

May 18, 2010

The Honorable Robert M. Gates  
Secretary of Defense  
1000 Defense Pentagon  
Washington, DC 20301

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

Dear Secretary Gates:

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. Department of Defense. In 2009 alone, Honeywell's contracts with the U.S. Department of Defense totaled \$3.45 billion. Honeywell's sales figures were similar in 2007 and 2008, and are expected to grow in 2010. Honeywell's contracts with the Department of Defense in 2009 comprised over 80% of its total contracts with the U.S. Government.

It is inappropriate for a key U.S. defense 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 Defense Department to debar Honeywell from contracting with the Pentagon, unless and until it ends its business in Iran.

According to a *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>.

# UNITED AGAINST NUCLEAR IRAN

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 Pentagon 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 like 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:

The U.S. government's market power gives us the ability to influence the behavior of

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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.

As Secretary of Defense, you understand the dangers posed by a nuclear Iran. You have been outspoken on the importance of adopting a strategy for dealing with Iran. As part of any such strategy, the Defense Department should not contract with companies that work in Iran.

Honeywell should be debarred from U.S. government work, and that debarment should start with Honeywell's work with the Department of Defense.

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 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

The Honorable Martha N. Johnson  
Administrator of General Services

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