

July 2008

The Iran Counter-Proliferation Act

With Iran defying the international community's demands to suspend its nuclear activities, Senator Gordon Smith (R-OR) and Senate Majority Whip Dick Durbin (D-IL) last year introduced comprehensive legislation increasing economic and political pressure on Iran to persuade the regime to abandon its pursuit of nuclear weapons. The Iran Counter-Proliferation Act (ICPA), which currently has 72 cosponsors, closes loopholes in existing sanctions law, strengthens U.S. tools to cut off funds to Iran's nuclear program and prohibits U.S. nuclear cooperation with those aiding Iran's nuclear efforts.

Both the Senate Finance Committee and Banking Committee have passed separate pieces of legislation that hew closely to key aspects of this legislation. In June, the Senate Finance Committee passed the Iran Sanctions Act of 2008, spearheaded by Committee Chairman Max Baucus (D-MT) and Ranking Member Charles Grassley (R-IA). The bill tracks closely to ICPA, including the provision that would prohibit the implementation of the recent U.S.-Russian nuclear cooperation agreement until the president can certify that Russia has ended its nuclear cooperation with Iran.

On July 17, the Senate Banking Committee approved an original piece of legislation, The Comprehensive Iran Sanctions, Accountability and Divestment Act of 2008. The legislation, authored by Banking Committee Chairman Christopher Dodd (D-CT) and Ranking Member Richard Shelby (R-AL), contains three major sections. The first incorporates many of the important provisions of the Iran Counter-Proliferation Act. The second section includes a version of S. 1430, the Iran Sanctions Enabling Act, which authorizes state divestment efforts and provides a safe harbor for asset managers. A third section includes provisions aimed at stopping the diversion of sensitive technologies to Iran.

The House overwhelmingly passed companion legislation to both S. 970 and S. 1430 last year.

Key Provisions of S. 970:

Tightens Enforcement of Existing U.S. Sanctions Law:

- Requires the Secretary of the Treasury to report every six months on any foreign investments in Iran's energy sector since January 1, 2007, and on the administration's actions dealing with such investments.
- Prohibits U.S. subsidiaries of foreign companies that are sanctioned due to their investment in Iran's energy sector from writing off energy-related depreciation costs.
- Ends all Iranian exports to the United States and restricts U.S. exports to Iran to food and medicine.

- Authorizes increased funding for U.S. agencies working to cut off Iran from the international banking system.
- Freezes the assets of Iranian officials and their families.

Prohibits U.S. Nuclear Cooperation with Russia:

- Requires the implementation of any U.S. nuclear cooperation agreement with Russia to be conditioned on presidential certification that Russia has ceased nuclear cooperation with Iran.

Isolates Iran from International Financial Institutions:

- Reduces U.S. contributions to the World Bank based on the percentage the bank gives in loans to Iran and redirects the funds into international maternal and child health programs.
- Encourages the executive branch to increase use of American leverage in the international financial sector to further isolate Iran.
- Urges not extending preferential trade treatment to any action that could lead to WTO membership for Iran or any country that is assisting Iran's nuclear or ballistic missile program.
- Encourages the administration to prohibit all Iranian state-owned banks from using the U.S. banking system.
- Forbids any person that meets the criteria for imposing sanctions under the Iran Sanctions Act from receiving U.S. government contracts.

Urges Divestment from Iran:

- Calls for federal and state pension plans to divest holdings from companies and entities that invest in Iran's energy sector.

Urges Terrorist Designation of Iran's Islamic Revolutionary Guards:

- Urges the president to designate the Islamic Revolutionary Guard Corps as a foreign terrorist organization and urges it be placed on the list of specially designated global terrorists. The bill also requires the president to report to Congress on the steps he has taken toward such a designation.

Promotes Democracy:

- Directs the Broadcasting Board of Governors to devote more of its Radio Farda programming in Iran to news and analysis.

Urges Creation of an International Nuclear Fuel Bank:

- States that it is U.S. policy to support the establishment of an international nuclear fuel bank for peaceful means and conditionally authorizes \$50 million in voluntary contributions to the IAEA to support the establishment of an international nuclear fuel bank.