U.S. financial firms. We don't need to run that risk of harming American banks and businesses. The fact of the matter is that

Iran needs more than just bank loans to develop its oil and gas fields. Iran also needs the expertise of a foreign oil company to pull off these multi-million dollar and multi-year deals. A focus on blocking these companies should be sufficient.

(4.) We support modifications to the structure of the bill that would provide the President with greater flexibility in applying sanctions. We'd like to give the President the latitude to respond most effectively to each new situation. We will use the sanctions authority aggressively, but we need flexibility so we can properly target our actions.

(5.) Finally, we support a modification to the provision that would require the President to indiscriminately impose sanctions against both parent companies and their subsidiaries, including American companies, whether or not the party was involved in the sanctionable activity.

We believe these recommendations strike a responsible balance. They will permit us to succeed in imposing additional economic pressure on Iran and Libya, without causing a boomerang effect that unnecessarily hurts other American interests.

Conclusion

There can be no doubt about the commitment of the President and Secretary Christopher to take tough action to respond to the threat posed by Iran and Libya. But they are also responsible for considering the full spectrum of American interests. We believe it is possible to craft a sanctions bill that maximizes the impact on Iran and Libya while minimizing the unnecessary costs to other U.S. interests. We have carefully developed recommendations to do just that, based on our understanding of Iran and Libya and on our appreciation of the factors that guide the approach of our trading partners and allies. We know Congress shares our concerns about Iran and Libya. We welcome the opportunity to continue our consultations with the House Ways and Means Committee, the House International Relations Committee, and the House Banking Committee. Together, we can craft a bill that effectively increases the pressure on Iran and Libya.

Chairman CRANE. Thank you, Mr. Welch.
Ms. Hillman.

STATEMENT OF HON. JENNIFER HILLMAN, GENERAL COUNSEL, OFFICE OF THE U.S. TRADE REPRESENTATIVE, ACCOMPANIED BY WILLIAM E. BARREDA, DEPUTY ASSISTANT SECRETARY FOR TRADE AND INVESTMENT POLICY, U.S. DEPARTMENT OF THE TREASURY

Ms. Hillman. Thank you very much, Mr. Chairman. I want to thank you for the opportunity to appear before you to discuss the Iran Oil Sanctions Act of 1996.

This legislation has important repercussions for U.S. business and trade interests. We very much appreciate this Committee's focus on the important trade aspects of this legislation.

I also want to thank you, Mr. Chairman, and Members of the Committee for the time and effort that you have spent working toward bipartisan support for an appropriate and effective Iran-Libya sanctions bill.

Iran and Libya engage in unacceptable behavior that we cannot ignore. The administration strongly supports measures that will increase the pressure on Iran and Libya. Until these regimes are forced to pay a cost for their objectionable behavior, they will have no incentive to abandon their unacceptable policies. The United States is committed to dealing with these threats effectively.

The administration has supported congressional efforts to develop effective legislation. We have measured all legislative proposals by asking whether the legislation will effectively increase economic pressure on Iran and Libya, while at the same time minimizing the adverse impact on U.S. business and trade relations. We have the same objective as you do—creating economic incentives for Iran and Libya to behave responsibly without creating undue problems for ourselves.

Deputy Assistant Secretary Welch has ably described in his testimony the administration's concerns about H.R. 3107 and why some key provisions of the bill fall short of our effectiveness yardstick. USTR agrees that the provisions of H.R. 3107 are not sufficiently tailored to pressure Iran and Libya at the least cost to our trade interests.

I want to address specifically concerns expressed by our trading partners that H.R. 3107 and similar legislation are simply further evidence of U.S. unilateralism that will destroy the multilateral trading system.

As you know very well, the United States is firmly committed to the multilateral trading system. U.S. leadership has provided the foundation on which the multilateral system is based. This administration made it a high priority to complete the Uruguay round and obtain congressional approval for the WTO implementing legislation. We remain at the center of efforts to strengthen the system further at the WTO, the OECD and other forums.

We have told our trading partners on numerous occasions that they should not doubt our resolve to provide leadership in responding to international challenges, both to the multilateral trading system and to our political and economic system. That is why we

have led the effort to deal with Iran and Libya's unacceptable behavior through multilateral action.

However, in cases where we have not been able to obtain sufficient multilateral action, but where our National security and economic interests are at risk, we need to look at alternatives. But we must take care to measure the impact of the alternatives on our trading partners, on the multilateral trading system, and on U.S. business and economic interests.

We have also heard from our trading partners that some of the provisions in H.R. 3107 are inconsistent with our obligations under the NAFTA and the WTO Agreements. We are willing to argue for tough measures to address the unacceptable behavior of Iran and Libya, but we also have been working with this Committee to address the concerns raised by our trading partners. Making the changes suggested by my colleague from the State Department would enable us to succeed in our efforts to effectively increase the pressure on these regimes and force them to cease their unacceptable behavior.

Our recommendation is that any final legislation should fundamentally do three things. It should focus on investment in Iran's oil and gas sector; it should focus on trade with Libya that has already been sanctioned by the international community; and it should give the President greater discretion so that he can fashion the most appropriate remedy in response to the particular facts of each case.

I want to be clear that we support measures that will increase the economic pressure on Iran and Libya. In the process, however, we also want to minimize any unnecessary costs to U.S. business and trade interests. The administration wants to work with the appropriate congressional committees to strike that right balance.

I would be glad to answer any questions you might have.

[The prepared statement follows:]

STATEMENT OF AMBASSADOR JENNIFER HILLMAN
GENERAL COUNSEL
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
ON H.R. 3107
BEFORE THE WAYS AND MEANS COMMITTEE
SUBCOMMITTEE ON TRADE
HOUSE OF REPRESENTATIVES

MAY 22, 1996

I want to thank you for this opportunity to appear before you today to discuss H.R. 3107 -- the Iran Oil Sanctions Act of 1996. This legislation has important repercussions for U.S. business and trade interests. I appreciate the Committee's focus on the trade aspects of this legislation. I also appreciate the time and effort that you, Mr. Chairman, and others on the committee have spent working toward bipartisan support for an appropriate and effective Iran-Libya sanctions bill.

Iran and Libya engage in unacceptable behavior that we cannot ignore. The Administration supports measures that will increase the pressure on Iran and Libya. Until these regimes are forced to pay a cost for their objectionable behavior, they will have no incentive to abandon their unacceptable policies. The United States is committed to dealing with these threats effectively.

The Administration has supported Congressional efforts to develop effective legislation. We have measured all legislative proposals by asking whether the legislation will effectively increase economic pressure on Iran and Libya, while at the same time minimizing the adverse impact on U.S. business and trade relations. We have the same objective as you do -- creating economic incentives for Iran and Libya to behave responsibly without creating problems for ourselves.

Assistant Secretary David Welch has ably described in his testimony the Administration's concerns about H.R. 3107 and why some key provisions of the bill fall short of our effectiveness yardstick. USTR agrees that the provisions of H.R. 3107 are not sufficiently tailored to pressure Iran and Libya at the least cost to U.S. business and trade interests.

I wanted to address specifically concerns expressed by our trading partners that H.R. 3107 and similar legislation are simply further evidence of U.S. unilateralism that will destroy the multilateral trading system. Let me say that the United States is firmly committed to the multilateral trading system. U.S. leadership has provided the foundation upon which the multilateral system is based. This Administration made it a high priority to complete the Uruguay Round and obtain Congressional approval of the WTO implementing legislation. And we remain at the center of efforts to strengthen the system further at the WTO, the OECD and other fora.

We have told our trading partners on numerous occasions that they should not doubt our resolve to provide leadership in

responding to international challenges -- both to the multilateral trading system and to our political and economic system. That is why, as my colleague from the State Department has detailed, we have led the effort to deal with Iran and Libya's unacceptable behavior by multilateral action.

In cases where we have not been able to obtain sufficient multilateral action, but where our national security and economic interests are at risk, we need to look at alternatives. But we must take care to measure the impact of any alternative on our trading partners, on the multilateral trading system and on U.S. business and economic interests. We need to craft an alternative that balances all these interests, while putting maximum pressure on the pariah states.

We have also heard from our trading partners that some provisions in H.R. 3107 are inconsistent with our obligations under the North American Free Trade Agreement and the WTO Agreement. We are willing to argue for tough measures to address the unacceptable behavior of Iran and Libya. But we also have been working with this Committee to address the concerns raised. Making the changes suggested by my colleague from the State Department would enable us to succeed in our efforts to effectively increase pressure on these regimes and force them to cease their unacceptable behavior. Our recommendation is that any final legislation should:

-- Focus on investment in the Iran's oil and gas sector.

-- Focus on trade with Libya that already has been sanctioned by the international community.

-- Give the President greater discretion so that he can fashion the most appropriate remedy in response to the particular facts of each case.

I want to be clear that we support measures that will increase the economic pressure on Iran and Libya. In the process, however, we also want to minimize any unnecessary costs to U.S. business and trade interests. The Administration wants to work with the appropriate Congressional committees to strike the right balance.

I would be glad to answer any questions you may have.

Chairman CRANE. Thank you, Ms. Hillman, and I want to express appreciation to Mr. Barreda, who is not here to make a presentation at the outset but is here as Deputy Assistant Secretary for Trade and Investment Policy at Treasury to respond to inquiries from Members.

As the result of an Executive order issued 1 year ago, the United States has an embargo on trade with Iran. The International Relations Committee bill proposes a secondary embargo. A secondary embargo is when the United States not only refuses to trade with a country, but also penalizes or refuses to deal with any third parties that deal with that country. It is the coercion of other countries that trade with Iran which is the crux of the secondary boycott in this instance.

The proposed legislation is a secondary boycott because it forces companies to cease their dealings with Iran or jeopardize their business interests in the United States.

In 1977, Congress enacted comprehensive antiboycott legislation prohibiting U.S. companies from complying with or supplying information in connection with the Arab boycott of Israel by the Arab League of Countries. U.S. law prohibits U.S. companies from cooperating with such restrictive practices. Our policy in this regard is grounded in the promise that the foreign governments cannot be permitted to dictate business relationships among U.S. firms and citizens. U.S. antiboycott law is the result of a strong American view that measures must be taken by the United States to guard our sovereignty and independent decisionmaking.

As I understand it, the International Relations Committee is proposing to reenact the antiboycott provisions of U.S. law in pending Export Administration Act legislation which I would like this Committee to consider as soon as we can work out our differences on this Iran-Libya bill.

Mr. Welch, the sovereignty issue is fundamental to U.S. involvement in the international trading system. This Committee labored many hours to reassure Americans that U.S. sovereignty would not be compromised by membership in the new World Trade Organization. Can you give the Committee a perspective on how our trading partners will view the proposed Iran-Libya legislation with respect to their own sovereignty?

Mr. WELCH. I would like to try a brief answer to that question, and then, if I may ask my colleague, Jennifer Hillman, to elaborate a little bit with respect to our trade policy.

Generally speaking, I think a safe summary of the allied reaction to the proposed legislation is a combination of disagreement on principle and concern about the particular effects of the various things that they have seen in legislative language.

But behind that, Mr. Chairman, is I think a broad basis of international consensus on the threat posed by Iran in particular and also by Libya to the interests of the international community. Whereas in the past, there had been some element of disagreement over the nature of the problem in Iran and Libya, that has evolved considerably, particularly in recent years and, frankly, as the behavior from Iran has become more abhorrent.

We sense less of a difference there now; a convergence of policies and a determination that is growing on the part of these countries to try to do something effective with respect to Iran and Libya.

There is always for the United States a balance of interests here. An important principle in our approach has been to stake out a position of leadership in responding to these critical threats from these two regimes. That position of American diplomatic leadership enables us to build a stronger consensus for international action. Without that leadership, I do not think we would have such action.

With respect to your broader question about the philosophy and our approach on trade matters, if I might, I would like to defer to Ms. Hillman.

Ms. HILLMAN. Mr. Chairman, to the extent that our trading partners have commented on this, you have touched on the issue that they have raised, and that is the issue of a secondary boycott and the potential for unilateral sanctions and the issue of extraterritoriality. That is the concern that many of our trading partners raise.

In responding to that, I think we should put this legislation into its appropriate broader context. As you know, we would all prefer a multilateral solution and have worked very hard to try to achieve multilateral results in addressing the problems with Iran and with Libya.

At the same time, we have to recognize that there are a number of important issues that pose such a threat to our National security or our political or economic system that we do need to consider acting alone. In those extraordinary circumstances, we look to a number of factors to make that decision of whether it is appropriate to consider unilateral action or, if you will, to go it alone.

The factors that we would look at include, first of all, whether our action would be effective when we are acting by ourselves; second, the impact that such actions might have on our relations with our allies and friends; third, what economic and political costs might be entailed in such action; fourth, what alternatives exist at the time of the decision to bring about more appropriate behavior; and fifth, other considerations that would be relevant to the particular facts of a given case.

As a general matter, we try to avoid enactment of laws that result in friction with our trading partners. Such measures, we would note, tend to shift the focus away from, in this instance, Iran and Libya and instead end up focusing much of the attention on what our disputes might be with the European Union or others over this legislation, which definitely would have a detrimental effect on its impact. We want the focus to be on Iran and Libya, not on a related dispute that may come between us and some of our other trading partners.

Finally, I would note that all of this takes place in the context of working with you in the Congress. Some of the sanctions measures that have originated in bills proposed in the Congress are ones that we want to try to work with to find an appropriate formulation that takes into account these five factors that I have outlined that we would look at as to when it would be appropriate to take unilateral action.

Chairman CRANE. Ms. Hillman, what aspects of the bill raise questions as to the consistency of our agreements under WTO and NAFTA, and are there sections of these agreements under which the United States could be challenged?

Ms. HILLMAN. I would say that our trading partners have raised concerns in two areas. One is import sanctions, and the other is government procurement sanctions in terms of their consistency with NAFTA and the WTO obligations.

Fundamentally, that is why we are seeking the additional flexibility for the President in determining what sanctions to apply. If you give the President the appropriate amount of discretion, we may be able on a case by case basis to work through the situation in a more appropriate way.

That is the reason why it is so important to know what triggers the sanctions—whether it is investment that triggers the sanctions, or whether it is trade in goods that triggers the sanctions. If we get the trigger right, we will be able to apply the sanctions in the most appropriate way in order to avoid too much friction with our trading partners.

Chairman CRANE. Let me reassure Mr. Welch and Mr. Barreda—you folks jump in any time if you wish to elaborate on any of the directed questions.

Ms. Hillman, what will be the effect on U.S. efforts to isolate Iran internationally if the United States becomes the subject of challenges and criticisms under the WTO, and will this help or hurt our goal of restricting development of the Iranian oil sector as a way to diminish the government's support of international terrorism? Finally, why do countries like Canada, Great Britain and Germany strongly oppose H.R. 3107?

Ms. HILLMAN. I may ask David Welch to answer the basic core of your question.

Mr. WELCH. First, if this turns into a dispute between us and our allies, I think the only victor in such a situation would be Tehran or Tripoli.

Second, if some of the concerns that we have been talking about in our prepared testimony are addressed as we go through consultations with the Congress on the best type of legislation, we think that that outcome can be avoided. And since we share a common purpose here, that is, in making sure the pain is felt most in Tripoli and in Tehran, I think that with these sorts of modifications, we can have that outcome and avoid a contentious dispute with our allies.

That possibility is there, and that is why we have these concerns.

Chairman CRANE. One of the options before the Ways and Means Committee with respect to the bill that has been sequentially referred is to strike provisions in our jurisdiction such as the import sanction and the provision that would prohibit a sanctioned firm from participating in a U.S. Government procurement contract. How would the administration counsel us in this regard?

Ms. HILLMAN. On the issue of import sanctions, I would note that we clearly do have significant concerns about import sanctions. They are not in the Senate bill, I would note. We would like to work with the Committee to fashion a menu of sanctions that pro-

vides the President with the most flexibility we can in tailoring the sanctions to fit the facts in each case.

Government procurement sanctions were also not in the Senate bill. There are provisions within both the WTO provisions on trade in goods as well as the section on government procurement that allow you to take an exception for national security reasons.

Chairman CRANE. What is the administration's position on unilateral secondary boycotts, and what is the administration's position on the bill, H.R. 3107?

Ms. HILLMAN. On the issue of secondary boycotts, I think I went through the kinds of factors that we would look at as to when it is appropriate to take action that would result in the United States imposing in essence a secondary boycott or imposing any form of unilateral sanction on an extraterritorial basis. The five factors that I outlined are the criteria we would use in assessing whether or not that would be appropriate in that particular situation.

And in terms of the legislation itself, I think David Welch has gone through the administration's concerns and the areas in which we would counsel some modifications to the current H.R. 3107.

Mr. WELCH. Mr. Chairman, we support the intent behind this draft. We declared our support for the Senate Banking Committee version as it came out of the Banking Committee, but there have been a number of additions, not simply to the list of sanctions, but in other areas as well, as the House version has moved through the legislative process in this Chamber.

We put our concerns broadly not because we wanted to stay away from the specifics but because this bill is a complex one; there are interactions that are important between, as Ms. Hillman mentioned, the trigger for sanctions, what the sanctions are, how many of those apply, the circumstances under which they are applied, and the scope and reach of the legislation to parents and subsidiaries.

It is the interaction of those things that is important in this legislation. If you change some elements of it, you will have different effects, and we would have to see what the balance of risk and benefit would be in each of those cases.

Chairman CRANE. Could European firms as well as those of any nations that are our trading partners limit contact with U.S. suppliers as a result of this bill even if those U.S. suppliers have no knowledge or relationship of an activity that may be prohibited under this bill, and could the bill have any kind of chilling effect on the use of U.S. suppliers for projects throughout the world, even though a project may have no involvement with an investment in Iran?

Mr. WELCH. Mr. Chairman, I was just asking my lawyer to try to narrow in a little bit more carefully on my question. In my prepared testimony, I mentioned the concern we have about the relationship between parents and subsidiaries. I do not know if that is what you are driving at, sir, but here, if I might elaborate a little bit, if that is the area you are interested in in terms of the effect on American firms——

Chairman CRANE. That is a part, but we had presentations made that if I manufacture, say, a component part of something, and I sell it to you, and that component part goes into some bigger pro-

duction, and you in turn sell it to Ms. Hillman, and she in turn has been doing business in Iran, what is the reverberating potential on you as the manufacturer of that component part?

Mr. WELCH. I see. Under the present Executive order that applies to Americans dealing with Iran, if an American firm knows that the product that they are making and exporting to a foreign firm is going to end up in Iran, they are not supposed to do that.

Chairman CRANE. Well, no; let us assume they do not know that, but through the chain of command, it ends up in Iran. Are they vulnerable?

Mr. WELCH. If they are innocent of any knowledge in that respect, my understanding is they are not subject to any sanctions under domestic laws that presently apply.

But just so we are clear about what I am addressing here, it is existing rules that apply to Americans dealing with Iran—not what is in the legislation. It goes beyond.

Chairman CRANE. And my final question is this. Companies like Seimens, Shell, ABB, to name a few, employ hundreds of thousands of workers across the United States. What would be the effect of this legislation on those firms, and has the International Relations Committee taken such effects into account during their consideration of this bill, to your knowledge?

Mr. WELCH. It is a hypothetical question. There are potential effects on American workers that would arise from a variety of circumstances under this draft legislation. This is an important consideration in judging what parts of the bill are most appropriate and most effective. It is a concern that we have addressed with all the Committees that we have talked to, not just the International Relations Committee.

You would have to ask your colleagues on that Committee, but my sense from talking to them is that there is an awareness of the potential economic impact of the legislation, and an awareness that there has to be a calculation of the risks and benefits to the United States in undertaking these things.

We would like more flexibility in exercising that judgment, Mr. Chairman. That is the purpose of our discussion with the Committees on this topic. Because we think that if we have a little more latitude in how it is used, then we might be able to mitigate some of these harmful effects in the economic area and in other areas.

Chairman CRANE. I would now like to yield to my colleague, Charlie Rangel, but with the announcement that the first bells have gone off; when second bells go off, Charlie still will have the floor when we come back, but we will recess long enough to make the vote.

Mr. RANGEL. Thank you, Mr. Chairman.

Has the President made any public statements about what he is willing to sign, to your knowledge?

Mr. WELCH. At the time——

Mr. RANGEL. At the time that you are testifying; do we know what the President's view is on this?

Mr. WELCH. Yes, sir.

Mr. RANGEL. And are you prepared to draft something that you believe would reach the objectives that the administration wants?

Mr. WELCH. We are prepared to discuss that with the Committee, just as we have with everybody else we have talked to on this bill; absolutely.

Mr. RANGEL. Do you consider Cuba to be more of a threat to our National security or promoting international terrorism or pursuit of weapons of mass destruction? Do you consider them a more major threat to America than Iran and Libya?

Mr. WELCH. Mr. Congressman, I have an ugly basket of difficult countries to deal with that does not include Cuba. It is a big enough basket as it is. I am afraid I am not an expert on Cuba, but my judgment is that in the case of the ones that I have to worry about and the ones that we are discussing here today, Iran and Libya, I think the threat that they pose to U.S. interests has been and is and likely will be considerable and that very tough measures are appropriate with respect to each.

I have not done a mental balance check against Cuba. I do not work on Cuba.

Mr. RANGEL. I do not think you have to work on Cuba. You are an American, and you know what they are doing. They have political prisoners over there, and they have had a dictator there for some 30 to 40 years. You know more about Cuba than most of us do, and you also know our trading partners.

Now, we did not hesitate to put secondary boycotts against our trading countries. We have cases in the World Trade Organization that have been brought by our European trading partners; we have been involved in GATT and NAFTA.

I cannot see any of the objections that you raise—and maybe you can enlighten me—that were not raised when we were considering the Helms-Burton bill.

Ms. HILLMAN. Mr. Rangel, I only note that we have now had consultations requested both by Canada and Mexico in terms of Helms-Burton and are now in consultations with the European Union. I think there is an important distinction between what Helms-Burton does and what this legislation would do in terms of any proposed or any possible retaliation or efforts by our trading partners. Upon enactment, the sanctions in Helms-Burton automatically took effect. The legislation that we are talking about now would allow discretion to the President in terms of application of the sanctions.

Mr. RANGEL. Ms. Hillman, my point is——

Ms. HILLMAN. Therefore, the mere passage of the bill, the mere passage of a sanctions bill on Iran-Libya would not necessarily trigger any response from our trading partners, but clearly, as soon as any specific actions or measures were taken under it, we could be subject to requests for consultations by our trading partners.

Mr. RANGEL. What I am saying is that it seems to me that Helms-Burton took away the discretion of the President, placed it in the hands of the Congress and was a far more restrictive bill than the one that is before you today.

Ms. HILLMAN. Obviously, there are very different measures in the Helms-Burton legislation than in this legislation. Helms-Burton really went to a private right of action for American citizens to sue over trafficking in property that was expropriated and a denial of visas to enter the United States by those persons. So

it is a very different range of actions—but you are correct, it is mandatory in Helms-Burton.

Mr. RANGEL. I know, but you are reading, and I am just talking with you. Do you believe that the Helms-Burton bill is less severe as relates to the way we treat our trading partners than the legislation that is before you today?

[Pause.]

Chairman CRANE. Wait. Can I interrupt here and let our panelists reflect on that, Charlie, because we are running out of time on this vote. We will stand in recess until the vote is completed, and we will be right back.

[Recess.]

Chairman CRANE. Before I ask the panelists to respond to that last question, would you repeat the last question for the panelists, please, Charlie?

Mr. RANGEL. I do not want to belabor the point, Mr. Chairman. I just do not want us to be reading from two sets of books when we have a political objective—and I am not above politics. So for that reason, I want to know what the President is prepared to sign—I do not want a situation where you tell us to do something, then the Republican leadership gives you something, and you sign that. Those of us who want to do the right thing find ourselves listening to you without knowing what is going to be signed.

Now, I think you will agree that you are using a dual standard with Cuba as opposed to what you are using with Iran and Libya. I think there is general accord on that. I think that generally, you would acknowledge that these two notorious countries represent a more severe threat not only to the United States, but to the preservation of democracy throughout the world. I think there is no challenge there.

I think the fact that they are amassing all types of destructive weapons and spreading violence throughout the world is something that the whole world knows, and still we cannot get our allies to come together and stand with us. Thus, we must resort to what amounts to a unilateral secondary boycott.

Now, having said that, if you truly believe that I am wrong, I will just pause, if you have got to justify why we are doing this. But even though I was on the other side of the issue with Cuba, it does not take away from my political question, which is are you prepared to bring to this Committee draft legislation that Republicans and Democrats can look at and discuss with other Committees to see whether or not you are prepared to put your oar in the water while we attempt to reconcile the differences here, because this is a very, very political question we are dealing with at this time of our political calendar.

Mr. WELCH. Mr. Congressman, thank you. I agree. We want to do that. We want to get the right and the effective thing in each of these cases. This is a really serious problem. We think we have a serious approach. We have suggested language at various stages of the legislative process to deal with the Iran case and subsequently with the Libya case after it was introduced. We have been prepared all along to do that, and we are prepared to continue that effort.

In my testimony today, I summarized where our concerns were, but if the Committee or its staff have specific points in any of those areas, we are prepared to discuss that further with them. We will volunteer even if we are not asked. Thank you for asking, though.

Mr. RANGEL. Well, Mr. Chairman, I am not as up to date in terms of the negotiation as I should be, but are you satisfied that our staff has access to their point of view as well as the other parties that we have to deal with in terms of jurisdictional questions?

Chairman CRANE. Well, I know that we have all been working together, that is, with the administration and with representation from the International Relations Committee and the Banking Committee, in an effort to resolve this in a way that is consistent with our objectives and our international trade agreements.

Mr. RANGEL. Well, the reason I ask, Mr. Chairman—and you have been very kind—is because people are asking, Where do you stand on this issue? Of course, we stand on the side of national security, what is moral, right and equitable, but we need to see the language. So the quicker we can see some language, even if it is just proposed language, the faster we can be more precise in making certain that we provide the type of effective sanctions against these two nations that we would want.

So I yield, Mr. Chairman, and thank you.

Chairman CRANE. Mr. Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

Obviously, my friend and colleague from New York asks difficult questions because he is dealing with the fact that we are all working in the human condition and that oftentimes we do not necessarily react identically in what some folks might say are identical situations. I think proximity, shared cultural baggage in a larger sense, and a number of other issues have put us in what might be a somewhat inconsistent position——

Mr. RANGEL. That is quite a stretch, but I accept it.

Mr. THOMAS [continuing]. And I think it is best and frank to simply say we probably are somewhat inconsistent in terms of the way we are dealing with these two issues, I want to work with the gentleman from New York to try to be more consistent and it may not necessarily mean passing this to be consistent. I prefer revisiting the other position.

Counselor Hillman, I was a little bit concerned with one of the remarks that you made in terms of problems that may occur simply by the passage of this legislation. What I got a little bit from your statement was that if it were simply put on the books, but no sanctions were triggered, it would not necessarily be a problem. It seems to me, with the downside of this legislation if it were put on the books in the House version, notwithstanding not triggering the sanctions, there would be a significant, in my opinion—perhaps not significant in other opinions—but a chilling effect on the question of investment given the downside potential of the legislation if the sanctions were triggered.

Do you agree with that?

Ms. HILLMAN. Mr. Thomas, I would note that already, we have had an expression of concern from the European Union about this legislation. Certainly our trading partners can always request con-

sultations at any time to express concern about this legislation and may very well do so.

But the simple passage of the legislation itself would not call into question any specific WTO or NAFTA obligations that would rise to the level of dispute settlement.

Mr. THOMAS. I am talking about real world concern of people who have a dollar, a deutsche mark, a franc or a pound to put somewhere. If in fact this were on the books, it would have some effect on their decisionmaking in terms of investment. I think that is just a given.

Ms. HILLMAN. Correct.

Mr. THOMAS. Given the House legislation in terms of the secondary boycott—I am sorry—did you wish to respond?

Mr. BARREDA. Thank you very much, Congressman. I would want to comment a bit on the financial aspects. As you know, the bill as reported out by the House International Relations Committee included financing of an investment as a sanctionable activity. We do think that including financing would have an adverse effect on the attractiveness of New York City as a financial center. It does create some uncertainty there that I think would cause some people to consider whether they should in fact move some activity outside of New York to other countries.

Mr. THOMAS. Well, clearly, with the passage of this legislation out of some Committees and the idea that it might actually become law, there are people who are in favor of this, and there are members of the international community who have commented negatively, but there are others who have commented positively.

It just seems to me that if we are going to ban imports from, say, European companies who have dealt in oil and gas technology with business unrelated to that specific activity, which is the key on secondary boycotts, that those who are interested in having it occur in the United States probably would have already structured their own legal responses the way they are urging us.

So my question would be this. For example, in terms of countries that might have an interest in the outcome of this legislation—and Israel would be one that would be high on a lot of people's lists—do they have a provision which would trigger secondary boycotts on the books in dealing with Iranian or Libyan oil and gas technology?

Mr. WELCH. Mr. Congressman, to the best of my knowledge, the answer is no, although——

Mr. THOMAS. Do you know if they contemplate putting on the books legislation similar to this which a number of people are urging that we put on the books?

Mr. WELCH. To conclude what I was going to say, my understanding of their situation is that they are in a de facto state of war with those two places and as such do not trade with them at all.

What they would do with respect to——

Mr. THOMAS. Well, finishing my statement, the idea of trading with them at all directly and then boycotting them would in itself be a boycott. My concern is the full ramifications of this legislation in the secondary boycott area. You could fully comply in a state of war in not trading with a particular country and not trigger a sec-

ondary boycott that this legislation would trigger. So to me, there is not a direct analogy. If there is in your mind, I would like to——

Mr. WELCH. No, no. I was just trying to provide a complete answer. The first part of my answer was, with respect to your question, to the best of my knowledge, they do not impose such measures right now.

Mr. THOMAS. And so they do not have, even in a tantamount state of war, a secondary boycott involvement with companies that may or may not be dealing with—we do not know for sure?

Mr. WELCH. I am being careful about that because I do not know for sure. I can undertake to check and provide an answer for the record, although they can of course do so themselves directly. But to the best of my knowledge, they do not have such measures in effect.

Mr. THOMAS. Well, to the best of your ability, if you could do some research and get back to us, and I will try to do it as well—it just seems to me that when someone urges us to take a particular position, I am always curious as to the position that they might have. And clearly, not trading directly with Iran and Libya is something that virtually all of us here are very comfortable with. That is not the thrust of the legislation that is in front of us.

Mr. WELCH. Agreed.

Mr. THOMAS. So I think all of us could accept that if that were the legislation. That is not what is in front of us, and I was just curious if, in any public policy statement, the Government of Israel indicated that it was also carrying out what amounts to a secondary boycott against anybody who does trade with Iran and Libya, which is clearly what this legislation would do.

Mr. WELCH. I will provide that answer for the record.

[The following was subsequently received:]

We expect to submit a comprehensive report on this topic in the near future. On June 13, the Committee on Ways and Means approved H.R. 3107, "The Iran and Libya Sanctions Act of 1996." This bill was then approved 415 to 0 on June 19 by the House of Representatives. Section 4(e) of the bill, titled "Interim Report on Multilateral Sanctions; Monitoring," would require the President, not later than 90 days after the date of the enactment of the act, to report, inter alia, on "whether the member states of the European Union, the Republic of Korea, Australia, Israel, or Japan have legislative or administrative standards providing for the imposition of trade sanctions on persons or their affiliates doing business or having investment in Iran or Libya." Through the vehicle of this report we will address the concerns raised by this question.

Mr. THOMAS. Thank you.

Thank you, Mr. Chairman.

Chairman CRANE. Mr. Gibbons.

Mr. GIBBONS. First, let me say that none of the questions I ask reflect any sympathy for Libya or for Iran, but I have been concerned that our policy toward Cuba has been an unmitigated disaster that was conceived wrong and has not done anything to solve the problem down there. And I have a very jaundiced view of any unilateral embargo, no matter how well intended. In fact, if I remember my history correctly, I do not believe there has ever been a successful unilateral embargo in modern history, anyway, and probably none before that time.

What have this administration and previous administrations done to try to get some kind of broad-based embargo—broad-based,

including other countries involved in the rogue activities of these two countries?

Mr. WELCH. Thank you for asking that question, Mr. Congressman; it is an important one. In the case of Libya, there exists a broad-based, robust U.N. sanctions regime that applies. The United States——

Mr. GIBBONS. Does it apply in both trade and investments, or just one or the other, or both?

Mr. WELCH. Actually, it applies to more and to less. It deals with weapons trade, with dual-use technology trade, with aviation services and certain technologies, with certain kinds of financial transactions and, last, with certain kinds of oil and gas equipment.

So it does apply to trade, but it also applies more broadly in other areas.

Mr. GIBBONS. Now, is that embargo against Libya being widely observed, or is it not being widely observed?

Mr. WELCH. It is mandated by U.N. Security Council Resolutions under chapter 7 of the U.N. Charter. These have obliged countries internationally to observe the resolutions. Like any sanctions regime, sir, there are problems in monitoring and in enforcing it. Generally speaking, it is a pretty good regime—I think it is safe to say I would be a lot happier if I had that one applying to Iran also; we do not have that with respect to Iran.

Mr. GIBBONS. Now, Iran has been a rogue state at least since 1979 and probably before that, but at least since 1979 when they kidnaped all of our Embassy personnel over there and held them as hostages. What is the track record on getting any kind of multilateral embargo against Iran?

Mr. WELCH. If you will allow me 1 minute longer on this answer, because here it is more complex. We have worked over those years very hard to try to build a regime that would constrain Iran's objectionable behavior. We have had some success in some areas. We have not gotten as much multilateral cooperation as we would like; it is a work in progress.

Briefly, we have what we think is pretty good cooperation and understanding from our allies to prevent Iran from acquiring arms or sensitive dual-use items for military purposes. We also have agreement among the major Western powers that there should be no nuclear cooperation of any sort with Iran. We are working on Russia and China to urge them to cease all such nuclear cooperation with Iran. All countries agree that Iran should not obtain items that are useful for weapons of mass destruction.

We have also had some success in the economic area as well. The World Bank does not give Iran new loans. We have introduced some difficulty into Iran's effort to reschedule its official debt, which is considerable, Mr. Congressman. We have also had some bilateral success with individual countries on specific programs that they have underway in Iran.

We have concentrated recently on trying to control the amount of official credits and guarantees and insurance that governments provide in support of their trade with Iran. This is in effect an effort to subsidize such trade.

We have some success in that area, too—a significant reduction in the volume and pace of such officially backed transactions. We

would like our allies to do more, and we are pressing in any number of respects and will be doing so in the coming months.

You may have noted that the Secretary of State gave a speech yesterday on terrorism where Iran was a significant focus. There, he indicated that we would be continuing to work with our allies to increase the economic pressure on Iran and also that we would be trying to work constructively with Congress to achieve legislation that has that same purpose.

I can go on a little bit longer, but I think that is a good answer.

Mr. GIBBONS. Is the only international tribunal we have to work on embargoes such as this the United Nations? Is that the only place where we try to get more people in these embargoes?

Mr. WELCH. No, I don't think so.

Mr. GIBBONS. Have we ever tried to get the major trading nations together and sit down and have a meeting with them? They meet in the G–7, they meet as NATO, they meet in a number of different formats; why haven't we tried any of those ways to bring the major industrialized and financial nations together on some unified action?

Mr. WELCH. We do, and——

Mr. GIBBONS. Someplace where the real small nations do not have the majority of the votes.

Mr. WELCH. We do that, Mr. Congressman, and in effect, we try to push every button we can when it comes to this kind of problem.

Mr. GIBBONS. I just have not seen you pushing them; maybe you pushed them, and I just did not see them.

Mr. WELCH. Well, I can point to a record of increasingly active measures we have taken with our allies in this regard, and you will see at the upcoming G–7 meetings that there will be a focus on the pariah states, including, I think, at a minimum a statement from them that addresses the problem of terrorism from Iran and other places.

With respect to what we have done specifically to try to build a better multilateral structure, the G–7 is our best target—it is not our only one, but it is a good one. We have worked there, and we have managed to set up a working group on Iran specifically with our European partners and with Canada, which meets every 6 months. We had a meeting not long ago, and there is another one coming up, I think in the late summer. That is an institutionalized way to have a discussion about all aspects of the Iran problem. The Europeans can bring their concerns to the table, and so can we.

Mr. GIBBONS. How about the WTO; have we ever done anything in the WTO about rogue nations? Has it ever been on our agenda?

Ms. HILLMAN. No, it has not yet been addressed in the WTO forum. In general, to the extent the WTO addresses it, it is more an exemption from all of the disciplines of the WTO that would be available for national security reasons. In that sense, it is addressed to the WTO, but it has not been raised specifically.

Mr. GIBBONS. All of my questioning is brought about by the frustration that I do not believe unilateral sanctions work very well, and I do not think we have done enough to develop a mechanism by which we can get multilateral sanctions against these countries. I think if this administration and other administrations would focus on getting some multilateral responses to these kinds of prob-

lems, that we would be much more effective than we have been. I am not denigrating the United Nations, but I think all of us know the structural problems of the United Nations and getting anything done there, where we have so many small nations that are always worried about their rights and responsibilities.

I would like to see something done about Iran and Libya, but I am afraid that if we go it alone as we have had the propensity to do on many things in the past, we are just going to be met with more frustration and perhaps some damage to our own economy by ineffective action.

Mr. WELCH. I think that that is absolutely right, sir. The best approach is a multilateral one, and I can assure you that I have instructions to continue that day after day, and we know your interest, and we will continue doing that.

Mr. GIBBONS. And Ms. Hillman, I would suggest that perhaps the WTO—I know you have a lot of problems, and you are just on a shakedown cruise—could pay attention to these rogue nations, and I think it would develop a lot more popular support if they would venture in and try some of these things.

Ms. HILLMAN. I appreciate the suggestion, Mr. Gibbons. Certainly, we absolutely agree with your notion that the best way to approach the problem is multilaterally, and we appreciate your suggestion and will look into it.

Mr. GIBBONS. Thank you, Mr. Chairman.

Chairman CRANE. Mr. Houghton.

Mr. HOUGHTON. Thank you, Mr. Chairman.

I would like to ride on what Mr. Gibbons said for a moment, because we keep saying that we are going to do something on a multilateral basis, and somehow nothing works. And I am not pointing my finger at the White House, at the State Department or at anybody, but it just seems that we have got to craft another approach to this thing. Now, it may be that out of our discussions here and whatever happens with this legislation, our allies will come to the table and be more reasonable, but this is something which I know President Clinton mentioned when he was running for office in terms of the release of two hostages of Libya, and he talked about Iran, and he talked about trying to get the United Nations to impose sanctions on the oil of both of those countries. So I guess if there were any message that would come from me and I think from others around here, it would be that we just are not doing a very good job at that. We want to have something happen, we give lipservice to it, and somehow it does not happen.

Let me just try to pin this whole thing down. Obviously, we are not the sole trader or investor in this world, and there are others involved, and we are all interrelated, and when you trade, you have got to do it with proper sensitivity for others. Iran and Libya have not been helpful—as a matter of fact, they have been horribly dangerous—and the whole point is to try to hobble Iran and Libya without creating an "ebola" economic virus which hurts everyone involved. And that is really tricky.

But let me try to understand this, and maybe the witness from the Treasury could help me here. Let me give you a couple of examples from my State. There is a company in my district. It is a subsidiary of a European company, and it is the sole producer of

a particular product, and it imports products to go into that final product.

If the bill, as I understand it, H.R. 3107, goes through, and if the foreign parent sells a product in Iran, then the company in my district is at fault by association, having done absolutely nothing—and there is no control over this. Then the President, if I understand it, has to approve two sanctions—one, an export and import sanction, so that in effect, from an economic standpoint, our company goes out of business.

Now, am I right or am I wrong?

Ms. HILLMAN. You are correct. In terms of your reading of the bill, yes, the subsidiary of your company would be subject to the terms of the bill, and under the terms of H.R. 3107 as it is written, the President would be required to impose at least two of five different sanctions that are called for in the bill.

Mr. HOUGHTON. So we are doing what we think is right; we are producing a product which has nothing to do with Iran, and we are down the drain. That does not seem fair.

Second, let me give you another example, and this does not happen to be in the little town of Corning, New York, in which I live, but it happens to be in New York City. I am a New York City bank. I exist. I clear every night my accounts, which is required in terms of international procedure, and one of the banks that clears with me has been involved in financing some investments in Iran. Therefore, I am a culprit just by my association in that clearing process, and I cannot clear, and therefore, the whole clearing operation, which now is a pretty sizable activity in New York, moves. It moves to London or Paris or wherever. Is that right?

Mr. BARREDA. In commenting on one of Mr. Thomas' points, I mentioned that that is a concern we have. That is why the administration suggested in Mr. Welch's testimony that the financing of an investment not be a sanctioned activity, that the investment itself be what is sanctioned.

And a minor point—your conclusion is right, Congressman—the sanction would be that the U.S. bank, your New York bank, could not lend money to the foreign-sanctioned institution, and that is what would cause the problems in the clearance system and perhaps the incentive to——

Mr. HOUGHTON. And could not clear, and therefore, there would be obvious retaliation.

Mr. BARREDA. There would certainly be an incentive to move it abroad, yes, Mr. Congressman.

Mr. HOUGHTON. Sure. Now let me ask you another question. I am in a business, and I am a subsidiary of a foreign company, and the foreign company has made a contract with Iran in some way, but it was before this legislation, in whatever form it takes, is passed. So therefore, just because of what I did prior to the legislation, I am a culprit. Is that right?

[Pause.]

Mr. HOUGHTON. Well, if I understand it, the investment trigger would require a boycott of firms carrying out contracts entered into prior to the enactment of this particular legislation.

Ms. HILLMAN. Mr. Houghton, I think in our view, the legislation is not clear on this point. I think there is some ambiguity in the way the particular draft is worded at this point.

Mr. HOUGHTON. Well, we all live in a world of ambiguity. However, it seems reasonably clear to me, and if I were a manufacturer, I would be shaking in my boots for something I did prior to any legislation about which I had no knowledge.

Ms. HILLMAN. Clearly this is an issue which the administration is recommending a change to the language to address the point that you are raising.

Mr. HOUGHTON. So let me follow up again. In order to avoid some of the pitfalls of the examples which I have cited here, maybe eliminating the trade trigger for Iran and a limit for Libya to the U.N. list, and then defining the investment to apply only to contracts entered into later on, also then to exclude coverage of financing altogether—things like this would make the legislation clearer, more commercially acceptable and therefore avoid what appears to me to be massive retaliation on the part of the people who really are our friends.

Mr. WELCH. Mr. Congressman, in your recitation of some examples, you have brought out with specifics some of the general concerns that we have testified about here today. To repeat briefly what those are, the actions that would trigger sanctions should be different to have the most effective impact in each case. With respect to Iran, we think the chokepoint is investment. With respect to Libya, we want to support an international, U.N.-approved sanctions regime that exists.

Second, there is a potential metastasizing effect from the financing provision as it is now written, and I cannot predict how that might go. My Treasury colleague has given you an indication of the potentially serious consequences there. We think that that investment definition would be better written without that provision.

Third, the relationship of parents and subsidiaries is written presently in such a manner as to have an effect that in my view is disproportionate on American companies and those who may have unknowingly engaged in trade with a sanctioned person.

With respect to the contract sanctity provisions, it depends on the specific contract that we are talking about, but we believe there can be some improvements in that area as well.

Mr. HOUGHTON. That is all, Mr. Chairman. Thanks very much.

Chairman CRANE. Thank you.

Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

I would like to thank the three witnesses for being here today. I think certainly all of us are frustrated, and I understand you all have to be frustrated over the situation as well—Mr. Houghton was saying that during the 1992 election, the President talked about many of these things, and we have not done a good job—but I would like somebody else to come up with some alternatives when we discuss these things because this is a very, very tough issue. In fact, I think that over time, you are going to see an erosion of the concept of free trade as these things go on. The United States takes the lead on intellectual property sanctions against the Chinese, and everyone else takes advantage of our lead but refuses to take any

of the risk; we see the same thing with Libya, Iran, Iraq, and it goes on and on and on, and we get caught in an obviously very difficult situation when we cannot get multilateral support.

These other countries know that when we take these actions, the country involved may ultimately, like China, for example, retaliate, and obviously it puts us in a financial disadvantage, and it is a problem that I think nobody in this country really knows the answer to at this time. We have a lot of discussions about the problem but we have not been able to come up with a solution.

I think the one time we had everybody working together was with South Africa, although the Japanese were very late in coming on board, but that was the one time in the mideighties when that actually had some impact.

Our problem today is a more practical one, and let me see if I can state the situation correctly. I think all of us agree that we need to impose some kind of probably unilateral sanctions on Libya and particularly on Iran; I do not think there is a Member in the House or in the Senate who would necessarily disagree with that.

The issue is what kind of sanctions. The Senate bill came out—you all supported the Senate bill—and my understanding after hearing your testimony is now that the International Relations bill is one that is very difficult for you—obviously, there is potential retaliation if it goes into effect by other countries, particularly the import sanctions, and the fact that the President has less flexibility, obviously, with the International Relations bill.

We have probably 2 weeks before we have to take some action and maybe 1 month before this thing hits the floor.

I think the real frustration is that if it hits the floor, the probability is that the most extreme version might become the law. And we understand that Mr. D'Amato has supported the House version.

Given that, I think we need to have some real, strong signals from the administration as to what they can live with and what they cannot live with because negotiations are going on now, and obviously, you are going to have to be involved in this. And I think you have laid out some of them in terms of the issue of the trigger and also the issue of the sanctions themselves. But I think you are going to have to take more of a leadership role on this.

Am I misstating the situation? Will we see perhaps a more visible position on this issue over the next week or two as we try to come up with some bipartisan, bicommittee agreement if we possibly can?

Mr. WELCH. The administration wants a tough bill; they want to target Iran and Libya effectively. It is the No. 1 priority for my boss, the Secretary of State, so it is my No. 1 priority. I will do that, Mr. Congressman.

We are delighted to offer language on any of the provisions on the bill or on the bill in its entirety. This is something that we have been willing to do all along; we have had some effect with what we have said, and I am glad to have this additional opportunity today in front of this Committee to lay out again our concern, and any chance you give me and my colleagues to continue doing that, we welcome it.

Mr. MATSUI. I appreciate that. My only concern is if we put the Senate bill and the House bill as it came out of International Rela-

tions next to each other, would you be able to pinpoint where your problems are and what is your bottom line, because we are going to need that. Look, no one is going to stick his neck out on an issue like this for obvious reasons in an election year unless we get some leadership, both in the House and in the Senate and certainly in the administration. No one is asking anybody to do this by themselves.

And I know, from reading this legislation, that the import sanction is a major problem. You have the issue of insufficient flexibility for the President. Obviously, the private sector has significant problems with this. Now, if you do not care enough to take a risk, we are not going to do it either, and we need to know what your bottom line is so we can make some decisions.

This thing is going to roll on its own without anyone stopping it, and before you know it, it is going to sit on the President's desk, and you are going to say, Oh, my God, what are we going to do now, what are we going to recommend to the President? And the fault will be due to the fact that in the months of February, March, April and May, nobody showed leadership.

These are the kinds of quagmires that create significant problems later on, and somebody is going to have to speak out on this. I can tell you that this bill is not very good coming out of International Relations. Anybody who has any trade experience or been on this Committee will understand that. But as I said, I am not going to be one of 25 Members voting against a bill if I do not see somebody else talking about it.

So I do not know—maybe it does not require any further response, but I think it does.

Mr. WELCH. I think it does, too. We are willing to do exactly what you ask.

Mr. MATSUI. Thank you.

Chairman CRANE. Mr. Zimmer.

Mr. ZIMMER. Thank you, Mr. Chairman.

I would agree with everyone who spoke before me that the ideal solution is multilateral. I would agree with Mr. Houghton and others that perhaps we can refine and focus this legislation more. But the fact is we have tried multilateral approaches, and Mr. Welch has described the great efforts that he has gone through to try to devise multilateral approaches which, as they relate to the oil industry which is the focus of this legislation, have been largely unsuccessful to date.

I would remind Mr. Matsui that the South African precedent which he points to was originally a unilateral initiative by the United States, and there have been other instances——

Mr. MATSUI. If the gentleman would yield, in fact I was a strong supporter of that, and I am a strong supporter of what is going on now; and hope my comments were not suggesting that we should not go unilaterally, and I do not think the gentleman thought that.

Mr. ZIMMER. Thank you. I appreciate that, because I think sometimes we lose focus of why we are here. I am a cosponsor of this legislation, and although I certainly am ready to see it refined and focused, we have got to remember why this legislation has been introduced.

The Nation of Iran has been identified as the world's leading state sponsor of international terrorism in a world that has many sponsors of international terrorism. It has been identified as such by the President, by the Secretary of State, and by the CIA. And in the case of Libya, Libya is constructing the world's largest chemical weapons complex. It harbors terrorists. It refuses to this day to hand over those suspected of instigating the bombing of Pan Am flight 103 over Lockerbie, Scotland, which killed 270 people including 189 Americans.

I would point out also that just yesterday, the Secretary of State noted that the President of Iran, who has been identified by some as a moderate, has said that Prime Minister Rabin's assassination was "divine vengeance," and the Secretary went on to say that Iran frequently meets with all the terrorist groups, including Hezbollah, Hamas, the Islamic Jihad, and the Popular Front for the Liberation of Palestine General Command; it actively encourages these groups to use terror to destroy the peace process; it provides them with money, up to several million dollars a year in the case of Hamas, the Islamic Jihad and others, and up to $100 million a year in the case of Hezbollah.

Under Secretary of State Peter Tarnoff recently said, "A straight line links Iran's oil income and its ability to sponsor terrorism and build weapons of mass destruction." And I would say that, considering that Iran currently derives more than 90 percent of its hard currency from the petroleum sector, and the fact that it needs continuing investment to upgrade its oilfields so that it can continue to be an exporter, it is absolutely essential for the future of the world in which terrorism has become the major threat that we move forward in this direction.

So the question I would like to ask you, Mr. Welch, is how would this legislation have an impact on that straight line linking Iran's oil income and its ability to sponsor terrorism?

Mr. WELCH. Thank you. That is why we are here, to ensure that it does. If I could quote a little further from the Secretary's speech yesterday, sir, he also said that, "This is the reason we have been working with Congress on legislation to further tighten economic restrictions on Iran."

I absolutely agree with what you said. This is precisely the right chokepoint. How do we know that? Well, the Iranians themselves told us. Since the revolution in Iran, their oil production has declined by half. It is not because they could not get access to pumps or to whatever they wanted to buy for their oilfields; it is because they could not run them themselves. What they really need is what they declared they needed last November when they hosted a conference to discuss some very large oil and gas contracts—investment. These are significant major investments without which Iran will not be able to stabilize its oilfields and increase its oil production.

If you stop that sort of investment or curtail it, you have a major and significant economic impact in Iran. That is precisely why we have chosen this chokepoint. It provides the exact targeted focus for the kind of legislation we would like to see.

Mr. ZIMMER. And the legislation you would like to see at this point is unilateral, while you are still working to develop a multilateral approach.

Mr. WELCH. Sir, the administration declared its support for the Senate Banking Committee's version of the legislation, which had the investment trigger for Iran.

Mr. ZIMMER. You have accounted for all your efforts, and you described the effort to develop a multilateral consensus as "a work in progress"—could you tell me what tangible results you have had from that? I understand that recently, when the Secretary of State met with the Foreign Minister of Germany, which is Iran's largest trading partner, the Foreign Minister acknowledged that his country is "fully aware of the evil things that Iran has been doing and is still doing."

What progress have we made despite all the efforts of the State Department and other diplomats?

Mr. WELCH. Some part of that question, Mr. Zimmer, I answered earlier in a general overview of what we have been trying to accomplish through the years with respect to Iran and Libya.

Mr. ZIMMER. But what do we have to show for it? There are working groups and conferences and communiques.

Mr. WELCH. What we have been able to do is that essentially, no country is providing any aid to Iran; none of our allies are. The Japanese have one project that they were supporting which is in suspension right now.

In terms of official credits and guarantees, most of our trading partners and allies, although they have those on the books, are not drawing them down. The volume of new such credits and guarantees has declined substantially.

Iran's own economic record is so abysmal that that may have been a substantial influence in what these countries are prepared to do also. I am not going to claim that we were entirely the reason why they did that.

In the weapons of mass destruction and military technology areas, we have a more complete, concrete effort on the part of our allies to——

Mr. ZIMMER. I was asking about the oil industry.

Mr. WELCH. In the oil industry, there really is no foreign investment beyond the Total Project of last year in Iran. So the beauty of this concept is that it applies prospectively, and the deterrent power is therefore clear.

Mr. ZIMMER. Do you believe that the threat of this legislation or legislation like it has deterred that investment already?

Mr. WELCH. Yes.

Mr. ZIMMER. So a threat of unilateral action has had an impact on the behavior of our allies?

Mr. WELCH. Yes. Yes, it has.

Mr. ZIMMER. Before I yield back my time, I just want to conclude by saying that it seems to me that the threat of unilateral action has produced more results than all of the enormous efforts you have put forward to try to develop a multilateral consensus at this point, and as Mr. Matsui pointed out, sometimes multilateral consensus follows our unilateral actions.

I yield back. Thank you, Mr. Chairman.

Chairman CRANE. I think, before starting with another interrogator—how long are your questions, Mr. Payne?

Mr. PAYNE. I will be very brief.

Chairman CRANE. Well, then, we might go forward with your questions, and then we will recess and make this vote and come right back.

Mr. PAYNE. Thank you very much, Mr. Chairman, and I thank all three of you for testifying today. This has been very helpful and very enlightening.

I think that we all agree that we need to do the toughest possible thing we can do in order to ensure that we stop the terrorism that seems to be growing in the world at this time. But since we are the Trade Subcommittee, we also need to look at how this will impact upon our trading partners and how it will impact upon us.

I understand that the first thing we really need to come to agreement on is exactly what will trigger the actions that will be taken. I think we have concluded that the bill before us, H.R. 3107, which has both a trade and an investment trigger, might be a much more satisfactory piece of legislation if it only had the investment trigger.

Is that an accurate statement?

Mr. WELCH. Our judgment has been that the best focus for Iran is investment, and the best focus for Libya is the existing U.N. Security Council regime. People who violate that regime will be sanctioned. It is when you mix these two cases without regard to their special differences that problems arise and magnify.

Mr. BARREDA. And Mr. Payne, by "investment," we do not refer to the financing of the investment but to the actual investor, such as the example used with Total.

Mr. PAYNE. The language in the bill does include financing. It states that it would make investments—including financing in Iran or in Libya of $40 million or more in one year that directly contributes to the enhancement of the petroleum industry—the trigger that would trigger this event.

You are saying that, excluding the financing, this criterion would apply in Iran, generally, as stated here; however, it would not be the case in Libya?

Mr. WELCH. Sir, I think the present draft of the bill that you are looking at has in it a list of definitions, one for investment. One of the definitions of an investment is certain financing. It is that provision that Mr. Barreda is referring to.

The bill, since it mixes Libya and Iran in its present form, therefore applies to both.

Mr. PAYNE. OK. Well, since I have a brief period of time, let us focus for a moment on Iran. As you began today, you said there is really only one project or one instance where there has been investment in Iran. I take it that was the Total Project that you spoke about a few moments ago, that was essentially initiated in the recent past, so that for some reason, these investments that are occurring in Iran did not happen over a reasonably long period of time and suddenly are occurring now. Is that a true statement?

Mr. WELCH. There is an important reason for that. The revolutionary government in Iran did not allow foreign investment in its oil and gas industry, but because they were doing such a rotten job

running it, they decided they would. They had a problem and looked for the best way to correct it. That is why we picked this chokepoint to exert pressure on. We think it would work because they themselves declared that it would.

Mr. PAYNE. And to date, we have not had anything like this as part of the embargo that we have had on Iran?

Mr. WELCH. Well, American companies could not do it, of course, but that is correct. There is no multilateral agreed regime that would have that effect.

Mr. PAYNE. And so I guess this is very much the same question that Mr. Zimmer asked. In your opinion, then, this is the most effective thing we can do to achieve the balance that we need to achieve and to take the necessary steps to end terrorism—this single trigger, as you have stated it, is the most effective thing that we could do to accomplish that in your opinion?

Mr. WELCH. I think this would hurt them in a major way. I am not going to say it would cause them to end terrorism. I cannot make that judgment with that degree of confidence. But it is absolutely clear that it will hurt Iran, and it will reduce their primary source of foreign exchange. Oil exports are their largest single foreign exchange earning, and this will affect that.

Now, that balance of risks and benefits that we identified before is critical to judgment on these things. It therefore has a large potential benefit.

We also assess that some of the risks that we have discussed here today, in terms of the effect on Americans, the enforceability concerns, the monitoring, the effect on international agreements, those would be considerably less with an investment trigger for Iran because there is no such investment beyond Total right now; it would be deterring investment.

Mr. PAYNE. And I take it, Ms. Hillman, that you and USTR agree with that statement as well?

Ms. HILLMAN. Yes, we do.

Mr. PAYNE. Thank you very much.

Thank you, Mr. Chairman.

Chairman CRANE. The Committee will stand in recess to make this vote, and then we will complete our hearing as soon as we come back from the vote.

Thank you.

[Recess.]

Chairman CRANE. Mr. Cardin.

Mr. CARDIN. Thank you, Mr. Chairman.

I first want to thank you for giving all of the Members of the Ways and Means Committee an opportunity to participate in this hearing. I also want to thank the administration witnesses for being here and testifying and their willingness to work with our Committee in creating the strongest possible bill.

Quite frankly, I agree with Mr. Zimmer and his comments. I am a cosponsor of this legislation and I think the bill, as drafted and reported by the International Relations Committee gives the administration ample flexibility. It is a clear message to the world about the United States standing up against the current practices in Iran and Libya.

The issue of whether we should work on a multilateral basis or whether we should work unilaterally is certainly an issue that will be debated. I think most people agree that a multilateral approach is the best and most effective way to proceed, and gives us the easiest way to enforce whatever laws we pass.

Yet history has taught us that the best way to get multilateral response is for the United States to be willing to take unilateral action, which, in turn, leads to other nations taking us more seriously and following the leadership of the United States.

We have taken unilateral action in South Africa, the Soviet Union, Cuba and in many other parts of the world, where we stood up for human rights, or stood up against certain practices of other countries. We were told by our business interests that this would adversely affect American companies, and we would harm our interests. Lo and behold, we were the leaders of the world, and we got multilateral action, and most importantly, we got change in the underlying practices of the countries.

My concern is that there is no disagreement about the problems in Libya and Iran. You make a rather strong point that in Iran, oil income is used to support terrorist activities and the development of weapons of mass destruction; they have not modernized their oil facilities; they need international investment in order to do that; and we want to stop international investment, but that this practice will not work in Libya because Libya already has the international investments that have modernized their facilities.

I guess my question is if we sit around and wait and argue about how much international support we can get before we act, do we not run a risk that Iran will in fact get the international investors they need, and then, maybe next year, you will be coming back before this Committee and saying that we cannot use the investment strategy any longer because unfortunately, the investors are already there, and we cannot do anything about that as we do not want to upset the international financial community? It is just going to pull operations out of the United States, and therefore, we cannot do anything about Iran, so let us go on to the next thing, and hopefully we will stop something else.

Don't we run that risk of delay that there will be people who will invest, particularly when there is no cost to that investment? We have not spoken as the leader of the free world on this issue. Yet I appreciate the fact that we want to dot all the i's and cross all the t's and talk to all of our allies, and so forth. Nevertheless, it has been well acknowledged that we have the right on security issues under all of our trade agreements to take steps that are necessary to prevent these types of actions. We have the right to act; the question is whether it will be effective, and I appreciate that. We are all guessing as to whether waiting and getting more support is indeed the best way or moving forward.

I would appreciate your response.

Mr. WELCH. I think your focus on leadership on the part of our country is very important. This is what we want to do. Let me be very clear about that. We want to work with the Congress to take the lead again on this issue with respect to Iran and Libya.

As you point out, if we wait around for others to follow, we may be waiting a long time. I would not say that I would forsake the

effort to get better multilateral support. We will push that button as well, Mr. Congressman, and continue to do so. It is not really an either/or proposition in that sense; we move forward in both respects.

Properly targeted, this legislation would have a powerful impact on both of these important problems, and it would do so while minimizing the other risks to our foreign policy and our economic interests. I am not going to say that there are no other such risks or that we can have 100 percent clean outcome in that regard. We will have to bear some risk. But the benefit is potentially quite good, too. I have spoken already about the impact it would have in Iran and in terms of maintaining the consensus internationally on strong action against Libya. If we do that, we will have an effect, and the intent of this legislation would be supportive in that regard.

Mr. CARDIN. Ms. Hillman has pointed out that in the sanctions here, the President has discretion. I understand you want more discretion in the White House, and we need to talk about that. But there is discretion here. I remember when I first came onto the Ways and Means Committee and was talking to our Trade Representative about the international climate; our system is sometimes to our advantage, in the separation of powers, where the Congress has a certain role and the executive branch has to negotiate—of course, we do fast track in order to give you the authority to negotiate. But many times in international settings, you have to work with an independent Congress, and therefore, sometimes we push you in directions that are helpful in negotiating with our allies.

It seems to me it might be helpful with our trading partners if the Congress speaks with the strongest possible voice on this issue to let the international trading community understand that we are demanding action as it relates to Libya and Iran. And certainly you, in your diplomatic skills, need to negotiate and use the powers that we give you in a way that is most effective in accomplishing results.

But it seems to me—and I am not going to ask you to answer this question; let me just put it on the record—that we help you if we give you the strongest possible bill so that when you negotiate with trading partners, they understand how serious this Congress is. The worst thing we could do would be to water down the bill reported out by the International Relations Committee and show that our trading partners do not really have to take us seriously—they have already won a battle in Congress, and they can win a battle with the administration and just let this one go by the wayside.

So I hope that we will work together for a strong bill and not just any bill and an intent that we want all of our trading partners to work with us, but a bill that gives teeth to sanctions against companies that provide the financial wherewithal to support the terrorist activities that are taking place in these two countries.

I start with the International Relations bill and challenge us to see whether we cannot come up with a stronger bill, and certainly not one that will weaken that legislation.

Thank you, Mr. Chairman.

Chairman CRANE. Thank you.

Mr. Coyne.

Mr. COYNE. Thank you, Mr. Chairman.

Ms. Hillman, if H.R. 3107 were law today, how many companies or persons would be subject to the sanctions referred to in section 4?

Mr. WELCH. As we were discussing this in its earlier version, sir, we took a look at this, working with our intelligence community and analysts of the industry—not from industry, but of the industry—to see what the universe was out there. To be perfectly honest with you, it is very hard to define. It is a very large universe. There are many potential exporters of this kind of technology, there are a lot of important pieces of goods and technology that will be useful in the oil and gas industry.

You can set a dollar limit, as has been attempted, you can define a list, but what we are talking about here, internationally, is regarded as innocent trade. Therefore, the burden of monitoring it, to say nothing of enforcing it, would be considerable on us at a time when we have resources that are stretched for, frankly, much more dangerous trade.

We have been of the opinion in taking a look at that problem that it is basically too hard to do. Second, I am not sure it would be all that effective in getting at what their problem is. We believe that the critical chokepoint for the Iranians is their desire to have foreigners come in and invest in their oil and gas industries, to build up and manage these projects for them so they can regain their position in the international oil market. That is a more critical chokehold in our view and one that we can more easily grab hold of.

Mr. COYNE. Section 9 directs the President to establish and maintain a list of petroleum and natural gas-related goods. Is there any way to at least come to some close estimate of how many people would be affected?

Mr. WELCH. You are talking about tens of countries that export that sort of technology, and in terms of the goods and articles themselves, the stuff you would have to watch—it is a huge list. Frankly, we did not get very far into that because as has been apparent here, we are arguing against that. We do not think it would have the effect intended, and it would be too hard to do.

Mr. COYNE. But if it became law, you would have to——

Mr. WELCH. It is the law of the land, then, and we would be obliged to follow up on it.

Mr. COYNE. Thank you.

Chairman CRANE. Thank you, and I want to express appreciation to all of our panelists for their participation. This took longer than we had anticipated, but I think it was a worthwhile hearing, highlighting some of the significant problems that were not adequately addressed during the markup of H.R. 3107.

And I want to state that the hearing record will remain open for written statements only until tomorrow, and also, there will be submission of some questions in writing that we will get to you folks from colleagues who were not able to be here with us personally.

[Followup questions and answers to the Office of the U.S. Trade Representative from Mr. Laughlin follow:]

Q. The Committee has heard from a number of U.S. business groups concerned that, following the enactment of the legislation, retaliation by our major trading partners could put thousands of hardworking Americans out of work not only in the 14th District of Texas but also throughout Texas and the rest of the country. Has the administration made a detailed assessment of how many Americans could lose their jobs if foreign governments carry through on their threats to retaliate? If so, please submit the detailed assessment along with the impact on various regions of our country and the various sectors of our economy including but not limited to: The pharmaceutical industry, banking and financial institutions, electronic and high-tech firms, oil and gas (including oilfield supply companies), petrochemical, and the automotive industry. If no detailed assessment has been conducted, when can this Committee expect to receive such an assessment in order to determine the impact of this legislation on the American workers and the American economy?

A. The executive branch has not assessed the impact of passage of H.R. 3107. We believe that the Congressional Budget Office is best equipped to conduct such an assessment for this Committee.

Q. I understand at least one private-sector study has been done in an effort to quantify how much business U.S. companies could lose if foreign businesses engage in a secondary boycott at the direction of their governments. I am advised the study concluded U.S. businesses had $10 billion at stake just with foreign companies that do business with Iran. Has the administration made a detailed assessment of how much business American companies could lose if their current foreign business partners turn to other companies for the supply of goods and services in the future? If none has been made, please submit a detailed assessment that addresses the potential financial impact on the various sectors of the economy previously listed. Further, when can this Committee expect to receive such an assessment?

A. The executive branch has not assessed the impact of passage of H.R. 3107. We believe that the Congressional Budget Office is best equipped to conduct such an assessment for this Committee.

Q. As reported by the International Relations Committee, the bill would authorize the President to impose sanctions on totally innocent subsidiaries of sanctioned companies, including totally innocent ones in the 14th District of Texas. I am advised that enactment of this provision would be unprecedented. Are you opposed to the inclusion of this unprecedented provision in any form? Can you cite any other instances in which totally innocent subsidiaries of sanctioned companies have been sanctioned?

A. The administration agrees sanctions should not be applied to companies that do not participate in the triggering event with actual knowledge. We are not aware of other statutes that impose such vicarious liability on subsidiaries of companies subject to sanctions.

Q. As reported by the International Relations Committee, the bill also could be read to be applied retroactively. As you know, this Committee has a long history of making changes in the law only prospectively. Would you agree that we should preserve that longstanding policy in this case as well? If not, could you please cite examples for this Committee that justify your position on this issue?

A. As currently drafted, H.R. 3107 can be read to already existing investments or trade because of ambiguous language. The administration supports efforts to clarify that the law would only apply prospectively.

Q. I know the administration has been concerned about high gasoline prices consumers have been paying at the pump. Has the administration made a detailed assessment of the possible impact on consumer prices of reducing the supply of Iranian or Libyan oil on the world market? If no such assessment has been made, when can this Committee expect to receive such an assessment?

A. The executive branch has not assessed the impact of passage of H.R. 3107. We believe that the Congressional Budget Office is best equipped to conduct such an assessment for this Committee.

Chairman CRANE. With that, the Committee stands adjourned.

[Whereupon, at 5:15 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

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STATEMENT OF THE ANTI-DEFAMATION LEAGUE
ON THE
IRAN FOREIGN OIL SANCTIONS ACT
HOUSE WAYS AND MEANS SUBCOMMITTEE ON TRADE
MAY 22, 1996

We commend the Subcommittee on Trade for convening today's hearings on the Iran Foreign Oil Sanctions Act and appreciate the opportunity to proclaim the Anti-Defamation League's continuing support for this important initiative.

This legislation is a meaningful complement to existing U.S. sanctions. The ban on U.S. trade with Iran has already curtailed investment in Iran but only a multilateral approach can effectively impede Iran's sponsorship of terrorism and dangerous campaign to acquire weapons of mass destruction.

As Iran embarks on a diplomatic offensive to reach out to new allies, enactment of this bill -- without weakening amendments -- would expand the scope of U.S. sanctions and enhance U.S. ability to achieve international isolation of Iran. The U.S. can and must take stronger steps to urge our allies to participate in an international effort to fight Iran's support for terrorism.

Attached is an advance copy of an ADL backgrounder on Iran's continued sponsorship of terrorism and the status of international efforts to isolate the regime.

Sincerely,

Lisa Klinghoffer Ilsa Klinghoffer Abraham H. Foxman
Leon and Marilyn Klinghoffer Memorial Foundation
of the Anti-Defamation League

MAY 1996

IRAN: A PARIAH STATE AMONG THE COMMUNITY OF NATIONS

As the leading state sponsor of international terrorism engaged in a campaign to acquire weapons of mass destruction, destabilize moderate regimes in the Middle East, and derail the Arab-Israeli peace process, the Islamic Republic of Iran remains a pariah state among the community of nations.

Although Iran has the fourth-largest oil reserves in the Middle East, it has had difficulty maintaining its production levels over the last two years as a result of aging oil fields and the high cost of developing its reserves. Iranian oil production has declined by 30 percent since 1979 and imports and exports are down. Teheran also faces a $33 billion foreign debt. Its current drive to attract seven billion dollars in foreign investment to bolster its weakening oil industry and secure additional international debt refinancing raises serious policy questions for the United States and the international community.

TERRORISM

Iran is today the most active and dangerous sponsor of state terrorism and of radical groups that employ terrorism, responsible for the deaths of over 1000 people worldwide since 1979. According to the State Department's newly-released *Patterns of Global Terrorism: 1995*, "Iran remains the premier state sponsor of international terrorism and is deeply involved in the planning and execution of terrorist acts both by its own agents and by surrogate groups." Since 1984, Iran has consistently appeared on the U.S. Department of State's list of states sponsoring terrorism.

As the leading patron of Islamic extremist and Palestinian rejectionist terrorism, Iran provides groups such as Hamas, Hezbollah, and the Popular Front for the Liberation of Palestine-General Command with weapons, funds, training and intelligence. Teheran has also become the leading supporter of Sudan's National Islamic Front and has forged a partnership with Sudan to pursue its international terror campaign. Iran has provided Sudan with tens of millions of dollars in military aid and arms since 1991 and Sudan in turn affords Iran a strategic foothold in North Africa and the Horn of Africa. Iran finances and equips terrorist training camps in Sudan; it sends Iranian Revolutionary Guards to undergo training there and to train Islamic militants from across the region.

Teheran also engages in active subversion of moderate Arab regimes and targets Iranian dissidents abroad. Iran reportedly provides $200-300 million annually to its radical allies abroad. Its opposition to Israel and the Arab-Israeli peace process translates into money, arms and training for terrorist operations.

The Iranian terror network extends beyond the Middle East to Western Europe, Africa, Southwest Asia, and Latin America, targeting Jews, Americans and other innocents. Allegations that Iran maintains its European headquarters for terrorism in its embassy in Bonn, Germany have resurfaced in the media based on a recent report by Germany's federal internal intelligence organization, BfV, obtained by the London *Daily Telegraph*.

The Iranian Embassy in Bonn is believed to be Teheran's coordinating center for terrorist activities throughout Western Europe, the acquisition of illegal weapons and technology and the planning of assassinations of Iranian dissidents.

Most recently, Belgian authorities discovered a powerful mortar and a huge shell in a cargo of pickles en route from Iran to Germany on an Iranian ship docked in Antwerp in March 1996. Belgian and Israeli officials said that they may have been intended for use by terrorists against Israeli and Jewish targets in Western Europe.

Support for Hezbollah

Hezbollah is an umbrella for several radical Shi'ite Muslim groups under the spiritual and political guidance of Iran. Teheran helped found Hezbollah in 1982 when it sent Iranian Revolutionary Guards to southern Lebanon to fight against Israel's invasion. Iran has continued to provide Hezbollah with funds, training and logistical support to aid Hezbollah's growth, export Islamic revolutionary ideology and gain a foothold in Lebanon. Revolutionary Guards today continue to offer logistic aid and training to Hezbollah recruits. Hezbollah Secretary-General Hassan Nasrallah trained in Iran, holds frequent meetings with Iranian leaders and communicates with Teheran via the Iranian Embassy in Beirut.

Through its proxy Hezbollah, Iran has conducted lethal terrorist attacks against Americans, the most notorious being the 1983 car bomb attack on the U.S. Embassy in Beirut killing 49 and the 1983 car bomb attack on the U.S. Marine Barracks in Beirut killing 241. Iran and Hezbollah are believed responsible for the 1992 bombing of the Israeli Embassy in Buenos Aires that killed 29 and the 1994 bombing there of the Jewish Community Center that killed 96. Iran has also been linked to the July 1994 bombing of a commuter plane in Panama and the bombings in London of the Israeli Embassy and offices of the Jewish community. In March 1994, three Iranian agents were arrested in Thailand after a failed attempt to detonate a truck bomb at the Israeli Embassy in Bangkok.

Iran is believed to fund Hezbollah at $80 million annually and Iranian Revolutionary Guards train Hezbollah guerrillas at bases in southern Lebanon. Most recently, Iran rearmed Hezbollah terrorists with Katyusha rockets during Hezbollah's April 1996 campaign against civilian cities in northern Israel.

Support for Hamas and Islamic Jihad

An Iranian-Islamic Palestinian alliance began to emerge during the intifada and gained momentum with the burgeoning Arab-Israeli peace process in the wake of the 1991 Gulf War. United in their militant rejection of Israel and in pursuing the end of the peace process, Hamas, Islamic Jihad and Iran strengthened ties.

The relationship was cemented when a delegation of senior Hamas and Islamic Jihad leaders visited Teheran in October 1992 and was reportedly promised $30 million

annually, as well as training and logistical support in Iran, southern Lebanon and Sudan. Hamas subsequently opened an "embassy" in Teheran. Israeli authorities believe that Iran now subsidizes 10 to 20 percent of Hamas' estimated $70 million budget.

American and Israeli officials maintain that Iran has provided financial support and training to Hamas and Islamic Jihad suicide bombers who have launched deadly attacks against Israeli civilians, including those responsible for the February and March 1996 attacks in Jerusalem and Tel Aviv. In early April, Israeli authorities said they had arrested a Palestinian man, recruited by Islamic Jihad in Turkey, who underwent military training in Iran. The suspect admitted that workers at the Iranian Embassy in Turkey had provided counterfeit documents to Islamic Jihad which he had used to travel to Iran.

Iran's support of Islamic extremist groups in the Middle East is alarming to moderate Arab leaders who have recently begun working together and with Israel to combat the internal security threats posed to them by these groups. Despite the widespread recognition of Iranian-sponsored terrorism and its threat to the stability of the Middle East and the West, the March 1996 anti-terrorism summit convened in Egypt failed to mention Iran in its final communique.

Attacks Against Dissidents and Moderate Arab Regimes

Iran has a well-organized campaign against exiled Iranian dissidents and has reportedly assassinated 60 foes of its regime abroad over the last two decades. According to the State Department, Iran killed seven dissident figures in 1995, up from four in 1994. Teheran's campaign against exiles is reportedly based in the Iranian Embassy in Bonn, Germany.

Most recently, two Iranian exiles were assassinated in Turkey in February 1996; in March, two Sunni Iranian clerics were murdered in Pakistan and an Iranian opposition activist was killed in Baghdad. Also in March, 1996, Germany issued a warrant for the arrest of Iranian Intelligence Minister Ali Fallahiyan suspected of having ordered the September 1992 killings of a Kurdish opposition political leader, and three other opposition members in a Berlin restaurant. Five men have been on trial since October 1993 for the killings and the alleged ringleader of the murders, Kazem Darabi, is a senior operative of Iranian foreign intelligence.

Iran supports Shiite and Sunni Muslim extremist movements in Turkey, Jordan, Egypt, Algeria, Iraq, Bahrain, Tunisia and Afghanistan as well as radical secular nationalist groups in a host of countries. Most recently, Iran is suspected of fomenting domestic unrest among Shi'ite Muslims in Bahrain directed against the Sunni Muslim Bahraini government.

Iranian Revolutionary Guards are reportedly training Islamic extremist terrorists from Algeria, Egypt and Tunisia at terrorist training camps in Sudan. American officials have identified five Iranian-financed and administered training bases around Khartoum, Sudan.

The Egyptian government maintains that several thousand Egyptian militants have undergone Iranian training in Sudanese camps and that Iran is responsible for training and organizing Egyptian radicals who have attacked foreign tourists in Egypt. Most recently, the United Nations has imposed sanctions on Sudan for refusing to surrender three suspects in the 1995 assassination attempt on the life of Egyptian President Hosni Mubarak. The U.S. recently closed its embassy in Khartoum and ordered all U.S. diplomatic personnel to leave the country. Algeria severed diplomatic relations with Iran in March 1993 for its support of Islamic militants in Algeria.

ACQUISITION OF WEAPONS OF MASS DESTRUCTION

Deepening economic misfortunes and the Western arms embargo have forced Teheran to scale back its procurement of conventional arms and the Iranian conventional military buildup forecast several years ago has not been realized. However, Iran's efforts to develop nuclear, chemical and germ weapons remain a source of great concern.

Iran reinstated its campaign to acquire and develop nuclear weapons in 1984 and over the past decade it has invested billions of dollars to build a wide array of nuclear research facilities and to train Iranian nuclear physicists and engineers abroad. Teheran has publicly opened more than fifteen new nuclear facilities since 1988, and has built a large number of underground facilities, where it is suspected Iranian scientists are engaged in secret uranium production and enrichment. Iran's civilian nuclear power program has provided the regime with a cover for its nuclear weapons production.

Iran has reportedly acquired nuclear technology from China, Russia, Pakistan, some former Soviet republics as well as sophisticated dual-use technology from European companies - primarily German - that can be adapted for military purposes. Current intelligence assessments place Iran's nuclear weapons capability at eight to ten years away.

Intelligence experts suspect that Teheran has an active chemical and biological warfare program. According to recent CIA estimates and a May 1995 report by *Jane's Intelligence Review*, Teheran has stockpiled between several hundred and 2,000 tons of chemical weapons and has sought to buy biological agents in Europe and the United States.

Teheran is also aggressively seeking increasingly sophisticated surface-to-surface missiles and has purchased hundreds of ballistic missiles and the technology to produce them from North Korea and China. These Scud-B and Scud-C missiles enable Teheran to attack fellow Persian Gulf nations. Iran has also reportedly agreed to buy North Korean Nodong-1 missiles with an estimated range of over 600 miles, thus posing a threat to distant targets including Israel. These surface-to-surface missiles are capable of delivering conventional, chemical, or nuclear warheads.

Most recently, Defense Department officials confirmed that Washington is concerned about Iran's building of tunnels on its southwest coast that could be used to launch or

store long-range missiles. Iran's missile buildup and its effort to develop weapons of mass destruction raise the potential threat of Iran engaging in nuclear, chemical and biological terrorism.

Despite intense American opposition, Russia concluded an $800 million contract with Iran to rebuild the Busheir nuclear power plant, build three other plants and train Iranian nuclear engineers. Also included in the January 1995 agreement were plutonium production reactors, a gas ultracentrifuge plant and what appeared to be a nuclear weapons test shaft - items which U.S. officials charge effectively transfer nuclear weapons technology to Iran. In May 1995, Russian President Borris Yeltsin acknowledged that the agreement "does contain components of civilian and military nuclear energy" but asserted that "the military component" was subsequently removed from the contract.

Under pressure from the U.S., China announced in September 1995 that it was suspending, but not canceling, a deal to supply two nuclear power plants to Iran. With Chinese government acquiescence, Chinese companies are reportedly helping Iran develop chemical weapons.

OTHER PARIAH ACTIVITIES & INFLAMMATORY RHETORIC

• Iran has printed millions of counterfeit U.S. dollars which are circulated by terrorist organizations in Lebanon's Bekaa Valley. The counterfeiting operation, according to analysts, is aimed at undermining the world's confidence in U.S. currency and at supporting programs to obtain weapons of mass destruction and fund terrorist activites.

• Iran is also a key transit route for drugs smuggled to Europe from Afghanistan and Pakistan. In March 1996, the State Department said it would keep Iran on the list of states judged not to be cooperating in the war against drugs.

• Iranian President Akbar Hashemi Rafsanjani: "The Zionist regime has so cruelly massacred the defenseless people of Lebanon that no such precedent has been witnessed throughout the history of humanity." (*Reuters*, 5/15/96)

• Head of Judiciary Ayatollah Mohammad Yazdi: "Religious minorities in Iran enjoy freedom... However,...Baha'ism is not a religion but an espionnage establishment...Iran will by no means sacrifice... Islamic rules in order to appease international bodies." (*Reuters*, 5/14/96)

• IRNA (State-run Islamic Republic News Agency) Broadcast: "Israel, the only state in the world to be created by terrorism and brutal use of force, is now tasting its own medicine. The divine retribution on those who spread corruption and injustice on the earth will be severe. The blasts prove that the Zionist state stands utterly powerless to prevent the attacks by the heroic youth of Islam." (*Reuters*, 3/7/96)

• Ayatollah Ali Khamenei: "The government and the people of Iran believe that the

existence of Israel is false and artificial. In fact, there is no nation called Israel, rather Zionist leaders, acting solely on racism, have gathered some people from around the world and set up a made-to-order state in order to occupy Palestine." (*Reuters*, 2/8/96)

• President Rafsanjani: "Rabin, who had expressed happiness about the assassination of Shqaqi, was assassinated himself... That is nothing but a clear example of divine revenge for oppressors and is a manifestation of God's show of force." (*Reuters*, 11/5/95)

• Iranian parliamentarian on the international medical symbol: "The snake is a symbol of Jewish power... and the staff is a sign of freemasonry." (*Reuters*, 9/5/95)

POLICY RESPONSE: CONTAINMENT OR CONSTRUCTIVE ENGAGEMENT?

Washington has been trying for some time to isolate Iran in the international community. Bars on American trade with Iran began in the wake of the Iranian November 1979 takeover of the American Embassy in Teheran. Iran's placement on the terrorism list in 1984 prohibited U.S. foreign aid and credits and restricted Iranian access to US dual-use items. Direct imports from Iran were banned in 1987 and the export to Iran of American high technology was banned in 1992. The U.S. currently has the world's toughest curbs on exports of dual-use items, arms and financial transfers to Iran.

In 1993, the U.S. initiated a policy of containment aimed at putting pressure on Iran to relinquish its pursuit of weapons of mass destruction, its sponsorship of international terrorism and its fiery opposition to the Arab-Israeli peace process.

Toward this end, the U.S. first launched an aggressive campaign to halt international refinancing of Iranian debt payments and loans. Washington initially failed to prevail upon our allies and in 1994, Iran successfully rescheduled $12 billion of its foreign debt in agreements with Germany, France, Japan, Belgium, Austria, Switzerland, Italy, Denmark, Sweden, Spain and the Netherlands. Since then, however, European nations and Japan have reduced their granting of new credits and loans to Iran.

In 1995, Japan decided to delay indefinitely a $450 million loan to Iran to build a hydroelectric power plant on Iran's Karun river. The loan was the second installment of $1.8 billion in development credits Japan had set aside for Iran, with the first installment of $465 million already disbursed. France recently announced that while it would not prevent private French companies from engaging in Iranian oil development projects, it would not finance the projects.

Similarly, while American lobbying initially failed to dissuade the World Bank from extending to Iran $463 million in loans in 1993, the World Bank and the IMF have agreed to put on hold all new Iranian loan requests.

Loopholes in U.S. law had permitted American oil companies to purchase Iranian oil and sell it abroad through foreign subsidiaries. Such purchases, amounting to $4.25 billion in 1994, led to the U.S. becoming Iran's largest trading partner. In response to Iran's

continued pariah activities and its drive to attract foreign investment, pressure increased to eliminate these loopholes. The Clinton Administration subsequently took a number of steps, including a March 1995 executive order which bars U.S. companies from engaging in oil development agreements with Iran and a May 1995 order banning all American trade and investment with Iran including the purchase of Iranian oil by foreign subsidiaries of U.S. companies.

In Congress, Senator Alfonse D'Amato (R-NY) has taken the lead in expanding the scope of sanctions against Iran. In January 1996, the Senate passed legislation sponsored by Sen. D'Amato that would open to U.S. sanctions any foreign company or bank that invests $40 million or more in Iranian and Libyan oil and gas industries after the legislation's passage. Sanctions include: denial of U.S. Export-Import Bank assistance, U.S. export licenses, and U.S. financial institutional lending. The House International Relations Committee passed a similar, stronger measure in March 1996 and at this writing, the bill awaits action by the full House.

The legislation reportedly contributed to recent decisions made by Royal Dutch/Shell Group and the Australian oil firm Broken Hill Proprietary Co. (BHP) not to pursue investment options in Iranian energy projects.

European Support for Iran

In disagreement with the U.S., our European allies and Japan believe that engaging countries that support terrorism is more effective than punishing them; they have consequently formed a policy of "critical dialogue" with Iran centered around a multibillion-dollar trade and investment relationship. The Europeans view Iran as a potentially-lucrative market. Accordingly, they have at times minimized Iran's role in sponsoring Islamic extremist terrorism. Our allies continue to trade with Iran, subsidize Teheran with below-market rate loans, and European oil companies have secured the very Iranian oil projects from which U.S. companies withdrew.

American officials counter that European loans, debt rescheduling and trade with Iran from 1989 to the present have failed to yield Iranian political moderation. Recent U.S. executive orders and Congressional legislation aim to stem the foreign investment in Iranian oil development projects which Teheran so desperately seeks. When Conoco, a subsidiary of DuPont Corp., withdrew from its agreement to develop Iranian offshore oil and gas fields in the wake of President Clinton's Executive Order, however, the French company Total S.A. picked up the $600 million deal in July 1995. The Total deal was the first major oil investment in Iran by a major Western company since 1979.

Several other French oil firms are currently in talks with Iran to develop other oil and gas fields. In February 1996, French Transport Minister Bernard Pons visited Teheran in the first visit of a French cabinet minister since 1992. He concluded an agreement with his Iranian counterpart in which Iran and France agreed to cooperate in building airport and rail facilities and boost transport ties.

With longstanding historical ties to Iran, Germany is currently Iran's largest trading partner, having exported $6 billion worth of goods to Iran in 1993. Bonn has underwritten about $10 billion in sales and investment by German firms. In February 1994, German banks rescheduled another $600 million in private debt on generous terms. In February 1995, Germany reinstated government-backed credits for exports to Iran and granted Teheran $102 million in credit guarantees. Bonn and Washington continue to disagree about what constitutes dual-use items with Germany insisting that only civilian goods are exported to Iran.

After Germany, Japan, Italy, Britain and France are Teheran's other main suppliers and clients, conducting hundreds of millions of dollars worth of business annually with Iran. Accordingly, the European Union strongly objected to the U.S. Senate passage of the Iran sanctions bill in January 1996.

In the wake of strong Iranian support for the recent spate of Hamas atrocities in Israel, the European countries summoned Iranian ambassadors to their respective countries to express concern. An EU delegation traveled to Teheran to press the message that Iran should condemn terrorism if it wants its dialogue with the EU to continue. Nevertheless, at the recent April 1996 meeting of EU foreign ministers in Luxembourg, the ministers agreed to continue their "critical dialogue" with Iran and repeated their long-held stance that this would be a more productive way for moderating Iranian policy than any ostracism of Teheran. In May 1996, German Foreign Minister Klaus Kinkel reiterated European policy: "It is in our view better to continue the dialogue with Iran rather than break off all contacts, introduce sanctions and further radicalize Iran by isolating the country."

Other Recent Global Engagement In Iran

• Iran today is South Africa's main oil supplier and its largest trading partner in the Middle East, excluding North Africa. In 1995, South Africa welcomed Iran's foreign minister, concluded a deal that would allow Iran to store 22.5 million barrels of oil in a facility on South Africa's west coast and signed an agreement to cooperate in mining.

• Violating a pledge to President Clinton in September 1994 that it would sign no new arms deals with Iran, Russia initialed a 10-year military cooperation agreement with Iran in December 1995, providing up to $4 billion in additional weapons sales to Teheran.

• Since 1992, when the Central Asian Republics joined the Economic Cooperation Organization (ECO) founded in the 1980s by Iran, Pakistan and Turkey, Iran has been forging ties with the Republics. Most recently, in May 1996, Iran and Turkmenistan opened a rail link that opens a new trade route from Europe to the Far East and gives landlocked Central Asia access to Iran's Gulf ports. Iran has also sealed two oil deals with Azerbaijan and Kazakhstan.

• Other countries recently boosting trade and other ties with Iran are China, Pakistan, Croatia, Bulgaria, North Korea and South Korea.

[By permission of the Chairman]

Bundesverband der Deutschen Industrie e.V.
(Federation of German Industries)

BDI

DEPARTMENT FOR
INTERNATIONAL ECONOMIC
POLICY

Extension +49 221/3708-539
Telefax +49 221/3708-880
Your ref.
Our ref. N09497
Ule/Me

U.S. Sanctions Legislation, e.g. vis-a- vis Iran/Libya - BDI Position-

The BDI is watching with great concern current initiatives by members of the U.S. Congress to impose measures of an extraterritorial nature in the context of sanctions against a number of countries. If these measures are indeed adopted, they will not only seriously harm German companies affected by them, but also have negative consequences for those companies' investments in the USA and their U.S. trading partners.

The U.S. measures designed to punish foreign companies when they invest in or do business with the countries concerned are incompatible with the principles of true partnership and mutual trust between friendly trading partners. They are at variance with certain rules of international law and with the principles of the multilateral trade system.

This applies to the planned U.S. sanctions against Iran and Libya. In the latter case, the USA is thus undermining the common course adopted by the United Nations in its policy toward Libya.

This measure has particularly serious implications in that it empowers the Administration to punish not only the company concerned, but also its subsidiaries or its parent company as well as any other interest involved, if they are deemed to have been aware of the infringement. German companies with investments in the development of oil and natural gas production in Libya would be particularly affected. The measures in question would jeopardize investment projects some of which have been developed over decades and are of special importance for securing energy supplies in the German market.

Against this background, the BDI calls upon the U.S. Congress to abandon its plans for the extraterritorial application of sanctions and to return to the common course adopted by the United Nations regarding Libya. Otherwise, the measures in question will place considerable strain on transatlantic relations. Sanctions against foreign companies will restrict their opportunities for investments and trade in the United States and directly endanger jobs there, including those created by German companies.

Therefore, German industry welcomes the European Commission's inquiry about what countermeasures could be taken, should the need for such measures arise.

Justice for Pan Am 103, 309 Yoakum Pkwy, #1509, Alexandria, VA
(703) 751-2497

STATEMENT OF ROSEMARY WOLFE
PRESIDENT, JUSTICE FOR PAN AM 103
HOUSE WAYS AND MEANS COMMITTEE
HEARING ON IRAN OIL SANCTIONS ACT OF 1996
MAY 22, 1996

Mr. Chairman and members of the Committee. I welcome the opportunity to present a statement for the record.

Justice for Pan Am 103 is an organization of families of victims of the Pan Am 103 bombing dedicated to the search for truth and justice and an aggressive foreign policy against terrorism. Nearly eight years after the terrorist bombing of Pan Am 103 over Lockerbie on December 21, 1988, we are no closer to securing justice against those responsible for the murders of our loved ones. And we are more aware than ever before of our vulnerabilities as Americans and citizens of the world to the expanse and perils of terrorism.

H.R. 3107, as amended, is perhaps the most significant, forceful, and controversial piece of anti-terrorism legislation to come before the Congress. Its passage would signal U.S. determination, leadership, and courage in imposing consequences on foreign companies for certain oil development and investment in Iran and Libya in the face of heavy opposition from European governments who continue to put economic interests before all others.

As witness to history, the past eight years have shown that doing business with terrorist states does not stop terrorism from advancing. To the contrary, terrorists and their state sponsors are strengthened by the power of their purse strings and the knowledge that there are no consequences for their actions and they can strike again. Outside of military action, financial isolation of terorist states is the only thing than can begin to shake the foundations of their economy-- and the base of their terrorist activity.

Terrorism is big business. Terrorists are well financed by governments--the most well known among them are multimillionares; their operations for the most part are part of a sophisticated, interwoven network; and they are given safe havens in the countries where they are based. Without an economic as well as political commitment this base cannot be destroyed. H.R. 3107 would be a powerful beginning.

There are ways that the United States, its allies, and other freedom loving nations of the world can work together to modify the effects on their economies of oil development and investment cutoff in Iran and Libya. Because are allies, particularly, are unwilling to face this challenge now, the United States must lead the way and absorb the economic consequences that may result.

In the end, if terrorism succeeds, the economic and social perils will be worse than any temporary discomforts from the

deterrence this legislation would create. Positive action against terrorism is an investment we must be willing to make and a policy we must be willing to advance before the world community.

What we Pan Am 103 families have learned in our own fight for justice is that when the United States exercises leadership the rest of the world will follow. What we also know is that halfway measures do not work.

Apart from the original question of the wisdom of the United States and its key allies, Britain and France, seeking multilateral action at the UN rather than unilateral action against Gaddafi, what we do know is that the original and follow up sanctions resolutions against Libya would never have been passed by the Security Council were it not for U.S. pressure. And having personally been involved with other families in the effort to get the original UN sanctions against Libya strengthened, it was not until the United States was convinced that the sanctions should be strengthened that they were.

For over a year the families were told that our allies and the rest of the world community would not support additional sanctions, and the United States did not press for action. When the United States had the resolve to pressure our allies and the rest of the world community, we were able to get additional sanctions.

But, to our dismay the even the additional sanctions did not succeed in getting Gaddafi to comply. What is more, we have recently learned that over 40 foreign businesses are not even complying with the existing sanctions. The UN, as far as we know, has not taken action to enforce the sanctions. The United States and its allies have not pressed the issue. And, there is no immediate hope for further action here or elsewhere.

From the beginning of UN involvement, the families pressed for a worldwide oil embargo against Libya--the only action many of us believed would be strong enough to get Gaddafi to comply. The United States undertook this as an option far too late in the UN process--long after the additional sanctions were imposed against Libya and long after erosion of the sanctions had already begun.

To this day, the economic pressures are not strong enough to get Gaddafi to comply. While not a panacea, H.R. 3107, as amended, would allow the United States to unilaterally take further action against Libya. We urge that no modifications be made to the legislation. We urge the retention of prohibitions against both Iran and Libya, the retention of prohibitions on key goods and services for oil development and the retention of oil investment prohibitions. In the case of Libya, without the oil investment provisions, the legislation would be meaningless. More importantly, the legislation would also be meaningless without the rentention of at least two sanctions against offending parties.

In concluding, H.R. 3107, as amended, would not only send a clear message to terrorist states but would let them know that we are willing to take the powerful actions that can put them out of business.

STATEMENT FOR THE RECORD

GREG LAUGHLIN, M.C.

SUBCOMMITTEE ON TRADE

MAY 22, 1996

LIKE OTHER MEMBERS OF THE COMMITTEE, I ABHOR TERRORISM AND BELIEVE OUR GOVERNMENT SHOULD TAKE STEPS TO STOP THE SPREAD OF WEAPONS OF MASS DESTRUCTION IN THE MIDDLE EAST. HOWEVER, IN CONSIDERING LEGISLATION INTENDED TO ADVANCE THESE GOALS, WE SHOULD NOT LOSE SIGHT OF THE NEED TO ASSESS ITS IMPACT ON OUR OWN ECONOMY AND OUR OWN CITIZENS.

THUS, BEFORE THE COMMITTEE COMPLETES ITS WORK ON H.R. 3107, THE PROPOSED IRAN OIL SANCTIONS ACT OF 1996, I BELIEVE THE COMMITTEE SHOULD MAKE A THOROUGH ASSESSMENT OF WHAT IMPACT THE ENACTMENT OF THIS LEGISLATION AND THE IMPOSITION OF SANCTIONS BY THE PRESIDENT COULD HAVE ON PRICES AMERICANS PAY FOR GASOLINE AT THE PUMP. IN ADDITION, WE MAY WISH TO DETERMINE HOW MANY AMERICANS COULD LOSE THEIR JOBS AS THE RESULT OF THE IMPOSITION OF SANCTIONS ON INNOCENT U.S. SUBSIDIARIES OR THE ENACTMENT OF RETALIATORY MEASURES BY FOREIGN GOVERNMENTS. SOME OF THESE JOB LOSSES WILL NOT ONLY BE IN THE 14TH DISTRICT OF TEXAS BUT THROUGHOUT TEXAS AND OUR NATION.

TO REDUCE THE RISK OF INNOCENT AMERICANS BEING HURT, THE BILL SHOULD BE AMENDED TO ENSURE THAT COMPANIES ARE NOT SANCTIONED FOR THE PERFORMANCE OF CONTRACTS ENTERED INTO BEFORE THE DATE OF ENACTMENT OF THE LEGISLATION. OUR COMMITTEE HAS A LONG AND WELL-ESTABLISHED PRACTICE OF ENSURING CONTRACT SANCTITY IN ADOPTING LEGISLATION. WE SHOULD CONTINUE THAT PRACTICE NOW.
IN ADDITION, THE COMMITTEE SHOULD INSIST THAT THE BILL BE AMENDED TO DELETE THE PROVISION POTENTIALLY SUBJECTING INNOCENT U.S. SUBSIDIARIES TO SANCTIONS FOR CONDUCT ENGAGED IN BY OTHERS ABROAD. TO MY KNOWLEDGE, CONGRESS HAS NEVER BEFORE SUBJECTED INNOCENT SUBSIDIARIES TO EXPORT CONTROL SANCTIONS.

GIVEN OUR COMMITTEE HISTORIC EFFORTS TO CREATE JOBS THROUGH TRADE, I THINK IT IS CRITICAL THAT WE TAKE THESE AND OTHER STEPS TO AVOID UNINTENDED CONSEQUENCES THROUGH THE ENACTMENT OF THIS TYPE OF LEGISLATION.

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Executive Director
Matthew Brooks

May 22, 1996

The Honorable Philip M. Crane
Committee on Ways and Means
Chairman, Subcommittee on Trade
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Crane:

On behalf of the members of the National Jewish Coalition, we would to thank you for holding today's hearing to discuss H.R. 3107, The Ira Sanctions Act of 1996. The NJC is in strong support of this impo legislation.

The legislation, which imposes economic sanctions on foreign comp that assist in the development of the energy sectors of Iran and Liby necessary in light of the active involvement of Iran and Libya in ac international terrorism. Both Iran and Libya are dependent upon thei and gas industries to finance their military activities. In fact, over ni percent of Iran's hard currency comes from its oil sector. By dete foreign investment, the sanctions will severely impact Iran and Li significantly reducing their financial involvement in international terro and curtailing their ability to acquire weapons of mass destruction.

While the impact of this legislation may have a chilling effect on s companies who trade with Iran and Libya, the cost of leaving these nat unchecked could be disastrous. As Under Secretary of State Peter Tar stated at a recent congressional hearing (October 11, 1995), there i "straight line that links Iran's oil income and its ability to sponsor terro [and] build weapons of mass destruction... Any... private company helps Iran to expand its oil [sector] must accept that it is indire contributing to this menace." The United States cannot, and must not, b away from our global responsibilities.

Again, we appreciate the Subcommittee's attention to H.R. 3107. Please not hesitate to contact us if we may provide you, or the other members the Subcommittee, with any additional information.

Sincerely,

Cheryl Halpern
National Chairman

Matthew Brooks
Executive Director

415 SECOND STREET, N.E.
SUITE 100
WASHINGTON, DC 20002
Tel: (202) 547-7701
Fax: (202) 544-2434

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