

UNITED STATES SENATE COMMITTEE ON FINANCE

For Immediate Release

Thursday, Feb. 19, 2004

Grassley, Baucus Seek Answers on U.S. Companies' Dealings With Countries Named as Terrorism Supporters

WASHINGTON – Sen. Chuck Grassley, chairman of the Committee on Finance, and Sen. Max Baucus, ranking member, today sought to learn whether the United States has adequate tools to prevent U.S. companies from doing business with countries named as terrorism supporters. The question arose because three companies – ConocoPhillips, General Electric and Halliburton – are doing business with such nations in what might violate the spirit, if not the letter, of the law.

Foreign subsidiaries of U.S. companies may trade with nations designated as terrorism supporters if they are truly independent of the parent company, but it's unclear whether the law is adequate to cover foreign subsidiaries that are nominal, such as existing solely as a post office box outside the United States.

“We’re asking whether the Treasury Department is taking enforcement steps toward foreign subsidiaries that appear to be ‘foreign’ and ‘subsidiary’ in name only,” Grassley said. “We also want the department’s viewpoints on whether current law is adequate to address subsidiaries that appear to exist only on paper with nothing more than a p.o. box in the Caribbean. We also want to hear from the companies involved on how they believe their actions comply with both the spirit and letter of the law.

“If the law turns out to be inadequate, Congress will have to respond. Those working to prevent terrorism against the United States need every possible enforcement tool.”

Baucus said, “Since September 11, 2001, it’s become vitally important that the U.S. government does everything in its power to eliminate terrorist threats to our nation. And one of the best ways to end terrorism is to cut off the funding. OFAC is responsible for enforcing sanctions against nations that support terrorism and our investigation will determine if they are fulfilling their responsibilities. If these companies are going through the back door to invest in terrorist nations, Congress must take action to immediately close, lock, and seal those doors.”

The text of the senators’ letters to the Treasury secretary and to ConocoPhillips, General Electric and Halliburton follows.

February 19, 2004

The Honorable John Snow
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Mr. Secretary:

The United States Senate Finance Committee is investigating the effectiveness of U.S. efforts to deny funds to individuals, organizations, and nations that support terrorism. As you know, we have been corresponding with the Office of Foreign Assets Control (OFAC) to learn more about the system by which we enforce sanctions against such countries. OFAC rules dictate that foreign subsidiaries of U.S. companies may trade with nations on the OFAC list if they are truly independent of the parent. It has recently come to our attention that U.S. companies are continuing to do business with nations on the OFAC sanctions list through foreign subsidiaries of questionable independence from their U.S. parent companies.

Specifically, recent media reports have revealed that Halliburton, General Electric and ConocoPhillips have been conducting business with nations under U.S. sanctions. For example, Halliburton Products and Services, Ltd. (HPSL) has been conducting business with Iran, a country designated by OFAC as a state sponsor of terrorism. HPSL is a subsidiary of the U.S. firm Halliburton. This subsidiary is nominally located in the Cayman Islands, but according to media reports, does not conduct any actual business in the Cayman Islands, or even maintain a functioning office. It is important that U.S. companies abide by the spirit as well as the letter of the law. We are concerned about this specific example, and about the possibility that this may be indicative of a more widespread problem.

We request that you provide detailed and specific answers to the following questions regarding foreign subsidiaries of U.S. companies conducting business with OFAC-designated nations:

1. Please provide copies of the regulations and rules, as well as internal OFAC guidelines, used to determine whether a subsidiary is an independent, foreign entity, and therefore not subject to OFAC trade prohibitions and sanctions.
2. Please describe how OFAC monitors the status and activities of foreign subsidiaries of U.S. companies. Does OFAC actively investigate U.S. companies' foreign subsidiaries trading with designated countries? How does OFAC test whether a foreign subsidiary is legitimately independent of the parent company?
3. Are there any legal implications for the U.S. parent company if the sole purpose of a foreign subsidiary is determined to be its business activities with an OFAC-sanctioned country? If so, what are those implications?

4. Please describe in detail what coordination, if any, OFAC is conducting with the Securities and Exchange Commission (SEC) and its Office of Global Security Risk to monitor and regulate U.S. companies' use of foreign subsidiaries to operate in OFAC-designated countries.

5. Is there any other agency that is responsible for overseeing or tracking such subsidiaries? Explain if and how information shared across agencies helps OFAC prevent the use of foreign subsidiaries to circumvent U.S. sanctions.

6. Has OFAC investigated, or does it intend to investigate, any U.S. companies – including Halliburton, General Electric, or ConocoPhillips – with foreign subsidiaries operating in OFAC-designated countries, or any of the foreign subsidiaries themselves, for violations of sanctions? Has OFAC conducted any investigations pertaining to foreign subsidiaries whose sole purpose is doing business with OFAC-sanctioned states? If so, please describe and inform us of developments.

7. Has OFAC in the past seven years taken any enforcement action against any U.S. companies – including Halliburton, General Electric, or ConocoPhillips – with foreign subsidiaries operating in OFAC-designated countries, or against any of the foreign subsidiaries themselves? If so, please describe. In the past seven years, has OFAC attempted to or planned to take, but ultimately did not for whatever reason, any enforcement action against any U.S. companies – including Halliburton, General Electric, ConocoPhillips – with foreign subsidiaries operating in OFAC-designated countries, or against any of the foreign subsidiaries themselves? If so, please describe what action was attempted or planned, and why it did not occur.

8. Has Halliburton's relationship with HPSL and its other subsidiaries been examined by OFAC? If so, please provide the results and conclusions of OFAC's examination or investigation.

9. Does OFAC or any other U.S. government agency have a list of U.S. companies whose foreign subsidiaries are doing business in or with OFAC-designated countries? If OFAC has such a list, please provide it, including the names of the foreign subsidiaries and names of the OFAC-designated countries in which each is doing business. Does Treasury, OFAC or any other U.S. government agency have an estimate of the amount of revenues the respective OFAC-sanctioned governments are earning as a direct result of the business activities of the foreign subsidiaries of U.S. companies? Does Treasury, OFAC or any other U.S. government agency have an estimate of the amount of revenue these foreign subsidiaries are earning annually? If so, please provide this information.

10. What is the effect of U.S. companies doing business in OFAC-designated nations via foreign subsidiaries on the United States' national security and counter-terrorism policies? Does OFAC consider this practice to be a significant enforcement problem?

11. What are Treasury's plans in the future for addressing U.S. companies' use of foreign subsidiaries to do business with OFAC-designated countries?

12. Are changes in regulations or legislation necessary to prevent U.S. companies from using foreign subsidiaries to circumvent U.S. sanctions? If so, please explain in detail what changes are

possible and what Treasury would recommend.

We are confident that you are as concerned as we are about the effectiveness of our laws designed to fight financial crimes and prevent further terrorist attacks. We would appreciate receiving answers to these questions by Friday, March 26, 2004. Thank you in advance for your prompt attention to this request.

Sincerely,

Charles E. Grassley
Chairman

Max Baucus
Ranking Member

February 19, 2004

Mr. Archie W. Dunham
Chairman
ConocoPhillips
600 North Dairy Ashford
Houston, TX 77079

Dear Mr. Dunham:

The United States Senate Finance Committee is investigating the effectiveness of U.S. efforts to deny funds to individuals, organizations, and nations that support terrorism. We have been corresponding with the Department of the Treasury's Office of Foreign Assets Control (OFAC) to learn more about the system by which we enforce sanctions against such countries. It has recently come to our attention that U.S. companies are continuing to do business with nations on the OFAC sanctions list through foreign subsidiaries of questionable independence from their U.S. parent companies.

Recent media reports have suggested that ConocoPhillips, through a foreign subsidiary, has been conducting business with nations under U.S. sanctions. It is our understanding that one of your subsidiaries, Conoco, Ltd., has done business in Iran and Syria. We are also aware of media reports – based on a February 3, 2004, letter from ConocoPhillips Chief Financial Officer John A. Carrig – that ConocoPhillips intends to stop doing business with OFAC-designated countries. It is important that U.S. companies abide by the spirit as well as the letter of the law.

As a part of our effort to learn more about how our laws against trading with nations that support terrorism are enforced, please answer the following questions about Conoco, Ltd. and any other ConocoPhillips subsidiaries that do work in or relating to Iran, Syria, or any other country designated by OFAC:

1. When and where were each of the subsidiaries established, incorporated or otherwise created? How long have each of the subsidiaries been conducting business in Iran or Syria? Please provide a detailed breakdown of the total annual revenues and expenditures for each of the subsidiaries for the last seven years, or since their inception if they are less than seven years old. This should include the annual revenues and expenditures for activities in or related to Iran or Syria, including what revenues have been provided to the governments of Iran or Syria via taxes, royalties, revenue-sharing agreements or other arrangements. Additionally, please provide minutes for any subsidiaries' board meetings at which decisions to conduct business in Iran or Syria were discussed.

2. If any of the subsidiaries conducting business in Iran and Syria also conduct business outside of those countries, please identify the nation(s) in which they do business, provide a brief description of the business, and state the annual revenue earned in those nations for the last seven years, or since their inception if they are less than seven years old.

3. Please state where decision-making authority for each of the subsidiaries referenced above is located. Your answer should include the name, nation of citizenship, and location of individuals who are the primary decision makers for each subsidiary, as well as any and all related corporate records that establish or document the location and identity of persons with decision-making authority.

4. For each employee of each of your foreign subsidiaries in OFAC-designated countries, please provide the name, title, work address, home address, nation of citizenship, and an estimate of the amount of time the employee spends working on matters directly relating to the foreign subsidiary.

5. Please explain how the actions of ConocoPhillips and its foreign subsidiaries operating in OFAC-designated countries conform with U.S. laws, regulations and rules.

6. We seek clarification on the meaning of Mr. Carrig's February 3, 2004 letter to the Office of the Comptroller of New York City. Based on that letter, and similar letter dated December 16, 2003, does ConocoPhillips intend that its foreign subsidiaries will cease operating in OFAC-designated countries in the near future or some other time period, or that ConocoPhillips will not commence any future operations in OFAC-designated countries via foreign subsidiaries, both, or some other course of action? If ConocoPhillips intends that its foreign subsidiaries will cease operating in OFAC-designated countries in the near future or some other time period, please provide a schedule.

We look forward to the answers to these questions by Friday, March 26, 2004. We thank you in advance for your cooperation.

Sincerely,

Charles. E. Grassley

Max Baucus

Chairman

Ranking Member

February 19, 2004

Mr. Jeffrey R. Immelt
Chairman & Chief Executive Officer
General Electric Company
3135 Easton Turnpike
Fairfield, CT 06828-0001

Dear Mr. Immelt:

The United States Senate Finance Committee is investigating the effectiveness of U.S. efforts to deny funds to individuals, organizations, and nations that support terrorism. We have been corresponding with the Office of Foreign Assets Control (OFAC) to learn more about the system by which we enforce sanctions against such countries. It has recently come to our attention that U.S. companies are continuing to do business with nations on the OFAC sanctions list through foreign subsidiaries of questionable independence from their U.S. parent companies.

Recent media reports have suggested that General Electric (GE), through a foreign subsidiary, has been conducting business with nations under U.S. sanctions. It is our understanding that one of your subsidiaries, General Electric Hydro, has done business in Iran. It is important that U.S. companies abide by the spirit as well as the letter of the law.

As a part of our effort to learn more about how our laws against trading with nations that support terrorism are enforced, please answer the following questions about General Electric Hydro and any other GE subsidiaries that do work in or relating to Iran or any other country designated by OFAC:

1. When and where were each of the subsidiaries established, incorporated or otherwise created? How long have each of the subsidiaries been conducting business in Iran? Please provide a detailed breakdown of the total annual revenues and expenditures for each of the subsidiaries for the last seven years, or since their inception if they are less than seven years old. Please detail the annual revenues and expenditures for activities in or related to Iran, including what revenues have been provided to the government of Iran via taxes, royalties, revenue-sharing agreements or other arrangements. Additionally, please provide minutes for any subsidiaries' board meetings at which decisions to conduct business in Iran were discussed.

2. If any of the subsidiaries conducting business in Iran also conduct business outside of Iran, please identify the nation(s) in which they do business, provide a brief description of the business, and state the annual revenue earned in those nations for the last seven years, or since their inception if they are less than seven years old.

3. Please state where decision-making authority for each of the subsidiaries referenced above is located. Your answer should include the name, nation of citizenship, and location of individuals who are the primary decision makers for each subsidiary, as well as any and all related corporate records that establish or document the location and identity of persons with decision-making authority.

4. For each employee of each of your foreign subsidiaries in OFAC-designated countries, please provide the name, title, work address, home address, nation of citizenship, and an estimate of the amount of time the employee spends working on matters directly relating to the foreign subsidiary.

5. Please explain how the actions of GE and its foreign subsidiaries operating in OFAC-designated countries conform with U.S. laws, regulations and rules.

We look forward to the answers to these questions by Friday, March 26, 2004. We thank you in advance for your cooperation.

Sincerely,

Charles. E. Grassley
Chairman

Max Baucus
Ranking Member

February 19, 2004

Mr. David J. Lesar
Chairman of the Board, President & Chief Executive Officer
Halliburton
5 Houston Center
1401 McKinney, Suite 2400
Houston, TX 77010

Dear Mr. Lesar:

The U.S. Senate Finance Committee is investigating the effectiveness of U.S. efforts to deny funds to individuals, organizations, and nations that support terrorism. We have been corresponding with the Department of the Treasury's Office of Foreign Assets Control (OFAC) to learn more about the system by which we enforce sanctions against such countries. It has recently come to our attention that U.S. companies are continuing to do business with nations on the OFAC sanctions list through foreign subsidiaries of questionable independence from their U.S. parents companies.

Specifically, recent media reports have suggested that Halliburton, currently and in the past,

has been conducting business through foreign subsidiaries with nations under U.S. sanctions. At least one of your subsidiaries, Halliburton Products and Services, Ltd. (HPSL) is presently conducting business with Iran, a country designated by OFAC as sponsoring terrorism. This subsidiary is nominally located in the Cayman Islands, but according to media reports, does not conduct any actual business in the Cayman Islands, or even maintain a functioning office. It is important that U.S. companies abide by the spirit as well as the letter of the law. We are concerned about this specific example, and about the possibility that it is only one instance of a much wider problem.

As a part of our effort to learn more about how our laws against trading with nations that support terrorism are enforced, please answer the following questions about HPSL, Halliburton Manufacturing & Services Limited (HMSL), M.W. Kellogg Limited (MWKL), Granherne Limited, GVA Consultants (GVA) and any other Halliburton subsidiaries that do work in or relating to Iran or any other country designated by OFAC:

1. When and where were each of the subsidiaries established, incorporated, registered or otherwise created? Please provide the incorporation and registration documents. How long have each of the subsidiaries been conducting business in Iran? How many workers are employed by each subsidiary? Please provide a detailed breakdown of the total annual revenues and expenditures for each of the subsidiaries for the last seven years, or since their inception if they are less than seven years old. Please detail the annual revenues and expenditures for activities in or related to Iran, including what revenues have been provided to the government of Iran via taxes, royalties, revenue-sharing agreements or other arrangements. Additionally, please provide minutes for any subsidiaries' board meetings at which decisions to conduct business in Iran were discussed.

2. If any of Halliburton's foreign subsidiaries listed above conduct business outside of Iran, please identify the nation(s) in which they do business; when and where each subsidiary was established, incorporated, registered or otherwise created; provide a brief description of the business; and state the annual revenue and expenditures in those nations for the last seven years, or since their inception if they are less than seven years old.

3. Recent media reports allege that mail sent to HPSL is forwarded to Halliburton offices in Houston, indicating that decision-making authority may be in Houston, not in the Cayman Islands or Dubai. To what extent is this report accurate? Please provide any evidence that would disprove this allegation. Is the Dubai office of HPSL co-located with a division of Halliburton? If so, do these operations share phone and fax lines? Also, please state where decision-making authority for each of the subsidiaries referenced above is located. Your answer should include the name, nation of citizenship, and location of individuals who are the primary decision makers for each subsidiary, as well as any and all related corporate records that establish or document the location and identity of persons with decision-making authority.

4. Furthermore, media reports indicate that HPSL is operating under Halliburton's name and corporate logo, and selling in Iran products from other worldwide branches of Halliburton, potentially including those operated by U.S. citizens. Please identify any and all products of Halliburton or its subsidiaries other than HPSL that are sold in Iran through HPSL, as well as an

estimate of the revenue generated by such sales. Also, please provide the name and location of the individuals at those worldwide branches that were involved in the transferring of these products to HPSL for sale to Iran.

5. For each employee of each of your foreign subsidiaries in OFAC-designated countries, please provide the name, title, work address, home address, nation of citizenship, and an estimate of the amount of time the employee spends working on matters directly relating to the foreign subsidiary.

6. Please explain how the actions of Halliburton and its foreign subsidiaries operating in OFAC-designated countries conform with U.S. laws, regulations and rules.

We look forward to the answers to these questions by Friday, March 26, 2004. We thank you in advance for your cooperation.

Sincerely,

Charles. E. Grassley
Chairman

Max Baucus
Ranking Member