

ADVISORY COMMITTEE ON INTERNATIONAL ECONOMIC POLICY

July 27, 2009

The Honorable Hillary Rodham Clinton
Secretary of State
2201 C Street N.W.
Washington, DC 20520

Dear Madam Secretary:

The Advisory Committee on International Economic Policy applauds the Administration's strategy to engage the Islamic Republic of Iran. However, the Administration's policy, in order to be successful, must be consistently and coherently applied. Unfortunately, at the moment there are uncoordinated activities resulting in inconsistent and confusing application of U.S. laws. We write to encourage you to take steps to clarify our policy in one important respect.

The Trade Sanctions Reform and Export Enhancement Act (TSRA), passed in 2000, made it standing U.S. policy to permit humanitarian, agricultural and medical commerce between the U.S. and Iran, subject to stringent licensing by the Office of Foreign Assets Control (OFAC) in the Treasury Department. At this critical moment in relations between the U.S. and Iran, we recommend the Administration clearly reaffirm the TSRA policy of permitting licensed humanitarian based commerce. Reaffirmation is badly needed because of perceptions that have taken root in the international banking community regarding licensed U.S. transactions with Iran.

OFAC provides specific one year licenses for the sale of medical and agricultural products to Iranian persons and entities by U.S. persons and entities. These transactions necessarily involve services by third party financial institutions, usually through letters of credit. As part of the U.S. sanctions regime, U.S. banks have been prohibited, however, from engaging in such activities. Other international financial institutions have been willing to provide the requisite services. In the past year, however, many international financial institutions have declined to continue this practice because they have decided that, notwithstanding the legality of TSRA licensed transactions within long-established U.S. policy, they will incur the risk of being "punished" by multiple U.S. authorities. This has placed severe cash flow strains on OFAC-licensed U.S. exporters. U.S. law firms, as well, are finding it no longer possible to receive payment from Iranian clients, even though TSRA specifically allows U.S. entities to provide legal services for Iranians regarding U.S. laws.

We recommend the Administration clearly support and encourage all OFAC-licensed trade permitted under TSRA and publicly indicate that it does not discourage the provision of necessary facilitating services by third party financial institutions. OFAC-licensed humanitarian trade between the U.S. and Iran is a small, but significant means of constructive engagement that provides an important connection to the people of Iran. At this juncture in the Administration's strategic effort *vis-à-vis* Iran, we believe it would be useful to clearly support and encourage such trade, including, specifically, ensuring that necessary third party financial services in support of OFAC-licensed transactions are not obstructed.

Yours truly,



Theodore W. Kassinger
Chairman
Advisory Committee on International
Economic Policy



William A. Reinsch
Chairman
Subcommittee on Economic Sanctions