Nami Associates
Law Firm


Behnam Khatami
Managing Partner

+98 21 2240 0434
behnam.khatami@namiassociates.com


Mansour Vesali
Senior Associate

+98 21 2240 0434
mansour.vesali@namiassociates.com

Iran Business Environment Update

23 July 2026

Background

The conflict in the region has resumed, with Iran and the U.S. entering a new phase of military exchanges. Recent U.S. strikes have focused on the southern part of Iran that serves as the strategic gateway for its foreign trade.

Against this backdrop, the Memorandum of Understanding (**MoU**) negotiated and signed between Iran and the U.S. in June 2026 remains in a precarious state, with the prospect of a deal appearing distant for the time being. As a result, uncertainty continues to cast a shadow over the business environment, delaying what had been an emerging recovery in foreign investment and trade.

The MoU had raised expectations among market participants that Iran would embark on a period of reconstruction, normalise economic relations, and strengthen commercial ties with neighboring Persian Gulf states. The renewed military escalation has significantly weakened these expectations. Businesses, investors, and other stakeholders now face heightened geopolitical risk, increasing policy uncertainty, and a more cautious outlook for cross-border trade, investment, and long-term economic cooperation.

Further to our article published 18 March 2026 titled “Iran at War: Trade Disruption, Government Responses and Business Continuity”, which provided an update on the war and its impact on the business environment from a legal and regulatory perspective during the opening weeks of the war against Iran, this article offers a further update on select issues concerning business environment during the war.

Judicial Support Measures for Production Units Damaged by War Strikes

Remarkable judicial support measures have been announced for production units damaged by war strikes. In a circular (**Circular**) issued on 16 June 2026 addressing judicial authorities of Tehran by the Deputy Chief of the Judiciary of Tehran Province in the Resistance Economy Task Force, five facilitating measures were announced for judicial and legal support of production and industrial units damaged during the ongoing war.

Considering the significant role of the banking system in the economic order, the interaction between banks and affected production units in times of crisis such as war has been the background for this Circular.

Recognising the significance of commercial instruments such as bank guarantees for securing the contractual obligations assumed by industrial and production units, the Circular underscores the effect of extraordinary situations such as war as force majeure, and emphasises that expecting the obligors to fulfil their obligations is contrary to general legal principles governing contracts. Accordingly, considering the substantial damage done to production units and the disruption of their operations, such incidents would affect their fulfilment of contractual obligations vis-à-vis third parties.

In identifying the hardship arising from the damage sustained by production units in the war strikes, the Circular deems facilitative judicial support measures necessary as follows:

(a) Those production units damaged by the strikes, in which production has come to a complete or partial halt, if such units have furnished bank guarantees in connection with the performance of their contracts with public or private employers, such guarantees or the requisite legal accommodations shall be extended in accordance with applicable regulations until such time as the production units are rebuilt and restored to the production cycle, subject to the confirmation by the Ministry of Industry, Mines and Trade.

(b) Should the obligee seek to seize the guarantees provided by the damaged production units due to delays in the delivery of goods, the necessary support shall be extended to the affected production unit. This entails that the effects and conditions of force majeure arising from the war shall be applied to the obligation, and that, in rendering any judgment forcing the issuing bank to pay the amount of the guarantee to the obligee, thorough and careful scrutiny shall be exercised.

(c) If, in the course of judicial proceedings concerning claims brought by obligees against production units damaged by the war, it is established that the delay in performance of the obligation was caused by the war-related damage, given the existence of force majeure conditions with respect to the performance of the obligation, due care and attention shall be exercised in adjudicating and issuing any ruling that would obligate the damaged production unit to pay damages for non-performance or delayed performance.

(d) If it is determined, through the confirmation of banking specialists, judicial proceedings, or otherwise, that the delay in repayment of installments or settlement of banking facilities, or the delay in fulfilling foreign-currency obligations, was attributable to the damage and loss sustained by the production unit in the war, the necessary due care shall be exercised with respect to awarding late-payment damages, the initiation of judicial proceedings, and the issuance of judgments concerning foreign-currency obligations that remained unfulfilled during the shutdown period due to war-related damage.

(e) Regarding the extension of banking facilities, the granting of grace periods for the repayment, and the allocation of new loan facilities to production units damaged by the war, the bank shall render the necessary and close cooperation. While taking the requisite measures to safeguard the bank's rights, it shall refrain from taking unnecessary formalities and procedures.

Foreign Trade Status

As the war continues, recently released data from Iran’s Customs Administration (**IRICA**) indicates that foreign trade has remained functional since the outbreak of hostilities. While the volume of both imports and exports has been affected by wartime conditions, foreign trade corridors have not been entirely disrupted, thereby enabling essential foreign trade to continue throughout the war.

Unsurprisingly, imports have been largely directed toward essential commodities: a natural prioritisation during wartime, when the government seeks to maintain a steady supply of basic needs. The relative decline in export value during the war period can be attributed to several factors, including export controls aimed at prioritising domestic market requirements, as well as partial disruptions caused by war-related damage to certain manufacturing facilities that are key to export markets.

To ensure the continued stability of essential imports, the government has recently taken a number of measures, including the relaxation of certain import restrictions for essential goods. In a strategic move, the Ministry of Agriculture has eliminated caps on order registration for the importation of essential commodities. This policy aims to facilitate supply chains and reduce final costs by allowing importers to make one-off bulk purchases while bringing goods into the country in partial shipments. This approach offers greater cost-effectiveness and flexibility, enabling importers to better manage demand-side procurement.

It was also recently announced by the Minister of Agriculture that, for at least the next few months, various restrictions on the import of essential commodities have been lifted. Accordingly, all natural and legal persons may now engage in such imports without the prior requirements of a track record, volume caps, or other previous limitations.

Another significant development concerning essential commodity imports relates to foreign exchange (**FX**) allocation. Although the import FX regime has undergone considerable evolution and substantial modifications over the past months, there has been ongoing debate as to whether the most essential items should remain subject to the same regime or continue to benefit from preferential FX allocation by the government.

In April 2026, the Food Security and Public Welfare Working Group (composed of certain members of the Council of Ministers) adopted a regulation introducing an important amendment to the Implementing Regulations of the Budget Law for the Persian Year 1405.

This amendment sets a preferential exchange rate for a limited number of essential goods, which remain eligible for subsidised FX allocation. Accordingly, the exchange rate for the foreign currency required for the import of pharmaceuticals, medical devices, infant formula, and wheat shall be calculated at IRR 285,000 per USD. As an important caveat, this preferential FX allocation for the aforementioned essential items is subject to a total ceiling of USD 3.5 billion.

Foreign Investment Services

Amid the ongoing war, foreign investment services have remained operational. Beyond the adoption of regulations to streamline procedures such as work permit and residence permit applications for foreign investors, the Foreign Investment Board has continued to convene throughout the hostilities to review and approve foreign investment project applications. These approvals encompass both foreign entities and Iranians residing abroad, as the origin of capital constitutes the determining criterion for foreign investment status under Iran's foreign investment legal framework.

According to media reports, the approved projects span sectors including agriculture, food and pharmaceuticals, renewable energy, etc. Additionally, media reports indicate that over the past four months, the Board has held four monthly sessions, approving over 205 foreign investment projects with a total value of approximately USD 1.6 billion.

Final Remarks

Despite the ongoing armed conflict and its severe economic repercussions, which have compelled numerous enterprises to adopt austerity measures in their human resources, budgeting, and operations, the Iranian economy remains practically functional, with no overarching suspension of activity across its various economic sectors.

While businesses continue to struggle for resilience amid a war that directly impacts the overall business landscape, they have adopted short-term survival strategies. Government bodies, for their part, have also been exploring facilitative measures where necessary to help manage wartime conditions, with a particular focus on securing the supply of essential goods.

Looking ahead, the business environment is closely monitoring potential scenarios for an end to the conflict and the prospect of improved conditions. Nevertheless, both the fragile status of the MoU and the threat of further escalation of geopolitical tensions in the region loom large, casting uncertainty over the future.

* * *

Disclaimer: The content of this article is provided for informational purposes only and does not constitute legal advice. While every effort has been made to ensure the accuracy and relevance of the information presented, Nami Associates Law Firm accepts no liability for any errors, omissions, or reliance on the content herein. Readers are strongly advised to seek professional legal consultation tailored to their specific circumstances before making any decisions or taking any action based on the information provided in this article. The content should not be interpreted as creating a lawyer-client relationship or as a substitute for personalised legal advice.

Nami Associates is a leading full-service law firm licensed by Iran's Central Bar Association and based in Tehran.[1] With decades of collective experience, the firm is widely recognised for its exceptional expertise in advising on complex and high-value legal matters in the Iranian market. Nami Associates provides comprehensive legal services across a broad spectrum of practice areas, including corporate and M&A, projects and finance, intellectual property, regulatory compliance, and dispute resolution.

For further information about our practice and experience, please feel free to reach out to us.

Nami Associates Law Firm

37 Asef (Ejazi) Street, Unit 4 South
Zafaraniyeh, Tehran 1988893433, Iran

+98 21 2240 0434 +98 21 2241 8899
info@namiassociates.com
www.namiassociates.com

[1] Iran's Central Bar Association licence number 26300099, registration number 53221 and national identification number 14010847783.