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Trump Administration Imposes Heightened Sanctions on Iran in Response to Missile Strike

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January 16, 2020 – On Friday, January 10, 2020, the Trump Administration expanded its sweeping economic sanctions on Iran in dual actions by President Trump and the U.S. Department of the Treasury, Office of Foreign Assets Control (“OFAC”), in response to recent Iranian military action targeting U.S. bases in Iraq. Specifically, President Trump issued an [Executive Order](#) authorizing OFAC to impose sanctions on the construction, manufacturing, mining, and textile industries, while OFAC designated eight senior Iranian regime officials, Iranian manufacturing firms, and two non-Iranian companies as Specially Designated Nationals (“SDNs”) subject to blocking sanctions.

Background

In recent weeks, the tense relationship between the United States and Iran has further deteriorated following a U.S. drone strike that [killed](#) Iranian Major General Qassem Soleimani, the commander of the Islamic Revolutionary Guard Corps’ Quds Force. Iranian forces [retaliated](#) by firing more than a dozen ballistic missiles at U.S. military bases in Iraq. Following Iran’s retaliation, the United States responded by levying further economic sanctions against Iran. The Iranian missile strikes resulted in no casualties and the U.S. response did not go further.

The latest U.S. sanctions also come as the international community works to investigate the crash of Ukrainian International Airlines Flight 752, for which Iran belatedly took responsibility after initial denials. When announcing the new U.S. sanctions, U.S. Secretary of the Treasury Steve Mnuchin [explained](#) that OFAC would issue sanctions waivers for U.S. individuals and agencies tasked with investigating the plane crash.

Scope of Sanctions

The Executive Order authorizes OFAC to designate any party determined “to operate in the construction, mining, manufacturing, or textiles sectors of the Iranian economy, or any other sector of the Iranian economy as may be

determined by the Secretary of the Treasury, in consultation with the Secretary of State.” The Order also authorizes secondary sanctions targeting individuals and entities that have knowingly engaged in “significant transaction[s] for the sale, supply, or transfer to or from Iran of significant goods or services” used in the designated economic sectors. Critically, although designations have not yet been made, the Executive Order provides for immediate secondary sanctions for third-party entities transacting in the economic sectors identified in the Order, even if those transactions do not involve an SDN. Although “significant transactions” are not defined in the Order, in other contexts OFAC has indicated that it considers the following factors to determine whether transactions are “significant” for purposes of other executive orders targeting Iran:

- The size, number, and frequency of the transactions;
- The nature of the transactions;
- The level of awareness of management and whether the transactions are part of a pattern of conduct;
- The nexus of the person that engaged in the transactions and the prohibited activities;
- The impact of the transactions on the executive orders’ objectives; and
- Whether the transactions attempt to obscure or conceal the actual parties or true nature of the transactions, or evade sanctions.

The Order additionally authorizes secondary sanctions against individuals and entities that have provided material assistance, or goods and services, to or in support of, designated individuals and entities.

Although no designations have been made under the new Order, under the existing authority of Executive Order 13876 issued in June 2019, OFAC concurrently announced that it had designated eight senior Iranian government officials, all of whom purportedly have close ties to Iran’s Supreme Leader Ali Khamenei, in response to Iran’s missile attacks on U.S. military bases last week. Under Executive Order 13871 issued in May 2019, OFAC also targeted the 13 largest steel and iron manufacturers in Iran, along with an Oman-based subsidiary of one of the designated Iranian steel companies. As Iranian parties, transactions involving U.S. persons, U.S. products, and U.S. dollars were already prohibited, and these designations are therefore unlikely to have a significant additional impact, but would create a basis for secondary sanctions under the Iran Freedom and Counter-Proliferation Act of 2012 designed to deter foreign investment.

OFAC also designated companies based in China and the Seychelles under its secondary sanctions authority pursuant to Executive Order 13871. Specifically, OFAC designated Beijing-based trading company Pamchel Trading Beijing Co. Ltd., citing the company’s repeated purchases of Iranian steel and coordination with Iranian metals producers to conduct transactions. OFAC stated that the Chinese company had knowingly engaged in significant transactions involving the metals industry in Iran, an activity that is subject to secondary sanctions. OFAC also designated Power Anchor Limited, a Seychelles-based company that Pamchel purportedly used to obscure the Iranian end-users of its transactions. Likewise, OFAC designated the owner of the vessel involved in the transactions.

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