

Iran Sanctions from a Neighboring Country's Perspective: the Turkish Standpoint

It was announced that the economic sanctions against Iran will be brought back to a large extent after the United States unilaterally withdrew from the Joint Comprehensive Plan of Action ("Iran nuclear deal") implemented by the United Nations Security Council ("UNSC") Resolution numbered 2231 and adopted in 2015, with the declaration of U.S. President Donald Trump on May 8, 2018.

Immediately after the Iran sanctions having made staggering effects on the world trade are back on the agenda again, how its impact on Turkey will take shape has become the subject of debate.

I. Iran-U.S. Relations, U.S. Sanctions on Iran, United Nations Response and Further Developments

The U.S. – Iran relations were affected by the regime change in Iran in 1979 and the Iran Hostage Crisis and the relations have then become increasingly tense with the U.S. economic sanctions and embargoes. In this respect, the U.S. announced in 1995 that sanctions would be imposed on all foreign companies operating and investing in Iran, especially active in the oil, petroleum and energy sector. With the emergence of the Iran nuclear program in 2006, the UNSC has also become part of this issue. From 2006 until 2015, the year in which Iran nuclear deal was signed; UNSC has imposed various sanctions on Iran and has adopted many important resolutions affecting the nuclear/defense industry of Iran.

With the final resolution adopted by the UNSC upon signing of agreements with Iran, some UNSC sanctions imposed on Iran were suspended and it was envisaged that all sanctions would be lifted in accordance with the provisions of the Joint Comprehensive Plan of Action, which is considered to be an international agreement under International Public Law.

The historic development with respect to the U.S. position took place on January 16, 2016, and it has been stated that some of the economic and financial sanctions have been lifted with the International Atomic Energy Authority confirming that Iran has taken the necessary steps within the framework of the Joint Comprehensive Plan of Action. However, these favourable developments lasted a short while, and as of May 8, 2018, the unilateral withdrawal of the U.S. from the Iran nuclear deal brought commercial relations with Iran back to its former troubled days.

According to the decision taken, the first part of the sanctions which are imposed on Iran have been implemented starting from August 6, 2018 and the rest will be effective as of November 4, 2018. In this context, as of August 6, 2018, it is declared that sanctions for the purchase or possession of U.S. Dollars by the Iranian Government, for Iran's trading of gold or precious metals; the direct or indirect sale, procurement or transfer of raw or semi-finished metals such as graphite, aluminium and steel, software; combining coal and industrial processes from or to Iran; the Iranian automotive sector; direct or indirect export of passenger aircraft, parts and services to Iran will begin to be implemented. Furthermore, on November 4, 2018 the remaining sanctions which have broader scope are to be imposed. These prospective sanctions target the Iranian shipping and shipbuilding sectors; trading in petroleum, petroleum products or petrochemical sectors; the transactions of foreign financial institutions with the central bank of Iran and designated Iranian institutions; provision of intermediary, insurance or reinsurance services; and the Iranian energy sector.

Based on the foregoing decisions taken by the U.S., Iran has filed an action before the International Court of Justice claiming that the U.S. had violated the terms of the nuclear accord, Iran Nuclear Deal by unilaterally pulling itself out of that agreement. Following review of the case, on October 3, 2018, the International Court of Justice has sided with Iran and ordered the U.S. to suspend its sanctions on exportation to the territory of the Islamic Republic of Iran of medicines and medical devices, foodstuffs and agricultural commodities, spare parts, equipment and services necessary for the safety of civil aviation.

At the same time, the EU has also underlined that companies are free to take business decisions, such as withdrawal from the Iranian market.

Although the EU tries to prevent the negative effects of the U.S. sanctions on Iran, the fact that many international companies have stopped Iran operations in the short term is bringing up the question of what will result from the commercial relations of the EU businesses with Iran.

III. Turkey-Iran Relations and Current Issues

The resolutions adopted by the UNSC on sanctions against Iran are legally binding in terms of our country as the relevant sanctions are required to be followed by institutions and companies operating in Turkey. And it should be reminded that the subject UNSC sanctions are suspended in line with the UNSC Resolution numbered 2231.

Although it cannot be denied that the trade relations of Turkey and Iran will be affected by the Iran sanctions imposed by the U.S., there is no decision which will negatively affect the trade with Iran taken by Turkey for the moment. On the contrary, the Foreign Ministry considers it unfortunate that the U.S. withdrew unilaterally from the deal, despite the fact that it was confirmed by periodic reports that Iran was acting in accordance with the nuclear deal in the context of its statement on the matter.

Nevertheless, at the meeting jointly held by the U.S. Embassy in Ankara and the U.S. Chamber of Commerce on July 19, 2018, while discussing the sanctions program that the U.S. imposed on Iran, it has been clearly stated that trading with the U.S. would be problematic for the U.S. while trading with Iran at the same time and that a choice should be made by the relevant companies. At the same meeting, it was emphasized that the trade with Iran does not have a restriction on food, agriculture, medical devices and humanitarian drugs and consumables, but even in this case, the companies with which Turkish companies engaged in business in Iran should not be on the list of banned companies in the U.S..

Besides, companies in commercial ties with a company located in Iran have been among those reminded to add protective clauses to their business agreements and to take measures to protect themselves in case of possible U.S. sanctions.

In light of the above, considering the tensions recently experienced between the U.S. and Turkey, uncertainty dominates the Turkish companies' on-going and future business relationships with Iran. Therefore, it is important for investors to determine their action plans in choosing their trade partners in Iran by closely following the developments in this uncertain environment.



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