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## International Trade & Regulatory ADVISORY ■

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# Interim Iran Nuclear Deal to Provide Limited Relief from U.S. Sanctions; U.S. Sanctions and Enforcement to Remain Robust

The temporary, six-month interim agreement reached on November 23, 2013, by the P5+1 (the United States, UK, Germany, France, Russia and China, facilitated by the European Union) and Iran on Iran's nuclear program will result in a very limited provisional easing of U.S. and EU sanctions on Iran. It should not be construed as a major lifting of sanctions, in particular by the United States. The U.S. Congress remains profoundly skeptical of the deal, and the Obama Administration has limited flexibility to modify existing sanctions without the concurrence of, or action by, Congress.

Based on documents released by the U.S. government and press reports, the specific sanctions relief resulting from the agreement consists of the following:

- No new, nuclear-related sanctions by the United States and EU for six months, provided Iran abides by its commitments under the deal, but only "to the extent permissible within their political systems" (this is an obvious reference to the possibility that the U.S. Congress could in fact impose additional sanctions notwithstanding the deal).
- Suspension of certain sanctions on gold and precious metals, Iran's automobile sector and Iran's petrochemical exports, potentially providing Iran with approximately $1.5 billion in revenue.
- Limited safety-related repairs and inspections made inside Iran for certain Iranian airlines.
- Purchases of Iranian oil to remain at their current significantly reduced levels, with $4.2 billion from these sales to be allowed to be transferred in installments, provided Iran fulfills its commitments.
- $400 million in governmental tuition assistance to be transferred from restricted Iranian funds to recognized educational institutions in third countries, to defray the tuition costs of Iranian students.
- Facilitation of humanitarian transactions that are already allowed by U.S. law, including those related to Iran's purchase of food, agricultural commodities, medicine and medical devices, as well as transactions for medical expenses incurred abroad.
- The release of approximately $7 billion in blocked funds, but with the vast majority of Iran's $100 billion in foreign exchange holdings to remain restricted.
- Iran's crude oil sales may not increase in the next six months.
- Iran will be allowed access to $4.2 billion of its oil sales, but nearly $15 billion of its revenues will go into restricted overseas accounts, and those totals should in fact increase.

- The United States will continue to "vigorously enforce our sanctions against Iran, including by taking action against those who seek to evade or circumvent our sanctions."
- The EU's crude oil ban will remain in effect.
- Sanctions affecting petroleum product exports from Iran will remain in effect.
- Other significant parts of the U.S. sanctions regime will remain intact, including:
  - sanctions against the Central Bank of Iran and approximately two-dozen Iranian banks and financial institutions;
  - secondary sanctions under the Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA), as amended, and other laws on banks that do business with U.S.-designated individuals and entities;
  - sanctions on those that provide a broad range of other financial services to Iran, such as insurance;
  - restricted access to the U.S. financial system;
  - all sanctions on more than 600 individuals and entities targeted for supporting Iran's nuclear or ballistic missile program remain in effect, as do sanctions on several sectors of Iran's economy, including shipping and shipbuilding;
  - sanctions on long-term investment and provisions of technical services to Iran's energy sector remain in effect;
  - sanctions on Iran's military program remain in effect;
  - broad U.S. restrictions on trade with Iran remain in effect;
  - all U.S. sanctions related to Iran's state sponsorship of terrorism, its role in the Syrian conflict and its human rights record, among other concerns, remain in effect; and
  - all UN Security Council sanctions remain in effect.

It is unclear when more details will be released on the modifications to U.S. sanctions, including, in particular, the relief on sanctions relating to Iran's automobile and petrochemical sectors and to trading in gold and precious metals. Separately, it has been reported that the EU will ease some of its sanctions in December.

It is significant in terms of compliance going forward that the U.S. fact sheet announcing the agreement stated that the United States will "continue to vigorously enforce our sanctions against Iran, including by taking action against those who seek to evade or circumvent our sanctions." This position is consistent with U.S. policy generally, and the Office of Foreign Assets Control (OFAC) and other U.S. enforcement agencies will continue to enforce U.S. sanctions for violations that occurred while such sanctions were in place, even if at some point in the future they are lifted.

The U.S. Congress has woven such a comprehensive web of sanctions against Iran that the Obama Administration's ability to waive sanctions on its own initiative is sharply limited. Untangling the U.S. legal restrictions is likely to be a lengthy and difficult process and will certainly not occur unless and until a final comprehensive agreement is reached with Iran that satisfies the U.S. Congress. Although Congressional leaders have signaled their intent to put pending additional sanctions legislation on hold for the moment, there remains deep skepticism within the U.S. Congress about the deal negotiated with Iran over the past weekend. Indeed, some members of Congress have been advocating legislation that would strip the Administration of its ability to modify or waive sanctions on its own initiative.

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