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California tightens screw on trade with Iran

By Matthew Garrahan in Los Angeles

A new Californian law that prohibits companies with Iran investments from bidding for state contracts has prompted scores of international companies to clarify their status regarding the Middle East country, according to a pressure group.

California is grappling with a \$9.6bn budget deficit but the state's size and spending power means it has clout on the global stage – particularly when it comes to persuading companies to divest from Iran.

By insisting companies sever ties with Iran before they bid for lucrative state and city contracts, California has “changed the game” on Iran divestment, according to Mark Wallace, president of United Against Nuclear Iran. “Its law says: if you do business in Iran we want to know about it and you will be subject to potential disbarment.”

The state's actions come as the federal government continues to ratchet up the pressure on Iran over its refusal to discuss its nuclear programme and in response to human rights abuses during the disputed presidential election two years ago. Washington imposed sanctions last week against Iran's main commercial airline and an important port operator, and more sanctions from the UK and European countries will be announced this week, diplomats say.

California's department of general services, which awards its public contracts, has contacted more than 150 companies seeking clarification regarding Iran. The companies include Layher, a German construction group that recently told UANI it had not done business in Iran for six years, and ABB, the Swiss electrical engineering group.

ABB said it had adopted new policies regarding Iran: a statement on its website says that in May 2011 it “decided to complete its exit from all business in the oil and gas sector in Iran by the end of September”.

California, which would be the world's eighth largest economy if it were a separate country, has adopted a more aggressive Iran policy than other US states.

UANI, founded by Richard Holbrooke, the late US diplomat, and James Woolsey, the former head of the Central Intelligence Agency, says the state's approach could form a

blueprint for Florida and New York, which are exploring such legislation.

“The purchasing power of the big US states is so important,” said Mr Wallace, a former US ambassador to the UN. “They procure goods and services worth billions of dollars.”

California’s Iran Contracting Act goes further than previous divestment campaigns because it applies to each contract awarded by every public body, city and municipality in the state.

For example, if a company were to bid for the right to supply fuel to Los Angeles International Airport and it has Iran-related investments “they are going to be prohibited from supplying the gasoline”, said Chuck Deyoe, legislative liaison for the procurement division in the California DGS.

UANI’s next goal is the passage of a law barring companies with Iran exposure from being regulated on the New York Stock Exchange.

Kirsten Gillibrand, a Democratic senator, and Mark Kirk, a Republican senator, recently introduced a bill that would require companies to disclose investments in Iran in their reports to the Securities and Exchange Commission.

Additional reporting by Anna Fifield in Washington

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