

IRAN

Business Conditions Snapshot

- Iran's energy-rich economy boasts a significant manufacturing sector and sizeable consumer market.
- Large state-owned companies hold dominant positions in key industries, accounting for around 60 per cent of Iran's GDP. The energy sector remains dominant, with around 45 per cent of the country's budget dependent on oil revenue or hydrocarbon products.
- Economic diversification is key for Iran to generate economic growth in line with its 2025 economic plan.
- The Iranian Government has announced major infrastructure spend, supported by oil sector diversification and investments in heavy industry, mining and housing. The Iranian economy contracted by 6.5 per cent in 2019, following the re-imposition of US sanctions on Iran in 2018. The International Monetary Fund (IMF) predicts that the Iranian economy will grow by 3.2 per cent in 2021 (IMF World Economic Outlook, October 2020).

Key Facts and Figures

- Population: 82.4 million (2018)
- GDP growth: – 9.5 per cent (2019)
- GDP per capita: US\$5,506 (2019)
- Political system: Islamic Republic
- Two-way trade: A\$442 million 2018–2019

Trade Investment Opportunities

- Iran holds around 7 per cent of the world's mineral resources.
 - Without advanced techniques, vast areas remain unexplored.
- Given the geological and environmental similarities between Australia and Iran, Australian mining, equipment, technology and services (METS) and mining companies are well placed to participate in some of the largest mining projects in the Middle East.
 - These include drilling, pit-to-port infrastructure, mine remediation and corporate social responsibility.
 - Australian METS companies can provide the expertise needed to bring local Iranian mining practices up to international standards, and improve their efficiency.
- Iran is in urgent need of water management solutions as it develops its domestic agricultural production.



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- Drought and inefficient agricultural practices have negatively affected Iran's water supplies, resulting in the loss of around 50 per cent of the country's renewable water resources.
- The Iranian Government has introduced a water management plan to boost water efficiency from 36 per cent to 70 per cent by 2025 by introducing modern irrigation techniques.
- The Iran–Australian Water Research Centre (IAWRC) was established in April 2017 as a joint research program between Australian and Iranian stakeholders.
 - The centre is mandated to identify practical solutions to the desiccation of the Lake Urmia basin, caused by damming upstream rivers and drought.
 - IAWRC is an instrumental platform for Australian infrastructure and water management companies to provide expertise.
 - It is working to share knowledge with Iranian stakeholders.
- Education is an important pillar of Australia's engagement with Iran.
 - In August and September 2020, the Tehran Chamber of Commerce and Industry signed MoUs with Australian vocational education training providers for online learning, and to certify business programs.
 - Several Australian universities have MoUs with Iranian universities, and offer scholarships for Iranian students. COVID-19 will limit collaborations due to travel restrictions.
- Australian vocational education and training providers can help Iranian companies across a range of areas.
 - This includes upgrading their workforce skills and capabilities to compete in an international market.
 - Addressing deficiencies in managers' soft skills is another area for training, including communication and delegation skills, and technical skills.
 - A total of 2,218 Iranian students were enrolled in Australian universities at August 2020, including about 1,000 Iranian PhD students working in advanced research fields.
- Food and agriculture technology (including water management) has the potential to be the major area of collaboration between Iran and Australia.
 - Australian companies are well positioned to access the Iranian market by collaborating with research and development departments at Iranian universities, and Iranian companies seeking technological solutions.
- Iran is one of the largest food and agriculture markets in the Middle East.
 - There are significant opportunities for Australian exporters, as well as Australian water management and AgriTech experts. The Iranian Government



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is encouraging foreign entities to invest in the country's production capacity in food and agriculture.

- Australian companies have been supporting the Iranian healthcare sector and medical solutions.
 - The Iranian Government helps foreign entities to establish operations and invest in manufacturing and knowledge transfer capabilities.
 - Successful ventures include those in the areas of advanced hearing solutions and pharmaceutical products and supplements.

Trade Policy Focus

Australian companies are developing and maintaining commercial links with Iran to explore potential business opportunities in the medium to long term.

Australian companies should undertake due diligence on any Iran transactions and seek legal advice when doing business with Iran, including the implications of international sanctions on Iran transactions.

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Insight current as at December 2020.



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