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Sanctions on Iranian Automotive Industry

Recently there have been a number of questions regarding the status of Iranian sanctions, particularly those on Iran's automotive industry. President Obama signed a November 24, 2013 Joint Plan of Action with Iran that includes a lifting of sanctions on the Iranian automotive industry for a six month interim period while negotiations for a longer term relaxation continue. For a variety of reasons, the automotive sanctions were not lifted immediately. However, on January 12, 2014, the U.S. and other countries agreed with Iran to lift the automotive sanctions if certain conditions were satisfied. The automotive sanctions were suspended by the Department of the Treasury as of January 20, 2014 for a six month period. The period could be shortened if Iran fails to comply with its obligations under the Joint Plan of Action. A little history will be helpful.

Since July 1, 2013, all companies in the worldwide automotive industry have been subject to potential U.S. sanctions for engaging in significant transactions in the Iranian automotive industry. The sanctions are contained in Executive Order 13645. The Executive Order has not been rescinded but as mentioned above enforcement of the Executive Order as it pertains to the Iranian automotive industry has been suspended for six months. Even with the suspension of the Executive Order, all U.S. persons and their subsidiaries are still subject to the general sanctions on doing business with Iran (which includes its automotive industry). The "lifting" or "suspension" only affects non-U.S. persons such as the parent companies of U.S. subsidiaries and there is no assurance the automotive sanctions will not be re-imposed after the expiration of the interim agreement in July 2014. To avoid potential violations after the expiration of the suspension non-U.S. persons should not enter into contracts with Iran or Iranian entities that will extend beyond the agreed six-month suspension or any extensions.

Prior to Executive Order 13645, many of our U.S. person clients had already adopted appropriate controls to avoid violation of the very broad Iran sanctions that remain in place today. Those companies that have not done so should do so now as the U.S. government has said it will continue to vigorously enforce the sanctions (whether in automotive or otherwise) on U.S. persons. In addition, non-U.S. persons outside of the automotive industry are still subject to other industry sanctions such as the nuclear and military industries. These sanctions can affect non-U.S. automotive companies if their products are dual use (e.g., consumer and military).

For more information on sanctions as they apply to automotive to U.S. and non-U.S. persons and how to comply in the United States and abroad, please contact your Butzel Long attorney or the author of this client alert.

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