

IRAN AND LIBYA SANCTIONS ACT OF 1996

JUNE 14, 1996.—Committed to the Committee on the Whole House on the State of the Union and ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means,
submitted the following

R E P O R T

[To accompany H.R. 3107]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means to whom was referred the bill (H.R. 3107) to impose sanctions on persons exporting certain goods or technology that would enhance Iran's ability to explore for, extract, refine, or transport by pipeline petroleum resources, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

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The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Iran and Libya Sanctions Act of 1996”.

SEC. 2. FINDINGS.

The Congress makes the following findings:

(1) The efforts of the Government of Iran to acquire weapons of mass destruction and the means to deliver them and its support of acts of international terrorism endanger the national security and foreign policy interests of the United States and those countries with which the United States shares common strategic and foreign policy objectives.

(2) The objective of preventing the proliferation of weapons of mass destruction and acts of international terrorism through existing multilateral and bilateral initiatives requires additional efforts to deny Iran the financial means to sustain its nuclear, chemical, biological, and missile weapons programs.

(3) The Government of Iran uses its diplomatic facilities and quasi-governmental institutions outside of Iran to promote acts of international terrorism and assist its nuclear, chemical, biological, and missile weapons programs.

(4) The failure of the Government of Libya to comply with Resolutions 731, 748, and 883 of the Security Council of the United Nations, its support of international terrorism, and its efforts to acquire weapons of mass destruction constitute a threat to international peace and security that endangers the national security and foreign policy interests of the United States and those countries with which it shares common strategic and foreign policy objectives.

SEC. 3. DECLARATION OF POLICY.

(a) **POLICY WITH RESPECT TO IRAN.**—The Congress declares that it is the policy of the United States to deny Iran the ability to support acts of international terrorism and to fund the development and acquisition of weapons of mass destruction and the means to deliver them by limiting the development of Iran’s ability to explore for, extract, refine, or transport by pipeline petroleum resources of Iran.

(b) **POLICY WITH RESPECT TO LIBYA.**—The Congress further declares that it is the policy of the United States to seek full compliance by Libya with its obligations under Resolutions 731, 748, and 883 of the Security Council of the United Nations, including ending all support for acts of international terrorism and efforts to develop or acquire weapons of mass destruction.

SEC. 4. MULTILATERAL REGIME.

(a) **MULTILATERAL NEGOTIATIONS.**—In order to further the objectives of section 3, the Congress urges the President to commence immediately diplomatic efforts, both in appropriate international fora such as the United Nations, and bilaterally with allies of the United States, to establish a multilateral sanctions regime against Iran, including provisions limiting the development of petroleum resources, that will inhibit Iran’s efforts to carry out activities described in section 2.

(b) **REPORTS TO CONGRESS.**—The President shall report to the appropriate congressional committees, not later than 1 year after the date of the enactment of this Act, and periodically thereafter, on the extent that diplomatic efforts described in subsection (a) have been successful. Each report shall include—

(1) the countries that have agreed to undertake measures to further the objectives of section 3 with respect to Iran, and a description of those measures; and

- (2) the countries that have not agreed to measures described in paragraph (1), and, with respect to those countries, other measures (in addition to that provided in subsection (d)) the President recommends that the United States take to further the objectives of section 3 with respect to Iran.
- (c) WAIVER.—The President may waive the application of section 5(a) with respect to nationals of a country if—
- (1) that country has agreed to undertake substantial measures, including economic sanctions, that will inhibit Iran's efforts to carry out activities described in section 2 and information required by subsection (b)(1) has been included in a report submitted under subsection (b); and
 - (2) the President, at least 30 days before the waiver takes effect, notifies the appropriate congressional committees of his intention to exercise the waiver.
- (d) ENHANCED SANCTION.—
- (1) SANCTION.—With respect to nationals of countries except those with respect to which the President has exercised the waiver authority of subsection (c), at any time after the first report is required to be submitted under subsection (b), section 5(a) shall be applied by substituting “\$20,000,000” for “\$40,000,000” each place it appears, and by substituting “\$5,000,000” for “\$10,000,000”.
 - (2) REPORT TO CONGRESS.—The President shall report to the appropriate congressional committees any country with respect to which paragraph (1) applies.
- (e) INTERIM REPORT ON MULTILATERAL SANCTIONS; MONITORING.—The President, not later than 90 days after the date of the enactment of this Act, shall report to the appropriate congressional committees on—
- (1) 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 investments in Iran or Libya;
 - (2) the extent and duration of each instance of the application of such sanctions; and
 - (3) the disposition of any decision with respect to such sanctions by the World Trade Organization or its predecessor organization.

SEC. 5. IMPOSITION OF SANCTIONS.

- (a) SANCTIONS WITH RESPECT TO IRAN.—Except as provided in subsection (f), the President shall impose 2 or more of the sanctions described in paragraphs (1) through (6) of section 6 if the President determines that a person has, with actual knowledge, on or after the date of the enactment of this Act, made an investment of \$40,000,000 or more (or any combination of investments of at least \$10,000,000 each, which in the aggregate equals or exceeds \$40,000,000 in any 12-month period), that directly and significantly contributed to the enhancement of Iran's ability to develop petroleum resources of Iran.
- (b) SANCTIONS WITH RESPECT TO LIBYA.—
- (1) TRIGGER OF MANDATORY SANCTIONS.—Except as provided in subsection (f), the President shall impose 2 or more of the sanctions described in paragraphs (1) through (6) of section 6 if the President determines that a person has, with actual knowledge, on or after the date of the enactment of this Act, exported, transferred, or otherwise provided to Libya any goods, services, technology, or other items the provision of which is prohibited under paragraph 4(b) or 5 of Resolution 748 of the Security Council of the United Nations, adopted March 31, 1992, or under paragraph 5 or 6 of Resolution 883 of the Security Council of the United Nations, adopted November 11, 1993, if the provision of such items significantly and materially—
 - (A) contributed to Libya's ability to acquire chemical, biological, or nuclear weapons or destabilizing numbers and types of advanced conventional weapons or enhanced Libya's military or paramilitary capabilities;
 - (B) contributed to Libya's ability to develop its petroleum resources; or
 - (C) contributed to Libya's ability to maintain its aviation capabilities.
 - (2) TRIGGER OF DISCRETIONARY SANCTIONS.—Except as provided in subsection (f), the President may impose 1 or more of the sanctions described in paragraphs (1) through (6) of section 6 if the President determines that a person has, with actual knowledge, on or after the date of the enactment of this Act, made an investment of \$40,000,000 or more (or any combination of investments of at least \$10,000,000 each, which in the aggregate equals or exceeds \$40,000,000 in any 12-month period), that directly and significantly contributed to the enhancement of Libya's ability to develop its petroleum resources.
- (c) PERSONS AGAINST WHICH THE SANCTIONS ARE TO BE IMPOSED.—The sanctions described in subsections (a) and (b) shall be imposed on—

(1) any person the President determines has carried out the activities described in subsection (a) or (b); and

(2) any person the President determines—

- (A) is a successor entity to the person referred to in paragraph (1);
- (B) is a parent or subsidiary of the person referred to in paragraph (1) if that parent or subsidiary, with actual knowledge, engaged in the activities referred to in paragraph (1); or
- (C) is an affiliate of the person referred to in paragraph (1) if that affiliate, with actual knowledge, engaged in the activities referred to in paragraph (1) and if that affiliate is controlled in fact by the person referred to in paragraph (1).

For purposes of this Act, any person or entity described in this subsection shall be referred to as a “sanctioned person”.

(d) PUBLICATION IN FEDERAL REGISTER.—The President shall cause to be published in the Federal Register a current list of persons and entities on whom sanctions have been imposed under this Act. The removal of persons or entities from, and the addition of persons and entities to, the list, shall also be so published.

(e) PUBLICATION OF PROJECTS.—The President shall cause to be published in the Federal Register a list of all significant projects which have been publicly tendered in the oil and gas sector in Iran.

(f) EXCEPTIONS.—The President shall not be required to apply or maintain the sanctions under subsection (a) or (b)—

(1) in the case of procurement of defense articles or defense services—

(A) under existing contracts or subcontracts, including the exercise of options for production quantities to satisfy requirements essential to the national security of the United States;

(B) if the President determines in writing that the person to which the sanctions would otherwise be applied is a sole source supplier of the defense articles or services, that the defense articles or services are essential, and that alternative sources are not readily or reasonably available; or

(C) if the President determines in writing that such articles or services are essential to the national security under defense coproduction agreements;

(2) in the case of procurement, to eligible products, as defined in section 308(4) of the Trade Agreements Act of 1979 (19 U.S.C. 2518(4)), of any foreign country or instrumentality designated under section 301(b)(1) of that Act (19 U.S.C. 2511(b)(1));

(3) to products, technology, or services provided under contracts entered into before the date on which the President publishes in the Federal Register the name of the person on whom the sanctions are to be imposed;

(4) to—

(A) spare parts which are essential to United States products or production;

(B) component parts, but not finished products, essential to United States products or production; or

(C) routine servicing and maintenance of products, to the extent that alternative sources are not readily or reasonably available;

(6) to information and technology essential to United States products or production; or

(7) to medicines, medical supplies, or other humanitarian items.

SEC. 6. DESCRIPTION OF SANCTIONS.

The sanctions to be imposed on a sanctioned person under section 5 are as follows:

(1) EXPORT-IMPORT BANK ASSISTANCE FOR EXPORTS TO SANCTIONED PERSONS.—The President may direct the Export-Import Bank of the United States not to give approval to the issuance of any guarantee, insurance, extension of credit, or participation in the extension of credit in connection with the export of any goods or services to any sanctioned person.

(2) EXPORT SANCTION.—The President may order the United States Government not to issue any specific license and not to grant any other specific permission or authority to export any goods or technology to a sanctioned person under—

(i) the Export Administration Act of 1979;

(ii) the Arms Export Control Act;

(iii) the Atomic Energy Act of 1954; or

(iv) any other statute that requires the prior review and approval of the United States Government as a condition for the export or re-export of goods or services.

(3) **LOANS FROM UNITED STATES FINANCIAL INSTITUTIONS.**—The United States Government may prohibit any United States financial institution from making loans or providing credits to any sanctioned person totaling more than \$10,000,000 in any 12-month period unless such person is engaged in activities to relieve human suffering and the loans or credits are provided for such activities.

(4) **PROHIBITIONS ON FINANCIAL INSTITUTIONS.**—The following prohibitions may be imposed against a sanctioned person that is a financial institution:

(A) **PROHIBITION ON DESIGNATION AS PRIMARY DEALER.**—Neither the Board of Governors of the Federal Reserve System nor the Federal Reserve Bank of New York may designate, or permit the continuation of any prior designation of, such financial institution as a primary dealer in United States Government debt instruments.

(B) **PROHIBITION ON SERVICE AS A REPOSITORY OF GOVERNMENT FUNDS.**—Such financial institution may not serve as agent of the United States Government or serve as repository for United States Government funds. The imposition of either sanction under subparagraph (A) or (B) shall be treated as 1 sanction for purposes of section 5, and the imposition of both such sanctions shall be treated as 2 sanctions for purposes of section 5.

(5) **PROCUREMENT SANCTION.**—The United States Government may not procure, or enter into any contract for the procurement of, any goods or services from a sanctioned person.

(6) **ADDITIONAL SANCTIONS.**—The President may impose sanctions, as appropriate, to restrict imports with respect to a sanctioned person, in accordance with the International Emergency Economic Powers Act (50 U.S.C. 1701 and following).

SEC. 7. ADVISORY OPINIONS.

The Secretary of State may, upon the request of any person, issue an advisory opinion to that person as to whether a proposed activity by that person would subject that person to sanctions under this Act. Any person who relies in good faith on such an advisory opinion which states that the proposed activity would not subject a person to such sanctions, and any person who thereafter engages in such activity, will not be made subject to such sanctions on account of such activity.

SEC. 8. TERMINATION OF SANCTIONS.

(a) **IRAN.**—The requirement under section 5(a) to impose sanctions shall no longer have force or effect with respect to Iran if the President determines and certifies to the appropriate congressional committees that Iran—

- (1) has ceased its efforts to design, develop, manufacture, or acquire—
 - (A) a nuclear explosive device or related materials and technology;
 - (B) chemical and biological weapons; and
 - (C) ballistic missiles and ballistic missile launch technology; and
- (2) has been removed from the list of countries the governments of which have been determined, for purposes of section 6(j) of the Export Administration Act of 1979, to have repeatedly provided support for acts of international terrorism.

(b) **LIBYA.**—The requirement under section 5(b) to impose sanctions shall no longer have force or effect with respect to Libya if the President determines and certifies to the appropriate congressional committees that Libya has fulfilled the requirements of United Nations Security Council Resolution 731, adopted January 21, 1992, United Nations Security Council Resolution 748, adopted March 31, 1992, and United Nations Security Council Resolution 883, adopted November 11, 1993.

(b) **LIBYA.**—The requirement under section 5(b) to impose sanctions shall no longer have force or effect with respect to Libya if the President determines and certifies to the appropriate congressional committees that Libya has fulfilled the requirements of United Nations Security Council Resolution 731, adopted January 21, 1992, United Nations Security Council Resolution 748, adopted March 31, 1992, and United Nations Security Council Resolution 883, adopted November 11, 1993.

SEC. 9. DURATION OF SANCTIONS; PRESIDENTIAL WAIVER.

(a) **DELAY OF SANCTIONS.**—

(1) **CONSULTATIONS.**—If the President makes a determination described in section 5(a) or 5(b) with respect to a foreign person, the Congress urges the President to initiate consultations immediately with the government with primary jurisdiction over that foreign person with respect to the imposition of sanctions under this Act.

(2) **ACTIONS BY GOVERNMENT OF JURISDICTION.**—In order to pursue consultations under paragraph (1) with the government concerned, the President may delay imposition of sanctions under this Act for up to 90 days. Following such consultations, the President shall immediately impose sanctions unless the President determines and certifies to the Congress that the government has taken specific and effective actions, including, as appropriate, the imposition of appropriate penalties, to terminate the involvement of the foreign person in the

activities that resulted in the determination by the President under section 5(a) or 5(b) concerning such person.

(3) **ADDITIONAL DELAY IN IMPOSITION OF SANCTIONS.**—The President may delay the imposition of sanctions for up to an additional 90 days if the President determines and certifies to the Congress that the government with primary jurisdiction over the person concerned is in the process of taking the actions described in paragraph (2).

(4) **REPORT TO CONGRESS.**—Not later than 90 days after making a determination under section 5(a) or 5(b), the President shall submit to the appropriate congressional committees a report on the status of consultations with the appropriate foreign government under this subsection, and the basis for any determination under paragraph (3).

(b) **DURATION OF SANCTIONS.**—A sanction imposed under section 5 shall remain in effect—

(1) for a period of not less than 2 years from the date on which it is imposed; or

(2) until such time as the President determines and certifies to the Congress that the person whose activities were the basis for imposing the sanction is no longer engaging in such activities and that the President has received reliable assurances that such person will not knowingly engage in such activities in the future, except that such sanction shall remain in effect for a period of at least 1 year.

(c) **PRESIDENTIAL WAIVER.**—

(1) **AUTHORITY.**—The President may waive the requirement in section 5 to impose a sanction or sanctions on a person described in section 5(c), and may waive the continued imposition of a sanction or sanctions under subsection (b) of this section, 30 days or more after the President determines and so reports to the appropriate congressional committees that it is important to the national interest of the United States to exercise such waiver authority.

(2) **CONTENTS OF REPORT.**—Any report under paragraph (1) shall provide a specific and detailed rationale for the determination under paragraph (1), including—

(A) a description of the conduct that resulted in the determination under section 5(a) or (b), as the case may be;

(B) in the case of a foreign person, an explanation of the efforts to secure the cooperation of the government with primary jurisdiction over the sanctioned person to terminate or, as appropriate, penalize the activities that resulted in the determination under section 5(a) or (b), as the case may be;

(C) an estimate as to the significance—

(i) of the provision of the items described in section 5(a) to Iran's ability to develop its petroleum resources, or

(ii) of the provision of the items described in section 5(b)(1) to the abilities of Libya described in subparagraph (A), (B), or (C) of section 5(b)(1), or of the investment described in section 5(b)(2) on Libya's ability to develop its petroleum resources,

as the case may be; and

(D) a statement as to the response of the United States in the event that the person concerned engages in other activities that would be subject to section 5(a) or (b).

(3) **EFFECT OF REPORT ON WAIVER.**—If the President makes a report under paragraph (1) with respect to a waiver of sanctions on a person described in section 5(c), sanctions need not be imposed under section 5(a) or (b) on that person during the 30-day period referred to in paragraph (1).

SEC. 10. REPORTS REQUIRED.

(a) **REPORT ON CERTAIN INTERNATIONAL INITIATIVES.**—Not later than 6 months after the date of the enactment of this Act, and every 6 months thereafter, the President shall transmit a report to the appropriate congressional committees describing—

(1) the efforts of the President to mount a multilateral campaign to persuade all countries to pressure Iran to cease its nuclear, chemical, biological, and missile weapons programs and its support of acts of international terrorism;

(2) the efforts of the President to persuade other governments to ask Iran to reduce the presence of Iranian diplomats and representatives of other government and military or quasi-governmental institutions of Iran and to withdraw any such diplomats or representatives who participated in the takeover of the United States embassy in Tehran on November 4, 1979, or the subsequent holding of United States hostages for 444 days;

(3) the extent to which the International Atomic Energy Agency has established regular inspections of all nuclear facilities in Iran, including those presently under construction; and

(4) Iran's use of Iranian diplomats and representatives of other government and military or quasi-governmental institutions of Iran to promote acts of international terrorism or to develop or sustain Iran's nuclear, chemical, biological, and missile weapons programs.

(b) OTHER REPORTS.—The President shall ensure the continued transmittal to the Congress of reports describing—

(1) the nuclear and other military capabilities of Iran, as required by section 601(a) of the Nuclear Non-Proliferation Act of 1978 and section 1607 of the National Defense Authorization Act for Fiscal Year 1993; and

(2) the support provided by Iran for acts of international terrorism, as part of the Department of State's annual report on international terrorism.

SEC. 11. DETERMINATIONS NOT REVIEWABLE.

A determination to impose sanctions under this Act shall not be reviewable in any court.

SEC. 12. EXCLUSION OF CERTAIN ACTIVITIES.

Nothing in this Act shall apply to any activities subject to the reporting requirements of title V of the National Security Act of 1947.

SEC. 13. EFFECTIVE DATE; SUNSET.

(a) EFFECTIVE DATE.—This Act shall take effect on the date of the enactment of this Act.

(b) SUNSET.—This Act shall cease to be effective on the date that is 5 years after the date of the enactment of this Act.

SEC. 14. DEFINITIONS.

As used in this Act:

(1) ACT OF INTERNATIONAL TERRORISM.—The term “act of international terrorism” means an act—

(A) which is violent or dangerous to human life and that is a violation of the criminal laws of the United States or of any State or that would be a criminal violation if committed within the jurisdiction of the United States or any State; and

(B) which appears to be intended—

(i) to intimidate or coerce a civilian population;

(ii) to influence the policy of a government by intimidation or coercion; or

(iii) to affect the conduct of a government by assassination or kidnapping.

(2) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term “appropriate congressional committees” means the Committee on Finance, the Committee on Banking, Housing, and Urban Affairs, and the Committee on Foreign Relations of the Senate and the Committee on Ways and Means, the Committee on Banking and Financial Services, and the Committee on International Relations of the House of Representatives.

(3) COMPONENT PART.—The term “component part” has the meaning given that term in section 11A(e)(1) of the Export Administration Act of 1979 (50 U.S.C. App. 2410a(e)(1)).

(4) DEVELOP AND DEVELOPMENT.—To “develop”, or the “development” of, petroleum resources means the exploration for, or the extraction, refining, or transportation by pipeline of, petroleum resources.

(5) FINANCIAL INSTITUTION.—The term “financial institution” includes—

(A) a depository institution (as defined in section 3(c)(1) of the Federal Deposit Insurance Act), including a branch or agency of a foreign bank (as defined in section 1(b)(7) of the International Banking Act of 1978);

(B) a credit union;

(C) a securities firm, including a broker or dealer;

(D) an insurance company, including an agency or underwriter; and

(E) any other company that provides financial services.

(6) FINISHED PRODUCT.—The term “finished product” has the meaning given that term in section 11A(e)(2) of the Export Administration Act of 1979 (50 U.S.C. App. 2410a(e)(2)).

(7) FOREIGN PERSON.—The term “foreign person” means—

(A) an individual who is not a United States person or an alien lawfully admitted for permanent residence into the United States; or

- (B) a corporation, partnership, or other nongovernmental entity which is not a United States person.
- (8) GOODS AND TECHNOLOGY.—The terms “goods” and “technology” have the meanings given those terms in section 16 of the Export Administration Act of 1979 (50 U.S.C. app. 2415).
- (9) INVESTMENT.—The term “investment” means any of the following activities if such activity is undertaken pursuant to an agreement, or pursuant to the exercise of rights under such an agreement, that is entered into with the Government of Iran or a nongovernmental entity in Iran, or with the Government of Libya or a nongovernmental entity in Libya, on or after the date of the enactment of this Act:
- (A) The entry into a contract that includes responsibility for the development of petroleum resources located in Iran or Libya (as the case may be), or the entry into a contract providing for the general supervision and guarantee of another person’s performance of such a contract.
 - (B) The purchase of a share of ownership, including an equity interest, in that development.
 - (C) The entry into a contract providing for the participation in royalties, earnings, or profits in that development, without regard to the form of the participation.
- The term “investment” does not include the entry into, performance, or financing of a contract to sell or purchase goods, services, or technology.
- (10) IRAN.—The term “Iran” includes any agency or instrumentality of Iran.
- (11) IRANIAN DIPLOMATS AND REPRESENTATIVES OF OTHER GOVERNMENT AND MILITARY OR QUASI-GOVERNMENTAL INSTITUTIONS OF IRAN.—The term “Iranian diplomats and representatives of other government and military or quasi-governmental institutions of Iran” includes employees, representatives, or affiliates of Iran’s—
- (A) Foreign Ministry;
 - (B) Ministry of Intelligence and Security;
 - (C) Revolutionary Guard Corps;
 - (D) Crusade for Reconstruction;
 - (E) Qods (Jerusalem) Forces;
 - (F) Interior Ministry;
 - (G) Foundation for the Oppressed and Disabled;
 - (H) Prophet’s Foundation;
 - (I) June 5th Foundation;
 - (J) Martyr’s Foundation;
 - (K) Islamic Propagation Organization; and
 - (L) Ministry of Islamic Guidance.
- (12) LIBYA.—The term “Libya” includes any agency or instrumentality of Libya.
- (13) NUCLEAR EXPLOSIVE DEVICE.—The term “nuclear explosive device” means any device, whether assembled or disassembled, that is designed to produce an instantaneous release of an amount of nuclear energy from special nuclear material (as defined in section 11aa. of the Atomic Energy Act of 1954) that is greater than the amount of energy that would be released from the detonation of one pound of trinitrotoluene (TNT).
- (14) PERSON.—The term “person” means—
- (A) a natural person;
 - (B) a corporation, business association, partnership, society, trust, any other nongovernmental entity, organization, or group, and any governmental entity operating as a business enterprise; and
 - (C) any successor to any entity described in subparagraph (B).
- (15) PETROLEUM RESOURCES.—The term “petroleum resources” includes petroleum and natural gas resources.
- (16) UNITED STATES OR STATE.—The term “United States” or “State” means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, the United States Virgin Islands, and any other territory or possession of the United States.
- (17) UNITED STATES PERSON.—The term “United States person” means—
- (A) a natural person who is a citizen of the United States or who owes permanent allegiance to the United States; and
 - (B) a corporation or other legal entity which is organized under the laws of the United States, any State or territory thereof, or the District of Columbia, if natural persons described in subparagraph (A) own, directly or

indirectly, more than 50 percent of the outstanding capital stock or other beneficial interest in such legal entity.

Amend the title so as to read:

A bill to impose sanctions on persons making certain investments directly and significantly contributing to the enhancement of the ability of Iran or Libya to develop its petroleum resources, and on persons exporting certain items that enhance Libya's weapons or aviation capabilities or enhance Libya's ability to develop its petroleum resources, and for other purposes.

I. INTRODUCTION

A. PURPOSE AND SUMMARY

H.R. 3107, The "Iran and Libya Sanctions Act of 1996" was ordered reported by the Committee on International Relations on March 21, 1996. The bill, as introduced, was sequentially referred to the Committee on Ways and Means. The bill, as reported by the Committee on Ways and Means as amended by the Committee on Ways and Means is designed: (1) to help deter Iran and Libya from supporting international terrorism or acquiring weapons of mass destruction and; (2) to urge the President to pursue negotiations to establish a multilateral sanctions regime with respect to Iran.

As approved by the Committee on Ways and Means, the bill mandates sanctions on persons making investments that would enhance the ability of Iran to explore for, extract, refine, or transport by pipeline petroleum resources. H.R. 3107 as reported, would also establish a mandatory "trade trigger" for sanctions on foreign persons who violate United Nations Security Council Resolutions 748 and 883 by selling weapons, aviation equipment and oil equipment to Libya.

The measure would require the President to choose from a list of specified sanctions including: (1) a denial of Eximbank assistance; (2) denial of export licenses; (3) a prohibition on any U.S. financial institutions from making any loan to a sanctioned person over \$10 million per year; (4) a prohibition on a sanctioned financial institution from serving as a primary dealer of U.S. Government bonds, or as a repository of U.S. Government funds; (5) a ban on any U.S. Government procurement of any goods or services from a sanctioned person, and; (6) import sanctions taken by the President in accordance with the International Emergency Economic Powers Act (IEEPA).

B. BACKGROUND AND NEED FOR LEGISLATION

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 U.S. and to world stability. The United States and its allies are under increasing pressure to address these activities through economic sanctions and other means.

Likewise, the failure of the Government of Libya to comply with Resolutions 731, 748 and 883 of the United Nations Security Council, its support of international terrorism, and its efforts to acquire weapons of mass destruction constitute a threat to international

peace and security that endangers the national security and foreign policy interests of the United States and other nations. The Committee is extremely concerned about Libya's refusal to relinquish the two individuals accused of blowing up Pan Am flight 103 over Scotland to face criminal indictment.

It is the Committee's primary objective to urge the President to seek the cooperation of our allies in restricting the ability of Iran and Libya to gain resources to support these activities through the development of their petroleum sectors.

C. LEGISLATIVE HISTORY

H.R. 3107, The "Iran Oil Sanctions Act of 1996," was ordered reported by the Committee on International Relations on March 21, 1996. The bill, as introduced, was sequentially referred to the Committee on Ways and Means.

On May 22, 1996 the Subcommittee on Trade held a hearing on Iran and Libya sanctions. Testimony was received from the Administration on its policy goals with respect to ending support for terrorist activities by these countries, and on the potential effectiveness of the proposed legislation in deterring these activities.

On June 13, 1996, the full Committee met to consider H.R. 3107. At that time, the Committee adopted an amendment in the nature of a substitute Chairman Crane. The bill, as amended, was ordered favorably reported by voice vote.

II. EXPLANATION OF THE BILL

A. SHORT TITLE (SEC. 1)

The title of the bill is the "Iran and Libya Sanctions Act of 1996".

B. CONGRESSIONAL FINDINGS (SEC. 2)

Explanation of provision

This section states that the efforts of the Government of Iran to acquire weapons of mass destruction and the means to deliver them, as well as its support for international terrorism, endanger the interest of the United States and those countries sharing common strategic and foreign policy objectives.

Additional bilateral and multilateral efforts are needed to deny Iran the financial means to develop its nuclear, chemical, biological and missile weapons programs. While multilateral efforts to reduce the flow of new credits, sensitive dual use technology and new weapons systems going to Iran are now under way, much more remains to be done by the United States to implement its containment policy and to ensure that Iran does not attract significant new investment from any foreign company.

This section also states that Iran uses its diplomatic facilities and quasi-governmental institutions outside that country to promote acts of international terrorism and assist its nuclear, chemical, biological and missile weapons programs.

In the case of the Government of Libya, its failure to comply with United Nations Security Council Resolutions 731, 748 and 883, its support of international terrorism, and its efforts to acquire weapons of mass destruction constitute a threat to international peace

and security that endangers the national security and foreign policy interests of the United States and those countries with which the U.S. shares common strategic and foreign policy objectives.

Reason for change

The provision states the findings of Congress with respect to Iran and Libya.

C. DECLARATION OF POLICY (SEC. 3)

Explanation of provisions

This section states that it is U.S. policy to deny Iran the means to threaten U.S. interests and those of our allies by limiting its ability to extract, refine, process, store, or transport by pipeline the petroleum resources of Iran.

With respect to Libya, the bill declares that it is the policy of the U.S. to seek full compliance by Libya with its obligations under Resolutions 731, 748, and 883 of the Security Council of the United Nations, including ending all support for acts of international terrorism and efforts to develop or acquire weapons of mass destruction.

Reason for change

The provision states U.S. policy with respect to Iran and Libya.

D. MULTILATERAL REGIME (SEC. 4)

Explanation of provision

In Section 4, as amended by the Committee, Congress urges the President to commence immediately diplomatic efforts, both in appropriate international fora such as the United Nations, and bilaterally with allies of the United States, to establish a multilateral sanctions regime against Iran that will inhibit Iran's efforts to carry out activities described in section 2. The Committee intends that these negotiations should be aimed at achieving a multilateral regime, including provisions limiting that will limit the development of petroleum resources in Iran.

Section 4(b) requires the President to report to the appropriate congressional committees, not later than one year after the date of the enactment of this Act, and periodically thereafter, on the extent to which that diplomatic efforts to establish a multilateral sanctions regime have been successful. Each report shall include: (1) the countries that have agreed to undertake measures to further the objectives of Section (3) with respect to Iran, along with a description of those measures and; (2) with respect to countries that have not agreed to take measures described in paragraph (1), other measures the President recommends that the United States take to further the objectives of Section 3 with respect to Iran.

Under section 4(c) the President may waive the application of sanctions with respect to nationals of a country if: (1) that country has agreed to undertake substantial measures, including economic sanctions, that will inhibit Iran's efforts to carry out activities described in section 2; and (2) information about the countries that have agreed to undertake measures to further the objectives of the bill has been submitted in the report described above on negotia-

tions to achieve a multilateral sanctions regime. The President must notify the appropriate congressional committees of his intention to take a waiver 30 days before the waiver takes effect.

Section 4(d) describes an enhanced sanction which will be applied to nationals of countries except those with respect to which the President has exercised the waiver authority. The enhanced sanction is a reduction in the trigger level for investment in Iran from \$40,000,000 to \$20,000,000.

Section 4(e) requires the President to submit a report on whether or not 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 investments in Iran or Libya. The report shall include the extent and duration of the application of such sanctions, including whether sanctions have been waived. This subsection further provides that the report shall include a discussion of whether sanctions imposed by these countries have been the subject of any decision in the World Trade Organization or in its predecessor organization, the General Agreement on Tariffs and Trade. This report is due 90 days after enactment of this Act.

Reason for change

It is the strong view of the Committee that a multilateral approach to containing threats from Iran will prove to be the most effective in the long run. Section 4 calls upon the President to seek the adoption by other states of measures that will impede Iran's ability to develop weapons of mass destruction or to sponsor acts of international terrorism.

The Committee acknowledges that there may be approaches or actions by other countries to inhibit Iran's activities that differ from the current U.S. embargo on Iran, and that measures can be taken individually or collectively, and need not be modeled precisely on U.S. measures. However, the test must be whether measures undertaken by U.S. allies constitute substantial measures to inhibit Iran efforts to threaten international peace and security. Where the President determines that a country has agreed to undertake such measures, section 4(c) permits the waiver of sanctions with respect to nationals of that country.

E. IMPOSITION OF SANCTIONS (SEC. 5)

Explanation of provision

Section 5(a)—Trigger of Mandatory Sanctions with Respect to Iran. Subsection (a) requires the President to impose two or more of the sanctions described in Section 6 if the President determines that the person has, with actual knowledge, on or after the date of enactment of this Act, made an investment of \$40,000,000 or more (or any combination of \$10,000,000 investments each, which exceeds \$40,000,000 in any 12 month period), that significantly and materially contributed to the development of petroleum resources in Iran.

Section 5(b)(1)—Trigger of Mandatory Sanctions with Respect to Libya. Subsection (b)(1) requires the President to impose 2 or more

of the sanctions described in section 6 if the President determines that a person has, with actual knowledge, on or after the date of enactment of this Act, exported, transferred, or otherwise provided to Libya any goods, services, technology or other items which are prohibited under paragraph 4(b) or 5 of Resolution 748 of the United Nations Security Council, adopted March 31, 1992, or under paragraph 5 or 6 of Resolution 883 of the United Nations Security Council, adopted November 11, 1993, if the provision of such items significantly and materially: (a) contributed to Libya's ability to acquire chemical, biological, nuclear, or destabilizing numbers and types of advanced conventional weapons or enhanced its military or paramilitary capabilities, (b) contributed to Libya's ability to exploit its petroleum resources, or (c) contributed to Libya's ability to maintain its aviation capabilities.

Section 5(b)(2)—Trigger of Discretionary Sanctions with Respect to Libya—This section authorizes the President to impose one or more of the sanctions described in Section 6 if the President determines that a person has, with actual knowledge, on or after the date of enactment of this Act, made an investment of \$40,000,000 or more, or any combination of investments of \$10,000,000 each, which in the aggregate equals or exceeds \$40,000,000 in any 12-month period), that directly and significantly contributed to the enhancement of Libya's ability to develop its petroleum resources.

Section 5(c)(2)—Persons Against which the Sanctions are to be Imposed—The sanctions described in section 5(a) and 5(b) above shall be imposed on any person the President determines has carried out the activities described in 5(a) and 5(b) and on: (1) any successor entity to that person; (2) any person that is a parent or subsidiary of that person if that parent or subsidiary, with actual knowledge, engaged in the activities which were the basis of that determination or (3) is an affiliate of the person the President determines carried out the activities in section 5(a) and 5(b) if that affiliate, with actual knowledge, engaged in the sanctionable activities, and if that affiliate is controlled in fact by the person the President determines carried out the activities described in 5(a) and 5(b).

Section 5(d)—This section requires the President to publish a current list of persons and entities on whom sanctions have been imposed under this Act. The removal of persons or entities from and the addition of persons and entities to the list shall also be published.

Section 5(e) directs the President to publish a list of all significant projects which have been publicly tendered in the oil and gas section in Iran.

Section 5(f) permits the exceptions to application of sanctions. The President is not required to impose sanctions in the case of procurement of defense articles and services meeting certain conditions, or to goods and services under existing contracts, or if the President determines the supplier to be a sole source supplier of defense products or parts. Sanctions also do not apply to humanitarian items or to component or spare parts essential to United States production.

Section 5(f)(2) provides an exception to application of the government procurement sanction to ensure that it is applied in a manner

consistent with U.S. obligations under the World Trade Organization. Exceptions to the application of the WTO Agreement, for national security reason for example, must be done in the context of the Agreement on Government Procurement.

Reason for change

The Committee believes that investment in the petroleum sector in Iran and Libya is generating revenues which facilitate the ability of the Government of Iran and the Government of Libya to carry out unlawful and immensely threatening behavior. H.R. 3107 as reported from the Committee on International Relations would have imposed sanctions on companies that invest in Iran or Libya's oil and gas sector or that trade with these countries in oil equipment. The Committee's view is that sanctions legislation should treat the cases of Iran and Libya differently, due to their different economic histories and distinct geopolitical circumstances.

In the case of Iran, the Committee believes that it will be more effective to impose sanctions on companies that invest in Iran's oil and gas resources. This includes contracts for the development of petroleum resources, contracts for the supervision and guarantee of such development projects, and the acquisition of an ownership share or participation in the profits of such projects. Without foreign investment, production in Iran's oil and gas sector will fall, which will choke off revenue to the government of Iran and thereby deny it resources it employs to threaten the national security interests of the United States. These provisions do not deal with financing or trade which would be far less effective, create substantial difficulties in monitoring and cause unnecessary adverse economic effects on U.S. businesses and those of our allies. Similarly these provisions would not, under section 14(9)(b), reach purchases or equity interests in a non-Iranian company subject to this section unless the purchasing party is covered by Section 5(c)(2)(B) of the bill (which deals with parent-subsidiary relationships)

However, the Committee did not believe it was wise to include a requirement in the bill that the President sanction trade with Iran (the so-called "trade trigger") because the cost to U.S. interests of imposing such a broadly based secondary boycott would be too high.

For example, monitoring international trade with Iran, especially in common goods like drill pipe and drill bits, would be a difficult if not an unworkable task. The number of trade transactions will be significantly higher than the number of investment contracts and the flow of components impossible to trace. The incidence of sanctions required by the trade trigger would be greater. The Committee believes it would be so high as to cause serious damage to our relations with trusted allies. By contrast an investment trigger is more workable for the President and more potent when applied. Equipped with an investment sanction the President is in a better position to convince countries trading with Iran to join the U.S. in denying Iran the opportunity to earn hard currency from its petroleum resources.

Libya represents a different case by virtue of multilaterally agreed trade sanctions adopted by the United Nations Security Resolutions, which prohibit trade in weapons, aviation equipment,

and oil equipment significant to the refining sector. For Libya, the bill establishes a mandatory sanction framework for violations of the internationally agreed trade regime. By contrast a discretionary “investment trigger,” for Libya gives the President adequate flexibility to implement the law in a judicious manner so that U.S. interests, including relations with respected allies, are not unduly harmed.

With respect to the list required by section 5(e), the fact that a project does not appear on the list does not indicate that the project is immune from or, at any less vulnerable to, sanction under this bill.

Section 5(f) of the bill permits certain exceptions to the imposition of sanctions including the exception of spare and component parts essential to United States products or production, and an exception related to applying the government procurement sanction in a manner that is consistent with international obligations.

In order to ensure that sanctions are selected and implemented in a way consistent with the legislation and in a fashion that would minimize harm to the United States economy, the Committee believes it would be worthwhile for the Administration to create an opportunity for public comment both in the selection of sanctions and on whether any exceptions are applicable. In this way, the potentially adverse effects of sanctions on the United States economy can be minimized and sufficient information can be developed to determine whether any exception applies.

Section 5(f)(4) provides that import restrictions or other sanctions are not required on spare parts, components or other goods and services that are essential to U.S. products or production or as to which, in the case of servicing and maintenance, alternative sources are not readily and reasonably available.

It is the Committee’s intention that the Administration have broad latitude in making determinations as to which sanctions to impose under this section depending on the circumstances of each investment in Iran or Libya. The \$40 million investment threshold is intended as a cap on each person’s investment in any project or projects increasing the ability of Iran or Libya to develop its petroleum resources. The Committee does not intend that the sanctions provided in this section would extend to portfolio investments made by any other person in a sanctioned person.

F. DESCRIPTION OF SANCTIONS (SEC. 6)

Explanation of provision

This section lists the sanctions to be imposed on a person sanctioned under section 5; as follows.

- (1) Directive to deny approval of Eximbank assistance for exports to a sanctioned person;
- (2) Denial of export licenses or any other permission or authority to export any goods or technology to a sanctioned person;
- (3) Prohibition of loans or credits by U.S. financial institutions exceeding \$10,000 in the year to a sanctioned person unless such person is engaged in activities to relieve human suffering and the loans and credits are provided for such purpose;

(4) The following prohibitions may be imposed against a sanctioned person that is a financial institution: (a) prohibition against being designated a primary dealer of U.S. Government debt instruments and/or; (b) prohibition on serving as an agent of the United States Government or as a repository of U.S. government funds. Imposition of either of these sanctions shall be treated as one sanction; imposition of both shall be treated as two sanctions.

(5) The United States Government may not procure any good or services from a sanctioned person, subject to an exception of international trade agreement obligations provided in section 5(f)(2);

(6) The President may impose sanctions, as appropriate, to restrict some or all imports with respect to a sanctioned person, in accordance with the International Emergency Economic Powers Act.

Reason for change

The Committee made several changes to this section in the original bill which are designed to give the President more discretion in applying trade sanctions against imports. First, the import sanction is not coupled in the same section with the export sanctions in order to give the President more options to choose an effective response. The language of the Committee bill also allows the President to choose to ban imports of any or all products by sanctioned persons. This reduces the chance that the import sanction will be used in a way that would engender trade retaliation against U.S. exports.

Finally, the import sanction language in section 6 is authority that can only be invoked pursuant to procedures established under existing law, specifically the International Emergency Economic Powers Act. For example, a national economic emergency declared by the President would have to be in existence before import sanctions could be imposed.

G. ADVISORY OPINIONS (SEC. 7)

Explanation of provision

Section 7 provides an opportunity for any person to request the Secretary of State to issue an advisory opinion as to whether a proposed activity by that person would subject that person to sanctions under the Act. Any person who relies in good faith on an advisory opinion stating that the activity would not lead to the imposition of sanctions would not be made subject to sanctions for that specific activity.

Reason for change

This provision provides an opportunity for persons to investigate ahead of time whether proposed behavior is of a sanctionable nature.

H. TERMINATION OF SANCTIONS (SEC. 8)

Explanation of provision

Section 8(a)—Termination of Sanctions with Respect to Iran—In the case of Iran the requirement to impose sanctions will be terminated if the President determines and certifies to congressional committees that: (1) this country has ceased its efforts to design, develop, manufacture, or acquire a nuclear explosive device or related materials and technology; chemical and biological weapons and ballistic missiles and ballistic missile launch technology; and (2) has been removed from the list of state sponsors of international terrorism established pursuant to section 6(j) of the Export Administration Act of 1979.

Section 8(b)—Termination of Sanction with Respect to Libya—In the case of Libya, the requirement to impose sanctions shall no longer apply if the President determines and certifies that Libya has fulfilled the requirements of United Nations Security Council Resolution 731 adopted on January 21, 1992, United Nations Security Council Resolution 748, adopted March 31, 1992, and United Nations Security Council Resolution 883, adopted November 11, 1993.

Reason for change

Sanctions will be terminated when the objectives of the bill have been achieved.

I. DURATION OF SANCTIONS; PRESIDENTIAL WAIVER (SEC. 9)

Explanation of provision

In section 9(a), Congress urges the President to begin consultations with the government with primary jurisdiction over any foreign person sanctioned under the provisions of this Act. The President may delay imposition of sanctions under this Act for up to 90 days in order to pursue consultations with this government of jurisdiction. He shall then impose sanctions on this person unless he certifies to Congress that the government has taken very specific and effective actions including, as appropriate, the imposition of appropriate penalties to terminate involvement of the foreign person in the sanctionable activities.

Section 9(a)(3) authorizes the President to delay the imposition of sanctions for an additional 90 days if he certifies to the Congress that the government with primary jurisdiction over the person concerned is in the process of taking the actions described above to terminate involvement of the sanctioned person.

Section 9(a)(4) directs the President to submit a report to the appropriate congressional committees 90 days after making a determination regarding sanctionable activities, on the status of his negotiations with the foreign government with primary jurisdiction. This report should also lay out in detail the circumstances leading to any delays in the implementation of sanctions.

Section 9(b) provides that sanctions shall be imposed for a period of not less than two years, or until the President determines and certifies to the Congress that the person is no longer engaging in the activity and will not engage in future activity that led to the

imposition of sanctions. The sanction shall remain in effect for at least one year unless the President exercises his waiver authority.

Section (c) authorizes the President to waive the requirement to impose sanctions if he determines and reports to Congress that doing so is important to the national interest of the United States to exercise such waiver authority. This report shall provide a specific and detailed rationale for the waiver determination.

Reason for change

The Committee has included Presidential authority to waive the sanctions requirement to ensure that the Administration has sufficient flexibility to protect important U.S. national interests. Circumstances in which the President might consider use of this authority would include cases in which imposition of sanctions would threaten U.S. intelligence sources and methods, where a particular sanction would raise significant issues under the international obligations of the U.S., and where international cooperation in pursuit of the goals of the bill could be jeopardized, rather than assisted, through unilateral U.S. action, or where sanctions would lead to unacceptable costs to U.S. economic interests. It is the intention and expectation of the Committee that the President will interpret and implement this Act in a manner consistent with the international obligations of the United States. It is further the intention of the Committee that the President will exercise the discretion granted to him by the Act, including the waiver, in a manner that gives due regard to the risks to U.S. interests involved in potentially conflicting exercises of jurisdiction by sovereign states.

Where the President chooses to use the waiver authority he must provide a detailed rationale to the Congress (protecting intelligence information as appropriate).

J. REPORTS REQUIRED (SEC. 10)

Explanation of provision

This section requires the President to report to Congress on the President's efforts to mount a multilateral campaign to persuade all countries to pressure Iran to cease its nuclear, chemical, biological, and missile weapons programs and its support of acts of international terrorism. The report must describe the Administration's efforts to persuade other governments to ask Iran to limit its use of its diplomats, diplomatic facilities and quasi-governmental institutions to promote terrorism or sustain its weapons of mass destruction programs.

Reason for change

The Committee believes this report will contribute to its ability to evaluate the effectiveness of this legislation.

K. DETERMINATIONS NOT REVIEWABLE (SEC. 11)

Explanation of provision

The determination to impose sanctions shall not be subject to judicial review.

Reason for change

The provision provides rules for judicial review.

L. EXCLUSION OF CERTAIN ACTIVITIES (SEC. 12)

Explanation of provision

Nothing in this Act shall apply to any activities subject to the reporting requirements of Title V of the National Security Act of 1947.

Reason for change

This section contains an exemption for intelligence activities similar to that contained in 22 U.S.C.2780 (h).

M. EFFECTIVE DATE; SUNSET (SEC. 13)

Explanation of provision

The bill shall take effect on the date of enactment and cease to be effective five years after this date.

Reason for change

Because this bill deals with a difficult policy area, the Committee intends that it should not be permanent. Five years is adequate time to gauge its effectiveness at achieving the Committee's objectives. The Committee believes it will be important for Congress to revisit the issue in five years and to evaluate the behavior of Libya and Iran and the effectiveness of this bill.

N. DEFINITIONS (SEC. 14)

Explanation of provision

This section defines terms contained in the Act, including "component part," "develop and development," "investment" and several other terms.

Reason for change

The Committee focused closely on the question of developing a proper definition of investment, and is of the view that this definition is integral to effective and fair implementation of this bill. The bill authorizes the imposition of sanctions on persons that, after the effective date of the legislation and with actual knowledge, made certain investments that directly and significantly contributed to the enhancement of Iran's or Libya's ability to develop its petroleum resources. The Committee emphasizes that the bill is not intended to have a retroactive effect or to require disinvestment. With few exceptions, and subject to waiver by the President, the investment sanctions are mandatory in the case of Iran and discretionary in the case of Libya.

Section 14, item 11, defines investments to refer to activities undertaken pursuant to the exercise of rights and under an agreement, that is entered into, on or after the date of enactment, with the governments of, or nongovernmental entities in, Iran or Libya. Investments subject to sanctions may take any of the following forms: (a) the entry into a contract that includes responsibility for the development of petroleum resources located in Iran or Libya,

or the entry into a contract for the general supervision and guarantee of another person's performance of such a contract; (b) the purchase of a share of ownership, including an equity investment, in that development or; (c) the entry into a contract providing for the participation in royalties, earnings, or profits in that development, without regard for the form of the participation.

The Committee intends to include in the term "investment" the entry into a contract for the provision of management services entailing overall responsibility for the development of Iranian or Libyan petroleum resources or entailing general supervision and guarantee of another person's performance of such a contract.

Investments under \$40,000,000 (or any combination of investments of under \$10,000,000 that do not aggregate to \$40,000,000 in any 12-month period) are not subject to the legislation, though the President must in some instances lower these thresholds to \$20,000,000 per year as they apply to Iran. Also not subject to the legislation is the entry into, performance of, or financing of contracts to sell or purchase goods, services, or technology.

Companies may perform existing contracts, and complete existing investments, such as subcontracts, farm-in arrangements, and the like in connection with contracts entered into prior to the date of enactment without being deemed a sanctioned person under the Act. This definition ensures that actions under contracts and agreements concluded prior to the date of enactment, and transactions contemplated by those agreements, even if undertaken after date of enactment, are beyond the reach of the bill.

III. VOTES OF THE COMMITTEE

In compliance with clause 2(1)(2)(B) of rule XI of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee in its consideration of the bill, H.R. 3107.

Motion to Report H.R. 3107

H.R. 3107 was ordered favorably reported, with an amendment in the nature of a substitute, by voice vote, on June 13, 1996, with a quorum present.

IV. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made:

The Committee agrees with the estimate prepared by the Congressional Budget Office (CBO), which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with subdivision (B) of clause 2(1)(3) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of H.R. 3107 do not affect receipts or direct spending and would not be subject to pay-as-you-go procedures

under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with subdivision (C) of clause 2(1)(3) of rule XI of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 13, 1996.

Hon. BILL ARCHER,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 3107, the Iran and Libya Sanctions Act of 1996, as ordered reported by the House Committee on Ways & Means on June 13, 1996. The bill would require the President to impose sanctions on any person who he determines has enhanced the development of the petroleum resources of Iran or Libya through the export, transfer, or release of goods or technology, or through direct investment.

The bill would not affect receipts or direct spending and would not be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985. The bill could increase spending subject to appropriations action to cover the cost of gathering and analyzing information, publishing lists of sanctioned persons, and providing advisory opinions. Based on information provided by the Office of Management and Budget, CBO estimates that such costs would total less than \$1 million a year.

Section 4 of the Unfunded Mandates Reform Act of 1995, Public Law 104-4, excludes legislative provisions that are necessary for the national security from the application of that act. CBO has determined that all provisions of H.R. 3107 fit within that exclusion.

On March 27, 1996, CBO prepared a cost estimate for H.R. 3107 as ordered reported by the House Committee on International Relations on March 21, 1996. Although the two Committees ordered reported different versions of the bill, the estimated budgetary impacts are the same.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Joseph C. Whitehill for impacts on the federal budget, Pepper Santalucia for impacts on state, local, and tribal governments, and Amy Downs for private sector impacts.

Sincerely,

JUNE E. O'NEILL, *Director.*

V. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

In compliance with clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee concludes that the actions taken in this legislation are appropriate given its oversight of international trade matters.

B. SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE GOVERNMENT OPERATIONS COMMITTEE

In compliance with clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee state that no oversight findings and recommendations have been submitted to this Committee by the Committee on Government Operations with respect to the provisions contained in H.R. 3107.

C. INFLATIONARY IMPACT STATEMENT

In compliance with clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of H.R. 3107 are not expected to have any inflationary impact on the economy.

VI. LETTER FROM COMMITTEE ON BANKING

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND FINANCIAL SERVICES,
Washington, DC, May 21, 1996.

Hon. BILL ARCHER,
*Chairman, Committee on Ways & Means,
House of Representatives, Washington, DC.*

DEAR BILL: It is my understanding that the Ways & Means Committee will begin consideration shortly of H.R. 3107, the Iran Oil Sanctions Act of 1996. The legislation as reported by the International Relations Committee contains a series of provisions that fall under the jurisdiction of the Committee on Banking & Financial Services. Please find attached a letter sent to the Speaker outlining the Banking Committee's concerns with H.R. 3107 and waiving the Committee's jurisdiction in the event certain modifications are made to the legislation.

As the Ways & Means Committee considers this bill, it would be most helpful if the Banking Committee's recommendations could be incorporated as base text. Most particularly, as described in the letter to the Speaker, the Banking Committee's suggestion would be to incorporate language from the Senate companion measure related to the "imposition of sanctions" and the definition of "investment." These modifications are favored by Treasury and would alleviate much of the concern the legislation has generated in the financial community.

Thank you for your consideration and I look forward to working with you and Chairman Gilman on this important legislation. If you have any questions or comments regarding my request, please

contact either Tony Cole, Joe Seidel or Jamie McCormick of my staff.

Sincerely,

JAMES A. LEACH, *Chairman.*

VII. LETTER FROM COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

CONGRESS OF THE UNITED STATES,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC, June 3, 1996.

Hon. BILL ARCHER,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR BILL: It is my understanding that the Committee on Ways and Means will begin consideration shortly of H.R. 3107, the "Iran Oil Sanctions Act of 1996." This legislation as reported by the Committee on International Relations included provisions relating to government procurement which fall within the Rule X jurisdiction of this committee. Please find the attached letter sent to the Speaker in which the Committee on Government Reform and Oversight waived its right to take up this bill.

It also is my understanding that the Committee on Ways and Means intends, among other things, to make changes to the sanctions relating to government procurement. In order to expedite consideration of this bill, the Committee on Government Reform and Oversight would not object to your committee reporting these amended provisions. We wish to make it clear, however, that this lack of objection is specifically limited to these provisions in this single instance and should not be construed as a waiver of the committee's jurisdiction with respect to any of the legislative provisions in H.R. 3107 that fall within its jurisdiction.

The Committee on Government Reform and Oversight continues to preserve its prerogative with respect to any House-Senate conference on these provisions and any Senate amendments thereto, including the appointment of an equal number of conferees to those appointed for any other House committee with respect to the provisions of H.R. 3107 which fall within this committee's jurisdiction.

Sincerely,

WILLIAM F. CLINGER, Jr., *Chairman.*

VIII. LETTER FROM COMMITTEE ON INTERNATIONAL RELATIONS

CONGRESS OF THE UNITED STATES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC, June 13, 1996.

Hon. BILL ARCHER,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR BILL: I am sending this letter to confirm the understanding reached between our two Committees yesterday concerning mark-up by your Committee of H.R. 3107, the "Iran Oil Sanctions Act of 1996".

The amendment in the nature of a substitute to be adopted by your Committee includes changes to the bill as reported by the Committee on International Relations that are within the exclusive jurisdiction of this Committee. I have agreed to those changes, however, and accordingly do not object to their inclusion in the amendment in the nature of a substitute to be adopted by your Committee. My agreement to adoption by your Committee of these changes is, of course, without prejudice to the jurisdiction of this Committee as set forth in Rule X of the Rules of the House of Representatives.

I appreciate your assistance in this matter and look forward to continued close cooperation between our Committees.

With best wishes,
Sincerely,

BENJAMIN A. GILMAN, *Chairman.*

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