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Cabinet unlikely to allow US probe (HL)

MALAYSIA is unlikely to allow the US to probe Petronas' business dealings with Iran for alleged violation of an American law, Foreign Minister Datuk Seri Abdullah Ahmad Badawi says.

"The Cabinet will probably decide to disallow the investigations from being carried out," he was reported as saying by Bernama in Kepala Batas yesterday.

Abdullah, who was asked to comment on a news report that US officials would arrive in Kuala Lumpur by the end of the month to carry out the probe, said Malaysia would not bow to threats of unilateral action by other governments.

US Undersecretary of State for Trade Stuart Eizenstat was quoted by a foreign news agency on Friday as saying that Petronas and four other companies ran the risk of drawing US sanctions if investigations found any of their business dealings with Iran contravened the Iran Libya Sanctions Act 1996.

Under the controversial law, the US Government may take action against any company that invests more than US\$20 million (US\$1 = RM3.31) a year in Iran's oil and gas sector.

The other four companies are Russia's Gazprom, France's Total SA, Canada's Bow Valley and Indonesia's Bakrie Group. The companies have signed a US\$2 billion joint venture deal with Iran to develop part of the giant South Pars gas field.

The field, near the maritime border with Qatar, has estimated reserves of 300 trillion cu ft.

Abdullah said Malaysia would not allow its ties with any country to be affected by pressure from a third country.

"This is our right and we must defend our position," he told reporters after launching the Bertam state constituency Family Day celebrations.

He said Malaysia's long-established relations with Iran have been developed on the basis of two sovereign nations.

The Government has not received any letter from Washington on the matter but it is ready to reply and state Malaysia's position, Abdullah added.

He added that the recent Commonwealth Heads of Government Meeting (CHOGM) in Edinburgh agreed to oppose any unilateral action that goes against the spirit of free trade as promoted by the World Trade Organisation (WTO).

Last month, Prime Minister Datuk Seri Dr Mahathir had said that Malaysia will not accept any form of extra-territorial action, where one country dictates the policies of another.

Petronas has also dismissed the US sanctions threat, saying that American laws do not apply to Malaysia. "We do not believe US legislation can be applied to either Malaysia, an independent country, or international business organisations," its president and chief executive officer Tan Sri Mohd Hassan Marican said last month.

The Ministry of International Trade and Industry, in the Miti Report 1996/97, had said Malaysia may seek recourse at the WTO against the US for continuing to resort to applying its laws which impinge upon the sovereign rights of other countries to undertake trade and investment in third countries.

European Union Trade Commissioner Sir Leon Brittan, reacting to the threat of sanctions on Total, had earlier advised the US to "reflect long

and hard about the wisdom of taking any action against Total."

The contract, he said, is "a commercial decision" for Total alone, one that the company is legally entitled to make.

French Prime Minister Lionel Jospin was also reported to have said no one accepts that the US can pass a law on a global scale. "American laws apply in the US. They don't apply in France."

Under the Act, President Bill Clinton has the option of imposing two of seven possible sanctions which include denial of Export-Import Bank assistance, of export licences and of US government procurement opportunities, an import ban, and prohibition of loans or credits from US financial institutions.