

To: Our Clients and Friends

February 18, 2010

New U.S. Sanctions In the Offing Against Iran

Congress appears poised to mandate new U.S. sanctions against Iran. Both the House and Senate have passed bills to require the President to do so. While there is some opposition from the White House, the betting is that a compromise will be worked out and additional sanctions subsequently imposed.

Among the most significant provisions in one or both of the pending bills are the following:

- A mandate to the President to impose sanctions against anyone who, (a) “with actual knowledge,” provides to Iran any “goods, services, technology, information, or support that could directly and significantly facilitate the maintenance or expansion of Iran’s domestic production of refined petroleum products, including any assistance with respect to construction, modernization, or repair of petroleum refineries” or (b) “knowingly” provides to Iran any “goods, services, technology information, or support ... that would allow Iran to maintain or expand its domestic production of refined petroleum products, including any assistance in the construction, modernization, or repair of refineries that make refined petroleum products” if, in either case, the value of what is provided exceeds certain prescribed amounts. Among the sanctions the President would be authorized to impose is a denial of export licenses for exports to the sanctioned person.
- With certain limited exceptions, there would be a prohibition on the export to Iran, directly or indirectly, of any “article of United States origin.”
- The USG would be prohibited from entering into any contracts with any person who “meets the criteria for the imposition of sanctions under [the statute].”
- U.S.-incorporated entities would be subject to penalties for violations of U.S. sanctions against Iran if the President determines that the U.S.-entity “establishes or maintains a subsidiary outside of the United States for the purpose of circumventing [such sanctions]; and ... that the subsidiary engages in an act that, if committed in the United States or by a United States person, would violate such [sanctions].”
- State and local governments would be authorized to “adopt and enforce” measures to divest the assets of State or local government from, or prohibit investment of State or local assets in, any person that engages in certain investment activities with respect to Iran, including “the entry into or renewal of a contract for goods or services.”

It is, at this stage, unclear what will ultimately emerge from Congress, especially because of understandable Administration concern about its hands being tied by unilaterally mandated sanctions against Iran at a time when it is seeking to expand multilateral sanctions against that country. The drumbeat for some addition to the existing arsenal of sanctions continues, however, and sooner or later an uptick in sanctions of some sort is likely unless the lion should suddenly lay down with the lamb.

Prepared by: Stanley J. Marcuss
(202) 508-6074; sjmarcuss@bryancave.com

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Bryan Cave LLP International Trade Client Service Group

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