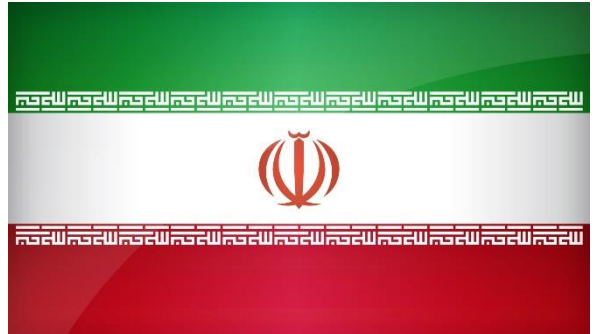


Sanctions never tell the full story

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With new US sanctions against Iran evidencing a harder line by the Trump administration, and Rouhani threatening to withdraw from the JCPOA deal in response, Iran is once again in the headlines for all the wrong reasons.



Iran, as with Russia, can sometimes make interested parties fall foul of the “sanctions trap”. Essentially, to examine the often extensive lists of persons and entities subjected to international sanctions and conclude that if your particular interest is not on the list, they are fine to work with. While it is true that those on the sanctions list are unsuitable to work with (in most cases outright forbidden), it is by no means the corollary that someone who is not on the list is pure as snow.

Iran is a particular complexity given political sensitivities of the region: something of a pariah state since 1979, the ensuing waves of sanctions against the nuclear program have rendered the majority of traditional business routes impossible. While the 2013 agreement which lifted many sanctions heralded a slight thaw in relations, the new American administration has wasted little time in freezing them once again. For the avenues left available, firms are often keen to ‘get the deal done’ for two reasons: firstly, because there is no telling when even more sanctions could hit with even further restrictions, and to take advantage of an environment where the competition is lesser.

However, to do so in Iran is a very dangerous move and the threat of sanctions overshadows the range of below-the-radar threats present throughout the country that risk passing unnoticed. For a start, it does not take into account the standards of criminal records, negative publicity, financial status and so on – the bedrock of all risk assessments – and says nothing about the wider culture of corruption within Iran where even the simplest business deal risks getting tied up in bureaucracy and stagnation unless certain palms are greased. Such instances are harder to divine than a black-or-white name on a sanctions list and, for those looking to rush through a deal on a tick-box basis, may not even come into play.

It has also been known – frequently – for powerful entities within Iran to shape the news and media for their own purposes, to give a differing account of occurrences or staff where the truth would have precluded a (for them) lucrative deal going ahead. It is not enough then to know what is being said – but to find out whether this is the truth. Fake news has only recently become a buzzword, but it has been prevalent in business and corruption for many years.

The other big issue in Iran is the insidiousness of the Revolutionary Guard Corps (IRGC) and the degree to which they control in part practically all of Iran’s major industries and business centres. The IRGC are notorious for working behind the scenes and through proxies, directing Iran’s business both domestically and globally while remaining in the shadows. This is an eminently sensible decision. Their exposure and risk is reduced, while to the international community (most pertinently, any potential investors) they are simply not involved.

But this is rarely the case – and brings us back to the issue of sanctions and this time, the issue of ownership and control. A particular figure may be nominally in charge of a company, but unless you have cast-iron proof that they really are, you run the risk of allowing a shadow director into the business relationship – one who is very likely to be sanctioned and who therefore will go to great lengths to conceal his involvement.

KCS worked on one memorable case where, if one looked behind the apparently virtuous public director of a particular company, there were seventeen levels of shells and proxies concealing the ultimate involvement (and utter control) of a key member of the IRGC. The company in question had even faked directorial records and press coverage so as to present a favourable face for a partnership – but the IRGC were at every stage pulling the strings. Had the Client proceeded on face value alone, they would have likely found themselves trapped in a business relationship very different to the one they expected.

None of this is to suggest that sanctions lists should be ignored, of course they should be checked thoroughly, but they should never be the primary or only source of consideration. They are an invaluable method of laying the foundations for an investigation, but only careful and thorough due diligence that goes far beyond the superficial will uncover any issues that could negatively affect an Iranian venture. As the saying goes, only fools rush in...

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