

NEWSLETTER

INTERNATIONAL

 ENGLISH VERSION

IRAN



IRAN – FULL SPEED TOWARDS THE NEXT ECONOMIC BOOM?



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“THE OUTCOME OF THE US ELECTION HAS CLEARLY HAD A POSITIVE EFFECT ON THE ECONOMY”

How many German companies are represented in Iran today?

Membership in AHK Iran is growing steadily. Currently, we have over 2,000 members. Despite the sanctions placed by the USA, since in 2018, the number of members has continued to increase. Iranian entrepreneurs are very interested in Germany.

Currently, we have around 100 German member companies. Some of them have been members of AHK Iran for over thirty years. In Iran itself, the number of economically active German companies has decreased significantly due to the US sanctions and their effects on non-US companies.

At some point, there were over 200 German companies with operations in Iran. Today, there are only a dozen companies, and many just have a representative office at the moment. German companies within the chemical industry are the most active at this point.

What consequences will the result of the US presidential election have for German-Iranian economic relations?

The election of Joe Biden as the 46th US President has clearly had a positive effect, even if at this point, it is more psychological than factual. Foreign investors have once again begun to look towards the Iranian market.

Trade between Germany and Iran shows a sustained positive trend. An end to US sanctions would clearly encourage this development. Nevertheless, the country also has a lot of „homework“ to do on its own in order to improve economic relations, especially, with Germany.

This includes addressing issues related to an inefficient bureaucracy, unreliable government regulations and import controls that keep foreign products out of the Iranian market.

How do you rate the success of INSTEX in maintaining trade between Iran and the EU?

Originally, INSTEX was a very good idea that raised a lot of hope in Iran and among companies in Germany, France and the UK. In the implementation, however, there were and still are many political obstacles for INSTEX, both in Iran and in Europe, which prevent sustainable success.

Unfortunately, INSTEX does not currently provide a comprehensive and satisfactory solution for securing money transfers when trading with Iran.



Abbasali Ghassaei

is the President of the German-Iranian Chamber of Commerce and Industry (AHK Iran) in Tehran.

Where do you see particular business potential for German companies today?

The majority of German exports to Iran in 2020 came from industrial machinery. Although the volume of German exports to Iran has declined significantly, overall, the German flagship industry is still in first place among German exporters. Chemical products are in second place. In addition, German food exports increased significantly in the past year.

This shows that Germany was able to secure and even expand its sales market to some extent, despite the US sanctions. Iran is now also an important location for investing in the health and medical sectors - from pharmaceutical products to medical equipment.

German machines still have an excellent reputation in Iran and German companies have excellent business opportunities.

What recommendation would you give to German companies who are fundamentally interested in the Iranian market but are hesitant to get involved?

Iran has a lot of potential as a market and there is a high affinity to German products and services. At the same time, Iran is not an easy market. Therefore, it is advisable to have a strong and experienced partner by your side.

As the President of the German-Iranian Chamber of Industry and Commerce (AHK Iran), I would like to take this opportunity to assure all German companies and investors that AHK Iran is committed to promoting economic relations between the two countries and is always ready to help German entrepreneurs with advice and action.

It is particularly advisable for medium-sized companies to use the AHK as a supporter and advisor. A team of 30 employees and the management are always ready to help.

“MOMENTUM CAN DEVELOP QUICKLY”

How does executive search in Iran differ from other countries?

Companies that want to invest in Iran are now in a better position to do so, from an HR perspective, than during the boom in 2016 and 2017. Back then, the HR market belonged to the candidates. Today, it is on the side of the employer.

Attracting and retaining motivated and highly qualified employees to executive positions is therefore relatively easy for foreign companies. However, the number of executives available in Iran who are qualified to work in an international company is relatively small.

Language skills are not so much the problem, as are the lack of familiarity with the way foreign companies work, an understanding of compliance that does not correspond to international practices and a specific management style.

Therefore, thorough research and analysis are required to identify candidates who can fill the bridging function between the international corporate structure and the Iranian market. In addition to the local market, the Iranian diaspora is also of interest - some of the Iranians living abroad will surely be ready to return when Iran's economy improves again.

How has the demand for executives in Iran changed since 2015?

After the conclusion of the nuclear agreement, the interest of the European business community in Iran was initially huge, and the euphoria great. Numerous delegations, led by ministers, prime ministers and mayors, subsequently made their way to Tehran to explore opportunities for cooperation with the Iranian side.

In 2016, many European companies actually decided to set up representative offices and sales & service subsidiaries. Subsequently, we supported a considerable number of companies with recruiting to executive positions, especially in 2016 and 2017. Capital goods manufacturers were particularly active at the time, as were the pharmaceutical, automotive and consumer goods companies.

Sometime towards the end of 2017, it became evident that the change in America's policy on Iran had also affected Europe's investment strategy with regards to the country. Some ongoing mandates were frozen or cancelled at that time with reference to political developments. Since 2018, there has practically been no recruitment activity from international companies.

However, we are now seeing a renewed interest in Iran, based on the hopes placed in the Biden presidency.



Christian Tegethoff

Managing Director
CT Executive Search

How do you expect demand for highly skilled, top management personnel to develop in the near future?

The demand for executives is closely linked to further political developments. Many European company representatives hope that the USA will return to the nuclear agreement and that business relations with Iran will become possible again.

If this scenario occurs, the market will certainly recover. In 2016, we saw how quickly the momentum can develop and how great the European interest in the Iranian market is.

The conditions for an upswing are still in place. The local economy and infrastructure are in great need of modernization, and the population is interested in European goods. At the same time, the country has exportable raw materials to finance demand.

The favourable geographical location and the relatively well-educated population make Iran interesting as a production location in the long term - a prerequisite for this, however, is a persistently stable general political situation.

As in 2016, we are ready to support companies on their way to the Iranian market. Specifically, we help with the recruitment of representatives, managing directors and other management personnel.

Given Iran's complicated regulatory environment, analysing and entering the market with the assistance of a freelance consultant and/or an Iran advisory board can be options. As local managers and experts in their industries, they are in the best position to show foreign companies the direct route to their goals, based on their market knowledge and networks.

As an alternative to mandating consulting firms, they can provide in-depth market analyses, initiate relevant contacts quickly and also support the implementation of the market entry strategy.

“THE TREND IS BECOMING INCREASINGLY POSITIVE”

How is your business doing in times of embargo and the pandemic?

Despite the current situation, we are very busy and are expanding our team in Tehran selectively. Classic strategy consulting is currently less in demand than market entry and product consulting. Foreign companies are primarily asking themselves whether and how their products can be imported and distributed under the current conditions. Against the background of current political developments, many companies are aware that a market is emerging again in Iran and are closely monitoring the situation.

What is your outlook for the current year?

Due to various factors, the trend is becoming increasingly positive, which can also be seen in the strengthening of the rial rate. The driving force is the hope for a new policy under the Biden government – specifically, the abandonment of the maximum pressure campaign against Iran.

The Iranian presidential elections in June will mean that a new negotiator will speak with the US in the future. This is also largely rated positively. Therefore, there could be more momentum after the Iranian New Year on March 21st – generally, optimism and confidence in the Iranian business community have increased in recent months. If the Coronavirus pandemic is brought under control by the end of the summer, then the development could go uphill very quickly.

However, the political process remains unpredictable and the withdrawal of sanctions is not a sure-fire success. Biden is expected to go through a phased sanction lifting process.

Therefore, it is difficult to predict when European companies will be able to get involved in Iran again. Especially, since the USA may choose to see to it that the European companies do not get a head start on their American counterparts.

How do European companies currently operate in Iran?

For the past three years, companies have mainly waited and hoped that business could go on at some point.

We manage a large number of „sleeping“ subsidiaries in legal and accounting terms. The central point is the representation vis-à-vis the tax authorities. These corporate hulls can be reactivated at any time if the parent company wants to resume operations in Iran.

Otherwise, currently, there are hardly any significant European activities in Iran.



Dr. Alireza Azimzadeh

is the founder of the legal, corporate and financial consultancies Persia Associates, Persia Consulting and Persia Financial, based in Tehran. Dr. Azimzadeh acts as the representative of the German Association for Medium-Sized Enterprises for Iran. He is also a member of the Advisory Board of CT Executive Search.

After the embargo was reinstated, the companies decoupled from their Iranian production units and the corresponding units are now mainly operated as practically local companies.

What advice would you give to companies interested in Iran?

After the conclusion of the nuclear deal, some companies may have entered the market over-euphoric, some too early and with expectations that were too high. Today, Iran is viewed more soberly in politics and economy, and that is certainly healthy too.

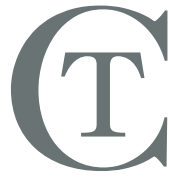
I expect that after the embargo on Iran has been lifted, at least a year and a half will pass before investments in production facilities and infrastructure are started again on a larger scale.

After the JCPOA had been signed, Iran's administration and politics were in no way prepared for the pace and mass of international companies that poured into the country. The administrative structures were overwhelmed, the actors taken by surprise.

Conclusions have been drawn from this, and this time, the administration has stayed on the subject even during the current embargo. After 35 years of nearly doing nothing, the institutions of foreign trade have been modernized. The customs offices were reorganized and equipped with better technology. The tax authority was also linked more closely to the other institutions with integrated software, and the transparency of its work increased.

Considerable steps have also been taken against money laundering. The banks have done a lot to comply more closely with the BASEL standards. In addition to the pressure from the USA, non-compliance with BASEL requirements was one of the reasons why international financial institutions refused to work with Iranian banks.

My recommendation is to put out feelers again from May 2021, and take a closer look at the Iranian market. By September at the latest, things should look up again here.



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