

Why U.S. businesses could lose big in Iran

by Heather Long @byHeatherLong

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Iranians prepare for sanctions to end

Iran can't wait to put up the "open for business" sign in 2016.

In a matter of weeks, the international community is expected to lift many sanctions that have crippled the Iranian economy for decades.

But don't be fooled: U.S. companies won't find Iran very open for business.

The U.S. is lifting its nuclear sanctions on Iran as part of the landmark deal, but many business sanctions will remain in place. It will still be almost impossible for most U.S. businesses to set up a physical presence in Iran or partner with Iranian companies.

In contrast, Europe is opening up almost all trade with Iran. The result is likely to be: European companies win, American companies lose.

"There is not going to be a comprehensive law allowing all U.S. companies to operate in Iran anytime soon. This will make American firms the biggest loser of the nuclear deal," says Majid Rafizadeh, a Middle East scholar at Harvard.

The latest flare up between Iran and Saudi Arabia could make the U.S. even more cautious about scaling back additional sanctions.

Related: Did Iran just make a big economic mistake?

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The [deal](#) that Iran signed with the P5+1 (the U.S., U.K, Germany, France, Russian and China) was built on a simple premise: Iran agreed to open up its nuclear facilities for inspection and monitoring in exchange for international sanctions being lifted. Iran wants out of the economic "time out" it's been in since 1979.

The world now awaits "Implementation Day" when the International Atomic Energy Agency verifies that Iran has met its nuclear commitments. The date hasn't been set yet, but is expected to be in early 2016.

After Implementation Day, Iran will be able to sell its oil again on world markets and its banks will be able to connect to the global system. The U.S. will also allow the sale of commercial passenger aircraft to Iran and imports of Persian rugs and some foods to the U.S.

But the European Union will be far more generous. It plans to [make it very easy](#) for European companies to sell everything from cars to railroads to insurance in Iran.

"As many countries rush to sign contracts with Iran [after Implementation Day], the Obama administration will have to decide to either put U.S. firms at a disadvantage or issue them licenses," says Rafizadeh.

U.S. companies have to apply to the Treasury Department for special permission to do business with Iran.

As the Treasury [states clearly](#) on its website, "The U.S. embargo will generally remain in place, even after Implementation Day, because of concerns outside of Iran's nuclear program."

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Iran's big economic potential

Iran has a lot of economic potential and not [just for oil](#). It's a new market. While it's not nearly the size China, it's a lot bigger than Cuba, which U.S. businesses are [also eyeing this year](#) for possible expansion.

Iran has 80 million people, about 60% of which are under age 30. The population is highly educated and literate. Middle class Iranians say they [want ties](#) with the West, especially the U.S.

The problem is U.S. executives are not supposed to do business directly with Iran, and U.S. businesses can't set up offices or stores there.

Trade ties between the two are virtually non existent. The only exceptions are some food, medicine, and medical devices. Some limited consumer [software licenses](#) have also been granted.

How Apple would have to deal with Iran

But it remains complex. Take a company like Apple ([AAPL](#), [Tech30](#)). It can apply to Treasury for a waiver to ship iPads to Iran from the U.S., but its U.S. business can't service the device or open a store in Iran. Apple could also face penalties if the iPad landed in the wrong hands.

However, a European subsidiary of Apple could operate in Iran after Implementation Day. It just couldn't talk to Apple HQ in California about the Iranian operations.

A lot of European businesses recognize their advantage. Within hours of the P5+1 deal being signed, Germany [chartered a plane](#) to take some of its top business leaders to Tehran, according to The Guardian.



Nearly half of stocks are in market

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U.S. businesses are trying to figure out what they can do. Farhad Alavi of Akrivis Law Group helps many companies applying to the U.S. Treasury for licenses and exemptions to do business in Iran. He's been getting a lot of inquiries since the deal was signed.

"This whole issue is going to be a big compliance headache," says Alavi.

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2016 politics play a role

Business are also aware that the 2016 election could change the game...again.

"If I were a company, I would be concerned that the rules may change again in January 2017. The next president certainly is going to want to show that their policies are different from the current president," says Patrick Clawson, director of research at the Washington Institute for Near East Policy.

Congress is already working on addition [punitive measures](#).

"In the end, it is the U.S. which should ultimately decide whether they want to take advantage of economic relations with Iran or not," says Seyed Hossein Mousavian, a research scholar at Princeton and former Iranian ambassador to Germany.

CNNMoney (New York)
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medianone 23 minutes ago

"Iran wants out of the economic "time out" it's been in since 1979." What was that "time out" precipitated by?

Wasn't there another big "time out" the US slapped on Iran in 1953 as well?

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TheGhung Fu 16 hours ago

These bold comments are getting annoying. After clicking bold (or italic, etc.), type one character, hit return and type your comment. Then scroll (arrow) up and delete your first character. Don't use the mouse.

This issue makes Money/CNN look totally amateurish, but you don't have to.

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NoH1bs 16 hours ago

[@TheGhung Fu](#) you're not the boss of me :P

I agree, though. cnn must still be on hold with the tech department in india.

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TheGhung Fu 16 hours ago

[@NoH1bs](#) [@TheGhung Fu](#) Just trying to get DrDrew to stop shouting at everybody ;-)

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DrDrew1193 17 hours ago

Maybe we should have considered the Corker proposal and let congress debate this.. Obviously Obama and Kerry were once again in over their heads.

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NoH1bs 17 hours ago

@DrDrew1193 do Obama and Kerry control what congress discusses?

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DrDrew1193 17 hours ago

@NoH1bs @DrDrew1193 No, it wasn't discussed in Congress. that's the problem.

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NoH1bs 17 hours ago

@DrDrew1193 @NoH1bs so blame congress

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DrDrew1193 17 hours ago

@NoH1bs @DrDrew1193 Umm, not sure if you are aware but Obama didn't need or want help from Congress on this one. He took the responsibility and obligated us to the terms of the agreement.

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NoH1bs 17 hours ago

@DrDrew1193 @NoH1bs wrong. congress must approve any treaty. the US sanctions aren't getting lifted with congress. Obama may think he's king, but he has little actual power (fortunately).

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DustinG 15 hours ago

@DrDrew1193

What Obama has done is to hold something back so he has something to trade later. It appears that the anti Obamas wanted us to just give up everything like Europe did.

Of course had Obama gone along with the European plan the same anti Obamas would have been saying "Obama gave away everything. He should have held something back".

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NoH1bs 17 hours ago

"There is not going to be a comprehensive law allowing all U.S. companies to operate in Iran anytime soon. This will make American firms the biggest loser of the nuclear deal,"

unless you've paid off a congressperson or two...

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Timothy Guillemette 18 hours ago

U.S. corps just want the next source of the cheapest labor. We should 'trade' value for value with countries.. not allow MNCs to confiscate all means of production for themselves by offshoring entire industries to price effectively destroy any competition here in the states.

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mitchgam 18 hours ago

Iran is just another place where US corporations wish to invest, so they don't need to invest any money made in the USA in the USA.

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NoH1bs 17 hours ago

[@mitchgam](#) nah, that would be un-American. oh, wait...

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TJM59 16 hours ago

[@mitchgam](#) Or alternatively, you go to where the customers are if you want to increase your sales.

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Andrey65 19 hours ago

Russia and China joining US sanctions against another country is a fine example of political incompetence. US sees any cooperation only as a sign of weakness: you cooperate with them on sanctions against Iran today, tomorrow they will use it against you!

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Taylorcreek 20 hours ago

The lefty lock steppers will like this. The larger the businesses the more the left hates them.

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**booboospal** 19 hours ago

As with our longstanding Cuba policy, we will limit US business involvement in Iran to the benefit of businesses in other countries.

[Flag](#) [Share](#)[Like](#) [Reply](#)**DustinG** 19 hours ago[@Taylorcreek](#)

Funny you should say that considering that the worst recessions have happened when Republicans controlled the entire government for more than two years.

[Flag](#) [Share](#)1 [Like](#) [Reply](#)**FiscalCs** 18 hours ago[@DustinG](#) [@Taylorcreek](#) I smell bacon!!!

In my lifetime we've had 2 major recessions.

Jan 1980 - Nov 1982 - technically two recessions but the second is often referred to as a "double-dip" recession because we never really got out of the first one.

Started under a Democrat President (Carter) with a Republican Senate and Democrat House.

Dec 2007 - June 2009 - Started when we had a Republican President (Bush) with Democrats controlling the Senate and House.

Democrats control: 4 areas of government

Republicans control: 2

The Great Depression happened when Republican's controlled all three branches but if your going that far back then the next major recession happened when Democrats controlled all three branches. Basically in summary it doesn't make any difference who is in power.

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There was no recession when Carter was President. Do a search on GDP by quarter and you will see that there was no two consecutive quarters of loss in GDP until Reagan was in office.

The recession around 1920 was caused by the Fed raising interest rates. At that point in time they didn't know what impact interest rates had on the economy. When they lowered them again the recession ended. It had nothing to do with Congress or the President.

Now go back before that and you have the late 19th century which was a continual cycle of boom periods followed by panics. During that time the Republicans controlled everything. That was the age of Laissez Faire and the Robber Barons.

That would run your Republican score up quite a bit.

The point is, you can't defend the original post which says "The larger the businesses the more the left hates them." In general business does better with a Democrat in the White House.

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Setophaga 3 hours ago

[@FiscalCs](#) [@DustinG](#) [@Taylorcreek](#) Using only private sector growth, not increases in government capital spending, Carter had a higher average GDP growth than Reagan.

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Setophaga 3 hours ago

[@Taylorcreek](#) That must explain why markets grow so much more when lefties are in the WH, because they are so bad for business.

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Bob Miller 21 hours ago

No biggie according to the right we dont produce anything anyway so our business community wont be hurt.

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mrbobj 16 hours ago

[@Bob Miller](#) If dark money and campaign donations/bribes look to take a hit the sanctions will disappear overnight due to Iranian nuclear "compliance".

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