



# United States Senate

## Committee on Homeland Security and Governmental Affairs

Chairman Joseph I. Lieberman, ID-Conn.

### **“Iran Sanctions: Why Does the U.S. Government Do Business with Companies Doing Business in Iran?”**

**Chairman Joe Lieberman**

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**AS PREPARED FOR DELIVERY**

Good morning. Our hearing today is tied to one of the gravest national and homeland security threats to the world today – the threat of a nuclear-armed Iran. At this moment, the U.S. and our allies should be doing everything in our power to pressure Iran to abandon its illicit nuclear ambitions. And as part of that effort, we ask pointedly with our hearing title: “Why Does the U.S. Government Do Business with Companies Doing Business in Iran?”

A prohibition on awarding federal contracts to companies that violate the Iran Sanctions Act (ISA) is one of the actions authorized in that 1996 law. It was intended BY Congress to be a powerful tool and could be if it was ever used. But it hasn’t been up until now, and it’s been 14 years.

In the last fiscal year, the federal government spent \$520 billion to buy goods and services - from basic office supplies to parts for weapons systems, to an extraordinary range of services. The federal government, for example, is the single largest purchaser of energy in the world.

The U.S. government’s market power gives us the ability to influence the behavior of companies doing business with Iran and to give them a choice between doing business with us or doing business with Iran. We no longer should allow businesses to do both.

But presidents of both parties have failed to enforce the existing law. As a result, many companies that make money from the United States government continue to do business with Iran, helping to sustain - directly or indirectly – the fanatical and anti-American regime in Tehran that regularly promises to bring “Death to America.”

Today the Government Accountability Office (GAO) is releasing a report which illustrates America’s failure to use the sanctions of the 1996 law as authorized.

Based on publicly available information, GAO identifies 41 foreign companies that have conducted commercial activity in support of Iran’s energy sector. While GAO reaches no conclusion about whether these companies are in violation of the Iran Sanctions Act – because that is not its responsibility - it suggests strongly that many companies see no downside to doing business with Iran in violation of the law.

At the request of Senators Collins, Kyl, and myself, GAO is releasing a follow-up report today on seven companies doing energy business with Iran that also held federal contracts between fiscal years 2005 and 2009. These companies have received combined payments of nearly \$880 million from the Department of Defense - including \$319 million to Repsol of Spain and \$312 million to Total of France for the purchase of fuel, and \$111 million to Daelim Industrial Co. of South Korea for the construction of military family housing in Korea.

The New York Times recently published its own analysis showing that the federal government has awarded more than \$107 billion in contracts, grants, and other benefits over the last decade to foreign companies, as well as to foreign subsidiaries of U.S. companies, that have engaged in commercial activity in Iran. This includes \$15 billion to companies that certainly appear to me to have violated the Iran Sanctions Act.

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Companies identified in the Times report include Royal Dutch Shell, which has helped develop oil fields in Iran and has received over \$11 billion from the U.S. government, mostly through contracts for the purchase of fuel for the Department of Defense.

I hope that this hearing, the GAO report, and the witness testimony send a clear and unmistakable message to those companies: Either do business with Iran's \$250 billion a year economy, or do business with America's \$13 trillion economy, but you cannot do business with both. It is simply unacceptable for the federal government to enrich foreign firms that are enriching the extremist, repressive, terrorist government of Iran.

Those companies should be put on notice that Congress is on the verge of passing tough new sanctions. What cannot be sanctioned today can and will, I am confident, be sanctioned tomorrow. I am pleased to be a member of the conference committee deliberating now on the bills that have passed the House and Senate. I note that both chambers have adopted provisions intended to tighten the prohibition on American government contracts to companies that violate sanctions, based on legislation originally introduced by Senator Chuck Schumer and Representative Ron Klein.

I thank our panel today, which will help us better understand the scope of foreign commercial activity in Iran, with a focus on its energy sectors, and the nexus between these companies and U.S. federal contracting.

I look forward to the testimony and our discussion afterwards. Senator Collins?