

The Iran Deal and Asia Pacific

Asia Pacific countries not a party to the Iran nuclear deal are developing their own plans of action following the announcement of the Joint Comprehensive Plan of Action (JCPOA) in July 2015.¹

The JCPOA binds only the parties to the agreement: Iran and the group of countries known variously as the "E3/EU+3", "E3+3" or the "P5+1" (China, France, Germany, the Russian Federation, the United Kingdom, the United States, and the EU).

Although China had a seat at the negotiating table, other Asia Pacific countries are now considering next steps, both in terms of providing sanctions relief and in pursuing business opportunities. Regional and international geopolitical concerns are likely to govern each country's stance in relation to the JCPOA. For example, under the current interim agreement (JPOA), five of the six countries exempt from US secondary sanctions on imports of oil from Iran are in the Asia Pacific region (Japan, South Korea, India, Taiwan, and China). This exemption allows these countries to continue importing Iranian oil without further reductions and to remit a portion of the funds owed to Iran (subject to the limitations in the interim agreement). Moving forward, any changes in the sanctions programs or policies of these countries will have an impact on companies that are considering doing business with Iran after the JCPOA becomes effective.

Background of JCPOA

The parties to the JCPOA have agreed to the phased lifting of all UN Security Council (UNSC) sanctions, as well as some multilateral and national sanctions related to Iran's nuclear program, including access to trade, technology, finance, and energy. All current sanctions will remain in place until Implementation Day (estimated to be six to twelve months from October 2015).

On Implementation Day, the UN will remove its nuclear-related sanctions on Iran, the EU and other UN member states will remove their nuclear-related sanctions, and the US will lift its nuclear-related secondary sanctions affecting non-US person activities. All of the sanctions programs can "snap back" if Iran fails to meet its obligations. It should be noted that even though the EU will permit some activities with Iran, the United States will not lift its unilateral sanctions prohibiting Iranian trade involving US persons, US-origin goods, or the US financial system.

Asia Pacific Response to the JCPOA

A joint statement² issued by the foreign ministers of the Association of Southeast Asian Nations,³ India, Japan, Australia, South Korea, New Zealand, and China welcomed the JCPOA and the peaceful resolution of the international security challenge posed by Iran's nuclear program.

¹ For a full discussion of the JCPOA, see our briefing "[Iran Sanctions Deal – What to Expect, and When](#)"

² See <http://www.state.gov/r/pa/prs/ps/2015/08/245757.htm>

³ Indonesia, Philippines, Malaysia, Singapore, Thailand, Brunei, Cambodia, Laos, Myanmar, and Vietnam.

The extent to which countries in the Asia Pacific region provide relief from their unilateral sanctions programs and seek to engage in business opportunities with Iran raises particular geopolitical issues and foreign policy concerns. Unsurprisingly, oil, energy, and the ongoing power balance between China and the United States in the Asia Pacific region will be key factors in the individual country responses. We discuss some of the key countries to watch.

Australia

In response to the JCPOA, the Australian government said it "will review" its autonomous sanctions, without giving any indication of the timing or scope of any change. Prime Minister Tony Abbott described the reaction as a "cautious welcome," stressing the "caution at least as much as the welcome."⁴

India

India has not imposed unilateral sanctions against Iran, although it complies with UN mandated sanctions. Under pressure from the United States, India has frozen the level of its Iranian oil imports since November 2013 and Indian companies have not been permitted to invest in Iran's petroleum industry. Since the announcement of the JCPOA, reports indicate that India is preparing to make repayments to Iran for USD 6.5 billion total in oil import debts, to resume dialogue in relation to LNG imports, and to pursue its rights to develop gas and oil fields in Iran. India is also considering an undersea pipeline in the Arabian Sea and port development to import Iranian gas.

Japan

Japan – a key US ally in the region – has announced that it will lift its sanctions against Iran and will work with the International Atomic Energy Agency (IAEA) to conduct its verification reviews smoothly. The lifting of Japanese sanctions will allow it to join in the development of a major oil field in Iran that was discovered by a Japanese company. Iran has indicated its hope that Japanese banks will establish branches in Iran.

South Korea

The other key US ally in the region, South Korea, has not announced its position on its unilateral sanctions. South Korea currently imposes sanctions on new investment in Iran's oil and gas industry and banking with Iran, and has restricted foreign currency transactions and closely monitors all activities of Iran's Bank Mellat branch in Seoul. Its welcome of the JCPOA was qualified by its hope that "meaningful progress will also be made in the North Korean nuclear issue through serious negotiations among concerned countries, and the process for ultimately resolving the issue will begin. To that end, the ROK government urges North Korea to promptly take steps towards denuclearization under UN Security Council resolutions and the September 19 Joint Statement." Accordingly, South Korea may be slower to lift sanctions so as not to alienate its international support against North Korea, particularly from the United States. It is, however, reportedly looking forward to returning to pre-2012 levels once the US secondary sanctions against Iran are removed under the JCPOA as it is subject to the US cap on Iranian oil imports.

Taiwan

Taiwan, which also is currently subject to the US cap on Iranian oil imports, has not released an official statement concerning the JCPOA and has not announced any official visits to or from Iran. Despite this official silence, the Taiwanese shipping company Evergreen Marine became one of the first international shipping companies to resume services in Iran in early August 2015 following the announcement of the JCPOA.

⁴ See <https://www.pm.gov.au/media/2015-07-15/doorstop-interview-parliament-house-canberra-0>.

Going forward

As the saying goes, a week is a long time in politics – especially geopolitics. These are still comparatively early days in the life of the JCPOA and, in the lead-up to Implementation Day, the stance of each country in relation to sanctions against Iran will likely continue to shift and evolve. Although a number of countries in the Asia Pacific region (as in other regions) have begun to maneuver to put themselves in the best possible position to capitalize on the JCPOA's sanctions relief, many countries (especially those with their own sanctions programs) may well choose not to make sanctions policy changes immediately. In the meantime, it is important for Asia Pacific companies interested in doing business in Iran to monitor sanctions development in their home countries and to remain vigilant for compliance risk resulting from sanctions that have been imposed by other countries.

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