

1. General Information

Iran, officially the Islamic Republic of Iran, is a country in southern and western Asia. Iran is bordered on the north by Armenia, Azerbaijan and Turkmenistan. As Iran is a littoral state of the Caspian Sea, which is an inland sea, Kazakhstan and Russia are also Iran's direct neighbours to the north. Iran is bordered on the east by Afghanistan and Pakistan, on the south by the Persian Gulf and the Gulf of Oman, on the west by Iraq and on the northwest by Turkey.

- Iran has the second largest economy in the Middle East after Saudi Arabia.
- Iran will be one of the fastest growing economies in the region over the next five years as investment comes into the country following the removal of sanctions. Although UN sanctions have been lifted, however, American ones remain. Without American waivers, explains Patrick Pouyanne, chief executive of Total, a French oil giant, "we'll not be able to work in Iran." Under President Donald Trump, these are far from a given (Economist, 2017).
- Declining oil prices will force the government to cut current spending and investment in the country's infrastructure sector in 2017, which will result in slow expansion of private consumption and fixed investment.
- The Iranian rial is likely to continue its depreciation against the US dollar over the coming quarters given relatively high inflation rates.

Source: BMIResearch, 2017

GENERAL INFORMATION – IRAN	
Capital	Tehran
Population (2016 est.)	82,801,633
Government type	Theocratic Republic
Head of Government	President Hasan Fereidun Rouhani
Life expectancy (2013)	71 years
Literacy	86.8%
Ethnic groups	Persian, Azeri, Kurd, Lur, Baloch, Arab, Turkmen and Turkic tribes
Religion(s)	Muslim (official) 99.4% (Shia 90-95%, Sunni 5-10%), other (includes Zoroastrian, Jewish, and Christian) 0.3%, unspecified 0.4%
Languages	Persian (official), Azeri Turkic and Turkic dialects, Kurdish, Gilaki and Mazandarani, Luri, Balochi, Arabic, other
South African embassy	Tehran (Tel: + 98 21 2270 2866)
Ambassador Extraordinary and Plenipotentiary	H E Mr W M P Whitehead

Source: CIA World Factbook, 2017

Iran's economy will grow substantially over the next five years following the removal of sanctions. The effects of elevated inflation and sanctions on the economy have been drastic over the past four years but will dissipate in the coming quarters. Improving relations with the West and better macroeconomic management, coupled with low base effects, have led to an improvement in the macroeconomic outlook in 2017, leading to a return to growth. That said, lower oil prices and the required huge sums of investment will weigh on growth over the next five years (BMIResearch, 2017).

In the bilateral sphere, South Africa and Iran share a long historical relationship, Iran having stood with and supported the struggle for liberation in South Africa.

2. Economic Information

The Iranian economy is dominated by its hydrocarbons sector, with the country boasting the world's fourth largest proven oil reserves (around 10% of the global total) and second largest natural gas deposits, at 17% of total proved reserves, according to the US Energy Information Administration. Mining sector value in GVA terms stood at an estimated USD75.97bn in 2016, with total primary sector value at an estimated USD102.2bn, though this has fallen from USD175.2bn in 2013 due to the significant fall in oil prices since 2014. The tertiary sector remains the largest in terms of output, with GVA estimated at USD261.1bn in 2017, reflecting Iran's vast consumer market which has created huge demand for services. Though activities such as manufacturing represent a smaller share of output, with secondary sector GVA at USD43.7bn, there is considerable investor interest in areas such as autos production.

Iran's most recent largest announced investments are shown below and give an indication of important sectors:

- Iran Air ordered 118 commercial planes from Airbus in a USD18bn deal.
- Italian metal industry firm Danieli has signed a contract to supply heavy machinery and equipment to Iran for USD4.3bn
- Saipem, the Italian oil and gas contractor, has agreed a deal to revamp and upgrade the Pars Shiraz and Tabriz oil refineries in a USD3bn deal.
- Peugeot signed a USD350mn JV with the Iranian vehicle manufacturer Khodro to modernise a car factory near Tehran, where three new Peugeot models will be manufactured.
- In May 2016, Novo Nordisk announced plans to locally produce insulin in Iran, following a EUR70mn investment into an insulin production facility in the country slated for completion in 2020.
- The government of Iran plans to agree to an investment deal worth USD3bn with Turkish private firms for the construction of a 5,000MW power plant.
- Turkish firm UNIT International signed a USD4.2bn deal on June 1 with the Iranian energy ministry to build seven natural gas-fired power plants in Iran.
- Iran's Airports and Air Transport Co signed a memorandum of understanding with the Italian Milan Airport to build a terminal at Mehrabad International Airport in Tehran. The project is estimated to entail an investment of EUR250mn.

Source: BMIResearch, 2017

The Iranian government owns the largest companies which are typically in the extraction and manufacturing industries. These include:

- National Iranian Oil Company
- Iranian Mining Industries Development and Renovation Organisation
- Industrial Development and Renovation Organisation
- Social Security Investment Company

Iran's economy is also home to a large number of entities that are owned by organisations that are related to the state. True private sector companies (with no links to the state) are estimated to account for only 20% of economic activity.

Source: www.gov.uk, 2017

The election in May is spouted to be won by Rouhani, but if is not then isolationists may celebrate by closing what investors had hyped as the biggest market opening since the collapse of the Berlin Wall (Economist, 2017).

ECONOMIC INFORMATION	
GDP (PPP) (2016 est.)	USD1.459trn
GDP growth (2016 est.)	4.5%
GDP per capita (2013 est.)	USD18 100
Inflation (2016 est.)	8%
VAT	9%
Corporate tax	25%
Commercial bank prime lending rate	13%

ECONOMIC INFORMATION	
Unemployment (2016)	10.7%
Doing Business 2014 ranking (out of 189 countries)	137
Total Exports (2016)	USD87.5bn
Total Imports (2016)	USD62.12bn
Exchange Rate	1 South African ZAR is equal to 2476.14 iranian rial

Source: CIA World Factbook, 2014, World bank 2014

Food inflation (27.4% of the consumer price basket) will marginally increase in 2017, as a result of a modest uptick in global wheat prices. The government should slightly reduce food subsidies in 2017, albeit gradually given the political sensitivity of higher food prices (BMIResearch, 2017).

3. Food and Drink Overview

Iran's food and drink industry will maintain robust growth, expected to rise by 12.6% year-on-year in 2017 with a similar rate into 2021. Consumption patterns will shift towards more sophisticated spending, with consumer demand for modern consumption on the rise. Favourable demographics such as high and rising urbanisation as well as a large youth population will drive strong western trends.

Iran's food retail market is dominated by small independent retailers and open air markets. Organised food retail accounts only for around 10% of the total sales, a figure which we expect to increase gradually over the next five years. Consumption of packaged food will increase over the coming years, benefiting from the economic recovery. Innovative soft drinks and non-alcoholic beer will offer strong opportunities.

The foodservices sector in Iran is dominated entirely by local companies, as investment from large international chains were previously restricted due to sanctions. There is strong demand for western-type fast food restaurants and cafes, which is illustrated by a plethora of local brands, such as *Mash Donald's*, *Pizza Hat*, *Subways*, *Raees* or *Chipotle*, all of which are trying to imitate western food culture.

There are three major mass grocery stores operating in the country

- Shahrvand Chain Stores: operates 23 stores, mostly in the region of Tehran;
- Refah Supermarkets: owns more than 160 stores throughout the country; and
- Hyperstar Market: operates two supermarkets and three hypermarkets.

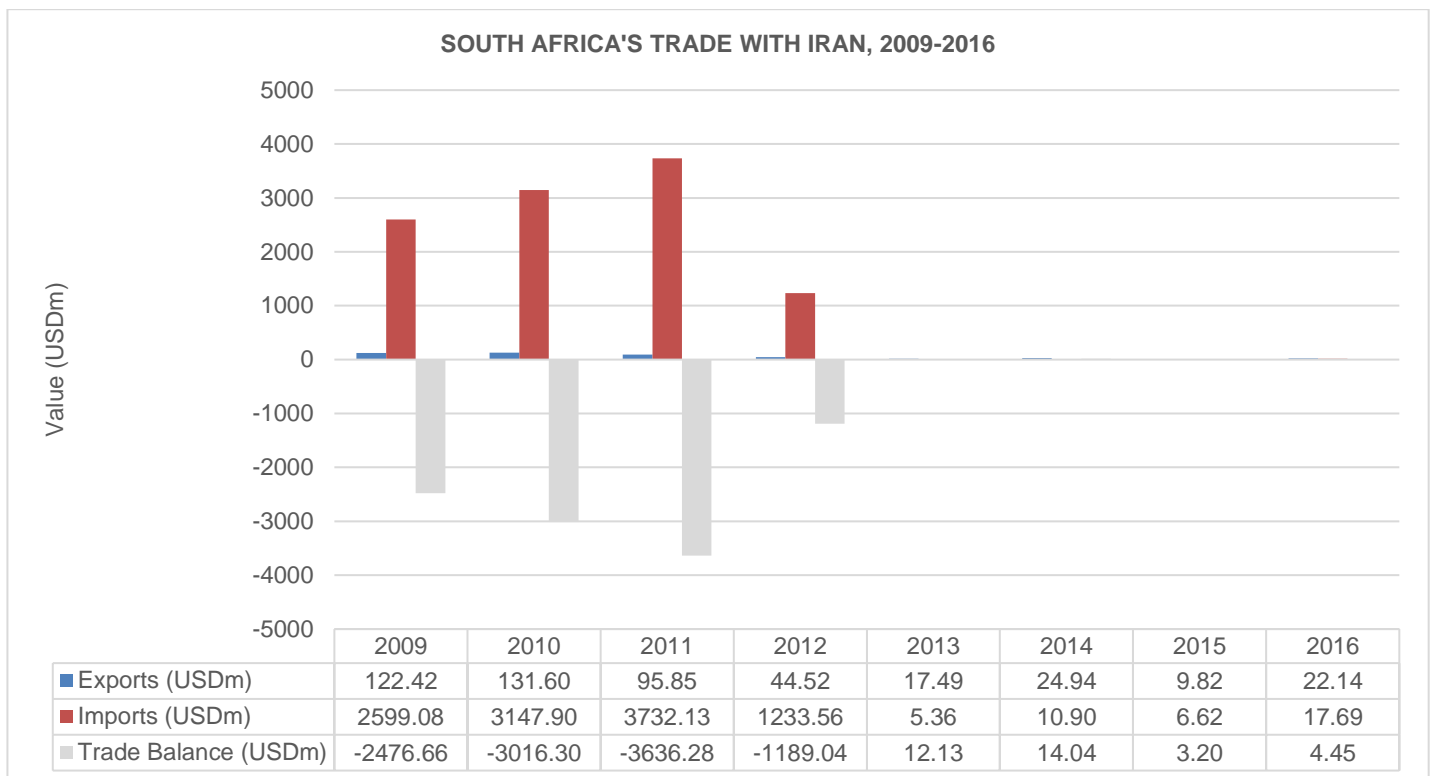
Iran is the sixth largest country in the global Muslim F&B consumption industry (the largest being Indonesia, which spent an estimated USD158 billion on halal Food and beverages in 2014), according to the State of the Global Islamic Economy Report 2015/16.

In order to promote and expand Halal culture, the Halal World Institute was established in 2007. It is affiliated to Iran Chamber of Commerce which Cooperates with ICRIC and has planned to be active in "Halal food", "Halal certificate", "Halal standards", "Halal regulations", "Halal Medicine", "Halal Cosmetics" etc. They help purchasers to identify Halal products and services and facilitates trading. Their website offers more information on halal standards and regulations; <http://www.halalworldinstitute.org./home?lang=en#.WRq7OVWGPct>

4. Trade

4.1. South African trade with Iran

Between 2009 and 2012, Iran was the more dominant trade partner and recorded consecutive trade surpluses due to South African imports of crude petroleum oil until the restrictions were implemented. Only six buyers are still allowed to import crude from Iran (China, India, Japan, South Korea, Turkey and Taiwan) down from 21 before the restrictions went into effect in mid-2012. From 2013 South Africa has become the dominant trading partner, however, this is likely to change as UN sanctions have been removed from Iran in 2017.



Source: Quantec, 2017

The leading export product to Iran from South Africa in 2016 that were above USD1m were colloidal precious metals, valued at USD6.6m, followed by sorting and screening machinery (USD4.9m) and organo-sulphur compounds (USD2.4m). The leading import product into South Africa from Iran was mineral or chemical nitrogenous fertilisers valued at USD7.8m, followed by horses (USD3.5m) and electrical transformers and static converters (USD1m).

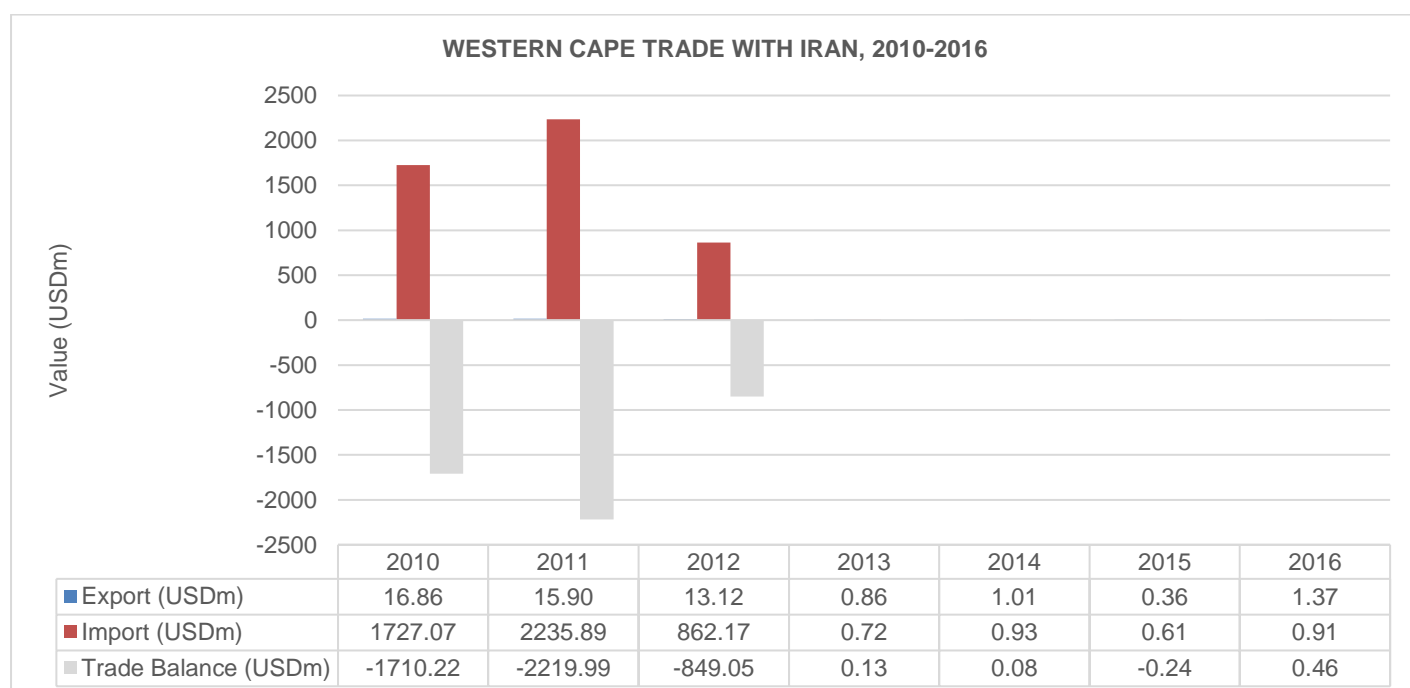
TOP 10 SOUTH AFRICAN EXPORTS TO IRAN, 2016				TOP 10 SOUTH AFRICAN IMPORTS FROM IRAN, 2016			
RANK	PRODUCT	VALUE 2016 (USD '000)	% GROWTH 2012-2016	RANK	PRODUCT	VALUE 2016 (USD '000)	% GROWTH 2012-2016
1	Colloidal precious metals; inorganic or organic compounds of precious metals	6588	771.00	1	Mineral or chemical nitrogenous fertilisers	7795	-
2	Machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading	4864	234.26	2	Live horses, asses, mules and hinnies	3513	-
3	Organo-sulphur compounds	2433	-	3	Electrical transformers, static converters, e.g. rectifiers, and inductors	1091	179.45
4	Chromium ores and concentrates	980	67.62	4	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens,	770	34.65

TOP 10 SOUTH AFRICAN EXPORTS TO IRAN, 2016				TOP 10 SOUTH AFRICAN IMPORTS FROM IRAN, 2016			
RANK	PRODUCT	VALUE 2016 (USD '000)	% GROWTH 2012-2016	RANK	PRODUCT	VALUE 2016 (USD '000)	% GROWTH 2012-2016
5	Ferro-alloys	876	101.33	5	Bituminous mastics, cut-backs and other bituminous mixtures based on natural asphalt	518	-
6	Refractory cements, mortars, concretes and similar compositions	690	-	6	Petroleum jelly, paraffin wax, micro-crystalline petroleum wax, slack wax, ozokerite, lignite	430	-
7	Granules and powders of pig iron, spiegeleisen, iron or steel	558	-	7	Carboxyamide-function compounds; amide-function compounds of carbonic acid	367	8.35
8	Pumps for liquids, whether or not fitted with a measuring device	535	25.26	8	Carpets and other textile floor coverings, of textile materials, knotted	279	-4.67
9	Tanning extracts of vegetable origin; tannins and their salts, ethers, esters and other derivatives	473	73.20	9	Instruments and apparatus for physical or chemical analysis	255	-
10	Seeds, fruits and spores, for sowing	461	-	10	Other nuts, fresh or dried, whether or not shelled or peeled	230	-
TOTAL EXPORTS		22139	11.67	TOTAL IMPORTS		17693	32.92

Source: Trademap, 2017

4.2 Western Cape trade with Iran

Between 2009 and 2012, Iran was the more dominant trade partner and recorded consecutive trade surpluses due to Western Cape imports of crude petroleum oil until the restrictions were implemented mid-2012, as mentioned in the national trade section. From 2013 the Western Cape and Iran have traded around USD2m per year until 2016.



Source: Quantec, 2017

The leading export product to Iran from the Western Cape in 2016 were pumps for liquids, valued at USD365 000, followed by agricultural machinery (USD250 390) and diodes, transistors and semiconductors (USD206 000). The leading import product into South Africa from Iran were dates, figs, avocados, guavas and mangoes valued at USD438 680, followed by vegetable saps and extracts (USD88 800).

TOP 10 WESTERN CAPE EXPORTS TO IRAN, 2016				TOP 10 WESTERN CAPE IMPORTS FROM IRAN, 2016			
RANK	PRODUCT	VALUE 2016 (USD '000)	% GROWTH 2012-2016	RANK	PRODUCT	VALUE 2016 (USD '000)	% GROWTH 2012-2016
1	Pumps for liquids	365.28	335.38	1	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens.	438.68	175.89
2	Other agricultural, horticultural, forestry, poultry-keeping or bee-keeping machinery	250.39	396.23	2	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners	88.80	629.98
3	Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, including photovoltaic cells	206.00	-	3	Worked monumental or building stone (except slate)	63.43	-
4	Other nuts, fresh or dried	140.69	-	4	Carpets and other textile floor coverings, knotted	62.18	43.73
5	Seeds, fruit and spores, of a kind used for sowing.	138.71	119.71	5	Plants and parts of plants, of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes	59.18	21519.06
6	Skins and other parts of birds with their feathers or down, further worked	72.27	-	6	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses	58.30	54.86
7	Plants and parts of plants, of a kind used primarily in perfumery, in pharmacy or for insecticidal, fungicidal or similar purposes	61.96	-	7	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data	21.60	-
8	Transmission apparatus for radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras, digital cameras and video camera recorders.	39.37	-	8	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs.	21.26	19.28
9	Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared.	33.57	-	9	Lac; natural gums, resins, gum-resins and oleoresins (for example, balsams).	18.82	24.78
10	Parts suitable for use solely or principally with the apparatus of headings 85.25 to 85.28.	30.87	-	10	Skins and other parts of birds, with their feathers or down, feathers and parts of feathers (whether or not with trimmed edges) and down, not further worked than cleaned, disinfected or treated for preservation; powder and waste of feathers	14.27	-
TOTAL EXPORTS		1369.93	34.28	TOTAL IMPORTS		908.76	-14.06

Source: Quantec, 2017

4.3 Western Cape Export Opportunities to Iran

This section uses the Decision Support Model (DSM) to identify realistic export opportunities for Western Cape firms exporting to Iran. The DSM results, indicated in the table below, show the top 10 realistic export opportunities (REOs) for Western Cape exports to Iran.

TOP REALISTIC EXPORT OPPORTUNITIES FOR WESTERN CAPE FIRMS EXPORTING TO IRAN			
HS4	HS4 Description	HS6	HS6 Description
HS8436	Agricultural/horticultural/forestry/bee-keeping machinery	HS843629	Poultry-keeping mach. other than poultry incubators & brooders
HS8474	Concrete/mortar mixers	HS847439	Mixing/kneading machines for earth/stone/ores/oth. min. subs., in solid (incl. powder/paste) form (excl. of 8474.31 & 8474.32)

TOP REALISTIC EXPORT OPPORTUNITIES FOR WESTERN CAPE FIRMS EXPORTING TO IRAN			
HS4	HS4 Description	HS6	HS6 Description
HS3808	Disinfectants, put up in forms or packings-RS/as preps./arts.	HS380891	Containing bromomethane (methyl bromide) or bromochloromethane
HS8424	Fire extinguishers, whether or not charged	HS842481	Mechanical appls. (excl. of 8424.10-8424.30), whether or not hand-operated, for projecting/dispersing/spraying liquids/powders, agricultural/horticultural
HS8405	Parts of the producer gas/water gas generators/acetylene gas & sim. water p ...	HS840510	Producer gas/water gas generators, with/without their purifiers; acetylene gas generators & sim. water process gas generators, with/without their purifiers
HS8474	Concrete/mortar mixers	HS847431	Concrete/mortar mixers
HS8207	Dies for drawing/extruding metal, for hand tools, whether or not power-oper ...	HS820780	Tools for turning, for hand tools, whether or not power-operated/for machine tools
HS8438	Bakery mach. & mach. for the mfr. of macaroni/spaghetti/sim. prods.	HS843890	Parts of the mach. of 84.38

Source: DSM Trade Advisory, 2017

Disclaimer re DSM Model Results and Findings

While the Decision Support Model (DSM) can offer varying degrees of input for identifying, prioritising, designing, planning and executing export promotion activities, the results of the DSM are inescapably based on statistical data which are at least two years old. Accordingly, it would be unwise to rest all export promotion decisions upon the DSM results alone, and there is a need to have the realistic export opportunities identified assessed by experts 'in the field' such as panels of exporters, representatives of sector organisations and commercial attaches at diplomatic missions abroad. Diplomatic and political issues also need to be taken into consideration. While the DSM results provide input in the process of concrete export strategy formulation, much more concrete and detailed information is required for designing an appropriate export promotion strategy. This important input should come from market research and further competitive intelligence on given export opportunities. This information should in no way or form be construed as advice as to where an investor should invest or undertake to invest. The model's findings and results are mere indications as to where potential realistic export opportunities (REO's) exist, and it is the responsibility of the user to use these in conjunction with additional competitive intelligence and other relevant market information as outlined above. While Wesgro has taken every effort to ensure that the information in this publication is accurate, we provide said information without representation or warranty whatsoever, whether expressed or implied, and cannot be held responsible for the contents of the publication in any way.

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4.4 Customs in Iran

Duty rates in Iran can be as high as 75%.

The customs value of imported goods is generally calculated on the basis of the cost, insurance and freight value. The Islamic Republic of Iran's Customs Administration is responsible for customs laws and regulations.

<http://www.irica.gov.ir/Portal/Home/Default.aspx?CategoryID=68bde3d2-c2d5-411f-a8b8-2b50ce202c04>

5. Foreign Direct Investment

Between 2003 and December 2016 there were 3 investment project from South Africa into Iran. These projects represent a total capital investment of USD1.04bn which is an average investment of USD347.10m per project. No investments were made from the Western Cape to Iran.

SOUTH AFRICAN FDI INTO IRAN, JANUARY 2003-DECEMBER 2016							
DATE	INVESTING COMPANY	SOURCE CITY	DESTINATION COUNTRY	INDUSTRY SECTOR	SUB-SECTOR	CAPEX (USDm)	JOBS
Nov 2005	MTN International	Johannesburg	Iran	Communications	Wireless telecommunication carriers	133.80	89
May 2005	MTN International	Johannesburg	Iran	Communications	Wired telecommunication carriers	7.50	12
Feb 2003	Sasol Nitro	Johannesburg	Iran	Chemicals	Basic chemicals	900.00	820

Source: FDI Intelligence, 2017

Between January 2003 and December 2016 there were no recorded FDI projects from Iran to South Africa.

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