

Iran's economic future redefined

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P5+1 Group and Iran agreed in "Joint Plan of Action" on Iran's nuclear Program

After long days of negotiations, starting on the 20th November, the P5+1 Group – the US, UK, France, China, Russia and Germany – reached an interim agreement with Iran in Geneva on 24th November to limit Tehran's controversial nuclear programme. Iran agreed to stop all uranium enrichment above 5% purity, while the P5+1 Group has agreed not to impose any new sanctions against Iran for six months. According to the agreement, Iran will disable or reduce its stock of 20% enriched uranium. It has vowed to stop any expansion of its facilities and provide far greater access to inspectors from the International Atomic

Energy Agency (IAEA). In return, the US and EU will lift some sanctions, for example on gold, petrochemicals and automobiles, and allow Iran to repatriate some funds from international oil sales.

With a view to its challenging economic situation, Iran was interested in a deal that would reconcile the country with the international community. In this regard, Iran has successfully taken the first step. The interim agreement pending implementation by the European and US authorities will provide Iran with a financial benefit of around USD 4.2bn in frozen assets of international oil sales.

The recent deal creates hope that the Iranian economy could regain momentum. According to US officials it could provide up to USD 7bn of relief to the Iranian economy in total, but even more enticing for Iran is the prospect that other sanctions could be lifted in the future. As an immediate impact of the agreement, Iran's currency jumped more than 3% against the US dollar on the very next day. The stabilisation of currency could lead to a drop in the cost of importing construction materials and bring a boost to the construction sectors. In the long term, the deal could support the return of investments.

On 24th November 2013 the historic agreement between the 5+1 Group and Iran in Geneva paved the way for a reset of political and economic relations with Iran. Answering the numerous questions concerning the new trade regulations, the 94th Länderforum "Special Forum Iran" took place in December in Berlin. NUMOV members were invited to actively take part in the discussion about the new outlook after Geneva.

The agreement and the Joint Plan of Action are scheduled for six months, after approval by the European Union, with the option of an extension for another six months. Part of the agreement is to relieve sanctions for certain branches, such as the sale of crude oil, oil ship insurance, automotive supply import, the repair of cer-

tain airlines and the relaxation of sanctions for the export of petrochemical products.

Furthermore, restrictions on money transaction will be eased. Instead of the current EUR 40,000, a sum of up to EUR 400,000 can be transferred to Iran without special approval. Iran will also be granted the opportunity to repatriate money from its oil sales, worth USD 4.2bn within the six months after the agreement is officially acknowledged.

Currently, the EU is working on the legal preparation for the implementation of the Joint Plan of Action. The estimated date enacting the regulation through the European Council is the end of January 2014. German-Iranian trade is expected to gain momentum this year.

Furthermore, Iran will be allowed to restart petrochemical exports, which could provide another USD 1.5bn in revenue over the next six months. The lifting of restrictions on its petrochemicals industry will have the effect that the country is able to cooperate internationally. Iran is one of the biggest petrochemicals producers in the region, and automobile exports could bring in a further USD 500m, since the P5+1 Group has agreed to allow foreign investment in Iran's automotive industry and the trade of precious metals.

Licences for repairs in the aviation industry are to be issued with the lifting of sanctions in January 2014. Meanwhile, it should not be forgotten that many restrictions, such as the sanction against the oil and banking sector, will be kept in place. Nonetheless, this progress is considerable in Iranian international economic affairs.