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INFO	LOG-00	AF-01	AIT-03	AMAD-01	ARA-01	CIAE-00	SMEC-00
	CIP-01	COME-00	CTME-00	OASY-00	DODE-00	DOEE-00	ANHR-01
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DRAFTED BY: NEA/NGA: GNSIBLEY
APPROVED BY: NEA: CDWELCH
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P R 112331Z JAN 96
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO PRIORITY
AMEMBASSY CANBERRA PRIORITY
INFO IRAN COLLECTIVE
ASIAN PACIFIC ECONOMIC COOPERATION

C O N F I D E N T I A L STATE 003408

PARIS ALSO FOR USOECD

E.O. 12958: DECL: (END OF EMBARGO)
TAGS: PREL, ETTC, EINV, EPET, IR, JA, AS
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SUBJECT: IRAN SANCTIONS: JAPAN AND AUSTRALIA DEMARCHE ON
PENDING LEGISLATION

REF: 95 STATE 288761 AND PREVIOUS

1. (U) CLASSIFIED BY NEA ACTING A/S C. DAVID WELCH.
REASON 1.5 (B) (D).

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UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: ARCHIE M BOLSTER
DATE/CASE ID: 12 MAY 2004 199602442

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2. (C) SUMMARY. IN REPLYING TO ANY HOST GOVERNMENT APPROACHES REGARDING THE PROPOSED LEGISLATION SANCTIONING SIGNIFICANT INVESTORS IN IRAN'S PETROLEUM INDUSTRY (DESCRIBED REFTTEL), ALL ADDRESSEES MAY USE APPROPRIATE POINTS IN PARAGRAPH 5,

B1

END SUMMARY.

3. (U) POLITICAL MINISTER FUJISAKI AND FIRST SECRETARY ISHIL OF THE JAPANESE EMBASSY, ACTING ON INSTRUCTIONS FROM TOKYO TO CALL ON UNDER SECRETARY TARNOFF OR ASSISTANT SECRETARY PELLETREAU, MET WITH ACTING ASSISTANT SECRETARY WELCH ON JANUARY 3. THE SAME DAY POLITICAL COUNSELOR GRAHAM AND ONA LIAISON OFFICER LADE, REPEATING A PREVIOUS

DECEMBER 20 DEMARCHE BY DCM SPENCER ON EB DAS DONNELLY, CALLED ON NEA/NGA OFFICE DIRECTOR DEUTSCH. TEXTS OF THE NON-PAPERS DELIVERED WITH EACH DEMARCHE FOLLOW AT PARAGRAPHS - AND 8.

5. (C) WELCH AND DEUTSCH MADE THE FOLLOWING GENERAL POINTS

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IN RESPONSE:

-- IRAN'S SUPPORT FOR TERRORISM AND ITS PURSUIT OF WEAPONS OF MASS DESTRUCTION ARE POLICIES THAT THREATEN ALL RESPONSIBLE MEMBERS OF THE INTERNATIONAL COMMUNITY.

-- THE CONGRESS, THE ADMINISTRATION, AND THE AMERICAN PUBLIC ALL WANT TO TAKE MORE EFFECTIVE ACTION TO OPPOSE THE IRANIAN THREAT. THE PRESIDENT AND SECRETARY CHRISTOPHER ARE BOTH PERSONALLY COMMITTED TO THIS EFFORT. ONE WAY WE SEEK TO DO THIS IS BY BRINGING MORE ECONOMIC PRESSURE TO BEAR ON IRAN.

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-- THE PURPOSE OF THIS PRESSURE IS TWOFOLD:

[REDACTED] IF UNSUCCESSFUL IN THIS REGARD, TO CONSTRICT THE RESOURCES IRAN HAS AVAILABLE TO PURSUE THESE POLICIES.

-- WE HAVE LONG SOUGHT INTERNATIONAL SUPPORT TO INCREASE THIS PRESSURE ON IRAN.

-- WE DO NOT VIEW SUCH PRESSURE AS AN ALTERNATIVE TO DIALOGUE. IN FACT, WE HAVE CONSISTENTLY SAID THAT WE OURSELVES ARE WILLING TO ENGAGE IN DIALOGUE WITH AN AUTHORIZED REPRESENTATIVE OF THE IRANIAN GOVERNMENT.

-- RATHER, WE URGE OUR FRIENDS TO ADD A COMPONENT OF ECONOMIC PRESSURE TO THEIR DIALOGUE AS A MEANS TO MAKE IT MORE EFFECTIVE. WITHOUT IT, THEIR DIALOGUE IS INDISTINGUISHABLE FROM "BUSINESS AS USUAL."

-- SENATOR D'AMATO'S OBJECTIVE IN INTRODUCING HIS BILL SANCTIONING TRADE BY FOREIGN COMPANIES WITH IRAN'S PETROLEUM INDUSTRY WAS TO INDUCE GREATER INTERNATIONAL COOPERATION IN PRESSURING IRAN. WHILE SHARING THIS GOAL, THE ADMINISTRATION HAD SERIOUS PROBLEMS WITH THE BILL.

-- THESE PROBLEMS INCLUDED, AMONG OTHERS, CONCERNS THAT THE BILL WOULD NOT EFFECTIVELY PRESSURE IRAN, THAT IT WOULD CAUSE EXCESSIVE FRICTION WITH OUR FRIENDS AND ALLIES, AND THAT IT WOULD CONTRAVENE OUR BILATERAL AND MULTILATERAL

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AGREEMENTS.

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-- IN RESPONSE, THE ADMINISTRATION FIRST SOUGHT MORE TIME TO ACHIEVE GREATER COOPERATION FROM OUR FRIENDS AND ALLIES IN PRESSURING IRAN. HAD WE BEEN SUCCESSFUL, WE MIGHT HAVE ARGUED THAT ADDITIONAL LEGISLATION WAS UNNECESSARY. UNFORTUNATELY, WE WERE DISAPPOINTED BY THE MEAGER RESPONSE WE RECEIVED.

-- OUR SUBSEQUENT EFFORT WAS TO MODIFY THE BILL TO ADDRESS OUR CONCERNS. THE SENATE COOPERATED IN THIS EFFORT, AND THE ADMINISTRATION AGREED TO SUPPORT THE RESULTING BILL AS REPORTED OUT OF THE SENATE BANKING COMMITTEE.

-- THIS BILL IS AN IMPROVEMENT BECAUSE IT TARGETS SIGNIFICANT INVESTMENT IN IRAN'S PETROLEUM INDUSTRY RATHER THAN TRADE. THE BILL ALSO PROVIDES THE PRESIDENT MUCH GREATER FLEXIBILITY IN APPLYING THE SANCTIONS, ALLOWING HIM TO CHOOSE WHICH SANCTION(S) TO APPLY OR WHETHER TO WAIVE THE SANCTIONS ALTOGETHER IN THE NATIONAL INTEREST.

-- IF THE BILL BECOMES LAW IN THIS FORM, WE ARE COMMITTED TO CONSIDERING OUR INTERNATIONAL LEGAL OBLIGATIONS AS WELL AS OUR FOREIGN POLICY INTERESTS IN DECIDING WHAT SANCTIONS TO APPLY, IF ANY.

-- BY DETERRING INVESTMENT IN IRAN'S PETROLEUM INDUSTRY, THE BILL FORCES IRAN TO CHOOSE WHETHER TO EXPEND ITS OWN SCARCE RESOURCES TO DEVELOP ITS INDUSTRY NOW, OR GIVE UP THE DOWNSTREAM RETURNS OF SUCH INVESTMENT LATER.

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-- THE ADMINISTRATION'S COMMITMENT WAS TO SUPPORT THE BILL AS REPORTED OUT OF THE BANKING COMMITTEE, PRIOR TO THE ADDITION OF LIBYA IN THE VERSION WHICH PASSED THE FLOOR.

-- WE SHARE THE GOAL OF INCREASING THE PRESSURE ON LIBYA

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TO HAND OVER THE SUSPECTS IN THE PAN AM 103 BOMBING.
HOWEVER, LIBYA AND IRAN ARE SIGNIFICANTLY DIFFERENT CASES.

-- ATTENTION NOW TURNS TO THE HOUSE OF REPRESENTATIVES.
OVER THE COMING WEEKS THE ADMINISTRATION EXPECTS TO HOLD
EXTENSIVE CONSULTATIONS AIMED AT MODIFYING THE HOUSE
VERSIONS OF THIS BILL.

-- THE HOUSE PERCEPTION OF THE COOPERATION WE ARE
RECEIVING FROM OUR FRIENDS AND ALLIES WILL AFFECT THESE
NEGOTIATIONS.

-- IN THIS RESPECT, WE REMIND YOU OF OUR STANDING
REQUESTS: 1) NOT TO EXTEND ANY NEW OFFICIAL CREDITS OR
GUARANTEES TO IRAN, 2) TO DECREASE, OR AT A MINIMUM NOT TO
INCREASE, YOUR PURCHASES OF IRANIAN OIL, AND 3) NOT TO FILL
IN BEHIND U.S. BUSINESSES FORCED TO FOREGO OPPORTUNITIES IN
IRAN BECAUSE OF THE PRESIDENT'S EXECUTIVE ORDER.

-- IN ADDITION, WE HAVE ASKED YOU TO DISCOURAGE YOUR FIRMS :
FROM INVESTING IN THE IRANIAN PETROLEUM SECTOR.

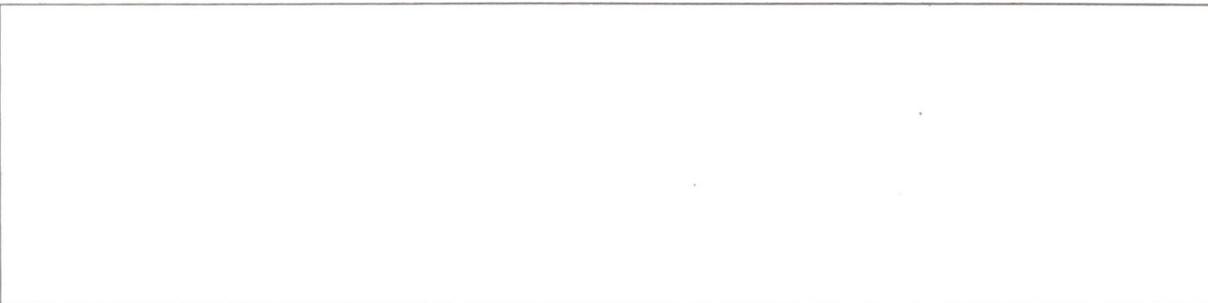
-- ANY PUBLIC EXPRESSION OF SUPPORT, INCLUDING COMMITMENT
TO THE ABOVE-DESCRIBED MEASURES, WOULD BE PARTICULARLY
HELPFUL AS WE ARGUE IN FAVOR OF MODERATING THE BILLS UNDER
CONSIDERATION IN THE HOUSE.

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-- BY CONTRAST, ANY MAJOR INVESTMENT IN IRAN'S OIL
INDUSTRY BY ONE OF YOUR COUNTRY'S FIRMS IS LIKELY TO
STIFFEN CONGRESSIONAL RESOLVE TO PASS THE TOUGHEST POSSIBLE
BILL.



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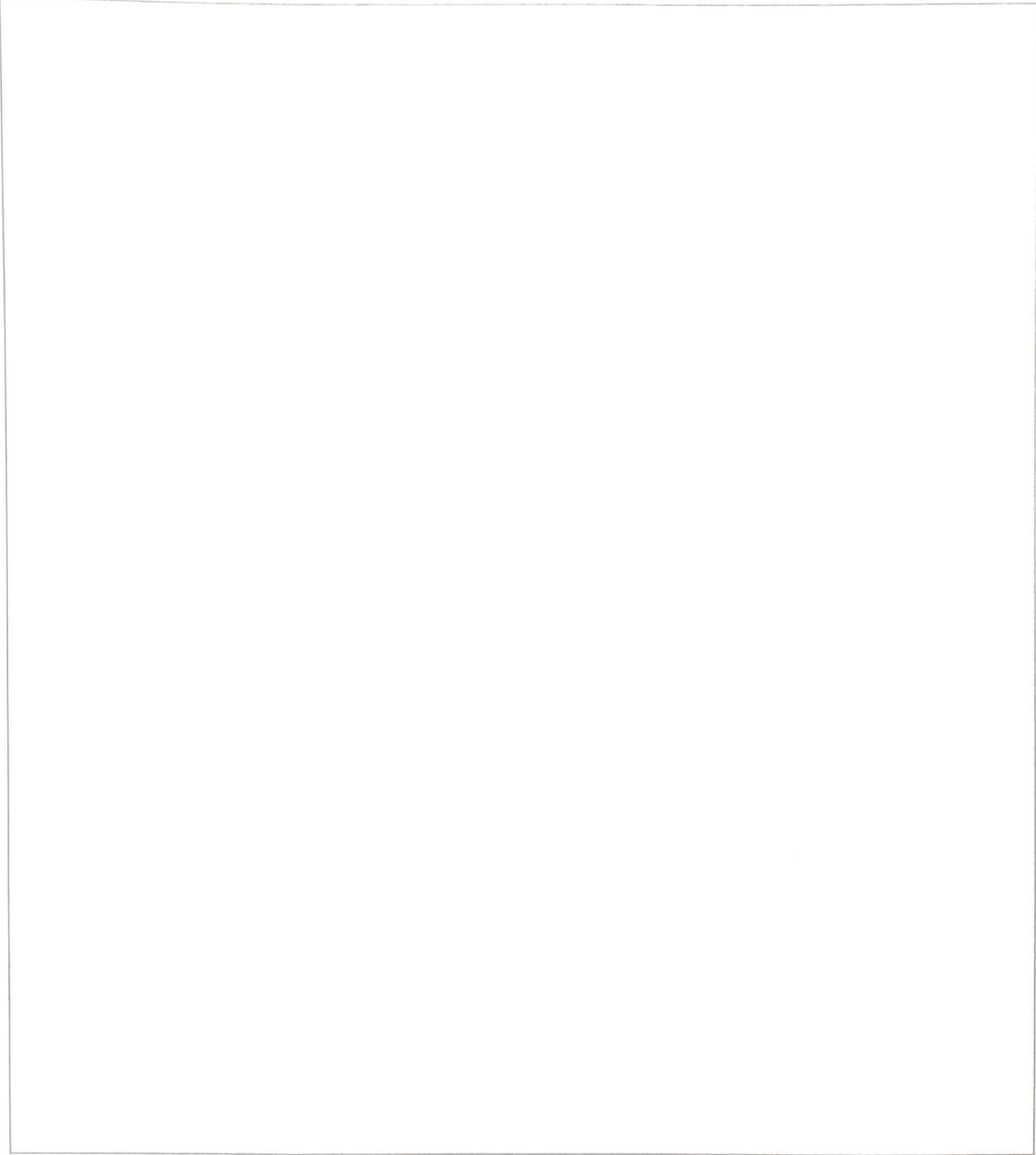
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