

May 18, 2010

The Honorable Martha N. Johnson
Administrator of General Services
U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405

Re: Honeywell's Business in Iran and as a U.S. Government Contractor

Dear Administrator Johnson:

United Against Nuclear Iran (UANI) is a non-partisan advocacy group that is united in a commitment to prevent Iran from acquiring nuclear weapons. The purpose of this letter is to draw your attention to a key U.S. government contractor, Honeywell, which does extensive and important business in Iran.

UANI has learned that Honeywell sells security products in Iran and continues to be a key contractor in projects to expand and upgrade Iran's oil refining capacity. At the same time that Honeywell conducts business in Iran, it also does extensive business with the U.S. Government. Honeywell is the largest recipient of U.S. federal funds for a company that continues to operate in Iran. From 2000 through March 2010, Honeywell received \$12.9 billion in U.S. federal contracts. Jo Becker and Ron Nixon, "Profiting from Iran, and the U.S.," *New York Times*, March 12, 2010.

It is inappropriate for a key U.S. contractor to work in Iran and on such strategically important projects. It is inappropriate for U.S. taxpayer dollars to be paid to a company that does such work in Iran. UANI calls on the General Services Administration to debar Honeywell from contracting with the U.S. Government, unless and until it ends its business in Iran.

According to the *New York Times* article published on March 6, 2010, Universal Oil Products (UOP), a wholly-owned British subsidiary of Honeywell, continues to conduct business in Iran as "part of a consortium with... several Iranian firms that is expanding and upgrading the Arak Refinery in Iran." Notably, "[t]he project, budgeted to cost \$3.7 billion, could nearly triple gasoline production from 34,000 to 100,000 barrels per day." Jo Becker and Ron Nixon, "U.S. Enriches Companies Defying Its Policy on Iran," *New York Times*, March 6, 2010. According to the National Iranian Oil Refining & Distribution Company website, Honeywell UOP is also a contractor on Iran's Bandar Abbas Persian Gulf Refinery project and the Shiraz Pars Refinery Project. <http://niordc.ir/index.aspx?siteid=77&siteid=77&pageid=980>.

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Honeywell's business in Iran is intertwined deeply with the activities of Iran's Islamic Revolutionary Guard Corps (IRGC). As I am sure you know the IRGC is the dominant ideological entity in Iran that pervades Iran's society and economy. The IRGC oversees Iran's nuclear and missile programs, many of its vast engineering projects and is heavily involved in, if not the leader of, Iran's major oil and gas projects such as those described above. Given the major role of Honeywell's products and services in Iran, it is clear that the IRGC is likely a major beneficiary of Honeywell's business in Iran. Yet Honeywell very comfortably does business in Iran.

We first contacted Honeywell on April 8, 2010 and urged it to stop doing business in Iran. In response, Honeywell has refused to end its work building Iran's refining capacity. Rather, Honeywell has indicated it will not seek "new contracts" in Iran – a wholly inadequate response given the current contractual scope of Honeywell's work in Iran. Moreover, Honeywell could provide no assurance regarding the extent of its activities with the IRGC. The General Services Administration and American taxpayers alike should be troubled by Honeywell's inadequate response.

Both the House and Senate recently passed the *Iran Refined Petroleum Sanctions Act* (IRPSA), which seeks to restrict Iran's import of gasoline. Because of Iran's lack of refining capacity, Iran must import much of its gasoline. The U.S. Congress saw this as an opportunity to protect U.S. national security by adopting meaningful sanctions against Iran. Honeywell's work in Iran enhances Iran's ability to refine its own oil, and directly undermines this bipartisan Congressional effort.

Please understand that we do not seek to harm any American business gratuitously. Honeywell is enormously successful and operates within the nexus of the government and private sectors. Even given the current economic downturn, Honeywell, a top Fortune 500 company, boasted profits of \$2.153 billion in 2009. Honeywell's CEO, David M. Cote, was rated as one of the ten highest compensated CEOs by CNN, with a total compensation package valued at \$28.7 million. In February of this year, President Obama appointed Mr. Cote to the Bipartisan Commission on Fiscal Responsibility and Reform.

However, companies such as Honeywell that rely on U.S. taxpayer dollars have a responsibility to conduct themselves in a manner that is consistent with U.S. national security. By doing business in Iran, Honeywell has failed in that responsibility. Why should taxpayers contribute to Mr. Cote's salary when it is clear that President Ahmadinejad's IRGC thugs contribute to Mr. Cote's salary as well? The answer is clear.

Recently, the Senate Committee on Homeland Security and Governmental Affairs conducted a hearing on Iran Sanctions entitled "Why Does the U.S. Government Do Business with Companies Doing Business in Iran?" There is clear bipartisan agreement that U.S. taxpayer dollars should not support companies that do business in Iran. During this hearing, the committee Chairman, Senator Lieberman stated:

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The U.S. government's market power gives us the ability to influence the behavior of companies doing business with Iran and to give them a choice between doing business with us or doing business with Iran. We should no longer allow businesses to do both... I hope that this hearing, the GAO report, and the witness testimony send a clear and unmistakable message to those companies: Either do business with Iran's \$250 billion a year economy, or do business with America's \$13 trillion economy, but you cannot do business with both. It is simply unacceptable for the federal government to enrich foreign firms that are enriching the extremist, repressive, terrorist government of Iran.

We agree with Senator Lieberman. Companies that are existing U.S. contractors that also do business in Iran should be debarred from U.S. contracting.

Honeywell should be debarred from U.S. government work.

Thank you for your consideration of this matter.

Very Truly Yours,



Ambassador Mark D. Wallace

cc: The Honorable Joseph I. Lieberman
Chairman, Senate Committee on Homeland Security & Governmental Affairs

The Honorable Susan M. Collins
Ranking Member, Senate Committee on Homeland Security & Governmental
Affairs

David M. Cote
CEO, Honeywell

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The Honorable Robert M. Gates
Secretary of Defense

The Honorable Mary L. Schapiro
Chairwoman, U.S. Securities and Exchange Commission

The Honorable Stuart A. Levey
Under Secretary for Terrorism and Financial Intelligence, U.S. Department of the
Treasury

Adam J. Szubin
Director, Office of Foreign Assets Control, U.S. Department of the Treasury