

ALERT

# Iran Opportunities Require Careful Consideration

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The nuclear agreement with Iran, called the "Joint Plan of Action," went into effect on January 20, and the U.S. government recently offered guidance to companies considering commercial arrangements involving Iran.

The Joint Plan of Action was originally announced in November, but it did not take effect until the details were agreed last week and the international inspectors certified that Iran had met the initial conditions. Following that certification, the United States and the other so called P5+1 nations (China, France, Germany, Russia, the United Kingdom, and the United States) began to provide Iran with limited relief from economic sanctions.

In particular, the United States has:

- Suspended certain sanctions that affect non-U.S. companies that buy crude oil, petrochemical products, or precious metals from Iran; that provide inputs to Iran's automotive industry; or that provide ancillary services in support of such transactions (such as banking, insurance, and transport)
- Published a "statement of licensing policy" about its willingness to license exports of safety-related goods, repairs, and inspections for certain Iranian airlines
- Agreed to facilitate payments by Iranians to buy food, medicine, and medical supplies, and tuition support payments by the Iranian government for Iranian students abroad

The basic framework of U.S. sanctions remains in place. It continues to be illegal for U.S. persons to engage in virtually all business with Iran, except as licensed by the Office of Foreign Assets Control

## Practice Areas

International Trade

(OFAC) of the U.S. Department of the Treasury. Much of the new sanctions relief addresses the so-called "secondary" aspects of the sanctions against Iran, by which the United States has threatened to impose penalties on "third country" companies that engage in certain business dealings with Iran. The one aspect of sanctions relief that clearly applies to U.S. persons is the ability to apply to OFAC for a license to provide goods or services for civil aviation safety.

The sanctions relief is scheduled to last for only six months, until July 20, 2014, unless a further deal with Iran is reached by then. The relief applies only to transactions that are initiated and completed between January 20 and July 20, 2014. This raises both practical and legal questions. For example, the Administration has not yet announced how the July 20 deadline would apply to subsequent claims on insurance for shipments delivered within the window.

The sanctions relief is limited in various other respects as well. For example, they generally do not allow participation by any U.S. person and they require the exclusion of Iranian persons who have been designated as terrorists or weapons proliferators.

This interim deal with Iran is unfolding in a challenging political environment. It is uncertain whether the deal will be extended beyond six months (and, indeed, whether it will last the full six months). On the other hand, the deal may also give rise to political momentum for further easing of sanctions-in this regard, there are early reports of large European trade delegations going to Iran. Accordingly, multinational companies should consider the best ways to position themselves should the multilateral negotiations continue successfully to normalize relations between Iran and the West, while also assuring compliance with all the sanctions that remain in effect and protecting themselves against risks if interim deal expires or unwinds.