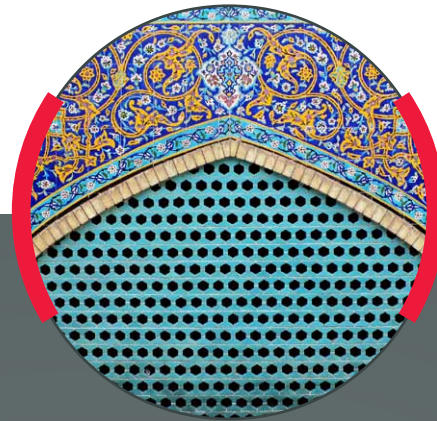


NEWSLETTER

INTERNATIONAL

 ENGLISH VERSION

IRAN



## INTEX – A BOOSTER FOR IRANIAN-EUROPEAN TRADE?



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## “IRAN HAS HAD A VERY DIFFICULT YEAR”

**What is the mood among German companies in Iran? What measures have companies taken to respond to the new situation resulting from the reinstatement of US sanctions?**

As could be expected, the mood among German companies is not good. Many of them waited throughout last year to see if there would be any movements on the political level. After this had not happened by November 5, the second stage of US sanctions, most of them have reduced their Iran business to a minimum and withdrew the German executives.

At the same time, hardly any German company has completely given up its engagement in Iran. They are all waiting to intensify business as the political environment improves.

**What effects do American sanctions have on European companies? How and why are they affected?**

The biggest concern is being hit by secondary sanctions. German companies do not want to and cannot afford to endanger their US business. It is usually many times larger than the business in Iran. An exclusion from the US market would be fatal. But exactly this danger is real.

At the same time, we observe that German SMEs and large companies want to continue trading with Iran. But even if they do not have a US business, they are hampered by the reluctance of most European banks to cooperate. The vast majority of European banks are currently refusing to support business with Iran.

**What expectations do you associate with INSTEX?**

Expectations of INSTEX are great. A round table with German and Iranian company representatives in the AHK, in which the CEO Per Fischer and representatives of the German Foreign Office and the BaFin were present, has shown this quite clearly.

At the same time, we have to be realistic. Although registered, INSTEX still has some work to do until it can become operational. In addition, it is initially used exclusively in the humanitarian field, as this is not covered by US sanctions. But even that is an important first step.

At the moment we are working hard on the Iranian mirror structure. This is essential to be able to handle the first transaction via INSTEX.



**Dagmar von Bohnstein**  
Managing Director, German-Iranian Chamber of Industry and Commerce (AHK), Tehran

## How has the Iranian economy developed over the past year, and what are your expectations for next year? Which sectors offer prospects for German companies?

Iran has had a very difficult year with rising inflation, a decline in the rial exchange rate and negative economic growth. The government and the Central Bank of Iran have changed their policies and strategies several times to control these instabilities.

While some experts do not expect a positive turn for the future, others believe that with the right policy and rapid progress on INSTEX, the hurdles can be reduced. Iran has great potential in the oil and gas, industrial, food and especially renewable energy sectors.

But there are internal Iranian difficulties in regulating foreign investors, which we as the largest bilateral chamber in Iran clearly articulate and seek to influence positively. At the same time we are consulting German companies that are willing to invest in Iran. Especially now that INSTEX is taking up its work in the area of humanitarian goods, I can say that there is potential, especially in the medical field.

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## “BUSINESS POLICY OF BANKS IS ILLEGAL”

### For what reasons have European banks so far refused to accompany non-sanctioned Iran business of their customers?

Already with the entry into force of the JCPOA agreement in January 2016, the majority of European commercial banks refused to settle Iran-related business. This was regularly justified by a business policy decision of the respective management. An objective justification was never cited.

This business policy has a lasting negative impact on trade between Iran and Europe. 90% of trade between Iran and Europe is from Europe to Iran. Only a tenth of the trade volume is imported from Iran to Europe.

German and European exporters sell their products to Iran and want the purchase price to be transferred to their account with a European commercial bank, such as Deutsche Bank, Commerzbank or DZ Bank.

The purchase price payment is easily transferred from Iran to Hamburg, e.g. to Bank Melli or the Europäisch-Iranische Handelsbank (EIH). However, the forwarding of the payment in Germany and Europe is only possible to a limited extent because the commercial banks refuse to process a payment from Bank Melli Hamburg or EIH Hamburg without stating reasons.

This business policy is illegal and violates the contracts underlying the European payment systems SEPA and TARGET. Banks repeatedly point out verbally that they have to comply with the interests of US foreign and economic policy in order not to be punished by the American side.



**Dr. Helmut Gottlieb**

member of the management team at Bank Melli Iran, Hamburg. Bank Melli Iran is the largest commercial bank in Iran with more than 3.100 branches and approx. 37.000 employees.

These explanations refer to statements by the US president calling for a total boycott of business with Iran. These do not distinguish between „allowed“ or „sanctioned“ business.

### **What exactly is behind the European special purpose vehicle INSTEX?**

The Instrument in Support of Trade Exchanges (INSTEX) is intended to facilitate the settlement of trade between Iran and Europe by offsetting mutual purchase price claims.

However, INSTEX does not solve the question of SEPA and TARGET payments in Europe. Solving this problem will be the key issue for INSTEX's acceptance by businesses and the viability of INSTEX.

### **How do you expect INSTEX to solve payment transaction problems and boost Iranian-European trade?**

The problems in European payment transactions can only be solved with political support. Commercial banks must be required to meet their contractual obligations and abide by the rules they accept.

It is expected that INSTEX will not be able to solve this problem without political support.

### **What further regulatory measures would you consider necessary to simplify the trade with Iran for European companies?**

The central topic for the Iran trade is European payment transactions. The EU could by a regulation oblige commercial banks to abide by the existing rules for SEPA and TARGET. An infringement would have to be penalized with delicate legal consequences, ensuring that payment transactions are settled on a factual basis and not on the basis of „arbitrary“ business policy.

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## “COMPANIES EMBARK ON HIBERNATION STRATEGY”

### **How has the demand for executive search in Iran developed since 2015?**

After the conclusion of the nuclear agreement, the interest of European business in Iran was huge at first, and the euphoria was great. Numerous delegations led by ministers and mayors have subsequently set off to Tehran to explore opportunities for cooperation with the Iranian side.

Many European companies decided in 2016 to set up representative offices and distribution companies. Accordingly, in 2016 and 2017 in particular, we assisted a considerable number of companies with recruitment. The machinery and plant engineering sector was particularly active at the time, but also the pharmaceutical industry, the automotive and the consumer goods sectors.



**Christian Tegethoff**

Managing Director  
CT Executive Search

By the summer of 2017 at the latest, it became noticeable that the reorientation of the American policy towards Iran had an impact on the mood in European companies. Several of our assignments were then frozen or cancelled with reference to political developments.

There was hardly any recruitment activity in 2018 and the situation has remained unchanged since then.

### **What distinguishes the Iranian HR market, especially in the management segment?**

Companies wanting to engage in Iran have better prospects from an HR perspective than two or three years ago. Back then, a large number of companies were competing for a relatively small number of qualified candidates. Today, the demand is low.

It is therefore much easier for foreign companies to attract and retain motivated and qualified employees. However, the total number of potential candidates available in Iran who are suited for management roles in an international company is comparatively small.

The problem lays not so much in insufficient foreign language skills. Crucial issues are frequently connected with compliance awareness, lack of experience with working in international organisations and a specific leadership style.

It therefore requires thorough research to identify candidates able to act as intermediaries between an international corporate structure and the Iranian market.

### **How will demand on the HR market develop in the foreseeable future?**

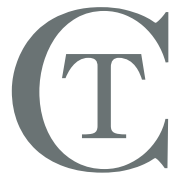
This question is closely linked to the further political development and to the extent to which European companies will be prepared to engage in Iran.

At the moment, it looks as if the majority of companies are deciding to reduce their exposure, citing financial issues and the uncertainties surrounding sanctions.

Many are embarking on a hibernation strategy by putting their national companies to sleep and waiting for a future recovery.

Only few companies are going for an expansion strategy in the short term. Correspondingly, we expect comparatively low recruitment activity in the current year.

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## EXECUTIVE SEARCH

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