The Post-Sanctions Iranian Market

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3. Mauritius – Iran Business Opportunities
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1. Economic Date
Iran in Numbers – General Information

Country: Iran, Islamic Republic
Capital: Tehran
Area: 1,648,195 sqkm
Population: 78 Million
Provinces: 31
Language: Farsi
Religion: Moslem (Shia)
Currency: Rial (Toman)
1€ = 3,600 Toman
Script: Arabic

• Multi-ethnical population: Persian (about 53%), Azerbaijani, Gilani, Masandarani, Kurds, Arabs, Lurs, Beluchi und Turkmens.
• Part of the Middle East Region
• Neighbouring countries: Iraq, Turkey, Armenia, Azerbaijan, Turkmenistan, Afghanistan, Pakistan
• Access to Caspian Sea, Persian Gulf and Arabian Sea
Iran in Numbers - Population

Iran (Islamic Republic of)
2015
Population: 79,476,000

- Male: 7.9% 6% 2.4% 2.3% 6%
- Female: 7.9%

Fertility rate (number of children born per woman)

Based on World Bank data (1960-2012)

Family planning program begins in 1989

Iran-Iraq War

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Iran in Numbers - Education

- Education has a significant cultural value
- Primarily school enrolments are at 95%
- Well developed school, high school and university system
- Competing public and private institutions
- 2013 almost 4 million students
- More than 50% of the students are female

- The overall academic level is quite low compared to international standards (judged by R&D results and academic publications)
- No chance of international development and scientific exchange with leading educational institutions
- Very high unemployment rate after graduation
Iran in Numbers - GDP

GDP (annual growth rate in %)

GDP (in billion USD)

Source: International Monetary Fund
Iran in Numbers – GDP Per Capita

BSP pro Kopf
(Nominell in USD)

Quelle: World Economic Forum
Iran in Numbers – Oil

For years, Iran’s top trade priority has been to balance the non-crude oil export and imports. This goal has almost been achieved in the current Iranian year.
Iran in Numbers – Gas

Top Natural Gas Producing Countries, 2011

Top Gas Exporting Countries, 2011
Iran in Numbers – What else?
Potential – Tourism

• Before the Islamic Revolution Iran was a very popular among the tourists from the „Western“
• It has 4 seasons at the same time
• Great destination for cultural trips and tours
• Untouched nature offers unique possibilities for „eco tourism“
• Well developed ski resorts are well known and extremely popular among Iranian and international visitors
• The number of tourists has already doubled in the past 12 months
• The tourism authorities are targeting 20 million tourists by 2020

• Very low standards in the entire hospitality sector
• Restoration and expansion of hotel capacity urgently needed
• Very low training standards of the staff
• New F&B concepts needed
• Holistic strategy for the development of the hospitality and tourism sector necessary
Potential – Mining

- 68 different minerals and raw materials such as iron ore, copper, coal, zinc, silver and gold
- Estimated value of USD 700 billion
- Well developed mined with rare stones
- The industry has around 62,000 employees
- Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO) is regulating the activities of the industry
- Goal is to reduce the export of raw materials and develop the relevant processing industry (aluminium and steel production)
- More than USD 10 billion has been invested in the last 15 years in 70 projects
- To achieve the 2025 goals another USD 40 billion is needed

→ Outstanding investment opportunities for foreign investors
→ Atkins Know-how and experience very suitable for this sector
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Potential – Mining
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Potential – Logistics

► Crucial part of the New Silk Road
► Hub for business in Caucasus, Iraq and Afghanistan
Potential – Construction

- Related to the development of all other industries
- Can be seen as the economic barometer in Iran
- Almost entire value chain can be covered by the domestic market, therefore great importance for the labour market
- Golden years in 1995-2007
- 475 construction tenders valued USD 88.3 billion which were awarded during 2014
- **Approximately one million housing units** are needed each year to address a crippling shortage of homes – current capacity is at 400,000 units
- 2016 is projected to see a market size in construction of USD 154.4 billion
- Government has introduced a comprehensive financial plan for private real estate investors

➔ Great importance for the development of labour market
➔ Foreign investment crucial
Other economic sectors with high investment potential...
Outstanding profitability in any sector

Source: TaylorWessing
2. The Business Environment
2.1. Intelligence through surveys and ratings
The Global Competitiveness Report
2014–2015
The Global Competitiveness Index (CGI) Framework

Iran # 83 on GCI 2014-2015

- CGI is a yearly assessment of The World Economic Forum (WEF)
- 144 counties were benchmarked by 12 key factors
- Iran is #11 in the MENA Region
- Due to problems (mainly caused by strict sanctions) Iran’s overall competitiveness suffered dramatically in last 3 years
- Positive:
  - “Solid macroeconomic positioning”
  - “Large market size”
  - “Fairly well educated population”
- Negative:
  - “Institutional Framework”
  - “Labor and goods efficiency”
  - “Financial Market”

→ Iran ranking at #76 on GCI 2016-2017
### Iran’s GCI results

<table>
<thead>
<tr>
<th>Category</th>
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Iran’s Institutions – Crucial for starting business

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<tr>
<th>INDICATOR</th>
<th>VALUE</th>
<th>RANK/144</th>
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<tr>
<td>1st pillar: Institutions</td>
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</tr>
<tr>
<td>1.01 Property rights</td>
<td>3.9</td>
<td>86</td>
</tr>
<tr>
<td>1.02 Intellectual property protection</td>
<td>2.7</td>
<td>127</td>
</tr>
<tr>
<td>1.03 Diversion of public funds</td>
<td>3.0</td>
<td>84</td>
</tr>
<tr>
<td>1.04 Public trust in politicians</td>
<td>3.1</td>
<td>65</td>
</tr>
<tr>
<td>1.05 Irregular payments and bribes</td>
<td>3.4</td>
<td>97</td>
</tr>
<tr>
<td>1.06 Judicial independence</td>
<td>3.4</td>
<td>89</td>
</tr>
<tr>
<td>1.07 Favoritism in decisions of government officials</td>
<td>3.1</td>
<td>68</td>
</tr>
<tr>
<td>1.08 Wastefulness of government spending</td>
<td>2.9</td>
<td>82</td>
</tr>
<tr>
<td>1.09 Burden of government regulation</td>
<td>2.8</td>
<td>125</td>
</tr>
<tr>
<td>1.10 Efficiency of legal framework in settling disputes</td>
<td>3.4</td>
<td>94</td>
</tr>
<tr>
<td>1.11 Efficiency of legal framework in challenging regs.</td>
<td>2.3</td>
<td>130</td>
</tr>
<tr>
<td>1.12 Transparency of government policymaking</td>
<td>3.2</td>
<td>127</td>
</tr>
<tr>
<td>1.13 Business costs of terrorism</td>
<td>3.9</td>
<td>127</td>
</tr>
<tr>
<td>1.14 Business costs of crime and violence</td>
<td>3.6</td>
<td>112</td>
</tr>
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<td>1.15 Organized crime</td>
<td>3.8</td>
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<tr>
<td>1.16 Reliability of police services</td>
<td>4.0</td>
<td>80</td>
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<tr>
<td>1.17 Ethical behavior of firms</td>
<td>3.4</td>
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</tr>
<tr>
<td>1.18 Strength of auditing and reporting standards</td>
<td>3.7</td>
<td>125</td>
</tr>
<tr>
<td>1.19 Efficacy of corporate boards</td>
<td>3.9</td>
<td>122</td>
</tr>
<tr>
<td>1.20 Protection of minority shareholders’ interests</td>
<td>3.2</td>
<td>128</td>
</tr>
<tr>
<td>1.21 Strength of investor protection, 0–10 (best)*</td>
<td>3.7</td>
<td>117</td>
</tr>
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</table>

Doing Business 2015
Going Beyond Efficiency

Comparing business regulations for domestic firms in 189 economies
Iran # 130 on World Bank’s Doing Business Report 2015

- Doing Business report of World Bank assesses doing business for SMEs in their domestic markets
- 189 counties were tested by 12 key factors
- The report also monitors the development of the business framework in the economies
- Iran “under average” overall score among peers in MENA Region
- Best rankings in:
  - Starting a business (62)
  - Enforcing a Contract (66)
  - Getting Credits (89)
- Worst ranking in:
  - Dealing with construction permits (172)
  - Registering Property (161)
  - Protecting Minority Investors (154)

Source: Doing Business Group 2015, World Bank Group
Starting a business – rank 62

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### Table 2.1 How has Iran, Islamic Rep. made starting a business easier—or not?

*By Doing Business report year from DB2010 to DB2015*

<table>
<thead>
<tr>
<th>DB Year</th>
<th>Reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB2010</td>
<td>The Islamic Republic of Iran simplified business start-up by introducing an electronic registration system.</td>
</tr>
<tr>
<td>DB2011</td>
<td>The Islamic Republic of Iran eased business start-up by installing a web portal allowing entrepreneurs to search for and reserve a unique company name.</td>
</tr>
<tr>
<td>DB2013</td>
<td>The Islamic Republic of Iran made starting a business more difficult by requiring company founders to obtain a criminal record clearance to register a new company.</td>
</tr>
<tr>
<td>DB2015</td>
<td>The Islamic Republic of Iran made starting a business easier by streamlining the name reservation and company registration procedures.</td>
</tr>
</tbody>
</table>

*Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* report for these years, available at http://www.doingbusiness.org.*

Source: Doing Business Group 2015, World Bank Group
Dealing with construction permits—rank 172

Source: Doing Business Group 2015, World Bank Group
3.2. Intelligence through experience and direct connection to the market
Iran pays heavy price for sanctions

Sanctions imposed by the West over Iran’s nuclear programme have sharply cut back oil exports, isolated Iran from international banking systems, and contributed to a big drop in the value of its currency.

- **OIL EXPORTS**
  - 2.5 million barrels per day (2011)
  - 1.1 million barrels per day (2013)

- **ECONOMY**
  - Gross Domestic Product ($bn)
    - 2012: 528.4
    - 2013: 502.7
    - 2014: 368.9
    - Down 56%
    - Down 30%

- **UNEMPLOYMENT**
  - 10.4% (Mar 2014)
  - Youth jobless rate: 24%

- **FROZEN ASSETS**
  - $80 billion
  - Hard currency frozen overseas

- **IROAN'S CURRENCY**
  - Mar 2015: U.S. dollar trades for over 27,700 rials at official rate and for 34,000 rials on open market
  - Mar 2012: U.S. dollar trades for 11,300 rials

- **AUTOMOTIVE INDUSTRY**
  - Production has fallen from 1.6 million vehicles (2011) to less than 1 million (2013)
  - Depreciation (2012-15)

Sources: Congressional Research Service, IEA, Cato Institute, World Bank

Source: Wienerzeitung.at
The post-sanctions Iranian market
The post-sanctions Iranian market
National Aspirations in Post-Sanction Iran
Attributes for successful business in Iran
3. Mauritius – Iran Business Opportunities
The post-sanctions Iranian market
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Low interest because of misconception and high trade barriers

- African markets seen as low profit and unattractive
- Lack of experience with African countries
- Intransparency and insecurity of different levels
- High costs for market entry

→ The Iranian economy is more focused on technology providers then on new markets!
Mauritius as the Hub for Iranian trade and finance into the Africa continent

Short term
- Being the bridge for Iranian companies to the African trade market (agents or representation of Iranian industry)
- Offering access to trade financing and international investment structuring for Iranian projects
- Intensifying tourism between Iran and African countries via Mauritius

Mid term
- Establishing a close strategic collaboration with Kish Island and/or other financial centers in Iran
- Advising Iranian authorities and free zones on development strategies regarding FDI based on experience gained in the past two decades

Long term
- Becoming the financial and trade hub for Iran’s Africa business
- Attracting FDI from Iranian companies to serve the African market from Mauritius

→ Generating new ideas for future collaboration on social, economic and cultural level.
Kheili mamnoon az vaghte shoma! Thank you for your time!

Dipl. Oec
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