

22 January 2016

## IRAN: THE POTENTIAL FOR INCREASED PROSPERITY?

The Joint Comprehensive Plan of Action (JCPOA), which is the product of years of negotiations between Iran and the International Community, is now in force.

The International Atomic Energy Agency (IAEA) last week confirmed that Iran had started restricting its Nuclear activities in the manner it agreed to last July. Many anticipate that foreign investment in a country which has been paralysed by international sanctions will now restart.

Iran's potential in Natural Resources is well known. Only Saudi Arabia, Venezuela and Canada are thought to have greater oil reserves. There were previously plans to export Liquid Natural Gas (LNG) to Europe and in light of the country's warm climate, the possibility of generating considerable amounts of renewable energy has also been acknowledged. Yet for decades much of this has remained untapped potential. It has been estimated that international sanctions have cost Iran \$160billion in oil revenue over just 4 years.

Whilst Iran's energy potential is obvious, this agreement also opens the door to wider investment opportunities. Improvements to Iran's infrastructure have already been mooted; there have been suggestions that Iran's smaller airports will need to be modernised in light of Airbus winning the right to supply more than a hundred planes for Iran's national airline, Iran Air.

However, Iran's position may remain somewhat precarious for the foreseeable future. As part of the deal, the IAEA, whose findings are fed to the United Nations Security Council, will supervise all of Iran's nuclear sites. As part of ensuring the country's Nuclear facilities are being used for peaceful purposes, for 15 years Iran will be obligated to allow the IAEA free access to any site. Any refusal to comply will be scrutinised by a Joint Commission, of which Iran will be a part, and this commission will be free to recommence sanctions with a simple majority.

The JCPOA has been hailed as key to maintaining world peace. The US has argued that reducing Iran's centrifuges and enriched uranium will prevent construction of a Nuclear bomb in less than a year. However, the extent to which it will increase Iran's prosperity remains unclear. Investors will still have to be mindful of issues such as inflation, corruption and Saudi Arabia's increasing tension with Iran if they decide to invest in the Iran. However, the JCPOA certainly seems to have brought an array of unique business opportunities that once seemed impossible.

*This is the first of a series of blogs that assesses the impact of the Joint Comprehensive Plan of Action (JCPOA) on future investment in Iran. Next week we will assess some of the lifted sanctions lifted,*

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*before considering the “snap back” provisions of the JCPOA, which could facilitate their reinstatement.*

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