

# The United States Government issues additional Iran sanctions and a new Executive Order targeting the construction, mining, manufacturing, and textiles sectors of the Iranian economy

13 January 2020

On 10 January 2020, in response to missile attacks by the Iranian military targeting two U.S. bases in Iraq, the United States Department of the Treasury, Office of Foreign Assets Control (OFAC) designated a number of senior Iranian military leaders, Iranian metals companies, as well as third-country entities and a vessel on the List of Specially Designated Nationals and Blocked Persons (SDN List). While the Iranian metals sector has been a target of U.S. sanctions for some time, these sanctions are the first to be issued under the May 2019 [Executive Order 13871](#), which targets the Iranian iron, steel, aluminum, and copper sectors.

President Trump concurrently issued a new [Executive Order](#) targeting the Iranian construction, mining, manufacturing, and textiles sectors. The State Department separately [announced](#) that it was imposing additional sanctions against one of the companies designated by OFAC pursuant to the Iran Freedom and Counter-Proliferation Act of 2012.

These actions follow recent hostilities between the U.S. and Iran, including Iranian missile strikes against a U.S. military installation in Iraq, and mark a continuation of the U.S. campaign of "maximum pressure" against key sectors of the Iranian economy.

While U.S. companies have long been prohibited from most dealings involving Iran, non-U.S. companies, including non-U.S. financial institutions, now face increased risk for any dealings involving a number of key sectors of the Iranian economy, and should assess their potential exposure in the light of these new actions by the U.S. Government.

Importantly, the EO's new restrictions allow for the imposition of sanctions against non-U.S. companies that operate in the additional specified sectors of the Iranian economy or engage in significant transactions involving those sectors or with persons designated for doing so, even if these activities have no U.S. nexus. Non-U.S. companies can therefore face significant risks to their global operations for any dealings involving the specified sectors of the Iranian economy.

## **New Executive Order targeting construction, mining, manufacturing, and textiles sectors of Iran's economy**

The new EO authorizes the Secretary of Treasury to impose sanctions against persons or entities that operate in the construction, mining, manufacturing, or textiles sectors of the Iranian economy. It also authorizes the imposition of sanctions on:

- Persons or entities involved in a "significant transaction" in connection with one of the targeted sectors of the Iranian economy.
- Persons or entities that have "materially assisted, sponsored, or provided financial, material, or technological support . . . in support of any" person or entity sanctioned pursuant to the EO.

This new EO also allows for sanctions against foreign financial institutions that knowingly conduct or facilitate any significant financial transactions relating to these sectors of the Iranian economy.

However, while these new authorities are broad, the new EO does not define what constitutes the construction, mining, manufacturing, or textiles sectors of the Iranian economy, nor has OFAC or the White House issued any additional guidance in this regard. Unless and until the U.S. Government releases additional guidance, non-U.S. companies engaged in activities that could involve these specified sectors of the Iranian economy will face uncertainty regarding their potential exposure to U.S. sanctions.

## **Sanctions targeting Iranian metals sector and third-country business partners**

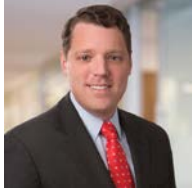
On 10 January 2020, OFAC designated 17 Iranian metal producers and mining companies pursuant to Executive Order 13871. These entities operate in the steel, aluminum, or copper sectors of Iran. Among the designated companies is Mobarakeh Steel Company, the largest producer of steel in the Middle East and the largest direct reduced iron producer in the world (which was previously designated pursuant to terrorism-related sanctions authorities in [November 2018](#)).

Other entities and a vessel, including a Chinese trading company, were designated for engaging in a significant transaction with, and for materially assisting, an Iranian metals company that was sanctioned on the same day.

These designations mark the Trump Administration's continued use of sanctions authorities against third-country companies that continue to do business with targeted sectors of the Iranian economy. As the Administration's campaign of "maximum pressure" continues, it is likely that additional companies that engage in such activities will find themselves in OFAC's crosshairs.

For further information or assistance, please contact any of the Hogan Lovells lawyers identified below.

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