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EU mulls retaliation to Trump's Iran sanctions as it seeks to protect businesses

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Last night Trump described the deal, signed by his predecessor President Obama and the other permanent members of the UN Security Council - UK, France, China and Russia - as well as Germany, as “decaying” and “rotten”.

Oil prices rose again today, with WTI Crude up 2.5 per cent in afternoon trading to \$70.75 a barrel while Brent Crude climbed 2.4 per cent to \$76.6 a barrel.

City A.M. understands a number of options are on the table as the bloc - which is Iran’s third biggest trading partner after China and the UAE - seeks to maintain the deal while also safeguarding European firms who may find themselves in violation of US law.

The US Treasury has promised “wind-down” periods of 90 to 180 days to let firms extricate themselves from agreements with Iran and avoid US sanctions announced last night.

But companies such as energy giants Total and Royal Dutch Shell, car-maker Renault and aircraft manufacturers Airbus and Boeing are reported to have deals worth billions on the line.

One way around the sanctions would be if the EU could secure waivers for certain firms. Total is already starting the lobbying process, according to the Wall Street Journal.

City A.M. understands that the EU is also considering ways to address any “economic impact” from the move, such as subsidies, although this may end up being carried out on a national basis.

A “combination of measures”, including retaliatory sanctions, could be deployed. The EU recently secured an exemption from Trump's steel and aluminium tariffs after threatening like-for-like charges on iconic exports such as Levi jeans, bourbon whisky, peanut butter and orange juice.

But unlike with the tariffs, the EU has no recourse to the World Trade Organisation over the extraterritorial nature of the sanctions because Iran isn't a member.

A spokesman told City A.M. the body had never intervened in cases involving non-members, and said it had not been approached in this instance.

French politicians have scrambled to reassure firms that they are working to protect their interests.

French finance minister Bruno Le Maire told France Culture radio: “The international reach of US sanctions makes the US the economic policeman of the planet, and that is not acceptable.”

Jean-Yves Le Drian, the French foreign minister, told RTL radio: “Iran needs to continue its determination to remain in the pact in return for economic benefits that the Europeans will try to preserve.”

Meanwhile this afternoon, foreign secretary Boris Johnson told MPs the government would “do our utmost” to protect British businesses, stressing that the UK was not walking away from the deal.

European Council President Donald Tusk has already confirmed that Trump’s Iran decision and his wider trade policies will be the subject of high level discussions at next week’s summit in Sofia, Bulgaria.

However Emma Ashford, a research fellow at Cato Institute, warned it would be “very difficult” for the EU to protect exposed firms, suggesting retaliatory measures might have to be deployed instead.

“It will be very difficult for Europeans, even with a united front - there is basically no way to fully block the sanctions,” she said.

However Russian and Chinese companies - particularly the latter - could benefit because they are less exposed to the US.

“They will be the ones who are best able to exploit the Iranian market,” Ashford said.