

# Tidewater Middle East Co. and South Shipping Line Iran

Consequences of Counter-Proliferation Sanctions



## The Designations of Tidewater Middle East Co. and South Shipping Line Iran

On June 23, 2011, pursuant to Executive Order (E.O.) 13382 and the Weapons of Mass Destruction Proliferators Sanctions Regulations (WMDPSR), the Department of the Treasury designated Tidewater Middle East Co. (Tidewater) for being owned by Mehr-e Eqtasad-e Iranian Investment Company, Mehr Bank, and Iran's Islamic Revolutionary Guard Corps (IRGC) (all entities designated under E.O. 13382 and the WMDPSR).<sup>1</sup> The IRGC continues to be a primary focus of U.S. and international concern because of the central part it plays in Iran's illicit conduct, including the country's nuclear and ballistic missile programs, its support for terrorism, and its involvement in serious human rights abuses. In June 2010 United Nations Security Council Resolution (UNSCR) 1929 noted the international community's serious concern about the role of elements of the IRGC in Iran's nuclear proliferation activities and its development of delivery systems for weapons of mass destruction.

South Shipping Line Iran (South Shipping) was designated by the U.S. Government in September 2008 for being owned or controlled by/acting on behalf of the Islamic Republic of Iran Shipping Lines (IRISL). IRISL was designated pursuant to E.O. 13382 for its provision of logistical services to the arm of the Iranian military that oversees Iran's ballistic missile program.<sup>2</sup> South Shipping was also sanctioned by the United Nations in UNSCR 1929 for being "owned, controlled or acting on behalf of IRISL."

Tidewater has operations at seven Iranian ports, including the main container terminal at Bandar Abbas, Shahid Rajaei. Bandar Abbas manages over 90 percent of Iran's container operations. South Shipping operates container terminals at Imam Khomeini Port and Khoramshahr Port which together manage approximately seven percent of Iran's container traffic.

<sup>1</sup> Additional information regarding the designation is available at [www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx](http://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx)

<sup>2</sup> Additional information regarding the designation is available at [www.treasury.gov/press-center/press-releases/Pages/hp1130.aspx](http://www.treasury.gov/press-center/press-releases/Pages/hp1130.aspx)

### Tidewater Middle East Co. Identifying Information

- TIDEWATER MIDDLE EAST CO. (a.k.a. TIDE WATER COMPANY; a.k.a. TIDE WATER MIDDLE EAST MARINE SERVICE; a.k.a. TIDEWATER CO. (MIDDLE EAST MARINE SERVICES)), No. 80, Tidewater Building, Vozara Street, Next to Saie Park, Tehran, Iran; Business Registration Document # 18745 (Iran); Email Address [info@tidewaterco.com](mailto:info@tidewaterco.com); alt. Email Address [info@tidewaterco.com](mailto:info@tidewaterco.com); Telephone: 982188553321; ir; Website [www.tidewaterco.com](http://www.tidewaterco.com); Telephone: 982188553321; Alt. Telephone: 982188554432; Fax: 982188717367; Alt. Fax: 982188708761; Alt. Fax: 982188708911

*Tidewater Middle East Co. is separate and distinct from Tidewater, Inc., an international shipping company headquartered in the United States and listed on the New York Stock Exchange as TDW.*

### South Shipping Line Iran Identifying Information

- SOUTH SHIPPING LINE IRAN (a.k.a. SOUTH SHIPPING LINES IRAN COMPANY), Apt. No. 7, 3rd Floor, No. 2, 4th Alley, Gandhi Ave., Tehran, Iran; Qaem Magham Farahani St., Tehran, Iran

Accordingly, the designations of Tidewater and South Shipping have far-reaching implications for both U.S. persons and foreign persons and for a range of industry actors, including freightliners, freight forwarders, customs brokers, insurers and the financial institutions and intermediaries used by each. All actors are encouraged to use ports that are not operated by Tidewater or South Shipping for any goods destined to, or exported from, Iran.

Industry actors who continue to engage in transactions involving Tidewater or South Shipping face reputational, financial, and legal risks. Responsible actors have already begun to cease doing business with such ports. For those engaging in transactions involving Tidewater or South Shipping, it may become increasingly difficult to obtain the necessary financing or insurance for such transactions.

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## General Risks

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**Risks Applicable to U.S. Persons and Persons Conducting Transactions Within U.S. Jurisdiction**  
U.S. persons and others conducting transactions subject to U.S. jurisdiction who engage in transactions involving Tidewater or South Shipping may be subject to civil or criminal penalties under the International Emergency Economic Powers Act (IEEPA), unless the transactions are exempt or authorized by the Department of the Treasury's Office of Foreign Assets Control (OFAC).

### Risks Applicable to Foreign Persons

The designation of Tidewater as an entity owned by the IRGC and the sanctioning of South Shipping by the United States and the United Nations have important implications for foreign persons operating outside U.S. jurisdiction as well. Under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA) and the Iranian Financial Sanctions Regulations (IFSR), foreign financial institutions (including, but not limited to, banks, money service businesses, securities brokers and dealers, and investment companies) that knowingly facilitate a significant transaction or transactions or provide significant financial services for Tidewater, or that knowingly facilitate the activities of South Shipping may themselves be subject to sanctions, up to and including the loss of their correspondent access to the U.S. financial system. Such consequences can arise even if the transactions or activities are licit or involve transfers in currencies other than U.S. dollars.

**Risks Applicable to both U.S. and Foreign Persons**  
Persons who provide financial, material, technological or other support for, or goods or services in support of, Tidewater or South Shipping could be sanctioned under E.O. 13382 and the WMDPSR. Persons who make funds, financial assets, or other economic resources available to South Shipping could also find themselves in violation of domestic restrictions that implement UNSCR 1929.

In addition, the IFSR prohibit any person that is owned or controlled by a U.S. financial institution from knowingly engaging in any transaction with or benefitting the IRGC or any of its agents or affiliates whose property and interests in property are blocked under IEEPA. Any person owned or controlled by a U.S. financial institution, therefore, should not engage in transactions with or benefitting Tidewater. A U.S. financial institution is subject to civil penalties under CISADA if any person it owns or controls (e.g. a foreign subsidiary) violates this prohibition and the U.S. financial institution knew or should have known of such violation.

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## Industry-Specific Risks

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### Examples for Select Industries

#### *Shippers and their Financial Institutions*

Freightliners represent a key point of direct interaction with port operators such as Tidewater and South Shipping. Transactions related to freightliners calling at a Tidewater- or South Shipping-operated port, including those associated with bunkering activities, expose a freightliner to potential risks under the WMDPSR for providing financial, material, technological or other support for, or goods or services in support of, Tidewater or South Shipping. Such transactions could also create the risk of a CISADA finding against the freightliner's financial institution. For example:

- A foreign freightliner asks the foreign financial institution with which it banks to provide funds to an unsanctioned entity in order for the entity to serve as its intermediary with respect to any payments to Tidewater or South Shipping associated with the freightliner's berthing at a Tidewater or South Shipping facility. This intermediary entity makes all final payments to Tidewater or South Shipping on the liner's behalf. In such a case,

if the freightliner's bank knew or should have known that it was facilitating payments for Tidewater or South Shipping the bank could face sanctions under CISADA.

### ***Insurers and their Financial Institutions***

Providers of protection and indemnity or marine liability insurance also expose themselves to risk if/when one of their insured vessels calls at a Tidewater or South Shipping port. For example:

- A European subsidiary owned or controlled by a U.S. insurance company provides marine liability insurance for vessels of a non-U.S. shipping company that transports goods to the port of Bandar Abbas. If the European subsidiary is called to investigate or pay a claim for damage caused by one of its insured vessels to a dock facility under Tidewater's control, any reimbursement to Tidewater for claim services or indemnification to Tidewater for damages to its dock may subject the U.S. insurance company to civil penalties under CISADA if it knew or should have known the subsidiary engaged in transactions benefitting Tidewater.

- A foreign freightliner docking at a Tidewater or South Shipping facility is involved in an accident and calls on its non-U.S. insurer to disburse funds to, or accept funds from, Tidewater's insurer or bank. The non-U.S. bank or financial intermediary of the freightliner's insurer faces CISADA risks – and a potential cutoff from direct access to the U.S. financial system – if it agrees to either service knowing that the transaction is for Tidewater or South Shipping.

### ***Freight Forwarders and Other Intermediaries Such as Customs Brokers***

Freight forwarders and other intermediaries such as customs brokers arranging for the transport of cargo to or from Iran are similarly at risk of potential sanctions if they engage in transactions with Tidewater or South Shipping. If they make funds, financial assets, or other economic resources available to South Shipping they could also find themselves in violation of domestic restrictions that implement UNSCR 1929.

*Note: This document does not constitute legal advice. It is intended to provide a broad overview of certain authorities that the Treasury Department implements and/or administers.*

## **Resources**

- U.S. Treasury Department - Press Release  
Treasury Sanctions Major Iranian Commercial Entities  
[www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx](http://www.treasury.gov/press-center/press-releases/Pages/tg1217.aspx)
- U.S. Treasury Department - Press Release  
Major Iranian Shipping Company Designated for Proliferation Activity  
[www.treasury.gov/press-center/press-releases/Pages/hp1130.aspx](http://www.treasury.gov/press-center/press-releases/Pages/hp1130.aspx)
- U.S. Treasury Department -  
Resource Center on Non-Proliferation Sanctions  
[www.treasury.gov/resource-center/sanctions/programs/Pages/wind.aspx](http://www.treasury.gov/resource-center/sanctions/programs/Pages/wind.aspx)
- U.S. Treasury Department - Updated List of Designated Entities  
[www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx](http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx)
- U.S. Government - Public Law 111-195  
Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010  
[www.treasury.gov/resource-center/sanctions/Documents/hr2194.pdf](http://www.treasury.gov/resource-center/sanctions/Documents/hr2194.pdf)
- U.S. Treasury Department - Iranian Financial Sanctions Regulations  
[www.treasury.gov/resource-center/sanctions/Programs/Documents/ir75\\_49836.pdf](http://www.treasury.gov/resource-center/sanctions/Programs/Documents/ir75_49836.pdf)
- United Nations - Security Council Resolution 1929  
[www.treasury.gov/resource-center/Documents/1929.pdf](http://www.treasury.gov/resource-center/Documents/1929.pdf)

