



# Iran

Target market report for the  
export of GB seed potatoes

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## **Agricultural Sector Overview**

### **About the Sector**

After oil and gas as the dominant industry sector in Iran, agriculture is accounted as a key economic contributor in the country. The agricultural sector contributed 11.8% to gross domestic product (GDP) in 2004 and 15.7% in 2005/06 (according to the data obtained from the Iranian Ministry of Agriculture, the Worldbank database and IMF economic indicators). The sector employs 30% of the labour force in Iran. Agricultural products represent 22% of non-oil exports.

Iran has a wide spectrum of climatic conditions and is approximately 7 times the size of the UK. This coupled with the growing population (standing at approx. 69 million at present) makes it a unique country for agribusiness. There are 13.5 million hectares of land under cultivation growing of various types of crops and vegetables. Much of the arable land is used to grow wheat and barley. These are the main sources of protein in the Iranian diet. 50% of the cultivated lands in Iran are under wheat cultivation alone.

Considering the water element in agriculture, there are different methods in the Iranian farming industry. Some parts of the country benefit from the man-made irrigation systems (mainly the central plateau and the Southern areas), while in some other parts (mainly in the North, West and Northwest) the farming is rain-fed (so the cultivation in those areas depend a great deal on rainfall). The location of Iran causes it to receive less than a third of the World's average precipitation. Only the Caspian Plain in the north receives more than 1,000 mm annual rain. Annual rainfall ranges from less than 50 mm in the deserts to more than 1600 mm in the Caspian region. The average Nationwide annual rainfall is 252 mm. Overall, about two-third of the country receives less than 250 mm of rainfall per year.

By far the most important irrigated crop is wheat covering almost one-third of the total irrigated area, followed by irrigated fruit trees, covering one fifth of the total area. Other major irrigated crops are barley, rice and vegetables.

Iran has become more or less self-sufficient in the production of certain agricultural products, mainly wheat. Despite self-sufficiency in some areas, Iran has remained a large importer of agricultural products due to its growing population, susceptibility to drought and the absence of efficient mechanisation and processing industries.

Despite major progress in developing the agricultural sector recently, it is still suffering from out-dated machinery and insufficient mechanisation. One of the main problems lays in packaging and processing industries. This is one of the areas of growth for Iran and therefore the government will support any businesses or investments in these areas (i.e. 14 sorting machines/units have recently been purchased by private sector from abroad with the help of the government allocating 50% subsidy.). According to the Ministry, in 2005 Iran produced approx. 800,000 tonnes of processed agrifood including canned fruit and vegetables, pickles, dried fruit, tomato paste, crisps, frozen French-fries etc. Taking the growing population of Iran into account, there is still great potential for the sector to further develop in this area and therefore the government will support any technology transfer or joint production programs with its full capacity.

Iran's location gives the country great export opportunities due to its easy access to Afghanistan, Iraq and all Gulf markets and CIS countries. Therefore one of the aims of the Ministry is to increase the export of vegetables and crops to these markets by increasing the production and improving the quality of the products. For instance they are aiming at reaching an annual production rate of 7 million tonnes for potatoes which currently stands at 4.5 million tonnes.

Iran exported 550,000 tonnes of fresh (non-processed) vegetables and crops in 2005. As defined in the 4<sup>th</sup> Five-year Development Plan, by the end of 2009 this is expected to stand at 2 million tonnes.

### **Structure of the Farming Industry in Iran**

For most green and leafy vegetables the farms are small, family owned and traditional and are established on small pieces of land spread all over the country. Traditionally, in Iran land is inherited, so when a father dies, his land should be divided into small pieces and the children inherit the smaller pieces of land. Therefore a great percentage of farms across Iran are small non-industrialised farms run by families. However onion and potato farming are becoming more and more mechanised and industrialised. One of the development targets of the agricultural sector in Iran (as defined in the 4<sup>th</sup> Five-year Development Plan) is to improve mechanisation in the farming industry from preparing the land to cultivation and harvesting. However to prevent the farmers from migrating to big cities the Government has decided that mechanisation should be put in place sensibly and gradually.

Apart from mechanisation, some other major plans/targets of the Ministry are:

- 1) To improve the average productivity per hectare and enhance the quality of the products. For instance the average yield per hectare of cultivated potatoes stands at 25.5 tonnes. By the end of the 4<sup>th</sup> Five-year Development Plan (end of 2009), this is expected to reach 28.5.
- 2) To encourage an increased level of daily consumption per capita of fresh vegetables throughout the country. At the present this is standing at 218gr per capita per day. The target level that is recommended by the Iranian Ministry of Health is 280gr per capita per day.
- 3) To produce high-quality organic products by a controlled use of chemicals/ chemical fertilisers by educating the farmers and providing them with alternatives ways. However the farmers tend to use chemical fertilisers in their farms to gain better productivity faster. To control the process, the Ministry has set rules and regulations to assess the quality of the products. This is done through tests on the soil, the plant and the product itself before they can reach the consumer market.

**Climate Varieties**

**Agricultural Land Usage Breakdown**

**Average Potato Production and Consumption per capita**

Iran is a country that enjoys a diversity of climates from deserts in the centre to the humid Caspian coasts and the south Gulf coasts and on to the cold mountainous areas in the Northwest.

The central Iranian plateau has extremely variable climates. It covers approximately 90% of Iran with a precipitation range of between 100 to 500 mm. The most arid part of the central Iranian plateau has an annual precipitation below 100 mm. In Iran potatoes are grown in almost all 30 provinces. The main/major potato growing regions are:

- Tabriz and Ardebil in the Northwest with a cold and dry climate, being mainly a mountainous region
- Mashad in Khorasan Province in the Northeast of the country with a moderate mountainous climate
- Hamadan in the centre with a rather cold temperate mountainous climate
- Isfahan and Arak in the centre with a moderate and dry climate
- Fars and Khuzestan provinces in the South with moderate winters and very hot summers. Khuzestan also has high humidity.

The country has a total area of 165 million hectares out of which, about 13.5 million hectares is under cultivation each year. The size of the land under potato cultivation in 2005 was about 185,000 hectares. Potatoes are considered the third most important crop in Iran after rice and wheat. The average per capita consumption of potatoes in Iran in 2004 stood at 60kg. This has improved to 65 Kg per capita in 2005.

Iran produces 20 million tones of vegetables and crops per year. In 2005 the total production of potatoes in Iran stood at 4.5 million tonnes. The country's turnover per Kg of the total vegetable and crops production stands at \$1.5. Considering the annual 20 million tonnes production, the total turnover stands at \$30 million (apprx. Rls. 278 billion).



## Seed Potatoes

The sector has been significantly dependent upon imported seed potatoes until last year when Iran started producing potato seeds. According to the Ministry of Agriculture, the country's requirement for seed potatoes is 680,000 tones per year. Iran is now looking to produce 5,200,000 mini-tubers in the current Iranian year (March 2006 – April 2007). Iran therefore has banned the import of mini-tubers to the country to support the local producers. The government currently only allows imports of the Elite and Super Elite classes of seeds. The size of the market for the Super Elite class of seeds is estimated 1200 tonnes per year (both in 2005 and in 2006). Almost all imported seeds have been of European origin, mainly from the Netherlands and Germany. The Netherlands dominates the market almost entirely. The Dutch AgriCo is a major exporter of seeds to Iran and owes a great deal of its success to its Iranian agent who has developed close ties with the Ministry. It is very important to choose the right agent when a foreign company is planning to break into this market since it will be the local agent who needs to deal with obtaining import permits and all other necessary certification from the authorised bodies in Iran. More importantly the agent will be responsible for the marketing of the imported products and therefore it very much depends on the local agent whether a business becomes a success or a failure.

The sector is now open to imports of seed varieties that are new to this market and possess improved qualities/specifications such as less water requirement. In other words, better resistance to water deficiency, less soil nutrients, better resistance to pests and viral disease etc.

The most popular available seed varieties in Iran are shown in the table below in bold:

Varieties	Variety Rights	Maturity	Colour of skin	Flesh colour	Use
<b>Agria</b>	<b>1985</b>	<b>Second early</b>	<b>Yellow</b>	<b>Yellow</b>	<b>Table. Processing. French Fries.</b>
<b>Alpha</b>	<b>1925</b>	<b>Late</b>	<b>Light-yellow, buff</b>	<b>Light-yellow, buff</b>	<b>Table</b>
<b>Aola</b>					
Bellini (NL)					
<b>Cosima</b>					
Desiree	1962	Medium late, maincrop	Red	Light-yellow, buff	Table
<b>Diamond</b>					
Draga (NL)	1970	Second Early	Light-yellow, buff	Light-yellow-white	Table
Hermes	1972	Second Early	Yellow	Yellow	Table. Processing. Dried products. Starch. Crisps
<b>Marfona</b>	<b>1977</b>	<b>Second Early</b>	<b>Yellow</b>	<b>Light-yellow, buff</b>	<b>Table</b>
<b>Picasso</b>	<b>1992</b>	<b>Medium late, maincrop</b>	<b>Yellow</b>	<b>Light-yellow, buff</b>	<b>Table</b>
<b>Sante</b>					

Seed growing farms are more industrialised and occupy bigger pieces of land compared to the regular traditional vegetable growing farms. The main areas in the country that are already involved in seed growing and production are:

- Damavand and Firouzkouh located in the north of Tehran Province with a rather cold mountainous climate. The climate of Tehran Province in the southern territories is warm and dry, in the skirts of the mountains (towards the north) is cold and semi-humid, and in the higher regions is cold and experiences long winters. The average temperature ranges from 0°C in the winter to between 30° C and 35° C in the summer.
- Khorasan province in the Northeast with a variable climate; The temperature increases from the north to the south of the province. The heights experience cold and mountainous weather, whereas the mountainside areas have a mild and semi-arid climate. While the southern zones are warm, dry and arid.
- Tabriz and Ardebil both in the Northwest (in Azerbaijan Provinces) with cold mountainous climate. Generally the province enjoys a cold and dry climate, being mainly a mountainous region. The temperature ranges from 9° C to 20° C in Tabriz and in winters drops to -1° C.
- Isfahan province in the centre with a moderate and dry climate on the whole. The temperature ranges between 10° C (in the winter) to 40° C in the summer.
- Fars province in the south with variable climates. The mountainous area in the north and Northwest has moderate cold winters and mild summers. The central regions enjoy relatively rainy mild winters and hot dry summers. The south and Southeast of the province has moderate winters with very hot summers.

### **Potato Seed Importers**

The import of potato seeds in Iran is rather dominated by the government. There are two major importers of potato seeds in the country. One is the Bonyad Agriculture & Animal Husbandry Organisation and the other is The Union of Seed Potato Producers.

Bonayad Agriculture & Animal Husbandry Organisation is a subsidiary of the Mostazafan Foundation (Bonyad Mostazafan) which is accounted as an important influential economic pole in the country. It draws on the ex-Shah's fortune and receives additional funding from the Government. It has over 340 companies affiliated to it in varying sectors and has a total turnover of around US\$6 billion. Bonyad's Agriculture & Animal Husbandry Organisation has 30 companies affiliated to it, all involved in agribusiness and animal husbandry.

The Union of the Seed Potato Producers of Iran is known with its commercial name as Royan Bazr Gostar Company. It currently represents 100 leading farms and/or farming complexes involved in seed potato production. With the co-operation and approval of the Ministry of Agriculture, The National Plant Protection Organisation and the Seed & Plant Registration and Certification Institute, the company imports the seeds of chosen varieties and provides the farmers with their required classes of seeds.

## **Seed Import Regulations**

### **Import Tariffs**

### **Technical Considerations i.e. Required Seed Certifications**

The import and export of seeds in Iran is regulated by three authorities:

- 1) The Economic Bureau of the Ministry of Agriculture determines the quantity of the seeds to be imported every year.
- 2) The Plant Protection Organisation watches over quarantine and sanitary/health requirements of the imported plants and seeds.
- 3) The Plant Variety Registration and Seed Certification Institute (PVRSCI) known as the Seed & Plant Research Institute is responsible for the quality control and variety registration of seed potatoes and vegetable seeds.

A foreign company or its local agent needs to provide the Seed & Plant Research Institute of Iran with samples of its seeds/seed varieties. Once the quality of the seed is approved, the Ministry will determine the required quantities and will issue import permits accordingly. Based on this permit, the Ministry of Commerce then will issue the ultimate import licence according to the country's trade (import & export) regulations.

After the goods are imported, before hitting the market, they have to be quarantined by the Plant Protection Organisation and be checked for any possible viral disease.

The import of seeds and plants which, according to the export documents of the country of origin, have been identified as genetically modified shall be subject to the Environment Protection Organisation of Iran in terms of any environmental dangers.

Any commercial import of seeds and planting materials shall be subject to obtaining a permit from the Ministry of Agriculture and observance of the quarantine and phytosanitary regulations and applied standards for seed and plant materials.

The Government of Iran passed an Act of Plant Variety Registration and Certification of Seeds and Planting Materials (Seed Law 33709) and established a fully independent institute responsible for plant variety registration and seed and planting material certification. The Plant Variety Registration and Seed Certification Institute (PVRSCI) has an overall mandate for the implementation of plant variety registration, variety protection, seed and planting materials certification and adaptive research in seed technology. With regards to certification for seeds, the institute is an accredited member of a few international organisations/agencies such as ISTA, FAO, Codex.

## Custom Tariff Tables Based on the Harmonized Commodity Description and Coding System

### NOTE:

The information on the customs duties has been extracted from the book of Export –Import Regulation Act & Customs Tariff Tables of Iran published by the Iranian Ministry of Commerce/Edition 2005/06.

### Edible vegetables and certain roots and tubers

Heading, Subheading No.	Description	Import Duties (%)	SU Q
<b>0701</b>	<b>Potatoes, fresh or chilled.</b>		
0701 10 00	- Seed	4	Kg
0701 90 00	- Other	30	Kg
<b>0702</b>	<b>Tomatoes, fresh or chilled.</b>	20	Kg
<b>0703</b>	<b>Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled.</b>		
0703 10 00	- Onions and shallots	30	Kg
0703 20 00	- Garlic	100	Kg
0703 90 00	- Leeks and other alliaceous vegetables	20	Kg
<b>0704</b>	<b>Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled.</b>		
0704 10 00	- Cauliflowers and headed broccoli	20	Kg
0704 20 00	- Brussels sprouts	20	Kg
0704 90 00	- Other	20	Kg
<b>0705</b>	<b>Lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium</i> spp.), fresh or chilled.</b>		
	- Lettuce:		
0705 10 00	-- Cabbage lettuce (head lettuce)	20	Kg
0705 19 00	-- Other	20	Kg
	- Chicory:		
0705 21 00	-- Wiloof chicory ( <i>Cichorium intybus</i> var. <i>foliosum</i> )	20	Kg
0705 29 00	--Other	20	Kg
<b>0706</b>	<b>Carrots, turnips, salad beetroot, salsify, celeriac, radishes and similar edible roots, fresh or chilled.</b>		
0706 10 00	- Carrots and turnips	20	Kg
0706 90 00	- Other	20	Kg
<b>0707</b>	<b>Cucumbers and gherkins, fresh or chilled.</b>	<b>20</b>	<b>Kg</b>
<b>0708</b>	<b>Leguminous vegetables, shelled or unshelled, fresh or chilled.</b>		
0708 10 00	- Peas ( <i>Pisum sativum</i> )	20	Kg
0708 20 00	- Beans ( <i>Vigna</i> spp., <i>phaseolus</i> spp.)	20	Kg
0708 90 00	- Other leguminous vegetables	20	Kg
<b>0709</b>	<b>Other vegetables, fresh or chilled.</b>		
0709 10 00	- Globe artichokes	20	Kg

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0709 20 00	- Asparagus	20	Kg
0709 30 00	- Aubergines (egg-plants)	20	Kg
0709 40 00	- Celery other than celeriac	20	Kg
	- Mushrooms and truffles:		
0709 51 00	-- Mushrooms of the genus Agaricus	20	Kg
0709 52 00	-- Truffles	20	Kg
0709 59 00	--Other	20	Kg
0709 60 00	- Fruits of the genus Capsicum or of the genus Pimenta	20	Kg
0709 70 00	- Spinach, New Zealand spinach and garden spinach	20	Kg
0709 90 00	- Other	20	Kg
<b>0710</b>	<b>Vegetables (uncooked or cooked by steaming or boiling in water), frozen.</b>		
0710 10 00	- Potatoes	90	Kg
	- Leguminous vegetables, shelled or unshelled:		
0710 21 00	-- Peas (Pisum sativum)	20	Kg
0710 22 00	-- Beans (Vigum spp., Phaseolus spp.)	20	Kg
0710 29 00	-- Other	20	Kg
0710 30 00	- Spinach, New Zealand spinach and garden spinach	20	Kg
0710 40 00	- Sweet Corn	4	Kg
0710 80 00	- Other vegetables	20	Kg
0710 90 00	- Mixtures of vegetables	20	Kg
<b>0711</b>	<b>Vegetables provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.</b>		
0711 20 00	- Olives	20	Kg
0711 30 00	- Capers	20	Kg
0711 40 00	- Cucumbers and gherkins	20	Kg
	- Mushrooms and truffles:		
0711 51 00	-- Mushrooms of the genus Agaricus	20	Kg
0711 59 00	-- Other	20	Kg
0711 90 00	- Other vegetables; mixtures of vegetables	20	Kg
<b>0712</b>	<b>Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared.</b>		
0712 20 00	- Onions	20	Kg
	- Mushrooms, wood ears (Auricularia spp.), Jelly fungi (Tremella spp.) and truffles:		
0712 31 00	-- Mushrooms of the genus Agaricus	20	Kg
0712 32 00	-- Wood ears (Auricularia spp.)	20	Kg
0712 33 00	-- Jelly fungi (Tremella spp.)	20	Kg
0712 39 00	-- Other	20	Kg
0712 90 00	- Other vegetables; mixture of vegetables	20	Kg
<b>0713</b>			
0713 10 00	- Peas (Pisum sativum)	15	Kg
0713 20 00	- Chickpeas (garbanzos)	15	Kg

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	- Beans (vigum spp., Phaseolus spp.):		
0713 31 00	-- Beans of the species Bigna mungo (L.) Hepper or Vigna radiata (L.) Wilczek	30	Kg
0713 32 00	-- Small red (Adzuki) beans	30	Kg
0713 33 00	-- Kidney beans, including white pea beans	30	Kg
0713 39 00	-- Other	20	Kg
0713 40 00	- Lentils	30	Kg
0713 50 00	- Broad beans (Vicia faba var. major) and horse beans (Vicia faba var. equina, Vicia fab var. minor)	20	Kg
0713 90 00	- Other	15	Kg
<b>0714</b>	<b>Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers with high starch or inulin content, fresh, chilled, frozen or dried, whether or not sliced or in the form of pellets; sago pith.</b>		
0714 10 00	- Manioc	20	Kg
0714 20 00	- Sweet potatoes	20	Kg
0714 90 00	- Other	20	Kg

## **List of Useful Contacts**

### **1) Ministry of Agriculture Jihad of Iran**

[www.agri-jahad.org](http://www.agri-jahad.org)

The Ministry of Jihad-e Agriculture is the planning and policy-making body that supervises over the agricultural sector in Iran. The Vegetable and Crops department is a subsidiary of the under-secretary for cultivation affairs of the Ministry. They set policies on the production of all crops (grains and vegetables) throughout the country.

Tel.: +98 (0)21 81361 (switch board)

Mr. Alae-Moghadam - Director General Vegetable & Crops

Tel.: +98 (0)21 8896 3847

Fax: +98 (0)21 8896 2675

### **2) Plant Protection Organisation**

Tel.: +98 (0)21 2240 2046 - 9

Fax: +98 (0)21 2240 1012

### **4) Plant Variety Registration and Seed & Plant Certification Institute (PVRSPCI)**

The Plant Variety Registration and Seed & Plant Certification Institute (PVRSPCI) has an overall mandate for the implementation of plant variety registration, variety protection, seed and planting materials certification and adaptive research in seed technology.

Tel.: +98 (0)261 271 6915 - 17

+98 (0)261 270 9456

Fax: +98 (0)261 271 6794

Director General: Dr. Deghan-Shoar

Tel.: +98 (0)261 271 6795

Contact Persons: Dr. Sepahvand

Mr. Hassan-Abadi

### **5) Agricultural Services Support Company**

The company is affiliated with the Ministry of Agriculture and is responsible for providing and distributing seeds and improved plant varieties, mineral fertilisers and pesticides.

Address: No. 4, 4th Alley, Gandhi St., Tehran

Contact Person: Mr. Taghikhani

Tel.: +98 (0)21 8483 2688

+98 (0)21 8879 8576

**6) Seed Law Implementing Agency of the Plant Variety Registration and Seed & Plant Certification Institute**

Tel.: +98 (0)261 271 6795  
+98 (0)261 270 9456  
Fax: +98 (0)261 271 6794  
E-mail: [seedcontrol@abrii.com](mailto:seedcontrol@abrii.com)

**7) Seed Certification Agency of the Plant Variety Registration and Seed & Plant Certification Institute**

Tel.: +98 (0)261 270 6286  
+98 (0)261 270 9456  
Fax: +98 (0)261 271 6794

**8) Seed Health Testing Laboratories of the Plant Pests and Disease Research Institute**

Tel.: +98 (0)21 2240 1242  
+98 (0)21 2240 3695  
Fax: +98 (0)21 2240 3691

**9) The Union of Seed Potato Producers of Iran**

Tel: +98 (0)21 6690 1106 - 8  
Fax: +98 (0)21 6693 3035  
Web-site: [www.iranpotato.ir](http://www.iranpotato.ir)

**10) Bonyad Agriculture & Animal Husbandry Organisation**

Tel.: +98 (0)21 8888 4633  
+98 (0)21 8888 1177  
+98 (0)21 2225 4247  
Contact Person: Dr. Jeddi  
E-mail: [technology@bonagri.com](mailto:technology@bonagri.com)

**11) Mehr Asia Environmental Technology Company**

MehrAsia is a private sector company active in agribusiness. It was introduced to the Commercial Section of the Embassy (to Negin Mahdavian) during a visit to the Agriculture Services Support Company (Mr. Taghikhani). According to Mr. Taghikhani the company is well-established in the market and enjoys good business relations with the Ministry of Agriculture and has the resources as a potential local agent for the relevant UK firms in the Iranian market. In a telephone conversation they expressed interest in finding out more about the British Potato Council and their plans of doing business in Iran.

Tel.: +98 (0)21 8851 5467 - 9  
Contact: Mr. Lazemizadeh

## **Doing Business in Iran**

Iran is a country abundant with opportunities for UK companies, in virtually all sectors. British goods and services are much sought after and are also well respected. Many Iranians are educated abroad and the UK is seen as the top choice in Europe. This in turn has provided a strong desire to do business, re-enforcing the strong trading and investment relationship.

### **Introduction**

1. Iran has an area of 636,296 sq. miles (1.6 mill. sq. kms.), which makes it nearly seven times the size of the UK and twice as large as Turkey. Its population is estimated at just less than 70 million, 12 million of which live in or around the capital, Tehran. Iran shares borders with Iraq, Turkey, Armenia, Azerbaijan, Turkmenistan, Afghanistan and Pakistan. It has coastlines along the Persian Gulf, the Caspian Sea, and the Sea of Oman.

### **System of Government**

2. The Islamic Republic of Iran was established in 1979 following a revolution that toppled Mohammad-Reza Shah Pahlavi and ended 25 centuries of monarchy in Iran.
3. The current Supreme Leader is Ayatollah Ali Khamenei, and the current President is Mahmoud Ahmadinejad, former Mayor of Tehran.

### **Economic Overview**

4. Iran is OPEC's second largest oil producer, with approximately 9% of world oil reserves, ranking it 4th overall in the world. It also has the world's second largest reserves of natural gas. Revenues have soared in the last few years, helping to fund the massive planned investment programmes in the oil and gas sector and more widely. Oil revenues make up 30% of Iranian GDP and at least 50% of government revenue.
5. The rest of the economy is fairly diverse, but tends to focus on the heavier industries like steel, mining, petrochemicals, automotive and heavy engineering. Agriculture is also a major sector. Overall the economy is dominated by the state. The share of private sector is only about 20-25%. State-owned industries tend to be inefficient, overmanned, and starved of capital. The government owes \$23 billion to the state banks, however, the private sector has flourished in relative terms.
6. The major economic issue Iran faces is unemployment and the resulting poverty. Iran has a very young population and around 1 million young people join the labour market each year at the moment. Finding work for them is the biggest challenge the government faces. Unemployment figures are problematic, but certainly high. Perhaps the key statistic on poverty is that despite consistent economic growth of 5-10% in recent years, real income per head is still significantly below 1979 levels.

7. The Iranian government is not always welcoming to foreign investors, but the general environment for them has improved significantly in the last 5 years. Foreign investment – at least in technology heavy industries like oil and gas or automotive – is recognised by most as being essential for development.
8. Iran's non-oil export performance has traditionally been limited to carpets, pistachio nuts and dried fruit. However, the country has the advantage of a broad domestic industrial base, an educated and motivated workforce and geographical location, which gives it access to an estimated population of some 300 million people in Caspian markets, Persian Gulf states and countries further east. During the past 10 years, the exports of manufactured goods, packaged food, and light industries have grown significantly, and reached the \$8 billion mark. The Government is encouraging import substitution through joint manufacturing ventures with foreign companies so as to update the country's technological base and the management skills of the private sector.
9. Iran also possesses enormous mineral resources, including coal, copper, iron, zinc and gold, much of which have yet to be developed. This has spawned a number of processing industries, particularly steel. Iran is already the third largest producer of copper in the world.

### **Political Overview**

10. The conservative victory in the Majlis (parliamentary) elections in February 2004, following the sweeping disqualification of reformist candidates, marked the end of the six-year project led by former President Mohammed Khatami to implement widely demanded political and social liberalisation via elected reformist institutions. Parliament and the presidency were powerless to advance their agenda in the face of an intransigent conservative minority that controls powerful unelected institutions.
11. The defeat of the reformists in the 2005 Presidential Elections means all the branches of power are now held by Islamic conservatives. However, the conservatives are themselves divided into more or less radical groups and have proved ready to argue publicly between themselves.
12. The Ahmadinejad government combines more pragmatic figures in economic roles with radical Islamic hard-liners holding key security and cultural jobs. Its stated aim is to continue incremental economic reforms while also paying greater attention to issues such as fighting corruption and redistributing oil revenues. Meanwhile social and cultural reforms are in doubt.

## **The Nuclear Issue**

13. Iran has had a long running and often clandestine nuclear programme, which it claims is exclusively for peaceful purposes. After years of playing cat and mouse with the international community and particularly the International Atomic Energy Agency, negotiations began.
14. The latest position is that the UN Security Council passed a resolution in March 2006 calling on Iran to re-suspend enrichment activities and resume negotiations over a long-term deal. In June 2006 France, Germany, UK, Russia, China and the US agreed a revised package of incentives for Iran, which included assistance with civil nuclear power plants. In addition the US announced that it would be prepared to join direct negotiations with Iran if it re-suspended enrichment. In July 2006, the focus switched to what response Iran would give and whether it would be enough to satisfy the international community.

## **UK/Iran**

15. Having experienced a difficult political relationship over a number of years, bilateral relations between the UK and Iran improved under the Khatami government, with several ministerial visits in both directions between 2000 and 2004.
16. Unfortunately, since 2004 political relations have worsened again, in parallel with the nuclear issue. Iran imposed but did not declare trade restrictions against UK imports in autumn 2005, although these were subsequently lifted.
17. In 2005 Direct British exports of goods to Iran totalled over £463 million. This figure would be nearer to £1 billion if invisibles and trans-shipments via Dubai were included. UK imports of Iranian goods were £38.8 million in 2005. The imbalance in trade does not go unnoticed in Iran and the government, the Iran Chamber of Commerce, Industry and Mines as well as other organisations have stressed the necessity of increasing British investment in Iran and the transfer of technology and management skills. Less positively, the Ministry of Commerce has warned that it may restrict imports from those countries with which Iran has a large trade deficit.
18. Sectors offering the best opportunities for British exporters and joint venture partners are:
  - Agribusiness
  - Automotive
  - Education
  - Engineering (Electrical, Process and Mechanical)
  - Information Technology
  - Healthcare/Medical
  - Oil, Gas and Petrochemicals
  - Power
  - Telecoms
  - Transport
  - Water
  - Mining

## Exporting to Iran

19. Imports of goods and services by the Iranian public sector, which is responsible for the majority of imports, may be carried out by closed or international tender under the strict control of various purchasing offices (e.g. Kala Naft for the oil industry). All importers must submit a proforma invoice to the Ministry of Commerce. Once approved, importers must then apply to the Central Bank of Iran for foreign currency allocation if they wish to obtain hard currency from the government.
20. Customs tariffs and Commercial Benefit Tax rates are currently set so as to protect domestic producers, though the Government has pledged that this will change. If any product or equipment is produced locally it is probable that imports of foreign manufacture will be subject to high tariffs. UK Trade and Investment Tehran can advise on tariffs, taxes and import control regulations.
21. Prices should usually be quoted in either f.o.b. or c.i.f. at any Iranian port or Tehran, though this is usually specified in tender documents and LC terms. In case of c.i.f., insurance cover must be arranged through Iranian insurance companies.
22. L/Cs are normally on sight, irrevocable and unconfirmed.
23. Trade literature can be in English, though it is more effective and a courtesy if it is translated into Farsi. Before foreign mail can be delivered it must first be translated into Persian. This service is normally carried out by the Iranian Post Office. For regular mail a British company should consider having a block made of the address in order to minimise delays. Where possible the address should also include a PO Box number.
24. The regulations on the importation of samples are confusing. This is because according to the authorities importation of samples into the country is permitted within reason, however, there are no indications as to what they consider "reasonable" to be. According to Cabinet decision No. 20382 of February 1998, the following samples are allowed to be imported:
  - spare parts, cutting tools, used moulds;
  - samples of goods (to be used by production, educational or research units for research and copying purposes);
  - samples of medicines (pharmaceutical products, raw materials and related substances);
  - samples of medical, laboratory and sanitary equipment and supplies;
  - samples of baby milk and food;
  - samples of books and publications;
  - samples of laboratory equipment and research/scientific supplies (to be used by universities of medical sciences) can be imported and cleared in the name of the relevant production unit or educational or research institute if they are not to be used for commercial purposes.
25. Samples that do not need re-exporting should be sent accompanied by an invoice and packing list. The invoice should include the price of the goods in question but underneath the price should be written *free of charge* only if the samples need to be re-exported then the situation is not so clear-cut. One suggested method is that a dummy

invoice should be raised invoicing the goods for temporary importation but including a date. For re-exportation (a certificate of origin is still required in this case). If you are in doubt it is advised that the Iranian Embassy in London on 020 7225 3000 be consulted for the best way of getting such samples into and out of Iran.

26. Although Iran acknowledged in January 2006 that it had lifted its restrictions on imports of UK goods, previous experience suggests that these may be imposed again without warning in response to further downturns in the bilateral relationship or – as noted above – even increased trade deficits. In such cases, we advise that companies consider shipping goods via third countries such as Dubai as a precaution.

### **Performance Bonds**

27. Performance bonds are invariably required for public sector contracts, including those issued by parastatal organisations. The bond is usually around 10-15% of the contract price. Performance bonds are usually standardised to state explicitly the legal effects, penalties and compensation entitlements. Companies should be aware that performance bonds may be called in without reason, though that rarely happens.

### **Agents**

28. The law generally requires government owned organisations to work with those foreign manufacturers or suppliers, having an established official local agent or representative. Some, such as Kala Naft will consider agents only if they can provide legal documentation proving exclusivity and sole representation. The setting up of technical service and after sale service offices in order to provide support for goods sold in Iran is encouraged.
29. The most important role of an agent in the Iranian business community is that of establishing personal relationship with appropriate individuals and buyers. In addition agents can be invaluable in:
- Obtaining extensions to deadlines;
  - Speeding up the issuance of the letter of Intent and letters of credit;
  - Helping to clarify technical queries.

### **Branch & Representative Offices**

30. Foreign contractors undertaking project work are technically required to establish a representative or branch office. British companies considering opening a branch office or establishing a joint venture company should be aware of the additional costs that can be involved. Corporate taxation, which is as much as 25%, is not levied on branch offices that do not generate income. However, the authorities often try to tax business for Iran booked outside the country. Tax on individuals ranges from 10% to 35% after an annual exemption of \$2,540 and social security insurance premium is payable on salary and benefits of up to about \$695/month for the current year at the rate of 23% by the employer and 7% by the employee.

## **Restrictions on Exports from the UK to Iran**

31. There are restrictions on the export of certain goods to Iran. The Export of Goods (Control) Order (SI 1994/1191, as amended) includes a list of military, security and para-military goods and arms, ammunition and related goods the export of which to Iran is prohibited. The scope of the embargo also covers items in Group O (nuclear related goods) in Annex 1 of the European Council Decision 94/942/CFSP on the export of dual-use goods, as amended. There are two exceptions to this embargo: goods essential to the safety of aircraft and air traffic control systems, and radioactive materials in the form of sources for medical equipment and deuterium labelled compounds for medical use.
32. Licences for dual-use goods (as listed in EC Regulation 3381/94 and related Council Decision 94/942, as amended, and the Dual-Use and Related Goods (Export Control) Regulations 1996 (SI 1996/2721), as amended) are not approved for any equipment where there is knowledge or reason to suspect that it would go to a military end-user, or be used for military purposes.
33. Goods may also be deemed to require an export licence under the weapons of mass destruction (WMD) end-use control in the Export of Goods Control Order. Exporters should therefore be on their guard against the possibility that goods that they are exporting to Iran, although not specifically listed in the legislation specified above, may be used in connection with WMD or missile systems capable of delivering them. Where an exporter knows or suspects that this may be the case an application should be made for an export licence.
34. Exporters who require help on any export control related matter should contact the Export Control Organisation (ECO) helpline on tel. 020 7215 8070, fax 020 7215 8564 or write to the ECO at the Department of Trade and Industry, 6<sup>th</sup> Floor, Kingsgate House, 66-74 Victoria Street, London SW1E 6SW.

The prime objective of UK Trade and Investment (UKTI) at the British Embassy in Tehran is to support companies in the UK doing business internationally and overseas enterprises seeking to locate in the UK. To help develop this we provide a range of chargeable UK Trade & Investment services including; Overseas Market Introduction Service (OMIS), New Products from Britain Service (NPfB), details of UK expertise and strengths, a match making service and sector reports. We stand ready to assist any company interested in doing business in Iran. The team consists of the following personnel:

**Nick Coppin – First Secretary Commercial and Head of UK Trade & Investment, Iran**  
Responsible for Financial and Legal Services, Trade policy and planning, Infrastructure Development and Inward Investment.

**Neil Wilson – Second Secretary Commercial**

Responsible for Environment, Telecommunications, Transport (Aerospace Civil Aviation, Airports, Ports, Railways) and Water.

**Mohamad Noori – Senior Trade & Investment Officer**

Responsible for Mining, Oil & Gas, Petrochemicals and Power

**Negin Mahdavian – Trade & Investment Officer**

Responsible for Biotechnology, Pharmaceuticals and Healthcare/Medical, Financial and Legal services, Ports and Marine, Mining and Petrochemicals.

**Lillian Aghajanian – Trade & Investment Officer**

Responsible for Agribusiness/Agriculture Education, Electronics & IT Hardware, Software & Computer Services, Telecommunications.

**Margaret Mostoufi – Office Manager and Executive Assistant to Head of UKTI, Iran**

The British Potato Council commissioned this report from UKTI. The information in this report was supplied by Negin Mahdavian, British Embassy, Tehran, Iran

The information on importation and custom tariffs was obtained from the Ministry of Jihad-e Agriculture and the Custom Tariff Tables of Iran published by the Ministry of Commerce. The list of useful contacts has been validated by personally speaking to the organisations and seeking their contact details

For further information about the opportunities or doing business in Iran please contact:

UK Trade and Investment (Commercial Section)

**British Embassy Tehran**

**Tel: 0098 21 670 5011/17**

**Fax: 0098 21 670 8021**

**Email: [ComEnquiries.Tehran@fco.gov.uk](mailto:ComEnquiries.Tehran@fco.gov.uk)**

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