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## The Importance of the Iran Counter-Proliferation Act

**The Iran Counter-Proliferation Act (ICPA) is a critical piece of legislation aimed at preventing the Iranian regime from acquiring nuclear weapons. The legislation places robust economic sanctions on Iran by impairing Tehran's ability to obtain funds for its nuclear program. Its passage would reflect America's determination to exhaust all diplomatic, economic and political measures to pressure the Iranian regime to abandon its nuclear weapons program. As Iran accelerates its nuclear pursuit and threatens the United States and our allies, the necessity of passing this critical legislation is more crucial than ever.**

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### **Q: What is the Iran Counter-Proliferation Act?**

**A:** The Iran Counter-Proliferation Act is a bill introduced in the House as H.R. 1400 and in the Senate as S. 970 containing provisions aimed at preventing Iran from acquiring a nuclear weapons capability. The legislation tightens sanctions against foreign companies investing in Iran's oil sector, strengthens U.S. tools to cut off funds to Iran's nuclear program and prohibits U.S. nuclear cooperation agreements with those aiding Iran's atomic efforts. The House version of the bill, introduced by then-House Foreign Affairs Committee Chairman Tom Lantos (D-CA) and Ranking Member Ileana Ros-Lehtinen (R-FL), passed in September 397-16. The Senate version, which has 70 cosponsors, was introduced by Sens. Gordon Smith (R-OR) and Majority Whip Richard Durbin (D-IL).

### **Q: Why should ICPA be passed?**

**A:** As Iran presses ahead with its nuclear program, the United States must exercise every potential non-military option at its disposal to press the regime to desist. Increased pressure on Iran is vital in light of U.S. intelligence head Mike McConnell recent statement that Iran could "probably" produce enough fissile material for a nuclear weapon by as early as 2010. ICPA would provide critical new tools in America's political and diplomatic arsenal, targeting the Iranian regime at its weakest point: its economy, which is highly dependent on its petroleum and natural gas sector. As recent protests and criticism of Iranian President Mahmoud Ahmadinejad make clear, the Iranian regime must be wary of public dissatisfaction. Two thirds of Iran's population is under the age of 35, and many are either unemployed or underemployed. Inflation is rampant, while the mullahs are perceived as corrupt, enriching themselves at the expense of ordinary people. The hope is that further efforts to target the lifeblood of Iran's economy will help crystallize the choice confronting the Iranian regime between pursuing nuclear weapons and mounting popular economic disenchantment.

### **Q: How does ICPA differ from previous sanctions legislation passed by Congress?**

**A:** ICPA constitutes a comprehensive approach that implements tougher measures against the Iranian regime than previous bills. Recent legislation like the Iran Sanctions Act and the Iran Freedom Support Act imposed sanctions on companies that invest more than \$20 million in Iran's oil or energy sector and provided funds to promote democracy in the country. ICPA, however, goes much further.

It tightens enforcement of current U.S. sanctions law, prohibiting not only U.S. companies but penalizing them as well if their foreign subsidiaries conduct business in Iran. It would penalize U.S. subsidiaries of foreign companies investing in Iran's oil industry. It ends all Iranian exports to the United States and restricts U.S. exports to Iran to food and medicine. It also adds the selling of oil tankers to Iran to the list of items that can be sanctioned under the Iran Sanctions Act, authorizes increased funding for U.S. agencies working to cut off Iran from the international banking system, and provides legal authorization to seize Iranian assets in the United States.

ICPA also 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. Such an agreement is worth tens of billions of dollars to Russia and may help convince Moscow to end its prior willingness develop Iran's nuclear sector.

These measures remain virtually unprecedented in their depth and scope and represent a potent tool to pressure Tehran to halt its destructive policies.

**Q: How does ICPA affect Iran's ability to participate in trade agreements and international financial organizations?**

**A:** ICPA reduces U.S. contributions to the World Bank based on the percentage the bank gives in loans to Iran. It encourages the executive branch to increase the use of American leverage in the international financial sector to further isolate Iran and expresses disapproval of Iran's entry into the World Trade Organization until all issues related to its nuclear program are resolved. The bill also urges the administration to prohibit all Iranian state-owned banks from using the U.S. banking system and calls for a ban on future free trade agreements with countries investing in Iran. The administration has already sanctioned four Iranian state-owned banks, but no action has been taken against more than a dozen other state-owned banks, including the Central Bank of Iran.

**Q: Does the Bush administration support ICPA?**

**A:** The Bush administration has already implemented portions of the bill, including sanctioning the Iranian Revolutionary Guard Corp and four state-owned Iranian banks. While the Bush administration has stated it does not support certain provisions of the bill, it has nonetheless cautioned foreign companies against investing in Iran in accordance with the provisions of the legislation. "Congress is speaking very clearly that they want to send a clear signal that companies should not invest in [Iran's] oil and gas sector," then-Under Secretary of State for Political Affairs Nicholas Burns said last May during a visit to Berlin.

**Q: Doesn't the legislation punish close allies with whom we are working at the United Nations?**

**A:** While our European allies worked with the United States to impose sanctions on Iran at the United Nations and have spoken out forcefully about the threat Iran poses, they have not taken strong enough steps to prohibit their own companies from investing in Iran's petroleum and natural gas sector, the lifeblood of Iran's economy. Iran poses a strategic threat not only to the United States, but to the Europeans as well. U.S. sanctions on foreign companies investing in Iran is one tool that the United States can use to dissuade firms from investing in Iran and thus providing the regime with the funds it needs to pursue nuclear weapons. With Iran continuing to defy the international community, the Europeans must step up their own efforts to put economic pressure on Iran.

Further, U.S. sanctions have not alienated our European allies, but rather they have encouraged them to take their own actions. Many European nations have begun to limit their trade with Iran and eliminate export credits that back investment in Iran. Scores of European and international banks,

unwilling to risk heavy fines and the possible loss of access to U.S. financial markets, have ceased or limited transactions with Iran.

**Q: Hasn't the previous sanctions legislation been ineffective? Have the sanctions been invoked?**

**A:** While ICPA represents a powerful tool in America's diplomatic arsenal that remains untapped, previous sanctions efforts have already helped slow Iran's progress. Even though not all possible sanctions have been imposed, the threat of these penalties under the Iran Sanctions Act has helped deter foreign investment in Iran's petroleum and natural gas sector. In fact, the regime has received only \$10 billion out of the \$50 billion in foreign investments that it has sought during the past decade. In 2005, for example, the British gas companies BP and BG both abandoned talks with Iran concerning investment in Iran's liquefied natural gas reserves.

Furthermore, the lack of foreign investment has led to a decrease in the amount of oil Iran is able to export. Today, Iran pumps 40 percent less oil than it did 25 years ago, even though its population has doubled. The combination of stagnant production and rising demand for oil within Iran has caused a situation in which Iran could become a net importer of oil within the next decade. The Iran Sanctions Act "has been valuable in emphasizing to foreign governments and firms our concerns about Iran and highlighting the risks and potential consequences of investing there," said then Undersecretary of State for Political Affairs Nicholas Burns in March 2007. "Indeed, we attribute the continued lack of investment in Iran's oil and gas sectors, in part, to ISA," said Burns.

Considering the success of these legislative efforts, the passage of ICPA holds the potential to be even more effective in deterring Iran's pursuit of nuclear weapons.

**Q: Why don't we just talk to Iran?**

**A:** The United States and its allies have made repeated efforts in recent years to reach out to Iran in hopes of solving a range of disputes diplomatically including a wide-reaching proposal laid out in June 2006. The formal U.S. position since the early 1980s made clear that the United States was prepared for a dialogue with authorized official parties in Iran, with all issues on the table, including Iran's role in fostering terrorism and undermining Israeli-Arab peace efforts, as well as its nuclear efforts. Iran has never accepted such a dialogue. Moreover, when Iran has entered into negotiations, such as the talks with the European Union, it has used them as a tactic to postpone and delay the imposition of sanctions, all the while aggressively expanding its nuclear infrastructure—and then bragging about having done so.

Nothing in ICPA prohibits dialogue with Iran. However, the U.N. Security Council has mandated that Iran suspend its enrichment program. Entering into a dialogue before that happens would allow Iran to use the dialogue as way to buy time to continue advancing its nuclear program. U.N. Security Council Resolution 1803 reiterated the U.S. and international offer of wide-reaching negotiations if Tehran suspends its uranium enrichment-related activities. If a direct dialogue is pursued, such talks should not serve as a replacement for additional diplomatic and economic sanctions if Iran continues to defy the international community.