The Senate Committee on Commerce, Science and Transportation

Subcommittee on Interstate Commerce, Trade and Tourism

April 30, 2007

Chairman Dorgan and members of the Subcommittee on Interstate Commerce, Trade and Tourism, I want to thank you for the opportunity to testify here today about the work done by a subsidiary of our company in Iran. Your staff has indicated that you are concerned about the activities of subsidiaries in certain parts of the world and whether those efforts should be limited by U.S. laws.

My name is Sherry Williams, and I am Vice President and Corporate Secretary of Halliburton Company. Halliburton was founded in 1919 by Earl P. Halliburton who lived the American dream. He worked the oil fields as a young man until he discovered a revolutionary way to cement oil wells, and he grew with the industry to build Halliburton into what it is today: the second largest oil field services company in existence.

Over the years, Halliburton has remained focused on the Western Hemisphere. Today, 70% of our business is conducted in Canada, the United States and South America. Many of these fields, however, are mature and reaching a state where they are no longer economically viable. According to some recent statistics, two-thirds of the known petroleum and gas reserves in the world are in the Eastern Hemisphere. For these reasons, the Company has grown its business in the Eastern Hemisphere as well.

Work by Halliburton in the Middle East region is not a new phenomenon. The company has maintained international offices for more than 80 years. More specifically, Halliburton has had offices in the Middle East for more than 60 years, beginning in 1946 with a project for Arabian-American Oil. The following year, 1947, marked the Company's first business in Kuwait.

Over time, Halliburton broadened its business opportunities across the region through foreign offices and currently over 300 subsidiaries. One such independent foreign subsidiary of the company, Halliburton Products and Services Limited or HPSL, has done work in Iran. HPSL, formerly known as Otis International, Ltd (OIL), was incorporated in the Cayman Islands in 1974 and was registered to do business in Dubai in 1978. Dubai has been HPSL's principal place of doing business since well prior to the imposition of the Iranian Sanctions of May, 1995.

We believe it to be well established that owned or controlled foreign subsidiaries of U.S. companies are not subject to the U.S. trade sanctions against Iran. Prior to 1986, The Office of Foreign Assets Control's (OFAC) sanctions programs covered U.S. companies, as well as foreign companies that were owned or controlled by U.S. companies. Today, only the Cuban sanctions program still has such broad coverage. For programs instituted since 1986, such as the Iranian Sanctions, OFAC's sanctions programs have clearly excluded foreign subsidiaries of U.S. companies from their scope, but they have continued to prohibit their U.S. parent companies from facilitating or otherwise engaging in activities of those subsidiaries involving sanctioned countries. In other words, with specific reference to the Iranian Sanctions, mere ownership or control by a U.S. company is not enough to destroy a foreign subsidiary's independence, and OFAC has never required U.S. companies to divest their holdings in foreign subsidiaries merely because they do business with sanctioned countries. Instead, the rules look to actual or required involvement by a U.S. parent in a foreign subsidiary's operations to determine whether that foreign subsidiary has the requisite authority and ability to operate independently. The sanctioning of foreign subsidiaries was the topic of at least one piece of legislation in 1995, S. 277. While there was discussion of this legislation, it was never enacted.

At the time of implementation of Iranian sanctions and executive orders in l995, three highly qualified major law firms provided advice to Halliburton and other companies now included within Halliburton to consider the issues of whether independent foreign subsidiaries were impacted by the unilateral economic sanctions. In May of 1995, OFAC hosted a meeting of many attorneys, and some company representatives. The advice that came out of that meeting was that independent foreign subsidiaries, such as HPSL, were not within the bar of the sanctions to the extent that they were independent of U.S. parents in the undertaking and the execution of such business. The law firms also determined that the sanctions did not apply to wholly owned subsidiaries, such as HPSL, that are of foreign incorporation and subject to decision-making by non-U.S. citizens.

Nevertheless, Halliburton Energy Services announced in January 2005, that it would take no new contracts in Iran. Thus, HPSL has not entered into any new contracts for projects in Iran since that date. Existing contracts needed to be completed or the company would have been successfully sued for breach of contract. The last of the contracts that existed at the time of the announcement were completed this year.

During HPSL's activity in Iran, decisions to undertake business were made by the managers and the Board of Directors. Halliburton did not direct or facilitate HPSL's activity. None of the HPSL directors, managers, or employees are U.S. citizens or permanent resident aliens. The decision making authority for HPSL on a day to day basis thus has resided entirely in local management.

Before it ceased doing business in Iran, HPSL had about 133 employees. As of 2004, HPSL's employees included 2 Algerians, 1 Bangladeshi, 11 U.K. citizens, 1 Canadian, 10 Egyptians, 16 Filipinos, 40 Indians, 13 Indonesians, 33 Iranians, 2 Pakistanis, 3 Palestinians, 1 Portuguese, and 1 Sudanese. There were 41 employees who lived and worked in Iran full time. Thirty-three of those local employees were Iranian and 8 were third-country nationals.

Although Halliburton has grown its business opportunities in the Eastern Hemisphere, it is clear that the company has more work to do in order to remain competitive. On March 14, 2007, the Wall Street Journal published an article concerning our CEO's move to Dubai. The article, entitled "Halliburton Plays Catch Up", made a strong case that our competition is more deeply entrenched in the Eastern Hemisphere than we are, and that the Company will need to "hustle" to meet the competition. Two of our biggest competitors, Schlumberger and Weatherford, are both extremely active in that region and in other places where we are prohibited from operating due to sanctions. When Halliburton is barred from performing in a country or leaves that country due to unilateral economic sanctions, it does not mean that the available work in those countries ceases. Rather, the work continues, but our international competitors pick up the work we leave. Schlumberger and Weatherford have stated they intend to continue to work in US sanctioned countries. Both companies are listed on the New York Stock Exchange.

It should be of some concern that non-US companies are gaining control of energy assets in countries where US industry cannot work, making it far more difficult for us to reach our national goal of energy security. It is also troubling that our competition does not always perform with as much respect for the environment as Halliburton does. We use literally hundreds of new technologies to find petroleum assets, image them, extract them, and transport them in an environmentally safe, inexpensive manner.

Let me conclude my remarks by noting that Halliburton, which employs 45,000 people in nearly 70 countries around the world, has been a proud American company for nearly 90 years and intends to remain just that. The Company is incorporated in Delaware and its principal executive office is in Houston, Texas. We recently announced that our CEO, Dave Lesar, has established an office in Dubai. The press coverage of that fact was incorrect, leaving many with the mistaken impression that Halliburton is moving its corporate headquarters out of the United States. That is simply not the case. The company "Halliburton" remains headquartered in Houston, where it is proud to be one of Houston's "Best Places to Work" according to the Houston Business Journal.