

Business Opportunities in Iran for US Automotive Manufacturers through non-US Subsidiaries

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Implementation Day for the Iranian JCPOA

January 16, 2016 marked Implementation Day for the Joint Comprehensive Plan of Action (JCPOA), as the US Secretary of State confirmed that the International Atomic Energy Agency verified that Iran implemented certain nuclear-related mitigation measures. The verification was necessary to grant the nuclear-related sanctions relief set forth in the JCPOA by the P5+1 on July 14, 2015 (the P5+1 consist of China, France, Germany, Russia, the UK, and the US). Two important components of the JCPOA nuclear-related sanctions relief include (i) the removal of secondary sanctions on the automotive sector, and (ii) the implementation of General License H authorizing certain transactions relating to non-US subsidiaries of US companies.

Removal of Secondary Sanctions on the Automotive Sector

On Implementation Day, the US lifted secondary sanctions on the direct or indirect sale, supply, or transfer to Iran of goods or services used in connection with the automotive sector of Iran. As a result, non-US subsidiaries of US companies may engage in trading goods and providing associated services to Iran's automotive sector. **Note, however,** US automotive manufacturers themselves continue to be generally prohibited from the exportation, reexportation, sale, or supply, directly or indirectly, from the United States of any goods, technology, or services to Iran's automotive sector or the Government of Iran.

Implementation of General License H

To support the JCPOA nuclear-related sanctions relief, the Office of Foreign Assets Control (OFAC) created General License H authorizing certain transactions relating to non-US subsidiaries of US companies in support of trade with Iran. Part of the relief granted in General License H permits US parent companies to assist their non-US subsidiaries in implementing necessary administrative protocols through automated business support systems. General License H allows the US parent company to provide certain business support systems, thereby allowing better system integration between the US parent company and the non-US subsidiary.

What does this mean for US exporters?

If you are a US company with non-US subsidiaries contemplating business in Iran, then you must carefully review the secondary sanctions relief granted on Implementation Day, including the scope and requirements of General License H. The law in this area is complex, and compliant business actions are required to avoid strict liability. For additional details review the OFAC Guidance Relating to the Lifting of Certain Sanctions Pursuant to the Joint Comprehensive Plan of Action on Implementation Day; the Frequently Asked Questions Relating to the Lifting of Certain US Sanctions Under the JCPOA on Implementation Day; and, General License H: Authorizing Certain Transactions relating to Foreign Entities Owned or Controlled by a US Person.

Continued

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