

INTERNATIONAL TRADE

EASING THE IRAN SANCTIONS - what is in it for you?

On Sunday 24 November, the Islamic Republic of Iran and the member-states of the Group 5+1 (the five permanent UN Security Council members plus Germany) struck an historic deal providing Iran with approximately \$7 billion in relief from international sanctions in exchange for Iranian curbs on uranium enrichment and other nuclear activity.

While this agreement is undoubtedly an historic diplomatic coup for the Western diplomacy, the interim Geneva deal remains limited, covering a 6 month period only at this stage and is intended as a first step in a process aimed at a permanent resolution to the global impasse over Iran's nuclear programme.

The 6 month life of the deal is to be used to negotiate a comprehensive and permanent settlement that would allow Iran to pursue a peaceful nuclear programme, but subject to long-term limits and intrusive monitoring that would reassure the world that any covert programme could be identified and prevented before Iran could make a nuclear weapon.

Limited scope of the sanctions relief

In return for accepting constraints on its nuclear programme, Iran will receive approximately \$7 billion (£4.3 billion) in limited, temporary, targeted, and reversible relief from sanctions over the next 6 months. The extent of the relief covers in essence the following:

- No new nuclear-related sanctions will be imposed over the next 6 months, subject to Iran's compliance with the nuclear constraints;
- Safety-related repairs and inspections in Iran for certain Iranian airlines are to be licensed;
- Some sanctions will be suspended on trading in gold and precious metals (although Iran will not be able to accept them as payment for oil or any other sanctioned transaction), on the car-making sector and on petrochemical exports;
- \$400 million in governmental tuition assistance to be transferred from restricted Iranian funds directly to recognised educational institutions in third countries to defray the tuition costs of Iranian students; and
- Approximately \$4.2 billion in frozen oil assets will be released, to be transferred in instalments.

It is worth noting however that the agreement will not loosen the financial restrictions affecting most Iranian banks, or the restrictions on transfers of funds to and from Iran, and restrictions on Iran's access to the insurance and bond market. The sanctions relating the export of dual-use technology (including software and telecommunications equipment) are also likely to remain in force. Likewise the prohibitions on the sale, supply,

transfer, import, transport or export of dual-use goods and technologies are said to remain the same.

Therefore, any companies that are looking at re-opening their trading with the Iranian market should keep a close eye on the upcoming political changes, and make sure that it puts in place a number of sanctions checks on any transaction involving the country. This would include the careful sanctions checks on all contractual parties involved, together with the insertion of carefully worded sanctions language that should cover any contractual arrangement, and a regular and close monitoring of the sanctions regime.

What is next?

Following the deal struck in Geneva, the 28 EU foreign ministers are looking to gather together a proposal to partially lift certain sanctions within the next few weeks.

The partial relief of the sanctions regime could be decided as early as January, depending on how long the EU legislative process takes.

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