COMMITTEE ON FINANCE
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For Immediate Release
June 18, 2008

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FINANCE PANEL APPROVES STRONG IRAN SANCTIONS PLAN

Mark advanced by Baucus, Grassley strengthens U.S. hand on Iran, complies with international rules on trade and allows agricultural, humanitarian exports

Washington, DC – The Senate Finance Committee today approved by a vote of 19-2 a Chairman's modification of legislation strengthening U.S. sanctions on Iran. The Iran sanctions plan offered by Chairman Max Baucus (D-Mont.) along with Ranking Member Chuck Grassley (R-Iowa) reflects a number of elements in S. 970, an Iran sanctions bill on which the Committee held a hearing in April, but is written to ensure that America remains in compliance with World Trade Organization (WTO) rules and to continue to allow limited sales of agricultural and humanitarian products. The bill strengthens existing U.S. sanctions on Iran by tightening the trade ban on goods to and from Iran, expanding financial sanctions on Iranian persons that are subject to U.S. sanctions, and closing loopholes through which U.S. companies establish foreign subsidiaries just to invest in Iran.

"The strong sanctions we've approved today will work to deter the Iranian government from producing a nuclear weapon. This bill expands the U.S. trade ban on Iran, tightens financial sanctions, and holds U.S. companies accountable to comply with sanctions laws," said Baucus. **"At the same time, this bill encourages outreach to the Iranian people even as we reject Iran's regime. And it respects partnerships with other countries that can help to ensure a nuclear-free Iran."**

"A nuclear Iran poses a serious threat to peace in the region, to our allies, and our own national security," Grassley said. "This bill is another important tool the United States can use to put even more pressure on the Iranian regime to abandon its quest for nuclear weapons."

Baucus unveiled the Chairman's Mark on Friday, June 13, and he and Grassley made several modifications for Committee consideration today. Added into the mark was a tax provision requiring oil companies that run afoul of Iran sanctions laws to amortize their geological and geophysical costs over a longer period of ten years instead of the two or seven allowed in current law. Revenue raised by this provision offsets the cost of the entire Iran sanctions measure. Additionally, the modification included several trade-related and other Sense of Congress measures. A list of all modifications can be found on the Legislation page of the Senate Finance Committee website at http://finance.senate.gov/sitepages/legislation.htm.

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An amendment added by voice vote at today's markup strengthened a provision regarding sanctions against companies investing more than $20 million annually in Iran's oil and gas sector, requiring the President to designate these companies as indicated in the Iran Sanctions Act of 1996.

Original provisions of the Chairman's Mark approved today remain as follows:

Trade and Economic Sanctions

Expansion of export and import bans on goods to and from Iran: Executive Orders from the President currently prohibit, with some exceptions, the direct or indirect exportation of U.S.-origin goods to Iran, and the direct or indirect importation of Iranian-origin goods into the United States. The Baucus proposal codifies the direct and indirect export ban on U.S. goods destined for Iran, and tightens the export ban so that only agricultural commodities, medicine and medical devices, humanitarian assistance provided to relieve human suffering, and information materials are specifically excepted. The proposal does not provide any specific exceptions for the import ban. The President may waive the prohibitions if he determines a waiver to be in the national interest of the United States.

World Trade Organization (WTO) accession of Iran: Under U.S. law, Iran may not benefit from U.S. trade preference programs while it is designated by the State Department as a state sponsor of terrorism. The proposal prohibits the United States Trade Representative or any other Federal official from taking action that would extend trade preferences to Iran or that would lead to the WTO accession of Iran. The President may waive the prohibitions if he determines a waiver to be in the national interest of the United States.

Freezing of assets of certain Iranian persons: Under current law, the President has frozen the U.S. assets of several Iranian governmental, military, and quasi-governmental assets, as well as those of Iranian individuals designated as proliferators of weapons of mass destruction or terrorists, and the U.S. assets of their supporters as well. The proposal removes the President's discretion to freeze or not freeze such assets, and instead requires the President to freeze the funds and assets under U.S. jurisdiction of Iranian diplomats and representatives of other government and military or quasi-governmental institutions of Iran if such persons are subject to sanctions under the International Emergency Economic Powers Act (IEEPA) or other provisions of U.S. law. The President may waive this requirement if he determines a waiver to be in the national interest of the United States.

U.S. parent company liability for violations of sanctions by foreign entities: Under current law, foreign subsidiaries of U.S. companies may invest in Iran if the foreign subsidiary is independent of the U.S. parent companies. The proposal subjects U.S. parent companies to sanctions if the parent company knowingly participates in violations of U.S. sanctions laws by its foreign subsidiaries. The President may waive this requirement if he determines that such a waiver would be in the national interest of the United States.

Nuclear Energy and Cooperation

U.S. – Russia Nuclear Cooperation: On May 6, 2008, the United States and Russia concluded a nuclear cooperation agreement ("123 Agreement") pursuant to section 123 of the Atomic Energy Act, to permit the United States to license exports of nuclear material, facilities, components, or other nuclear-related goods and services to Russia. Under the Atomic Energy Act, the 123 Agreement will enter into force unless Congress passes a disapproval resolution soon. The Baucus proposal would prohibit the Untied States from entering into a 123 Agreement with Russia, and from issuing licenses for the export of any nuclear material, facilities, components, or other goods, services, or technology that fall within the scope of the 123 Agreement. The United States would not be allowed to approve the direct or indirect transfer or retransfer to Russia of any such nuclear material, facilities, components, or other goods, services, or technology. These prohibitions would remain in place unless the President certifies to Congress that Russia has suspended all nuclear assistance to Iran and all transfers of conventional weapons and missiles to Iran, or that Iran has completely, verifiably, and irreversibly dismantled all nuclear enrichment-related and reprocessing-related programs.

International Fuel Bank: Current law authorizes the Department of Energy to contribute $50,000,000 to the International Atomic Energy Agency ("IAEA") for the creation of a nuclear fuel bank that would stockpile low-enriched uranium to supply nuclear fuel for peaceful means. The proposal expresses the sense of Congress that the United States should support the creation of an international nuclear fuel bank by the IAEA, and that before the U.S. makes any contribution the President should ensure that the fuel bank has multilateral support, is under IAEA control, and has necessary safeguards in place. The President would be required to report to the Senate Foreign Relations and House Foreign Affairs committees on the activities of the United States to support the establishment of an assured supply of nuclear fuel for peaceful purposes.

Reductions in World Bank Contributions for Loans to Iran

The United States currently opposes World Bank loans to Iran, as the Treasury Department is required to oppose such loans to countries that the Secretary of State identifies as supporting international terrorism, or that engage in a pattern of gross violations of internationally recognized human rights. The State Department designated Iran as a state sponsor of terrorism on January 19, 1984, and has identified Iran as having a poor human rights record and engaging in systematic violations of human rights. The proposal provides that for new loans granted to Iran after December 31, 2008, the United States must cut its contributions to the World Bank by an amount that is proportional to the total amount of loans the World Bank provided to Iran, and gives the money instead to the U.S. Agency for International Development's Child Survival and Health Programs. The President may waive this requirement if he determines that such a waiver would be in the national interest of the United States.

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Increased Capacity to Combat Terrorist Financing

The Department of Treasury's Office of Terrorism and Financial Intelligence (TFI), of which the Office of Foreign Asset Controls is part, and the Department of Treasury's Financial Crimes Enforcement Center (FinCEN) play a critical role in administering U.S. sanctions laws. The proposal authorizes nearly $62 million for the TFI and more than $91 million for FinCEN for fiscal year 2009.

Direct Contact with the People of Iran

Exchange Programs: To promote people-to-people exchanges with citizens of Iran, the proposal authorizes the President to carry out exchange programs with the people of Iran, with a focus on exchange programs with Iranian youth.

Radio Broadcasting to Iran: Radio Farda is a 24-hour-a-day, seven-day-a-week channel that broadcasts news, information, and Persian and Western music to Iran. It is a joint project of Radio Free Europe and Voice of America. The proposal states that the Broadcasting Board of Governors that controls Radio Farda should devote a greater proportion of programming to news and analysis.

Reporting Requirements to Increase Monitoring of Investment in Iran

Foreign investment in Iran: The Iran Sanctions Act of 1996 ("ISA") requires the President to impose sanctions on a U.S. or foreign natural person if the President determines that the person invested $20,000,000 or more in Iran's petroleum or natural gas sectors, but the President has never done so even though foreign companies have invested more than the specified amount. The proposal requires the President to report to the Senate Finance, Banking, and Foreign Relations Committees and House Ways and Means, Financial Services, and Foreign Affairs Committees any foreign investments made in Iran's energy sector and the determination of the President on whether such investments qualify as sanctionable offenses. An amendment added at today's markup places further requirements on the President to designate companies in violation of sanctions laws.

Export Credits: Current law does not require the Secretary of Treasury to report to Congress on export credits issued by foreign banks to persons investing in Iran's energy sector. The Baucus proposal requires the Secretary of Treasury to report to the committees of jurisdiction on export credits issued by foreign banks to persons investing in Iran's energy sector, and any fines, restrictions, or other actions taken by the President to discourage such export credit guarantees.

Report on U.S. entities that invest in Iran: The President is not currently required to provide to Congress a report on companies that have or conduct business in the United States that also invest in Iran. The proposal requires the President to provide Congress with an annual report on the names of persons that have or conduct business in the United States and also invest in Iran, and the amounts of each such investment.

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Thrift Savings Plan: The Executive Director of the Federal Retirement Thrift Savings Board is not currently required to report to Congress on whether any investments from the Thrift Savings Plan are in entities that invest in Iran. The proposal includes the sense of Congress that the Executive Director of the Thrift Savings Board should report any investments from the Thrift Savings Plan that are in entities that invest in Iran.

All provisions of the Baucus Iran sanctions package will sunset five years after the date of enactment, or will terminate if the President determines and certifies to committees of jurisdiction that Iran has completely, verifiably, and irreversibly dismantled all nuclear enrichment and reprocessing-related programs.

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