Thank you, Mr. Chairman, Senator Feingold.

Thank you for inviting me to testify in your hearing today.

The Office of Foreign Assets Control administers economic sanctions

and embargo programs against targeted foreign countries or

groups to further U.S. foreign policy and national security objectives.

In administering these programs, Foreign Assets Control

generally relies upon Presidential authority contained in the Trading

with the Enemy Act or the International Emergency Economic

Powers Act or upon specific legislation to prohibit or regulate commercial

financial transactions with specific countries or groups.

Examples of our current Trading with the Enemy Act programs

include comprehensive asset freezes and trade embargoes against

North Korea and Cuba. Examples of our current IEEPA programs

include similarly broad sanctions against Libya, Iraq, the Cali cartel in Colombia, and certain terrorist groups, as well as comprehensive

trade sanctions against Iran.

Alternatively, sanctions may be imposed by Congress directly

through legislation. Administration of sanctions within the executive

branch in these cases is usually delegated to the relevant enforcement

agency, depending on the nature of the restrictions. Between

1986 and 1991, for example, OFAC administered the trade

and investment prohibitions against South Africa, mandated by the

Comprehensive Anti-Apartheid Act. Similarly, Foreign Assets Control

has been delegated administration of section 321 of the Antiterrorism

and Effective Death Penalty Act, which was signed into

law by President Clinton on April 24th of last year.

Section 321 of the Act prohibits financial transactions by United

States persons with the governments of terrorist-supporting nations

designated under 6(j) of the Export Administration Act. Effective

August 22nd of last year, except as provided in regulations issued

by the Treasury Department, which were issued in consultation

with the Secretary of State, the Act prohibited financial transactions

of U.S. persons with North Korea, Cuba, Iran, Libya, Iraq,

Syria, and Sudan. All but Syria and Sudan were the subject of existing

comprehensive financial and trade embargoes at the time of

enactment.

In accordance with foreign policy guidance provided to Treasury

by State, existing sanctions programs against North Korea, Cuba,

Iran, Libya, and Iraq were continued without change. This permitted

the specific policies developed over time with respect to each

of these countries to remain in effect, including the exceptions to

each embargo dictated by unique humanitarian, diplomatic, news

gathering, intellectual property, and other concerns that we have

had in the life of these programs.

New regulations, known as the Terrorist List Government Sanctions

Regulations, were issued to impose the prohibitions on financial

transactions with regard to Syria and Sudan. The new regulations,

drafted in accordance with foreign policy guidance provided

by the State Department, authorized financial transactions with

the Governments of Syria and Sudan except for transfers from

these governments in the form of donations and transfers with respect

to which a U.S. person knows or has a reasonable cause to

believe that the financial transaction poses a risk of furthering terrorist

acts in the United States. Regulations are consistent with

the legislative history of section 321 of the Act.

From a sanctions enforcement perspective, the Act and implementing

regulations are important, because they provide the Office

of Foreign Assets Control comprehensive jurisdiction over all financial

transactions between U.S. persons and the Governments of

Syria and Sudan. We now have authority, for the first time, to act

to stop or impede any particular suspicious transfer to or from

these governments by informing U.S. persons handling the transfer

that a reasonable cause exists to believe that the transaction may

pose a risk of furthering terrorist activity in the United States or

any other questionable activity inconsistent with the Act’s anti-terrorist

purpose.

We believe the Act’s authority provides a significant new tool in

the war against terrorist funding.

Thank you. I am pleased to take any questions you may have.

As in this program and other programs, we

worked closely with the State Department for foreign policy guidance.

We are the implementing office. With regard to the contact

with the Hill, we relied on the contact that the State Department

had made with the relevant Hill offices as far as what was in the

legislation and the legislative history.

I will say, we met on numerous occasions and exchanged correspondence

on the various issues involved in the implementation

of the legislation.

We met three, four, five times, yes.

I can speak for myself, and they have not contacted

me. I believe that contacts were made with my office, but

I can certainly go back and check that and get something for you

for the record.

OK, Senator.

Yes, Senator. I had many meetings with the

State Department, who we had relied upon for foreign policy guidance

in this area, and were told that consultations did take place

with the State Department and the Hill. So I relied on State.

No.

I believe there may have been conversations with

people in my office with Members of Congress. I will go back and

check and clarify that as well.

That is correct. And let me clarify that. In the

programs that we run, which I have mentioned—or some of them—

we routinely rely on foreign policy guidance with the State Department

in these areas.

Well, Senator, what I would say, first, our lawyers

did consult with the lawyers of the State Department. We received

a communication from the State Department as to how foreign

policy of this particular program on Syria and Sudan both that

this applies to. Following that communication we developed regulations.

I think an important element here is that the regulations and

the statute do provide us jurisdiction for transactions going from

the United States to Syria and Sudan, and from Syria and Sudan

to the United States.

Now, with regard to the other five programs, we do have and

have had comprehensive economic embargo and sanctions programs

in place in some instances, like North Korea, back to as

early as 1950, Cuba in 1963, and so forth. So we have jurisdiction

where, for whatever reason, through a law enforcement reason, intelligence

reason, financial reason, banks call our office on a daily

basis to ask about a transaction which they think is suspicious.

‘‘Well, we have got something here from Syria or Sudan, what do

you think?’’

We have active training programs that we work with financial

institutions. Since the promulgation of this act I polled my staff,

how often are we out there? We have had at least 40 kinds of discussions with financial institutions. So when we are aware that

these activities are taking place they are calling us, they are asking

about us. We have routine contact.

When there is reasonable cause to believe, notwithstanding the

fact that many of these transactions are generally licensed, the key

fact is we have jurisdiction to stop them if we need to and if we

have reason to do that. And of course, in our routine work and activities

with financial institutions, they would do that based on a

phone call. So if for whatever reason we have a suspicion that is

justified, we can stop a financial transaction.

We have developed brochures. Financial institutions are on alert.

We have worked with the community to incorporate these programs

into the other programs that we administer.

Mr. Chairman, I know of no such involvement.

Senator ASHCROFT . Do you know of the involvement of any outside

individuals other than the Arakis Energy Corporation or the

Occidental Oil Company in the development of those regulations,

any other interested parties?

From our perspective, we had consultations with

the State Department, which is what I have said, and that was it.