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ALERT

Iran Sanctions Relief Creates Opportunities

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Over the weekend, Iran and the so-called P5+1 nations (China, France, Germany, Russia, United Kingdom, and the United States) reached a deal for limited sanctions relief in exchange for Iran's agreement to halt certain activities that are associated with nuclear weapons development. The six-month deal is designed to provide time for negotiators to reach a more comprehensive, long-term agreement, which would both roll back sanctions further and solidify Iran's commitment to non-proliferation.

Sanctions Relief and Related Financial, Insurance, and Transportation Services

The six-month deal provides an immediate opportunity for certain industries. The Obama Administration is anticipated shortly to issue certain Executive orders, waivers, and licenses in order to permit certain trade with Iran, mostly for petroleum-related exports. In particular, the United States agreed to:

- Apparently, renew waivers that exempt foreign nations from penalties when they purchase certain amounts of Iranian crude oil
- Suspend certain sanctions on Iranian exports of petrochemical products, precious metals, and automobiles
- License safety-related goods, repairs, and inspections for certain Iranian airlines
- Support tuition support payments by the Iranian government for Iranian students abroad

Related banking, insurance, and transportation services appear to be authorized, although some questions need to be clarified. Importantly, the Administration can grant this relief pursuant to

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existing authority and does not need congressional approval. To be sure, over the next six months, the United States will keep in place its extensive legal framework sanctioning Iran. Thus, without signs that Iran is meeting its commitments, the United States could quickly and easily roll back its concessions.

Food, Medicine, and Medical Devices

Moreover, the Obama Administration has promised immediately to "establish a financial channel" to facilitate "humanitarian" exports to Iran of food, medicine, and medical devices. Payment would come through Iranian oil revenues held abroad. Although humanitarian trade like this has long been lawful (or licensable), it has often proved impracticable in the face of U.S. sanctions penalties that drove away banking, insurance, shipping, and other necessary services. The new agreement anticipates a channel involving both Iranian and non-Iranian banks to be specified. Accordingly, U.S. manufacturers of food, medicine, and medical devices should consider what new opportunities a legitimate channel for licensed trade with Iran could provide. Banks, insurers, and shippers may also find benefits associated with this channel.

Looking beyond the next six months, multinational companies also should consider positioning themselves should the multilateral negotiations continue successfully to normalize relations between Iran and the West. Opening trade with Iran would mean resuming petroleum-related trade, but also markets for exports, financial services, insurance, and shipping.

Some caution is warranted. While congressional approval is not necessary in order for the Obama Administration to fulfill its agreements, there may well be an effort in Congress to enact new sanctions notwithstanding the deal. These efforts could undercut the Administration's ability to implement the agreement.