IRAN RE-EMERGES:
A GENERATIONAL OPPORTUNITY
Given its population of 80 million and its significant mineral resources, Iran’s re-engagement with the international economy offers significant potential for Australia. Australia has world-class capability in a range of sectors that are highly relevant to Iran’s economic reintegration, including mining, oil and gas, agribusiness and food, water resource management, health and medical services, and education and training.

This report provides a timely analysis of the emerging opportunities for Australian businesses in Iran. As the report states, there is potential for Australian business to diversify our balance of trade with Iran, noting that wheat exports currently dominate the trade relationship. While this trade will remain important, it is Australia’s globally accepted reputation as a quality producer of a broad range of agriculture products and as a leader in sectors such as education, mining and oil and gas, and water management that mean we are well placed to be a trusted trading partner for Iran in the future.

To begin the process of re-building Australia’s commercial relationship with one of the Middle East’s largest economies, I recently led a high-level business mission to Iran that confirmed immediate opportunities for Australian agribusiness exporters and educational institutions, and longer-term potential for suppliers of equipment, technology and services for the mining and oil and gas sectors.

The mission also highlighted Iran’s interest in developing a water security strategy that will underpin its future economic growth. Australia has world’s best practice in this regard, and this is a sector that Australia can therefore lead with, to build confidence in Iran in our leading-edge capability and to differentiate us from our international competitors.

To ensure that Australian companies are well-positioned to take advantage of Iran’s re-emergence,

I took the opportunity of my visit to Iran to re-open the Austrade office in Tehran. Through this office, the Australian Government is actively assisting Australian businesses to navigate the Iranian commercial landscape and to explore specific commercial opportunities. I strongly encourage Australian companies with an interest in the Iranian market to take advantage of Austrade’s presence.

The opportunities in Iran are exciting but Australian businesses need to be cognisant of the risks and challenges that still exist. This report developed by the Export Council of Australia and funded by Austrade provides a comprehensive introduction to a market that has considerable untapped potential.

The Hon. Steven Ciobo MP
Minister for Trade, Tourism and Investment
The Export Council of Australia (ECA) is pleased to present this timely report examining renewed opportunity in Iran, a market with significant untapped potential for Australia.

International sanctions relief opens the door for Australian businesses to once again engage with this large, well-educated and relatively affluent country. Iran was once a major market for Australia, and the potential is there to restore and grow our trading relationship.

Australian companies offering goods and services in the agriculture, resources, energy, education and tourism sectors in particular stand to benefit from this re-opening.

Iran is already one of the largest food and beverage markets in the Middle East. Its large and expanding population – combined with challenging environmental conditions – create significant demand for Australian agricultural exports, as well as for the knowledge and expertise Australian companies can provide to help Iran modernise its agricultural sector, and deal with challenges such as water management.

The country is home to the world’s second-largest gas reserves and fourth-largest oil reserves but has been unable to access the foreign investment, technology and expertise necessary to modernise its energy infrastructure. This creates significant potential in the post-sanctions environment to match Australian knowledge, expertise and innovation in the energy sector with Iranian demand.

Iran’s natural resource riches extend to mining and minerals, where infrastructure is also under-developed, and the sector underfunded and uncompetitive. This presents significant opportunity for Australian investment, technology and expertise in a country that features a similar geological environment to Australia’s own.

For Australian education and tourism service providers, Iran is a largely untapped opportunity for two of our strongest sectors, and are areas where Australian companies can leverage significant demand gaps and offer best-practice expertise.

Though these are the broad sectors covered in this report, the Iran opportunity does not end there. Australian companies of all shapes and sizes may find potential lucrative market opportunities in Iran.

A number of challenges and risks for Australian companies in Iran remain, however, including the impact of remaining US sanctions and issues accessing finance. This report touches on some of these challenges.

We would like to thank Austrade for sponsoring and supporting this report, and recognise the crucial role they are playing to assist Australian companies with exploring opportunity in this challenging but very promising market. I would also like to acknowledge and thank Niels Strazdins, Head Research Manager at the ECA for creating this practical and timely report.

The ECA hopes this report will help to raise awareness of some of the opportunity waiting for Australian companies in Iran.

We have a long, proud history of supporting Australian international business. For the past 60 years, we have encouraged, educated and assisted Australian companies to take on the world. We stand ready to provide assistance to Australian companies exploring opportunities in this exciting market.

Lisa McAuley
CEO, Export Council of Australia
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>5</td>
</tr>
<tr>
<td>Introduction to Iran</td>
<td>6</td>
</tr>
<tr>
<td>Opportunities in Iran</td>
<td>12</td>
</tr>
<tr>
<td>Challenges in Iran</td>
<td>42</td>
</tr>
<tr>
<td>Concluding advice</td>
<td>50</td>
</tr>
</tbody>
</table>
Post-sanctions Iran is one of the largest sources of untapped opportunity in the world for Australian companies. Offering a market of 80 million relatively affluent consumers and pent-up demand for quality goods and services, Iran is an opportunity worthy of serious consideration by Australian firms.

Trade has traditionally been the glue binding Australia and Iran, which was once our largest trading partner in the Middle East. Though international sanctions derailed our commercial relationship, shrinking it to a fraction of its former size, the international agreement over Iran’s nuclear program has re-opened this potentially very lucrative market.

Australian companies in many of our key sectors can now access opportunity to provide the goods, services, technology and expertise that Iran needs to modernise and grow its long-isolated economy.

This report outlines some of this opportunity in sectors where Australia is well-placed to match export strengths with strong Iranian demand: in agriculture, including meat and livestock, and water management; in energy, including oil, gas and renewables; and in services, especially education and tourism.

As Iran is attracting significant attention from companies around the world, these are sectors where Australian goods, services and expertise can be very competitive, and where we can leverage our strengths and experiences with similar challenges.

However, Iran is still a very challenging and complex market to navigate for Australian companies, and real risks remain. Sanctions on designated individuals and organisations are still in place, as are US primary sanctions. Access to finance remains challenging, political risks are ever-present, and opposition to re-engagement between Iran and the West lingers in certain quarters.

Comprehensive due diligence is therefore crucial for any Australian company seeking to do business in Iran. Severe penalties apply to companies that run afoul of remaining sanctions on the country.

Patience is required as Iran re-engages with the West. It will take time for sectors such as financial services to develop their understanding of the market, and for bank-to-bank connections to develop and support trade and investment. It is important at this stage for Australian companies to develop relationships in preparation for a changing environment.

The Australian government is proactively engaging the Australian and Iranian financial sectors to assist with this transition towards a financial situation conducive to business.

Iran presents opportunity too big to ignore. Australian companies with strengths in the sectors covered in this report, as well as with strengths in many other sectors not covered, should leverage renewed market access and seriously evaluate opportunity and potential in Iran.
INTRODUCTION TO IRAN

Long-isolated from large sections of the international community, Iran is an unfamiliar market for many Australian and foreign companies.

This section is intended to reacquaint Australian companies with Iran in general, providing introductory overviews of Iran’s geography, politics, economy and society.
IRAN’S GEOGRAPHY

Iran is a vast country, the 18th largest in the world by size and 17th largest by population. Its territory exceeds that of Western Europe. It is four times larger than neighbouring Iraq and three times as populous.

Topographically, Iran is a very mountainous nation, outlined by peaks along its frontiers. Uninhabitable areas of salt-mud flats comprise the interior of the country, forcing most of the population into the mountains and their foothills.

The population is roughly concentrated toward the northwest of the country, with high densities around larger cities running north-south from the Caspian to the Gulf.

Other than the area around Mashhad – Iran’s second largest city located in the far north-east, near the Turkmen and Afghan borders – the rest of the country is very lightly populated and difficult to traverse.

The majority of Iran’s middle and upper class is found in the Greater Tehran area, as well as the cities of Mashhad, Isfahan and Tabriz. Iran’s largest cities are illustrated in Figure 1.1.

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tehran</td>
<td>8.1 million</td>
</tr>
<tr>
<td>Mashhad</td>
<td>2.7 million</td>
</tr>
<tr>
<td>Isfahan</td>
<td>1.7 million</td>
</tr>
<tr>
<td>Tabriz</td>
<td>1.4 million</td>
</tr>
<tr>
<td>Karaj</td>
<td>1.6 million</td>
</tr>
<tr>
<td>Shiraz</td>
<td>1.4 million</td>
</tr>
</tbody>
</table>

Figure 1.1: Iran and its largest cities
IRAN’S POLITICS

Ultimate political power and authority rests with the Supreme Leader and a 12-member Guardian Council.

The Supreme Leader sits atop Iran’s policy-making apparatus with particular influence in foreign and strategic policy, setting guidelines for both.

The Guardian Council acts as a constitutional watchdog and may veto legislation it finds to be “un-Islamic” or unconstitutional. Six of its members must be clerics and are appointed by the Supreme Leader, and six must be legal scholars whose appointments are proposed by the judiciary chief to the parliament for approval.

The elected portion of Iran’s government is the public face of the Islamic Republic, and the vehicle through which other governments interact with the country.

The President of Iran is the country’s head of government, and is accountable to the Supreme Leader who acts as head of state. The President is directly elected for a four-year term, and is limited to two consecutive terms in office. As per Iran’s Constitution, “functions of the executive” are vested in the President’s office, which has been occupied by Mr Hassan Rouhani since his election in 2013.

President Rouhani is viewed as socially conservative and economically liberal, and has been a driving force behind the Joint Comprehensive Plan of Action (JCPOA) – the agreement with the international community ending nuclear-related sanctions on Iran – as well as the country’s resumption of harmonious relations with the West.

The 290-member Parliament – or Majlis – is elected via popular vote. It is typically representative of Iranian society, and includes representation from minority groups and women. Over 6,200 candidates were approved by the Guardian Council to run for election to Iran’s most recently-elected parliament in May 2016, nearly 600 of whom were women.³

The Majlis acts as an important forum for policy debate, has the power to confirm and impeach ministers, controls the budget, and may issue formal questions which the government must answer.

In addition to these actors, Iran’s Islamic Revolutionary Guard Corps (IRGC) is a core political constituency and plays a key role in the country’s foreign and strategic policy. It is ultimately responsible for the protection of the Iranian regime, and practically controls key elements of the country’s military.
Iran’s diversified economy stands out amongst the petro-economies ring the rest of the Gulf. Though Iran is energy-rich, its economy also boasts a significant manufacturing sector and a sizeable consumer market. Figure 1.2 details some of Iran’s headline indicators over the past few years.

Figure 1.2: Iran headline economic indicators (Source: Australia Department of Foreign Affairs and Trade)

Though onerous, sanctions have not been the sole factor holding back Iran’s economic development. The post-1979 Iranian economy has also suffered from haphazard economic policy-making and a succession of five-year economic plans that have been heavy on pro-market rhetoric, but light on actual action.

Iran’s business environment can be challenging. It ranks 120th out of 190 countries on the World Bank’s 2017 Ease of Doing Business Index, with particular issues to address around resolving insolvency (ranking 156th in the world), protecting minority investors (165th) and trading across borders (170th).

Unemployment is an issue and an ongoing governmental concern. Around 750,000 youths join the Iranian labour force every year, many of whom struggle to find gainful employment. One in five youths are unemployed.

This has had societal repercussions – 77% of respondents to a 2015 survey conducted by FTI Consulting, a global risk consultancy, said they were struggling to meet the costs of everyday expenses.

Job and opportunity-creating economic growth is therefore imperative for Iran’s stability and prosperity.

Unburdened by sanctions and encouraged by an international willingness to engage with the country, the short-term picture looks promising.

GDP is expected to grow 5% in the 12 months to March 2017, a 0.5% increase over previous estimates.

Inflation is now in single digits for the first time in 25 years, and deposit interest rates are on a downward trend, declining from 18% to 15%, as of July 2016.
Iran’s current five-year economic development plan, running to 2021, envisages economic growth of 8% p/a and a slate of reforms to state-owned enterprises and the banking sector, as well as the allocation of oil revenues to finance priority development areas.

Full economic recovery is expected to be gradual over the longer-term, underpinned by a relatively young, educated and skilled population, as well as some of the world’s largest proven energy reserves.

There are of course many potential pitfalls on the road ahead. The global oil glut and slump in commodity prices threatens the value of Iran’s largest exports; its young population will expect jobs and professional development opportunities in-line with their skills and investments made in education; and sectarian-tinged regional rivalries pose ongoing security risks and challenges to geopolitical stability.

In addition to their political and military influence, the IRGC has also amassed a considerable commercial arm and is considered to be the most powerful economic actor in the country. Having filled the void left by foreign companies during the sanctions period, the IRGC now holds stakes in a number of sectors, ranging from construction and energy to media and import firms.

Australian sanctions remain in place on certain individuals and organisations affiliated with the IRGC, as per the Australian Consolidated List. The List has been amended to remove a number of Iranian individuals and entities following the JCPOA, which has led to the suspension of most Australian autonomous sanctions on Iran – including those targeting the banking, oil and gas, and transportation sectors.

Australian companies are well-advised to conduct a thorough and comprehensive due diligence process on potential Iranian business partners to avoid running afoul of remaining sanctions on Iran. These include:

- Restrictions on the export of arms and related material;
- Restrictions on some metals and software, such as graphite and software for integrating industrial processes of a kind specified in the Autonomous Sanctions (Export and Import Sanction Goods – Iran) Amendment Specification 2016; and
- Remaining designated Iranian persons and entities on the revised Consolidated List.

More information on remaining sanctions, including US sanctions, can be found in Section 3 of this report.

Overall, Iran is a relatively untapped land of opportunities for Australian businesses, offering significant catch-up and future development potential in nearly all sectors of its sizeable economy – albeit with significant challenges and risks along the way. More on risk can also be found in Section 3 of this report.

Australian businesses are well-advised to take risks into consideration when performing their due diligence on engaging with opportunities in the country.
IRAN’S SOCIETY

Iran is the second most populous country in the Middle East and North Africa, at 82.8 million people, trailing only Egypt’s 94.6 million.13 Around 60% of Iranians are ethnic Persians, with the rest of the population belonging to a myriad of ethnic minorities.14

Around 40% of this population is under 35 years of age15, and the country boasts a median age of just 29 years16, a promising demographic for the future.

Iran is a Muslim state dominated by the Shia sect of Islam, whose adherents comprise around 90-95% of the population.17 This is an important contrast to most of the Middle East and the wider Islamic world, as Shia make up only around 10% of the world’s Muslim population.18 Azerbaijan, Bahrain and Iraq are the only other Shia-majority countries, though there are sizable Shia minority communities across the Gulf and the Arabian Peninsula.19

Iranians are generally highly educated, adaptable and favourably dispositioned toward the West.

EDUCATION

Education is valued and highly competitive in Iran. Parents spend significant amounts of time and money on their children’s education, going as far as forgoing holidays or social engagements during exam preparation periods.

Despite decades of political friction between Iran and the US, the majority of Iranians hold a favourable view of the West – 83% of respondents to a 2015 FTI survey across all age groups saw no problem with peaceful coexistence.20 Just 6% said “Iran’s contacts with the West should be limited” and that “Iran should be protected from Western concepts”.

Younger Iranians also tend to be less ideologically driven than older generations, embracing pluralism in their politics.

Iranians are tech-savvy, despite state restrictions on Internet access which render around half of the world’s top 500 websites inaccessible in Iran.21 Internet penetration is nevertheless around 40-50% – and around 77% in Tehran – with 11 million people having mobile Internet access.

AUSTRALIA-IRAN TRADE AND DIPLOMATIC RELATIONS

Trade has traditionally been the glue binding Australia and Iran, and has long defined our relationship.

Increasing trade flows were the original impetus for establishing diplomatic relations between Australia and Iran in 1968, and our exports to Iran quickly doubled thereafter.

However, the size of this relationship has shrunk considerably due to the impact of international sanctions.

Iran is currently Australia’s 75th largest trading partner – our 58th largest export destination (AUD 89 million in 2015) and 79th largest import source (AUD 32 million).22

Wheat accounts for AUD 51 million of Australia’s exports to Iran, nearly 60% of total exports, followed by wool (AUD 11.5 million); milk, cream, whey and yoghurt (AUD 7.3 million); and meat, excluding beef (AUD 6.2 million).23

Fruit and nuts were Australia’s biggest import from Iran in 2015 (AUD 9.5 million), followed by floor coverings (AUD 6.3 million); lime, cement and construction materials (AUD 3.9 million); and furniture, mattresses and cushions (AUD 1.8 million).24

Australian exports to Iran declined significantly in 2015 (75% year-on-year), primarily as a result of a sharp decline in wheat exports – from AUD 338 million to AUD 51 million. This decline was due to strong domestic production in Iran, which dropped the country nearly 20 places among Australia’s export markets.

For Iran, Australia is its 36th largest export market and 23rd largest import source.25

Figure 1.3 details Australia’s trade with selected countries in the region, and where Iran currently stands.

<table>
<thead>
<tr>
<th>Goods</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports</strong></td>
<td><strong>Imports</strong></td>
</tr>
<tr>
<td>Amount (AUD, rank)</td>
<td>Amount (AUD, rank)</td>
</tr>
<tr>
<td>UAE 3.3bn (15)</td>
<td>UAE 2.4bn (19)</td>
</tr>
<tr>
<td>Saudi Arabia 2.1bn (17)</td>
<td>Saudi Arabia 817m (35)</td>
</tr>
<tr>
<td>Qatar 666m (31)</td>
<td>Qatar 555m (42)</td>
</tr>
<tr>
<td>Turkey 466m (38)</td>
<td>Turkey 435m (45)</td>
</tr>
<tr>
<td>Iran 89.8m (58)</td>
<td>Iran 32.3m (79)</td>
</tr>
</tbody>
</table>

Figure 1.3: Australian goods and services exports to select Middle East countries, 2015 (Source: Australia Department of Foreign Affairs and Trade)
Amongst the world’s remaining untapped opportunities, few can match Iran’s market size, its potential and its across-the-board demand for many of the goods and services Australia excels at providing.

Iran was once an annual AUD 1 billion export market for Australia. It can be again if Australian companies are proactive in exploiting the synergies that exist between our two economies, as well as the demand-gaps that they are well-placed to fill.

“As Iran continues to reintegrate with the global economy, more opportunities will present themselves. I think it’s important that Australia is among one of the first movers here in Iran.”

– Australian Minister for Trade, Tourism and Investment, the Hon Steven Ciobo MP
“As Iran continues to reintegrate with the global economy, more opportunities will present themselves,” Australia’s Minister for Trade, Tourism and Investment, the Hon. Steven Ciobo MP said during a September 2016 visit to Tehran. “I think it’s important that Australia is among one of the first movers here in Iran.”

Three Memorandums of Understanding (MoUs) were signed during Minister Ciobo’s visit to Iran – the first by an Australian Trade Minister since 2002 – to assist Australian companies in re-engaging with Iran.

One is aimed at facilitating engagement in water management; another is broader, and aims to facilitate engagement by Australian companies in not only water, but agriculture, resources, health and education as well; the third is an MoU between Australia’s Export Finance and Insurance Corporation (Efic) and the Export Guarantee Fund of Iran. This third MoU is intended to assist businesses in navigating remaining banking and finance complexities with Iran (further discussed in Section 3 of this report).

The Australian Trade and Investment Commission (Austrade) has re-established its Tehran office, which had been closed since 2010, to further assist Australian companies in exploring untapped potential and navigating the complexities of doing business in Iran.

Delegates on an Australian business mission to Iran led by Minister Ciobo in September 2016 were left with a strong impression of opportunity in the market, according to Austrade. All delegates reported that they expected to achieve commercial outcomes as a result of their participation, and 80% of respondents to a post-mission survey said they had developed new business relationships with key decision-makers and customers in Iran. Two-thirds indicated that they raised their organisation’s profile in Iran.

The mission reinforced the view that while commercial opportunities exist for Australian companies in agribusiness, health, education, mining, and the oil and gas sectors, there are challenges in obtaining trade finance and ensuring adherence to remaining sanctions. The re-opening of Austrade’s office in Tehran, with Mr Lino Strangis as Trade Commissioner, will provide support to Australian companies seeking to do business in Iran.

In the medium-term, Austrade will develop networks and knowledge in priority sectors, provide market intelligence to the Australian business community and support firms with market entry. Austrade will re-engage Iran through select sectoral missions that tie-in with major summits in Iran. In addition, Austrade will include information on Iran in the MENA seminar program in Australian capital cities during November 2016, and invite Iranian delegations to Australia to participate in events such as the International Mining and Resources Conference (IMARC) in Melbourne, also in November 2016.

During a visit to Australia in March 2016, Iran’s Foreign Minister Mohammad Javad Zarif noted that both Australia and New Zealand are key to diversifying the country’s trading relationships, and are more important to Iran than many Asian countries due to the size and sophistication of our economies.26

Indeed, there are not only opportunities to expand the size of our trading relationship, but its diversity as well, considering wheat accounts for the majority of Australia’s current exports to Iran.

The first examples of diversification are starting to emerge, with Australia’s Blackmores reaching an agreement in September 2016 with Iran’s Tasnim Pharma to sell ten of its products in Iran over the coming year, and eventually increase this to 25 products.27

Going forward, the potential to expand our commercial relationship is vast. Iran is targeting AUD 10 billion in annual trade with Australia, a ten-fold increase on our previous peak bilateral trade levels, according to Iran Chamber of Commerce, Industries and Mines head Gholam Hossein Shafei.28

We highlight a few specific areas of potential in the agriculture, energy, resources and services sectors over the following pages.

“This mission to Iran was extremely well chosen and so very well timed (earlier than I thought would happen!). It is fantastic to see the government getting on the front foot in facilitating strategic opportunities (whether country-based or industry-based) for Australian organisations. Obviously getting in early can mean more obstacles might exist, but it generally also means that there will be more opportunity around before it is taken off the table by other countries trying to do the same.”

– Australian company delegate to a September 2016 business mission to Iran
**AGRICULTURE, WATER MANAGEMENT, MEAT AND LIVESTOCK**

**Highlights:**

- Iran is one of the largest food and beverage markets in the Middle East, and represents a significant opportunity for Australian agricultural and food exports, as well as Australian agricultural technology and expertise.
- Iran has been the largest grain importer in the Middle East, as well as a significant importer of Australian wheat, which is currently the largest item in our trading relationship.
- Iran historically been a large export market for Australian meat and livestock and has the potential to regain this prominence, as the country is forecast to become one of the world’s most promising growth markets for the sector.
- Australian skills and know-how in areas like water management are particularly in demand, especially with Australian experience in harnessing a comparably arid climate, and tackling drought through innovative practices and modern irrigation techniques.

Iran is one of the largest food and beverage markets in the Middle East, creating significant opportunity for Australian agricultural and food exports, as well as Australian agricultural technology and expertise. Australian skills and know-how in areas like water management are particularly in demand.

A few highlights of recent developments and the Iranian market’s potential include:

- Gross household expenditure on food and beverages increased fourfold over the last decade, reaching USD 8,900 in 2014-15, up from USD 1,750 in 2005.29
- Processed food and beverages generated around 3% of Iranian GDP in 2015, with double-digit growth expected over the next decade.30
- Markets for animal husbandry, agriculture and agri-products are all expected to double by 2025.
- The country also aims to further develop its dairy industry, which already enjoys strong export markets in the region.

Wheat dominates the commodities available for consumption in Iran, followed by rice and sugar (see Figure 2.1).

---

**IRAN TOP TEN COMMODITIES, AVAILABILITY FOR CONSUMPTION, 2011**

![Figure 2.1: Iran top ten commodities, availability for consumption, 2011 (Source: UN Food and Agricultural Organisation)](image-url)

---

14 | IRAN RE-EMERGES: A GENERATIONAL OPPORTUNITY
Maize is also Iran’s largest agricultural product by quantity, followed by soybean cake and raw centrifugal sugar (see Figure 2.2).

Meats are a big component of the Iranian agriculture picture as well. Meat, excluding beef, is Australia’s third largest export item to Iran. However, it totalled just AUD 3 million in 2014.31

Iran is a large meat producer and exporter itself, sending 1.8 million heads of livestock to neighbouring countries over the past two years.32 “We are ready for a big leap in the post-sanctions era…We hope by removing the shackles of sanctions from our farmers’ hands, we can see an increase in production and even exports,” says Government Trading Corporation head of international trade Amir Hossein Shahmir.33

Iran’s natural environment poses challenges for it to meet existing demand or expand production. It is one of the driest countries in the world, with an average annual rainfall less than half that of Australia’s.

The country is around 85% arid or semi-arid, leaving crop production and growth vulnerable to drought. The challenges presented by this dry environment are further compounded by a lack of irrigation – two-third’s of Iran’s 6.1 million hectares of wheat farming land is unirrigated, for example.

Such challenges to domestic production increase Iran’s demand for imports of agricultural and food products, including wheat, unrefined sugar and animal feed, as well as demand for water management capabilities and expertise.

Crops such as wheat, corn and oilseeds accounted for around 60% of Iran’s agricultural imports in 2014-15, plugging a gap in domestic production created by drought.

Around 75% of rainfall evaporates in Iran, and over 12 billion cubic metres of water per year is wasted due to poor harvesting techniques and a lack of appropriate agri-processing industries.35

Soil utilisation is also inefficient. Add to this a lack of crop diversity and downstream agri-industries, obsolete technology and inappropriate distribution channels, and around a third of Iran’s crops and garden products go to waste.

All of these factors combine to make Australia and Iran compatible trading partners when it comes to agricultural and food products. In the post-sanctions environment, there is also emerging potential to trade in the technology and expertise necessary to harness the similar agricultural environments we share.
Opportunity: Grain

Iran has been the largest grain importer in the Middle East in recent years, as well as a significant importer of Australian wheat – currently the largest item by a wide margin in our trading relationship. This demand was driven by a protracted dry spell in the country which hampered domestic production.

However, future grain demand may generally be subject to boom and bust cycles in the Iranian market. At various times, these cycles have taken Iran from self-sufficiency in wheat production, to being one of the largest grain importers in the world. In the current cycle, Iran is not only on-track to achieve its second consecutive year of self-sufficiency, but may also be in a position to export its first surplus in many years in 2016.36

Fortunately, Australia’s exports are of higher grade, premium white wheat, protecting demand to a degree. Looking forward, Iran’s ongoing desire for self-sufficiency in key economic areas should be monitored for potential demand shifts. Achieving self-sufficiency is part of Iran’s broader efforts to reduce dependency on oil revenues, protect its economy against international sanctions, and stimulate overall economic growth.

Opportunity: Water management

Water management is one of the biggest challenges facing Iran as it ramps up its domestic agricultural production. Drought and erratic agricultural practices have taken their toll on Iran’s water tables, increasing the necessity of introducing best-practice knowledge, expertise and technology in the sector.

Much of Iranian agriculture is reliant on rudimentary operations and processes, and is subject to the whims of weather conditions. The country has lost an estimated 30-40% of its renewable water resources.37

Iran hopes to change this and boost its water efficiency from around 36% to 70% over the next decade by introducing modern irrigation technologies to 450,000 hectares of farmland. It also plans to increase total agricultural production from 90 million tonnes to 170 million tonnes by 2025.38

These goals create immense opportunities for Australia. We have considerable success in harnessing a comparably arid climate with a lack of water resources, as well as in tackling drought through innovative practices and modern irrigation techniques that minimise water usage.

The foundation for cooperation in this field is already being laid.

A Memorandum of Understanding (MoU) on water resource management between Australia and Iran was signed during Minister Ciobo’s visit to Tehran in September 2016.

“There is much opportunity that lies at the core of this issue around water,” Minister Ciobo notes.39 “It is, of course, a humanitarian issue but Australia has also found through the application of market forces and the appropriate government initiatives we are able to drive capital to make sure that we produce outcomes that reflect the priorities of business and people.”

The University of Melbourne and the Sharif University of Technology signed a Memorandum of Understanding (MoU) in August 2016 to establish a water research centre to revitalise Lake Urmia in Iran.40 Once the largest lake in the Middle East and sixth-largest salt water lake in the world, Lake Urmia has shrunk to one-tenth of its former size due to damming groundwater depletion.

“We intend to exchange experiences with Iranian counterparts in order to expedite resolution of water issues in Iran by achieving public participation as the strategic arm of the government and society,” says Michael Stewardson, Senior Lecturer at the University of Melbourne’s Department of Infrastructure Engineering.41

The Iranian market for water management solutions could be worth “hundreds of millions”, according to Rubicon Water, an Australian water management technology firm.42

Companies like Rubicon – who specialise in water irrigation solutions – can find significant opportunity to provide Iran with the technology and expertise necessary to improve its water management processes. These are necessary not only for agriculture, but many other sectors of the Iranian economy as well.

Australia is not alone in exploring potential collaboration and commercial opportunity with regards to water management in Iran, as the country has also signed MoUs to cooperate in the sector with France, South Africa and Sweden in recent months.43

Australian companies should therefore be proactive in exploring opportunity and synergies in the field, mindful of both potential international competition, as well as the general risks and challenges of doing business in Iran.
Opportunity: Meat and livestock

The Middle East and North Africa is a large market for Australian meat and livestock – accounting for around one-third of Australian mutton and lamb exports, and nearly all our live sheep exports in 2014.

“Australia is renowned across the region for the quality and consistency of our product,” notes Meat and Livestock Australia regional manager, David Beatty.44

More of this trade is likely to shift to Iran as sanctions lift and we reacquaint ourselves with the market. The first Iranian-Australian forum on meat and livestock was held in Tehran in February 2016, shortly after sanctions were lifted.

Iran has historically been a large export market for Australia’s meat and livestock industry. Without the disruptions experienced in the past – whether due to sanctions, regional instability and inspection requirements – the Iranian market may regain its prominence in Australia’s regional export picture.

Iran is forecast to be one of the world’s most promising emerging markets in terms of meat and livestock consumption growth, with beef in particular on a promising trajectory as Iranian incomes rise (see Figure 2.3).

The chart illustrates that beef production in Iran is unlikely to keep pace with future consumption growth, creating a demand gap that Australia’s high-quality beef is well-placed to fill.

The sector is likely to become increasingly competitive. Countries like Brazil are keen to tap this opportunity as well, especially after Iran ended a three-year ban on Brazilian beef in late 2015.

Iran imported 137,000 tonnes of red meat in 2015, of which 105,000 was use for household consumption and the rest for industrial use.45

Iran is projected to require 70,000 tonnes of red meat during the 2016 Iranian calendar year (which began in March), taking into account domestic production and current stock levels.46

An increase in red meat exports will be a particular benefit of Australia’s lifting of sanctions on Iran, according to Iran-Australia Joint Chamber of Commerce and Industries Chairman, Hamidreza Managhebi.47

“[Iran] is a market that could be worth up to 1.3 million head of sheep per year, and it gives every person who lives on a farm, who’s a benefactor of the export of live sheep and cattle, another string to their bow and more money back through the gate.”

– Australian Minister for Agriculture and Water Resources, the Hon. Barnaby Joyce MP
Australia and Iran concluded a health protocol agreement on live animal exports in 2014, ending a 40-year boycott and clearing the way for Australian exports of cattle, goats and sheep to Iran.

The protocol agreement allows Australian exporters to have abattoirs and feedlots in Iran approved under the animal welfare rules of Australia’s Exporter Supply Chain Assurance System (ESCAS).

“We’ve had a lot of interest from Iran and that interest clearly understands our ESCAS system, so this is a good outcome all around”, Australia’s Minister for Agriculture and Water Resources, the Hon. Barnaby Joyce MP, said following the agreement.48

“Iran was the largest importer of Australian sheep and we hope that it could potentially return to those sorts of numbers”, Australian Livestock Exporters Council CEO Alison Penfold adds.49

Iran was Australia’s largest market for live sheep exports prior to the 1979 Revolution, and is now a market potentially worth AUD 20 million per year.50

Challenges include meeting Iran’s specific Halal conditions for sheep meat, including the need for an Iranian religious representative to oversee each slaughter.

The general lack (or poor state) of port facilities in Iran is a significant challenge for live export.
**ENERGY**

**Highlights:**
- Australia is well-placed to provide the knowledge, expertise and technology necessary to bring Iran’s energy production and distribution infrastructure - which is in dire need of investment and modernisation – up to international standards.
- Australian energy service and technology firms can capitalise on pent-up demand for foreign technology and expertise to help Iran become a greener and more efficient energy producer.
- Iran’s strong potential in renewable energy is virtually untapped, with significant opportunity for wind and solar technology in a country that is topographically well-suited to renewable power generation.

Iran is an energy giant, being home to the world’s second-largest natural gas reserves and fourth-largest oil reserves. Iran’s key energy statistics are summarised in Figure 2.4, and its oil and gas facilities are illustrated in Figure 2.5.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>99.878</td>
<td>1</td>
<td>China</td>
<td>116.718</td>
<td>1</td>
<td>Venezuela</td>
<td>298.4</td>
<td>1</td>
<td>Russia</td>
<td>1638.2</td>
</tr>
<tr>
<td>2</td>
<td>USA</td>
<td>81.747</td>
<td>2</td>
<td>USA</td>
<td>97.241</td>
<td>2</td>
<td>Saudi Arabia</td>
<td>268.3</td>
<td>2</td>
<td>Iran</td>
<td>1201.4</td>
</tr>
<tr>
<td>3</td>
<td>Russia</td>
<td>54.544</td>
<td>3</td>
<td>Russia</td>
<td>30.517</td>
<td>3</td>
<td>Canada</td>
<td>172.5</td>
<td>3</td>
<td>Qatar</td>
<td>871.5</td>
</tr>
<tr>
<td>4</td>
<td>Saudi Arabia</td>
<td>27.597</td>
<td>4</td>
<td>India</td>
<td>25.428</td>
<td>4</td>
<td>Iran</td>
<td>157.8</td>
<td>4</td>
<td>USA</td>
<td>368.7</td>
</tr>
<tr>
<td>5</td>
<td>Canada</td>
<td>18.938</td>
<td>5</td>
<td>Japan</td>
<td>20.37</td>
<td>5</td>
<td>Iraq</td>
<td>144.2</td>
<td>5</td>
<td>Saudi Arabia</td>
<td>293.7</td>
</tr>
<tr>
<td>6</td>
<td>Indonesia</td>
<td>15.999</td>
<td>6</td>
<td>Canada</td>
<td>14.194</td>
<td>6</td>
<td>Kuwait</td>
<td>104</td>
<td>6</td>
<td>Turkmenistan</td>
<td>265</td>
</tr>
<tr>
<td>7</td>
<td>India</td>
<td>14.902</td>
<td>7</td>
<td>Germany</td>
<td>13.776</td>
<td>7</td>
<td>UAE</td>
<td>97.8</td>
<td>7</td>
<td>UAE</td>
<td>215.1</td>
</tr>
<tr>
<td>8</td>
<td>Iran</td>
<td><strong>13.032</strong></td>
<td>8</td>
<td>Brazil</td>
<td>12.571</td>
<td>8</td>
<td>Russia</td>
<td>80</td>
<td>8</td>
<td>Venezuela</td>
<td>197.1</td>
</tr>
<tr>
<td>9</td>
<td>Brazil</td>
<td>9.692</td>
<td>9</td>
<td>South Korea</td>
<td>11.349</td>
<td>9</td>
<td>Libya</td>
<td>48.4</td>
<td>9</td>
<td>Nigeria</td>
<td>180.5</td>
</tr>
<tr>
<td>10</td>
<td>Qatar</td>
<td>9.622</td>
<td>10</td>
<td>France</td>
<td>9.622</td>
<td>10</td>
<td>USA</td>
<td>39.9</td>
<td>10</td>
<td>China</td>
<td>164</td>
</tr>
</tbody>
</table>

Figure 2.4: Iran key energy statistics (Source: US Energy Information Administration)
International sanctions have hampered Iran’s efforts to develop these energy riches. An inability to access foreign investment and technology has resulted in substantial declines in crude oil production, slow growth in natural gas production, and numerous project cancellations. Sanctions also impacted Iran’s energy exports and revenue-generating capability. From 2011 to 2012, sanctions resulted in a drop of nearly 1 million barrels per day (bpd) in crude oil and condensate exports, and oil and natural gas revenue fell almost 50% between fiscal year 2011/2012 and 2012/2013.51
Figure 2.6 illustrates the impact of sanctions on Iran’s monthly exports of crude oil and condensate during their harshest period, between 2011 and 2014. This period saw a total EU ban on Iranian petroleum imports, as well as a ban on insurance and reinsurance policies on Iranian vessels by European P&I Clubs – the underwriters of most insurance policies for the global tanker fleet – from July 2012.\(^{52}\)

These restrictions impeded the sale of Iranian crude to all customers, and left Japanese, Chinese, South Korean and Indian buyers searching for insurance alternatives. In many cases, these came in the form of sovereign guarantees for vessels carrying Iranian crude oil, resulting in a mild export recovery in late 2012 – as seen in Figure 2.7 – but not to the levels seen before the harshest sanctions were imposed.\(^{53}\)

Iran hopes to attract around USD 200 billion in foreign investment in the sector over the next five years – around USD 40 billion per year – USD 130 billion to meet upstream capital demands, and USD 70 billion to meet downstream demands.\(^{54}\)

In addition to its expansive reserves and energy exports, Iran is also a very large energy consumer and boasts one of the world’s most energy-intensive economies. Domestic energy subsidies have encouraged domestic consumption and wastage in an economy where energy consumption per capita is ten-to-fifteen times higher than that in Europe or Japan.\(^{55}\)

Opportunities for involvement in Iran’s energy sector therefore include providing the expertise and technology necessary to improve its energy efficiency, upgrading its energy infrastructure in general, and participating in the exploration and development of its energy reserves.

Iran’s oil and gas industries are therefore expected to be amongst the biggest beneficiaries of the removal of international sanctions under the JCPOA.
Opportunity: Oil and gas

Iran is standing firm in its desire to recoup oil market share lost during the sanctions period.

“Iran will cooperate with OPEC on improving prices and the state of the crude market, but we expect our right to restore our lost market share in the market to be considered,” Iran’s Petroleum Minister, Bijan Zanganeh, said in August 2016.56

Iran’s oil production stood at around 2.9 million bpd when sanctions were lifted in January 2016, with most of it bound for customers in Asia – Iran’s largest energy market during the sanctions period.

Total output reached 3.85 million bpd by August 2016, and oil exports doubled year-on-year to 2.7 million bpd – buoyed by a 61% year-on-year increase in Asian imports of Iranian crude.57

The country is aiming to further increase production to 4 million bpd by the end of 2016, according to the National Iranian Oil Company (NIOC), restoring output to pre-sanctions levels.58

NIOC plans to then increase production capacity to 4.3 million bpd during the first quarter of 2017 and eventually to 5 million bpd in two-to-three years.59

These increases place increasing pressure on Iran’s outdated export terminals and oil infrastructure in general. To maintain peak production levels, facilities will need sustained development, much of it dependent on foreign investment and technology.

Most of Iran’s crude exports are handled through terminals at Kharg, Lavan and Sirri island in the Gulf, smaller crude terminals at Cyrus and Bahregansar, and one terminal along the Caspian Sea.52

Exports from the South Pars natural gas field are exported from the Assaluyeh terminal.51

Iran’s key oil infrastructure is mapped in Figure 2.5 and features of key terminals are broken down in Figure 2.8.
Iran will cooperate with OPEC on improving prices and the state of the crude market, but we expect our right to restore our lost market share in the market to be considered.

– Bijan Zanganeh, Iran Petroleum Minister
Iran’s significant domestic consumption has been satisfied by domestically-refined product during the sanctions period, a shift from a previous dependence on imports of refined product—especially gasoline.62 Iran’s refineries are listed in Figure 2.9.

Upgrading Iran’s terminals and overall oil infrastructure to international standards, as well as providing world-class knowledge, expertise and technology, may be the biggest areas of opportunity for Australian participation in Iran’s oil sector.

### IRAN’S LARGEST REFINERIES

<table>
<thead>
<tr>
<th>Refinery</th>
<th>Crude distillation capacity (thousand barrels per day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abadan</td>
<td>400</td>
</tr>
<tr>
<td>Isfahan</td>
<td>375</td>
</tr>
<tr>
<td>Bandar Abbas</td>
<td>330</td>
</tr>
<tr>
<td>Tehran</td>
<td>250</td>
</tr>
<tr>
<td>Arak</td>
<td>250</td>
</tr>
</tbody>
</table>

Figure 2.9: Oil refineries in Iran (Source: US Energy Information Administration)
Iran’s giant oilfields are cheap to develop and operate by regional standards. At around USD 9 per barrel, Iran’s average production cost is higher than only Saudi Arabia’s, and is less than half the cost of extra-regional producers like Russia, the USA or Canada (see Figure 2.10).

However, the benefits of Iran’s low production costs are eroded once other export costs are taken into account, as the country’s outdated production technology, inadequate logistics networks and outdated port facilities all take their toll.

Improving this infrastructure will not be possible without foreign investment and technology. This is a reality that Iran acknowledges in seeking international partners to both revive aging oilfields, as well as develop new ones in joint ventures between Iranian and foreign companies.

Iran plans to tender 70 oil and gas fields projects to international companies, 52 in production and 18 in exploration in the Gulf and Caspian Sea, offering better incentives than those obtainable under buyback arrangements in the past. Iran launched a new contract for upstream energy projects, called the Iran Petroleum Contract (IPC), in October 2016. NIOC plans to hold several rounds of tenders for exploration and production, and invites foreign companies with relevant expertise to take part in the qualification stages. Iran’s Petroleum Ministry hopes to sign USD 10 billion worth of contracts under the new arrangements by March 2017.

These new contracts allow companies a share of the oil they produce, which can then be sold on global markets, while payment will be made in cash or in-kind based on a fee per barrel.

The new contracts are also longer-term and valid for 20 years (with a possible extension to 25), making them more attractive for international oil companies (IOCs).

The new contracts are expected to attract some of the world’s major oil companies, such as France’s Total S.A. and Italy’s Eni S.p.A., who have expressed interest in further developing Iran’s energy sector.
Guidelines for IOC involvement in Iranian oil and gas upstream projects are featured in Figure 2.11; a list of priority fields are listed in Figure 2.12.

**GUIDELINE FOR INTERNATIONAL OIL COMPANIES’ (IOC) INVOLVEMENT IN OIL AND GAS UPSTREAM PROJECTS**

The following steps are approximate and may change. NIOC means the National Iranian Oil Company’s (NIOC) Development and Engineering Deputy, which will be the contact point for all IOCs.

1. IOC sends a letter of intent (LOI) to NIOC.
2. NIOC may arrange a meeting with representatives of IOC for primary negotiations.
3. NIOC provides a draft of the Memorandum of Understanding (MOU) and Confidentiality Agreement (CA) along with a list of oil and gas fields to IOC.
4. IOC selects and introduces its priorities according to the list.
5. NIOC selects maximum 2 fields to embed in the MOU and CA according to NIOC policies and IOC priorities.
6. NIOC and IOC negotiate to reach mutually agreed versions of MOU and CA in terms of wording and content.
7. Final versions of CA should receive NIOC CEO’s approval.
8. The final versions of MOU and CA are initialed by NIOC and IOC authorities.
9. A Joint Working Group (JWG) including members from NIOC and its affiliate companies from members from IOC should be formed and introduced before the Kickoff Meeting (KOM).
10. The initialed MOU and CA are signed by Managing Directors of NIOC and IOC at a Signing Ceremony.
11. The Kickoff Meeting is held just after signing the MOU and CA in Tehran. Attendees are JWG, representatives from NIOC and its affiliated companies, and representatives are nominated technical team of the IOC.
12. The signed MOU is communicated by NIOC to its affiliate companies to commence the work.
13. NIOC through its affiliate companies provide the required information by IOC during negotiations and KOM.
14. JWG holds regular meetings every 45-60 days in mutually agreed places.
15. The outcome of the MOU is expected to become or result in a form of Master Development Plan (MDP) or pre-MDP proposed by IOC within 6 months after the starting date of the MOU.
16. NIOC reviews the proposed MDP or pre-MDP to make a go/no go decision.
17. The timelines (approximate) for the above steps are shown in the figure below.

![Figure 2.11: Guideline for international oil companies (IOC) involvement in oil and gas upstream projects](Source: National Iranian Oil Company Development and Engineering Deputy)
### List of Priority Fields

<table>
<thead>
<tr>
<th>Improved Oil Recovery/Enhanced Oil Recovery</th>
<th>Common Fields</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Cheshmeh Khosh</td>
<td>South Azadegan</td>
</tr>
<tr>
<td>2  Paydar</td>
<td>Farzad A &amp; B</td>
</tr>
<tr>
<td>3  Ahvaz Bangestan-Asmari</td>
<td>South Pars Phase 11</td>
</tr>
<tr>
<td>4  Mansouri Bangestan-Asmari</td>
<td>Changouleh</td>
</tr>
<tr>
<td>5  Ab Teymour</td>
<td>South Pars Oil Layer</td>
</tr>
<tr>
<td>6  Maroun Bangestan-Asmari</td>
<td>Esfandyar</td>
</tr>
<tr>
<td>7  Bi Bi Hakimeh Bangestan-Asmari</td>
<td>Arvand</td>
</tr>
<tr>
<td>8  Gachsaran Bangestan-Asmari</td>
<td>Sohrab</td>
</tr>
<tr>
<td>9  Karanj-Asmari</td>
<td>West-Paydar</td>
</tr>
<tr>
<td>10 Parsi-Asmari</td>
<td>Dehloran</td>
</tr>
<tr>
<td>11 Shadegan-Asmari</td>
<td>Aban</td>
</tr>
<tr>
<td>12 Pazaran-Asmari</td>
<td>Naft Shahr</td>
</tr>
<tr>
<td>13 Rag Sefid Bangestan-Asmari</td>
<td>Balal</td>
</tr>
<tr>
<td>14 Dalpari</td>
<td>Salman Oil &amp; Gas</td>
</tr>
<tr>
<td>15 Koupal Asmari-Bangestan</td>
<td>Forouzan</td>
</tr>
</tbody>
</table>

**Figure 2.12: List of priority fields (Source: National Iranian Oil Company Development and Engineering Deputy)**

**Opportunity: Energy technology, expertise and services**

Australian energy service and technology firms can capitalise on pent-up demand for foreign technology and expertise in Iran’s energy sector.

This includes an energy efficiency drive that will require foreign technology in fields like improved oil (and gas) recovery (IOR) and enhanced oil (and gas) recovery (EOR) techniques.70

Energy research firm Douglas-Westwood (DW) maintains the following growth projections for the Iranian energy market over the next few years:

- Onshore and offshore hydrocarbons: 3-7% compound annual growth rate (CAGR);
- Onshore rig growth: 6% CAGR
- Onshore oilfield services expenditure: 12% CAGR
- Offshore oilfield services expenditure: 2% CAGR through 202071

DW expects demand for offshore rigs to rise significantly over 2016-17, and spending to peak around 2018, thanks to large projects like South Pars, Lavan and Abouzar.72 Marginal declines are expected thereafter.

A rise in oilfield services expenditure and demand for rigs is expected to be driven by an increase in the number of onshore wells drilled, including exploratory wells.73 Iran’s total active rig fleet is expected to increase from 73 units in 2015 to 91 units in 2019.74

**Australian energy companies with the knowledge and expertise necessary in Iran stand to benefit from this growth, as well as from more niche areas of opportunity.**

For example, Iran burns off (or “flares”), a substantial amount of its natural gas production – 1 Tcf of 8.1 Tcf produced in 2014.75 It surpassed Russia in 2013 as the world’s largest gas-flaring country, mostly due to the lack of technology and infrastructure required to capture and transport gas associated with oil production.76

**Australian companies with expertise in the space can therefore find opportunity to assist Iran in becoming a more efficient and greener energy producer.**
Opportunity: Renewables

Iran’s potential in renewable energy is virtually untapped, with significant opportunity for wind and solar technology in a country that is topographically well-suited to renewable power generation.

Strategically located along major wind corridors with consistent currents, Iran’s wind power potential rivals that of major developed countries like France and the UK. Its northwest, southeast and southern regions receive around 300 days of sunlight per year, an ideal environment to harness solar energy.77

Iran is heavily reliant on fossil fuels, both economically and for power generation, and is keen to diversify in both respects. Natural gas and petroleum account for around 98% of Iran’s primary energy consumption (see Figure 2.13).

Despite the lack of a timetable for their launch, the prospect has drawn significant international attention – including from several major European companies in the renewables space, according to WindEurope CEO Giles Dickson.81

Germany’s Siemens has already been named the preferred supplier for a 62 MW wind project in northern Iran, and Denmark’s Vestas – who have prior experience in the market – is exploring the opportunity to exploit Iran’s “interesting” wind potential.82

Denmark is also exploring the possibility of establishing a manufacturing plant in Iran for wind turbines, as well as the potential to utilise the country as an export hub for the technology to the wider region.83

Solar is another area of strong potential in Iran, and the country is seeking to develop 5 GW of combined wind and solar capacity by 2018, according to Energy Minister Hamid Chitchian.84

International players are active in exploring Iran’s solar potential. These include a German company which plans to establish 1.25 GW of solar power capacity across various regions of the country, and a consortium of South Korean, Indian and local Iranian companies who plan to develop an energy park consisting of 1 GW of solar power capacity in Iran’s southwestern Khuzestan province.85

Despite Iran’s ability to harness local human capital, expertise and technology in the renewables sector, it is still in need of specialised technology from foreign providers in order to fully tap its renewables potential – such as advanced semiconductors and inverters for voltage control.86

Development challenges in the sector include integrating renewable resources into Iran’s wider electricity grid, the country’s underdeveloped and aging infrastructure, and its lack of expertise in specialised technologies.87

There are some risks to be aware of, such as the degree of “Iranianisation” required, law firm King & Wood Mallesons cautions. This refers to the potential consequences of local Iranian company management making key decisions about the use and application of foreign technology, especially given the fact that IOCs are liable for the actions of their joint operating companies in Iran.88

Opportunities for Australian technology providers, engineering service providers, as well as and service providers more broadly nevertheless exist across nearly all activities of the energy supply chain in Iran. These opportunities should be judiciously explored by Australian companies with relevant goods, services and expertise to offer.
MINING AND MINERALS

Highlights:

- Iran is a mineral-rich country, blessed with most elements found in the periodic table and home to around 7% of the world’s mineral resources.

- Given the geological and environmental similarities between Australia and Iran, Australian miners and METS companies stand to play a large role in further developing the mining sector in Iran - especially when it comes to drilling, pit-to-port infrastructure, mine remediation, water management, and corporate social responsibility.

- Australian METS companies can provide the expertise Iranian mining companies need to bring local practices up to international standards, as well as the technology necessary to streamline processes and improve the efficiency of Iranian mining and processing facilities.
Iran is a mineral-rich country, blessed with most elements found in the periodic table and home to around 7% of the world’s mineral resources – despite having just 1% of the world’s population.89 Its resource reserves total around 43 billion tonnes and span 68 different minerals, valued at an estimated USD 700 billion – ranking Iran among the world’s top 15 mineral-rich countries (see sector highlights in Figures 2.14 and 2.15).90

Mining could become a bigger revenue generator than oil for Iran, if the government places emphasis on further developing its metals sector, according to Mojtaba Khosrowtaj, first deputy Minister in charge of trade at Iran’s Ministry of Industry, Mine and Trade.91

**IRAN MINERAL HIGHLIGHTS**

- **Iron ore**
  - Production: 34 million tonnes (2014)
  - Reserves: 2.7 billion tonnes
  - Bulk of output from the Gol Gohar and Chadromalu mines

- **Steel**
  - Production: 14.9 million tonnes (2014)
  - Targeting production increase to 52 million tonnes by 2025

- **Gold**
  - Reserves: 250 tonnes
  - Launched Zarshuran plant in 2014, the biggest gold processing operation in the Middle East

- **Copper**
  - Production: 194,000 tonnes (2014)
  - Reserves: 2.6 billion tonnes
  - Targeting production increase to 800,000 tonnes by 2025

- **Zinc**
  - Reserves: 11 million tonnes
  - Mehdiabad project one of the world’s biggest zinc deposits

**IRAN MINERAL PRODUCTION RANKINGS**

<table>
<thead>
<tr>
<th>Mineral</th>
<th>World ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aluminium</td>
<td>17</td>
</tr>
<tr>
<td>Aluminium oxide</td>
<td>26</td>
</tr>
<tr>
<td>Ammonia</td>
<td>21</td>
</tr>
<tr>
<td>Arsenic</td>
<td>11</td>
</tr>
<tr>
<td>Asbestos</td>
<td>9</td>
</tr>
<tr>
<td>Baryte</td>
<td>6</td>
</tr>
<tr>
<td>Bauxite</td>
<td>10</td>
</tr>
<tr>
<td>Bentonite</td>
<td>12</td>
</tr>
<tr>
<td>Boron</td>
<td>9</td>
</tr>
<tr>
<td>Celestite</td>
<td>6</td>
</tr>
<tr>
<td>Cement</td>
<td>5</td>
</tr>
<tr>
<td>Chromium</td>
<td>5</td>
</tr>
<tr>
<td>Copper</td>
<td>12</td>
</tr>
<tr>
<td>Diatomite</td>
<td>20</td>
</tr>
<tr>
<td>Feldspar</td>
<td>12</td>
</tr>
<tr>
<td>Ferrochromium</td>
<td>14</td>
</tr>
<tr>
<td>Gold</td>
<td>66</td>
</tr>
<tr>
<td>Gypsum</td>
<td>2</td>
</tr>
<tr>
<td>Iron</td>
<td>8</td>
</tr>
<tr>
<td>Iron ore</td>
<td>9</td>
</tr>
<tr>
<td>Kaolin</td>
<td>12</td>
</tr>
<tr>
<td>Lead</td>
<td>16</td>
</tr>
<tr>
<td>Magnesite</td>
<td>13</td>
</tr>
<tr>
<td>Manganese</td>
<td>12</td>
</tr>
<tr>
<td>Mica</td>
<td>9</td>
</tr>
<tr>
<td>Molybdenum</td>
<td>9</td>
</tr>
<tr>
<td>Natural iron</td>
<td>9</td>
</tr>
<tr>
<td>Perlite</td>
<td>10</td>
</tr>
<tr>
<td>Quicklime</td>
<td>13</td>
</tr>
<tr>
<td>Silica</td>
<td>14</td>
</tr>
<tr>
<td>Silver</td>
<td>19</td>
</tr>
<tr>
<td>Soda ash</td>
<td>20</td>
</tr>
<tr>
<td>Sodium chloride</td>
<td>15</td>
</tr>
<tr>
<td>Steel</td>
<td>16</td>
</tr>
<tr>
<td>Strontium</td>
<td>5</td>
</tr>
<tr>
<td>Strontium</td>
<td>5</td>
</tr>
<tr>
<td>Turquoise</td>
<td>1</td>
</tr>
<tr>
<td>Zinc</td>
<td>14</td>
</tr>
</tbody>
</table>

Figure 2.14: Iran mineral highlights (Source: Reuters, Iranian Mines and Mining Industries Development and Renovation Organisation)

Figure 2.15: Iran mineral production rankings. August 2015 (Source: Hannam & Partners)
Around 70% of Iran’s 7,000 mines (90% of which are state-owned) are operational and the sector employs upwards of 620,000 people. Most of the country’s operating mines are located in Khorasan, in Iran’s northwest, while Khuzestan, Kerman, Alborz and the Lut desert are also significant mining regions.

Iran’s metallogenic belts and deposits are illustrated in Figure 2.16.

Despite these riches, the value of Iran’s annual mining and mineral imports and exports is only around USD 11.5 billion, mostly steel. This has largely been due to the effect of sanctions, which prevented Iran from accessing the foreign finance, technology, equipment and machinery necessary to fully develop the country’s mineral wealth.

Post-sanctions, the Iranian government is seeking to attract the private investment needed to develop the sector through public-private joint ventures. Its national development plan calls for mining to be boosted to 4% of GDP, a fivefold increase over its current 0.7%.

Around AUD 29 billion in projects are expected to be opened to foreign investors over the coming years, though it may take 3-5 years for new investment to translate into substantial mining sector growth, according to industry estimates.

Nevertheless, there is no shortage of attention being paid to Iran’s mining and minerals potential.

Iran’s state-run Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO) notes that discussions over new investment in areas like aluminium, copper, gold and steel have been held with Australia’s Rio Tinto, Germany’s Aurubis, and European giants Glencore and Trafigura.
Opportunity: Mining and minerals

Given the geological and environmental similarities between Australia and Iran, Australian miners and METS companies stand to play a large role in further developing the mining sector in Iran - especially when it comes to drilling, pit-to-port infrastructure, mine remediation, water management, and corporate social responsibility, according to the Department of Foreign Affairs and Trade (DFAT).98

Australian METS providers can provide the expertise Iranian mining companies need to bring local practices up to international standards, as well as the technology necessary to streamline processes and improve the efficiency of Iranian mining and processing facilities.99

IMIDRO hopes to attract investment for projects running the gamut from extraction and smelting, to steel making from scrap, as well as acquiring necessary equipment and technology. An example of some the projects IMIDRO hopes to attract investment for are listed in Figure 2.17.

Most Iranian mining companies are estimated to be operating at just 50-60% of capacity, illustrating the potential efficiency gains to be realised with the assistance of foreign METS providers.

Industry body Austmine sees particular potential for Australian METS providers in the following operational areas:

- Autonomous mining systems;
- Developing best practice methods through education and consultancy;
- Environmental management, including cleaner and more efficient technology;
- Mine closure and remediation;
- Mineral processing;
- Safety improvements, including training, consultancy, equipment, communications and asset utilisation maintenance;
- Software development;
- Trucks and heavy machinery;
- Water management.101

As with all opportunities in Iran, capitalising on these prospects will not come without challenges, especially in such a state-heavy sector that will require thorough due diligence to prevent running afoul of remaining sanctioned individuals and entities.

Most sanctions applicable to exports of mining and mineral products from Australia to Iran have been lifted, including restrictions on the export of bauxite and alumina, though certain semi-finished aluminium and aluminium alloy products are still restricted.102

A shortage of skilled labour is another issue in the industry, as a brain drain of skilled and educated professionals seeking more lucrative overseas opportunities has impacted the available human capital in Iran.103

Nevertheless, Iran's resource wealth and strong demand for the knowledge, expertise and services that Australia can provide in the mining and minerals space should not be ignored, especially as our international competitors seek their own place in the Iranian market.

---

**IMIDRO PROJECT EXAMPLES**

- Ardestan Kooh Dom Gold Plant
- Chabahar Aluminum Project
- Chahfiroozeh Copper Concentration Plant
- Daralou Copper Concentrator Plant
- Hashuiee Mine Development Project
- Hormozgan Pelletizing Plant
- IRALCO Combined Cycle Plant
- Jajarm Aluminum Smelter Project
- Kerman Acid Plants Construction Project
- Pabdana Mine Development Project
- Persian Special Economic Zone Jetty Project
- Sarab Alumina Project
- Savadkouh Coking Plant Project
- Sehchahun Pelletizing Plant
- Shadegan Steel Company Expansion Project
- Tabas Parvadeh Coal Mine Development Project

*Figure 2.17: IMIDRO Project Examples (Source: Iranian Mines and Mining Industries Development and Renovation Organisation)*
Iran is an education and credential-mad country, with both being criteria for success in the country’s professional and social circles. It is home to one of the most highly educated populations in the Middle East, with the largest cohort of tertiary students in the region at around 4.5 million. Iranians spend around AUD 4 billion per year on higher education, the vast majority of which is paid out-of-pocket.

Figure 2.18 illustrates the structure of Iran’s secondary and tertiary education system.
University enrolment has more than doubled over the past decade, with 58% of Iranians aged 18 to 24 studying at Iranian universities in 2013, well advanced toward the government’s target of 60% by 2025. The percentage of Iran’s university-educated population has grown faster than anywhere else in the Middle East.

Rapid enrolment growth has been facilitated by an unprecedented rise in part-time university study and distance-learning options over the past decade, with available spaces increasing from 383,000 to 1.1 million.

The growth trend looks set to continue as the country is expected to be one of the world’s fastest-growing markets for postgraduate studies well into the next decade.

Of the nearly 350 government-approved higher education institutions in Iran, popular study destinations include the public Payame Noor University, and the private, non-profit Islamic Azad University – one of the world’s largest. Each institution enrols over one million students, many in distance and part-time learning, and each operates hundreds of campuses across Iran, as well as in some international jurisdictions.

The quality of domestic institutions is regarded as fairly uniform, and many schools are globally ranked. There is roughly a 50/50 split between public and private institutions in the country.

Rectors from Iran’s top ten universities meet regularly and advise the government’s Ministry of Science, Research and Technology on higher education policy. These ten universities are listed in Figure 2.19.

In addition to domestic studies, Iranians also have a long history of pursuing education abroad, with around 150,000 Iranians studying overseas each year. There is prestige associated with international qualifications, which is valued in Iran’s status-conscious society.

### TOP TEN UNIVERSITIES IN IRAN

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Enrolment (total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tehran University</td>
<td>Tehran, Tehran</td>
<td>50,448</td>
</tr>
<tr>
<td>Sharif University of Technology</td>
<td>Tehran, Tehran</td>
<td>10,502</td>
</tr>
<tr>
<td>Amirkabir University of Technology</td>
<td>Tehran, Tehran</td>
<td>13,593</td>
</tr>
<tr>
<td>Tarbiat Modaras University</td>
<td>Tehran, Tehran</td>
<td>7,970</td>
</tr>
<tr>
<td>Shiraz University</td>
<td>Shiraz, Fars</td>
<td>20,000</td>
</tr>
<tr>
<td>Iran Science and Technology University</td>
<td>Tehran, Tehran</td>
<td>11,957</td>
</tr>
<tr>
<td>Isfahan University of Technology</td>
<td>Isfahan, Isfahan</td>
<td>10,000</td>
</tr>
<tr>
<td>Isfahan University</td>
<td>Isfahan, Isfahan</td>
<td>16,553</td>
</tr>
<tr>
<td>Ferdowsi University of Mashhad</td>
<td>Mashhad, Razavi Khorasan</td>
<td>28,000</td>
</tr>
</tbody>
</table>

Figure 2.19: Top ten universities in Iran (Source: Institute of International Education, university websites)
Opportunity: Education and skills training

Iranians value tertiary education, and the expected increase in demand for Master’s and Doctoral programs is such that capacity concerns at Iranian universities are emerging. In 2011, just 6% of Iranian students applying to a Master’s degree program were accepted, and just 4% at the PhD level.107

This is driving an increasing number of Iranian students to seek education opportunities abroad, a flow that Australian institutions can capitalise on. Around 55,000 Iranian students are estimated to be studying abroad, led by enrolments in Malaysia and the United States (see Figure 2.20).

Iran has been one of the fastest-growing outbound student markets in the world, with an annual growth rate of around 18%, according to the British Council. By 2024, the Council expects the following countries to attract the largest number of Iranian postgraduates studying abroad:

- US: 11,900, +4.3% annual growth rate;
- Germany: 5,700, +3.6%;
- Canada: 2,800, +2.4%;
- UK: 2,700108

Figure 2.20: Destination countries for Iranian students studying abroad, 2012
(Source: Iran Ministry of Science, ICEF Monitor)
As a barometer of subject demand, around 80% of Iranian students studying in the US are enrolled in STEM subjects, with more than half studying engineering (see Figure 2.21).

Australian education service providers stand to benefit from increased outbound student traffic from Iran, potentially growing the number of Iranians studying in Australia from the current 3,500 or so.

Some in the industry forecast the largest post-sanctions impact on education to be a larger number of Iranian students studying in Western countries. Despite the proximity of Gulf universities, Iranian students tend to be more attracted to higher education in places like Australia, Canada, Europe and the US.

Beyond attracting Iranian students to our shores, opportunities for Australian education service providers extend to skills training and development, as well as to research and collaboration partnerships with Iranian institutions.

In terms of collaboration, a number of Australian universities have re-established scientific and academic cooperation with Iran.

Examples include the aforementioned collaboration between the University of Melbourne and Sharif University of Technology on water research, as well as a MoU between Sharif and Curtin University to boost cooperation in bilateral research in general, including in petroleum engineering.

Iran is among the world’s leading scientific countries, and may rank fourth in the world in scientific research articles and publications by 2018. Collaboration during the sanctions era between Iranian and Western researchers, such as those in the US, were constrained by misconceptions about Iran and whether the sanctions regime would penalise academic engagement.

Collaboration on joint educational research and publication is a renewed opportunity for Australia in the post-sanctions environment, and is an area Austrade is actively engaged in promoting.

There is also significant scope for Australian vocational education and training (VET) providers in Iran.

In the post-sanctions environment, many Iranian companies need to enhance and upgrade their workforce’s skills and capabilities in order to compete in an international market. Though strong in entrepreneurial spirit, Iran generally lacks the management – especially middle management – skills necessary in a modern economy.

Australian VET providers are well-placed to fill this gap, and can provide the necessary training and up-skilling in technical and managerial areas across a number of sectors: from finance and energy, to tourism and hospitality.

Aligning VET provision with strategic sectors targeted for development by the Iranian government – such as tourism development and resource production and extraction technologies – may be a lucrative avenue to pursue for Australian providers.

The VET sector is a traditional area of strength for Australia, and international competitors from European countries are already pursuing this opportunity. For example, TVET UK has opened an office in Iran via an Anglo-Iranian joint venture with Global Elite Alliance, in order to pursue new business opportunities in the post-sanctions market.

Future Australia-Iran educational engagement may also include the exchange of students and professors, the delivery of joint training and academic programs, and focusing cooperation in areas that marry Australian expertise with Iranian demand. For example, in energy, water and environmental management.
TOURISM

Highlights:

- Iran is one of the world’s largest untapped international tourism markets, and long periods of isolation have left its tourism sector underdeveloped and in need of significant investment.
- Australian investors and service providers can capitalise on a construction boom in the sector and leverage our expertise in the development and management of tourism infrastructure, including support services such as contracting and surveying.
- Opportunity extends to the training space, where Australian education and training providers can capitalise on Iran’s need to up-skill its tourism and hospitality workforce.

Iran is one of the world’s largest untapped international tourism markets. Long periods of relative international isolation, coupled with international sanctions and negative perceptions toward Iran, have left its tourism sector underdeveloped and in dire need of investment.

Iran’s tourism sector has opened substantially since the lifting of sanctions. Inbound tourism has seen a 10% year-on-year increase in the first six months of 2016 – an increase more than twice the global average – and visa-on-arrival arrangements have been introduced for nationals of most countries around the world, including Australia.

The sector contributed around 7.5% to Iran’s GDP in 2015, and this is expected to increase to 9% in 2016.

However, there are significant challenges to be addressed in growing Iran’s tourism sector to meet its potential. The sector is not internationally competitive, ranking 97th out of 141 countries on the World Economic Forum’s Travel & Tourism Competitiveness Index.

This ranking places Iran 12th in the Middle East and North Africa region, ahead of just Kuwait, Algeria, Mauritania and Yemen. Despite its low overall ranking, there are some positive signs to build on. For example, Iran ranks close to the regional average in terms of safety and security, health and hygiene, as well as human resources and the labour market (see Figure 2.22).
### IRAN RE-EMERGES: A GENERATIONAL OPPORTUNITY

#### Figure 2.23: Iran tourism estimates and forecasts (Source: World Travel & Tourism Council)

<table>
<thead>
<tr>
<th>Year</th>
<th>USD bn</th>
<th>% of total</th>
<th>Growth</th>
<th>USD bn</th>
<th>% of total</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>9,149.0</td>
<td>2.3</td>
<td>6.6</td>
<td>17,060.0</td>
<td>2.9</td>
<td>5.7</td>
</tr>
<tr>
<td>2025</td>
<td>25,137.6</td>
<td>6.3</td>
<td>6.1</td>
<td>45,623.2</td>
<td>7.8</td>
<td>5.5</td>
</tr>
</tbody>
</table>

---

### TRAVEL & TOURISM COMPETITIVENESS INDEX, MENA REGION

<table>
<thead>
<tr>
<th>Country/Economy</th>
<th>Regional Rank</th>
<th>Global Rank</th>
<th>Business Environment</th>
<th>Safety and Security</th>
<th>Health and Hygiene</th>
<th>Human Resources and Labour Market</th>
<th>ICT Readiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle East and North Africa</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>1</td>
<td>24</td>
<td>5.90</td>
<td>6.60</td>
<td>5.28</td>
<td>5.15</td>
<td>5.76</td>
</tr>
<tr>
<td>Qatar</td>
<td>2</td>
<td>43</td>
<td>6.05</td>
<td>6.61</td>
<td>5.97</td>
<td>5.23</td>
<td>5.44</td>
</tr>
<tr>
<td>Bahrain</td>
<td>3</td>
<td>60</td>
<td>5.53</td>
<td>5.33</td>
<td>5.17</td>
<td>4.71</td>
<td>5.76</td>
</tr>
<tr>
<td>Morocco</td>
<td>4</td>
<td>62</td>
<td>4.73</td>
<td>5.83</td>
<td>4.54</td>
<td>4.05</td>
<td>4.03</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>5</td>
<td>64</td>
<td>5.21</td>
<td>5.99</td>
<td>5.10</td>
<td>4.46</td>
<td>5.29</td>
</tr>
<tr>
<td>Oman</td>
<td>6</td>
<td>65</td>
<td>5.29</td>
<td>6.38</td>
<td>5.37</td>
<td>4.27</td>
<td>4.83</td>
</tr>
<tr>
<td>Israel</td>
<td>7</td>
<td>72</td>
<td>4.61</td>
<td>4.85</td>
<td>6.06</td>
<td>4.81</td>
<td>5.25</td>
</tr>
<tr>
<td>Jordan</td>
<td>8</td>
<td>77</td>
<td>4.86</td>
<td>5.79</td>
<td>5.53</td>
<td>4.56</td>
<td>4.17</td>
</tr>
<tr>
<td>Tunisia</td>
<td>9</td>
<td>79</td>
<td>4.42</td>
<td>4.85</td>
<td>5.16</td>
<td>4.31</td>
<td>3.94</td>
</tr>
<tr>
<td>Egypt</td>
<td>10</td>
<td>83</td>
<td>4.11</td>
<td>3.40</td>
<td>5.40</td>
<td>4.12</td>
<td>3.80</td>
</tr>
<tr>
<td>Lebanon</td>
<td>11</td>
<td>94</td>
<td>3.76</td>
<td>3.81</td>
<td>6.04</td>
<td>3.99</td>
<td>3.62</td>
</tr>
<tr>
<td>Iran</td>
<td>12</td>
<td>97</td>
<td>3.85</td>
<td>4.89</td>
<td>4.71</td>
<td>3.95</td>
<td>3.36</td>
</tr>
<tr>
<td>Kuwait</td>
<td>13</td>
<td>103</td>
<td>4.69</td>
<td>5.76</td>
<td>5.43</td>
<td>4.26</td>
<td>5.01</td>
</tr>
<tr>
<td>Algeria</td>
<td>14</td>
<td>123</td>
<td>3.78</td>
<td>4.90</td>
<td>4.97</td>
<td>4.04</td>
<td>3.09</td>
</tr>
<tr>
<td>Mauritania</td>
<td>15</td>
<td>137</td>
<td>3.46</td>
<td>5.06</td>
<td>3.03</td>
<td>2.30</td>
<td>2.18</td>
</tr>
<tr>
<td>Yemen</td>
<td>16</td>
<td>138</td>
<td>3.58</td>
<td>2.86</td>
<td>3.84</td>
<td>3.31</td>
<td>2.29</td>
</tr>
<tr>
<td>Middle East and North Africa average</td>
<td></td>
<td></td>
<td>4.69</td>
<td>5.19</td>
<td>5.24</td>
<td>4.35</td>
<td>4.38</td>
</tr>
<tr>
<td>Middle East and North Africa standard deviation</td>
<td></td>
<td></td>
<td>0.82</td>
<td>1.10</td>
<td>0.79</td>
<td>0.70</td>
<td>1.15</td>
</tr>
</tbody>
</table>

*Best Performer (global) 6.13 6.70 6.97 5.64 6.37*

---

#### Figure 2.22: 2015 Travel & Tourism Competitive Index: Middle East and North Africa (Source: World Economic Forum)

#### IRAN TOURISM ESTIMATES AND FORECASTS

<table>
<thead>
<tr>
<th>Year</th>
<th>USD bn</th>
<th>% of total</th>
<th>Growth</th>
<th>USD bn</th>
<th>% of total</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>9,149.0</td>
<td>2.3</td>
<td>6.6</td>
<td>17,060.0</td>
<td>2.9</td>
<td>5.7</td>
</tr>
<tr>
<td>2025</td>
<td>25,137.6</td>
<td>6.3</td>
<td>6.1</td>
<td>45,623.2</td>
<td>7.8</td>
<td>5.5</td>
</tr>
</tbody>
</table>

---

*Figure 2.23: Iran tourism estimates and forecasts (Source: World Travel & Tourism Council)*
In terms of potential in the short-term, Iran offers an increasingly accessible opportunity for intrepid travellers. International airlines are either relaunching or launching new routes to Iran, tour operators are becoming more prevalent in the market, and warming relations with the West are helping to defrost international opinion and correct misconceptions toward the country.

Over the medium and longer-term, Iran’s ancient culture and relatively untapped potential is expected to drive windfall spending in the tourism sector. There is significant catch-up potential. For example, Iran is among the world’s top-ten countries for the number of UNESCO World Heritage cultural sites, yet in 2014 attracted just five million visitors – over eight times less than neighbouring Turkey.

The World Bank estimates Iran’s international tourism receipts at just USD 1.5 billion in 2013, down from USD 2.5 billion just two years earlier, and behind countries like Albania, Azerbaijan and Georgia.117 The JCPOA and warming relations with the international community are reversing a downward trend and pointing toward significant medium-term growth in the sector.

Tourism’s contribution to Iranian GDP is expected to roughly double by 2025, both in direct and total terms, as is domestic, leisure and business spending (see Figure 2.23).

Iran’s tourism infrastructure will require substantial investment and modernisation in order to cope with this expected influx. This includes physical infrastructure like hotels, as well as soft infrastructure, like tourism management skills.

International attention and investment is already increasing, beginning in 2015 when France’s Accor became the first foreign company to manage a hotel in Iran.

This was followed by announcements from the UAE’s Rotana and Spain’s Meliá Hotels International, who became the first international five-star brands to announce plans to enter the Iranian market.118

“We certainly think Iran has the right resources and the people, along with the cultural approach. Everything is there to be a success,” said Maria Zarraluqui, Meliá Hotels International global development managing director, at the time.119

Turkish investors plan to build at least ten hotels in Iran – in Tehran, Isfahan, Shiraz, Tabriz and Mashhad.120 This includes transferring Turkish knowledge and skills in tourism training, planning, marketing and advertising to boost Iran’s capabilities to international standards.121

In terms of the Asian region, Iran plans to attract its share of the 100 million Chinese who travel abroad annually as well, targeting 5% of China’s overseas tourists.122

Both the quality and quantity of hotels and other tourism infrastructure is insufficient to meet the demands of an expected transformation of Iranian tourism into a USD 30 billion industry that attracts 20 million people over the next ten years.

Both hard and soft tourism infrastructure is in strong demand in Iran, and a significant area of opportunity for Australian companies that can leverage well-regarded and recognised strengths.
Figure 2.24 illustrates Iran’s tourism infrastructure deficit compared to many of its neighbours.

While infrastructure is definitely a sore spot, these rankings also illustrate Iran’s tourism potential – it ranks highest in the region for “cultural resources and business travel”, and highest in both the region and the wider world for “price competitiveness”.

However, Iran notably lacks four-and-five-star facilities which are up to international standards. Just 130 of Iran’s 1,100 hotels currently hold such a rating, a number which must triple over the next decade to meet demand.\(^\text{123}\)

Iran’s Cultural Heritage, Handicrafts and Tourism Organization (ICHHTO) plans to address this deficit through the construction of 300 four-and-five-star hotels over the next five years, in cooperation with the private sector.\(^\text{124}\) Around 170 of these projects have already begun.\(^\text{125}\)

Incentives were introduced in March 2016 to stimulate hotel construction, particularly in regional areas, including a five-year exemption on income tax.
Opportunity: Tourism

Around 1,750 tourism projects are currently underway in Iran, according to the ICHHTO, 820 of which are one-to-five star hotels and hotel apartments.126

Australian investors and service providers can capitalise on this construction boom in the sector and leverage our expertise in design, development and management of tourism infrastructure. An estimated USD 10 billion will be required to complete these tourism projects, including around USD 5 billion in loans from domestic and foreign institutions over the next five years.127

The opportunity for Australia extends to providing the services that support tourism infrastructure construction projects, such as contracting, surveying, project and safety management. It also extends to the training space, where Australian education and training providers can capitalise on Iran’s need to up-skill its tourism and hospitality workforce.

While tourism was not a sanctioned sector, investments in the industry still face challenges stemming from remaining sanctions and market risks.

As a result, many of the recently signed agreements with foreign companies involve local partners who are directly involved in the finance and construction of facilities. For example, Accor is providing hotel management but has not invested its own capital in Iran.129
CHALLENGES IN IRAN

This section provides an overview of the sanctions regime, as well as the remaining complications and potential risks facing Australian companies doing business in Iran.
While the majority of sanctions imposed by Australia and the EU on trade with Iran have been lifted as part of the JCPOA (detailed in the box to the right), non-nuclear US sanctions remain in place – these are known as “primary” sanctions.

These primary sanctions have significant extra-territorial impact on the ability of companies around the world to do business with Iran, considering the potential repercussions that would ensue from running afoul of the strict American enforcement regime.

Beyond sanctions-related issues, Iran remains a very challenging market in which to do business for Australian companies. It has been a relatively closed country over the last four decades, making it a relatively unfamiliar market for foreign businesses in general. The sanctions period exacerbated this isolation, and compounded many of the challenges Iran also faces as a developing economy.

While there are plenty of opportunities in Iran, exhaustive due diligence and a thorough understanding of remaining sanctions regimes is a necessity for Australian companies interested in the market.

Australian companies must have a clear idea of:
- who they are dealing with;
- whether they are a designated entity or person and therefore subject to remaining sanctions;
- whether trade in their product is restricted with Iran; and
- how and to whom payments are made.

Professional advice and assistance should be pursued, whether it be financial, legal, or risk and investigation-related.

THE JCPOA

The JCPOA is the most recent and substantial outcome of the more conciliatory relations between Iran and the West since President Rouhani took office in August 2013.

The years prior were marked by a series of UN and Western sanctions, a trade embargo, asset freezes and severe restrictions on Iran’s access to international finance.

The road to reversing this isolation began when the JCPOA was officially agreed upon in July 2015, following two years of negotiations. The essence of the agreement involved removing most international economic sanctions, in return for increased international scrutiny over Iran’s nuclear program.

The agreement consists of five milestones: “Finalisation Day”, “Adoption Day”, “Implementation Day”, “Transition Day” and “Termination Day”.

Finalisation Day and Adoption Day have passed, and involved the endorsement and implementation of the JCPOA, as well as Iran’s provisional application of the Nuclear Non-Proliferation Treaty’s (NPT’s) Additional Protocol. This allows for enhanced inspection of Iran’s nuclear facilities.

Implementation Day has been the most important milestone achieved so far. It occurred in January 2016 when the International Atomic Energy Agency (IAEA) verified Iran’s compliance with the JCPOA, which triggered the termination of UN sanctions, the termination or suspension of EU nuclear-related sanctions, and the cessation of US nuclear-related sanctions.

Transition Day and Termination Day are forthcoming, and relate to the wind-down and termination of remaining sanctions and other transitional measures.

Transition Day occurs in October 2023, when all provisionally-lifted sanctions are removed permanently, and when Iran will seek to ratify the NPT’s Additional Protocol.

Provided UN sanctions have not since been reinstated, the UN will pass a resolution approving the termination of the JCPOA on Termination Day in October 2025, when the UN Security Council “will no longer be seized of the Iran nuclear issue”.

The agreement does not represent the dismantling of Iran’s nuclear industry. It represents a partial roll-back of its nuclear capabilities, such as disconnecting or mothballing nuclear enrichment hardware, and Iran submitting to increased international inspection and scrutiny of its nuclear activities.

Iran will continue to be a nuclear threshold state.

The US and the EU retain the right to reinstate sanctions if Iran fails to meet its commitments under the JCPOA, via “snap-back” provisions.
REMAINING SANCTIONS

US sanctions

Generally speaking, US companies remain prohibited from trading with Iran, as they were prior to the JCPOA. Small exceptions exist for US firms in food, medicine, medical supply and civil aviation components.

The US Treasury Department’s Office of Foreign Assets Control (OFAC) administers and enforces US trade and economic sanctions. Most transactions between the US and Iran require either a general or specific license from OFAC.

The JCPOA lifted the majority of secondary sanctions which apply to non-US persons and entities located abroad. These were aimed at discouraging foreign entities from doing business with Iran across a number of crucial sectors, including finance and banking, insurance, shipping, automotive, energy and petrochemicals.

Primary US sanctions remain in force despite the JCPOA, and prohibit nearly all US persons and entities from trading with Iran. Figure 3.1 outlines the definitions of US persons and entities.

US citizens are prohibited from being involved in day-to-day business dealings with Iran. This includes US citizens working for foreign entities owned or controlled by an entity incorporated in the US.

US persons and entities are also prohibited from most dealings with individuals or entities on the SDN list. Nearly 400 individuals or entities were removed from this list following the JCPOA, but around 200 remain due to their connections with international terrorism or weapons proliferation.

US financial institutions remain prohibited from involvement in Iran-related transactions, and Iran-linked transactions must not be cleared through US banks.

US sanctions on Iran relating to terrorism and human rights' abuses remain in force. Many of these sanctions target entities associated with the IRGC.

A complication in the US sanctions regime arises in that the JCPOA was executed as an executive agreement by President Obama, and therefore has no power over state law unless accompanied by separate federal legislation – which is lacking in the JCPOA’s case.

Therefore, in addition to federal-level sanctions, 30 American states and the District of Columbia have enacted legislation restricting or prohibiting investment in Iran – including New York State, where most large financial organisations are based.

Substantial international agreements like the JCPOA are usually established through treaties, which pre-empt state law but require ratification by the US Senate by a two-thirds majority vote. The current Republican-majority Senate would be unlikely to ratify the agreement, considering the Party’s ongoing opposition to both the JCPOA and resumption of harmonious relations with Iran in general.

In general terms, legal experts note that this leaves US states free to maintain current restrictions on Iran-related trade and investment, as well as impose new restrictions – for Iran's missile development programs, sponsorship of international terrorism or money-laundering issues, for example. These would be less broad than Congress-imposed sanctions, but could for example restrict state-controlled pension funds from investing in companies doing business with Iran.

Australian companies must therefore be aware of US state-level legal restrictions on trade or investment with Iran, in addition to the impact of US federal-level restrictions.

Further US sanctions information is available from the US Treasury Department’s Office of Foreign Assets Control (OFAC) website at: https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_iran.aspx

Foreign subsidiaries of US companies are able to trade with Iran under the following conditions:

- These subsidiaries do not source goods or services from the US;
- These subsidiaries do not process transactions through US banks; and
- The entities in Iran with which these subsidiaries transact are not more than 50% owned by sanctioned Specially Designated Nationals (SDNs), as per OFAC’s blacklist.
EU sanctions

The EU has gone further than the US in removing sanctions on Iran, lifting all but a small subset of sanctions relating to missile technology, nuclear-related transfers and activities, and provisions concerning certain metals and software subject to an authorisation regime.

This means European companies are generally free to re-enter the Iranian market, subject to issues relating to remaining US sanctions and their extra-territorial effect.

The EU has substantially reduced the number of designated persons and entities on its Consolidated List, with whom business dealings are banned. From 93 people and 467 entities, the List now consists of 29 people and 94 entities.

As with the US regime, sanctions relating to terrorism and human rights’ abuses remain in force.

Australian sanctions

Most Australian autonomous sanctions on Iran have been suspended, including those targeting the banking, oil and gas, and transportation sectors. Regulations under Australia’s Autonomous Sanctions Regulations 2011 are being amended to permanently remove the suspended provisions.

The Australian Consolidated List, which names designated individuals with whom Australian companies may not conduct business, has also been amended to remove a number of Iranian individuals and entities.

As mentioned, certain sanctions remain in place, relating to:

- Restrictions on the export of arms and related material;
- Restrictions on some metals and software, such as graphite and software for integrating industrial processes of a kind specific in the Autonomous Sanctions (Export and Import Sanctioned Goods – Iran) Amendment Specification 2016; and
- Remaining designated Iranian persons and entities on the revised Consolidated List.

Permits may be granted for activities that otherwise contravene remaining prohibitions under the UN’s sanctions regime, subject to a number of conditions that can be found in detail on DFAT’s website. DFAT will seek UN Security Council approval if required, once an application for a sanctions permit has been submitted, and subject to the discretion of the Minister for Foreign Affairs.

Permits may be granted for activities that otherwise contravene remaining prohibitions under Australia’s autonomous sanctions regime as well, if DFAT deems it to be in the national interest to do so.

When unsure of whether a particular good or service export is subject to Australian or UN sanctions, Australian companies may submit an inquiry to DFAT’s Online Sanctions Administration System (OSAS) website at sanctions.dfat.gov.au

More detailed information on Australia’s Iran sanctions regime can be found on DFAT’s the website, at dfat.gov.au/international-relations/security/sanctions/sanctions-regimes/iran/Pages/iran.aspx
DUE DILIGENCE

Australian companies should take a cautious approach to exploring opportunities in Iran, given the risk of running afoul of remaining sanctions, ongoing money laundering and terrorism-financing issues, and the challenges of doing business in Iran in general. This cautious approach starts with a thorough and effective due diligence process.

“The maturity of the market, presence of significant international players from China, Russia and elsewhere and a complex sanctions landscape means doing business in Iran requires a sophisticated understanding of the risks”, says FTI Consulting Senior Director Murray Lawson.

Severe penalties apply for companies doing business with entities or individuals still subject to international sanctions regimes – most of whom are affiliated with the IRGC.

Knowing who you are doing business with by identifying beneficial ownership of Iranian companies, and being comfortable you have done so, is therefore absolutely critical to doing business in Iran.

The ownership structures of Iranian companies can at times be opaque and difficult to unravel, often requiring enhanced due diligence efforts. Shareholders and directors can be difficult to identify, and large-scale privatisation during the sanctions era has led to significant asset acquisitions by quasi-state entities.

Therefore, specialised risk and investigation firms such as FTI Consulting can and should be engaged to assist with the due diligence process.

Steps taken as part of a comprehensive due diligence process should be documented to ensure both the integrity of the process, as well as to satisfy potential business partners, agents or vendors that a comprehensive due diligence process has been undertaken.

Potential agreements with Iranian companies should also be protected against the unlikely event of “snap-back” provisions being activated, should Iran be found to be in breach of the JCPOA.

As part of the due diligence process in any emerging market, the choice of a business partner will be one of the largest contributors to success in Iran, Mr Lawson notes. “Taking the time to get educated about the country and any potential partners is essential”, he says.

INSTITUTIONAL DEVELOPMENT AND TRANSPARENCY

Governance, regulatory and legal standards, as well as institutions can be very opaque in Iran, partly as a legacy of heavy state involvement in the Iranian economy.

The most pertinent challenges relate to banking and access to credit, as well as the development and transparency of Iran’s legal system and institutions.

Banking and access to credit

Navigating banking and finance issues is one of the biggest obstacles to overcome for Australian companies eyeing opportunity in Iran.

Internationally, the vast majority of first-tier international banks, (including Australian banks), remain wary of re-engaging with Iran or handling Iran-linked transactions. This is due to a fear of running afoul of remaining US sanctions – as well as any knock-on repercussions for their operations in the US.

Domestically, the banking system is the primary source of finance for Iranian companies, due to the country’s weak capital and debt markets.

Iran’s banking sector comprises both state-owned and private institutions, the latter of which have seen significant growth since their establishment was allowed in the early 2000s. All public and private banks are supervised by the Central Bank of Iran (CBI).

As of 2014, the 17 private banks in Iran maintained a network of around 2,780 branches around the country.

The integrity of the Iranian financial system overall was eroded during the sanctions period as result of misallocated capital and closed financial markets. State-owned banks were directed to lend to state-owned firms, savings and lending rates were imposed, and the third highest proportion of non-performing loans in the Middle East were accumulated, behind only Libya and Yemen.

Estimates of the value of these non-performing loans range as high as USD 40-50 billion, and comprise around a quarter of all lending in Iran.

In addition, most Iranian banks were prohibited from accessing the Society for the Worldwide Interbank Financial Telecommunications (SWIFT) system between 2012 and 2016, severely limiting their ability to undertake cross-border transactions.

This forced up transactions costs, as Iran’s isolation created a need to employ middle-men as intermediaries to finance the country’s international needs.

SWIFT access has since been restored in the post-JCPOA environment, allowing around 30 Iranian banks to rejoin the system, including large institutions such as Bank Melli and Bank Mellat.
CBI governor Valiollah Saif notes that two steps are now needed to restore Iran’s banking sector to a healthy state: reintegrating them with foreign banks, and bringing regulation and compliance into line with international standards.139

Instituting and adhering to international standards across the sector is one of the most important reforms Iran can undertake in order to reconnect with the world economy, says the IMF.140

Modern standards regarding disclosure, capital requirements, taxation and due diligence are largely lacking in the country, and anti-money laundering and terrorism-financing laws need to be adhered to. The Financial Action Task Force (FATF) – the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT) – has urged Iran in the past to increase its efforts to prevent money laundering and its tackling of suspicious transactions. Iran’s full re-integration with the international economy requires full compliance with FATF rules and regulations.

As such, Iran has adopted and made high-level political commitments to an Action Plan addressing its AML/CFT deficiencies, and is seeking requisite technical assistance to move forward.141 FATF has suspended its countermeasures against Iran for 12 months as a result of this progress, and plans to continue monitoring and engaging with Iran going forward, though the country remains on its list of high-risk countries.

Iranian banks have been completing a number of international transactions in various currencies, including euros, Chinese yuan, South Korean won, Russian roubles and Turkish lira.142

Some Iranian banks have been explicit in stating their ability to comply with international banking regulations, such as Saman Bank and the Middle East Bank.143

Banking in Iran is still almost exclusively a domestic affair, though there has been some international activity. The Industrial and Commercial Bank of China (ICBC) has reportedly applied to open branches in Iran, and Italy’s Banca Monte dei Paschi di Siena has reportedly provided guarantees and letters of credit services to several Iranian banks.144

Other European banks have established working relations with Iranian banks to open letters of credit for small sums between USD 10 and 50 million, and to handle transactions on behalf of European clients.145 These reportedly include:

- Austria: Raiffeisen Bank International, Erste Bank, Oberbank;
- Belgium: KBC;
- Germany: ELH Bank, KfW, AKA Bank, DZ Bank;
- Italy: Mediobanca, Banco Popolare.

In total, around 200 small and medium-sized international banks have begun correspondent relationships with Iranian banks, according to the CBI.147 Given their size, however, these banks generally lack the resources to finance larger projects in Iran.

Most larger international and first-tier banks remain wary of facilitating Iran-related transactions over a fear of repercussions from remaining US primary sanctions, or AML laws and regulations. Over USD 15 billion in penalties had been levied on foreign banks for Iran-linked transactions during the years prior to the JCPOA, including against a number of large international banks.148

Beside remaining US sanctions, AML/CFT, risk management, debt capital markets, and bankruptcy laws are all issues that pose problems for Western financial institutions engaging with Iran.149

“\nA well-designed and functioning compliance program is almost imperative for doing business in any emerging market. This is particularly so when doing business in Iran. Getting the policy and procedures framework right in terms of anti-bribery and corruption can help to mitigate some of the risks once on the ground.\n”

– FTI Consulting Senior Director, Murray Lawson
Access to finance and credit is therefore very challenging for all businesses seeking to engage with Iran, not just Australian entities.

A number of national export credit agencies are facilitating trade with Iran, in lieu of commercial alternatives. Australia’s Efic and the Export Guarantee Fund of Iran signed an MoU in September 2016 to facilitate Australian engagement with Iran.

Minister Ciobo cautions that the MoU does not relieve the complexities surrounding finance in Iran for Australian companies.

“There remain challenges around banking facilitation in dealing with Iran…I would just stress this is not a line of credit between the two agencies, so it won’t in that respect mean that commercial export finance is easier to obtain,” the Minister cautioned.

Rather, Minister Ciobo explains, the MoU creates an arrangement where information on potential deals between Australia and Iran can be shared, allowing Australian companies “to receive assistance in verifying, as part of a due diligence process, what circumstances are on the other side.”

**Legal institutions and transparency**

Iran’s long periods of international isolation mean the rule of law, investor protection, and transparency lag behind what Australian investors would expect in more developed markets.

Simple contracts between private entities are allowed for in Iran’s legal system, as are jurisdictional contracts. However, navigating the country’s opaque domestic environment can be a challenge.

Iran ranks 130th out of 168 countries on Transparency International’s 2015 Corruption Perceptions Index (see Figure 3.2), well behind its regional neighbours Qatar (22nd), the UAE (23rd) and Saudi Arabia (48th).

---

**CORRUPTION PERCEPTIONS INDEX 2015**

<table>
<thead>
<tr>
<th>Country</th>
<th>Ranking (2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>17</td>
</tr>
<tr>
<td>Finland</td>
<td>2</td>
</tr>
<tr>
<td>Sweden</td>
<td>3</td>
</tr>
<tr>
<td>Australia</td>
<td>13</td>
</tr>
<tr>
<td>Qatar</td>
<td>22</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>23</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>48</td>
</tr>
<tr>
<td>Iran</td>
<td>130</td>
</tr>
</tbody>
</table>

*Figure 3.2: Corruption Perceptions Index 2015, select countries (Source: Transparency International)*
Iran also ranks poorly on the World Justice Project’s annual Rule of Law Index (see Figure 3.3), which relies on primary data and measures how the rule of law is experienced in practical, everyday situations.

Iran ranks last in the region on most of the Index’s indicators, except for “civil justice” and “regulatory enforcement”.

The latter is promising from a foreign business perspective, providing a degree of confidence in Iran’s ability to provide a stable regulatory environment. Not only does Iran rank second in the region for regulatory enforcement – behind the UAE – but it ranks 35th in the world as well.151

However, Iran’s business environment remains fairly opaque, and the country has declined on most indicators in the World Bank’s annual Doing Business Index from 2015 to 2016 – ranking particularly poorly for paying taxes, resolving insolvency, and protecting minority investors.

Law firm Chadbourne & Parke LLP notes that while Iran’s Foreign Investment Promotion and Protection Act (FIPPA) provides attractive incentives, such as allowing 100% foreign ownership as well as profit repatriation, the Act has not been significantly tested since its 2002 enactment.152

“FIPPA makes specific provisions which, on paper, provide the same legal status to foreign investment as to domestic investment…[but] is yet to be tested fully, and appropriate legal advice should be gained by any investor as part of their due diligence procedures,” FTI’s Mr Lawson notes.

In addition to FIPPA, Iran has 52 bilateral investment treaties in place, which provide foreign companies with greater legal protection than what is available under FIPPA.153 These treaties cover Iran’s trade with countries like China, France and Germany, but not Australia.

Some point to the presence of these agreements as evidence of Iran being willing to offer real protection to foreign investment in the country. For example, the agreement with Germany allows for disputes to be settled through international arbitration, protects the international transfer of business profits, and facilitates money transfers relating to investment and profits.154

There are therefore positive elements to balance the risks that come with the relatively opaque legal system and institutions, though Australian companies exploring opportunities in Iran should still seek appropriate legal advice.
CONCLUDING ADVICE

Post-sanctions Iran is a potential land of opportunity for international businesses, as restrictions on access to foreign finance and technology lift, allowing Iran to once again attract the goods, services and expertise necessary to modernise and further diversify its economy.

With initiative, tenacity and a clear-headed assessment of the market’s challenges, Australian companies are well-placed to access their fair share of this opportunity. Home to best-in-class companies in sectors like agriculture, energy and resources, education and tourism, Australia can capitalise on a strong reputation to compete with the best the world has to offer in Iran.
Risks remain and Australian companies will still face a number of challenges when doing business in Iran. Banking and finance are still difficult to access, and many US sanctions remain in place that impact not only American but Australian and other foreign companies as well.

Some of these risks and challenges should abate over time, as Iran adjusts and adopts international standards and best practices, and as foreign businesses reacquaint themselves and become more comfortable with operating in its market.

It is therefore early days for Australian companies exploring the Iran opportunity, though first mover advantage will reward companies willing to seize it.

Iran is certainly a market worthy of serious consideration by Australian companies, given its sheer size and demand for many of the goods and services Australia excels at providing.

We conclude with some key points of advice for Australian companies interested in the Iranian opportunity.

SNAP-BACK

- The likelihood of Iran “cheating” on the JCPOA and thus triggering snap-back provisions, which would see sanctions reinstated, is difficult to gauge but is less (rather than more) likely.
- Iran fully complied with the interim agreement preceding the JCPOA for two years, and also dismantled components of its nuclear program faster than observers had expected, which can be viewed as positive signs of Iran’s commitment to normalising its international relations.
- However, Australian companies should consider scenarios and the risks a potential sanctions snap-back would pose for their dealings in Iran, and make appropriate provisions when establishing contracts with Iranian companies.

DUE DILIGENCE

- A comprehensive due-diligence process is absolutely crucial when doing business with Iran, considering the severe consequences of running afoul of remaining sanctions on the country.
- Engaging the services of specialised risk and investigation firms when conducting a due diligence process would be useful, considering the opacity of the market.

REMAINING UNCERTAINTIES

- Some degree of uncertainty over Iran’s relations with the international community is likely to persist in the short and medium terms, given sensitive political relations and continuing opposition from some quarters to renewed engagement with Iran.
- US primary sanctions on Iran remain in place, creating uncertainties around the potential consequences of running afoul of them – these too are likely to persist without clearer guidance from American authorities, in particular the US Treasury Department.
- Access to finance for trade with Iran may remain the biggest obstacle for Australian companies interested in the Iran opportunity in the short and medium terms, given a reluctance by large Australian banks to facilitate trade with Iran.

WHERE TO TURN: SANCTIONS INFORMATION

- Australian companies unsure of whether a particular good or service export to Iran is subject to Australian or UN sanctions can submit an inquiry to DFAT’s Online Sanctions Administration System (OSAS) at sanctions.dfat.gov.au. The good or service will be assessed and written advice will be provided as to whether it is permissible under Australian sanctions law, or would require authorisation.
- Further information on the US sanctions regime can be found through the US Treasury Department’s OFAC website at treasury.gov/re-center/faqs/sanctions/pages/faq_iran, as
- Further information on the EU sanctions regime can be found through the EU External Action Service website at eeas.europa.eu/

WHERE TO TURN: MARKET ENTRY ADVICE

- Austrade re-established a permanent presence in Iran in 2016 and can provide on-the-ground assistance to Australian companies seeking market entry advice and facilitation.
- Further information can be found on Austrade’s website at http://www.austrade.gov.au/Australian/Export/Export-markets/Countries/Iran/Market-Profile as well as by contacting Lino Strangis, Austrade’s Trade Commissioner in Iran at lino.strangis@austrade.gov.au
- Iranian diaspora communities are driving interest in commercial engagement with Iran in many countries, including Australia, and can be a valuable resource for market insight and potential connections.
REFERENCES

8. Ibid.
11. Ibid.
17. Ibid.
19. Ibid.
22. "Iran Fact Sheet." Australian Department of Foreign Affairs and Trade.
23. Ibid.
24. Ibid.
25. Ibid.
30. Ibid.
31. "Iran Fact Sheet." Australia Department of Foreign Affairs and Trade.
33. "Iran eyes tenders for large-scale installations." Wind Power Monthly, September 1, 2016.
34. Ibid.
35. Ibid.
40. "Iran, Australia to coop. on Lake Urmia restoration." Mehr News Agency, August 31, 2016.
41. Ibid.
46. Ibid.
47. Ibid.
49. Ibid.
52. Ibid.
53. Ibid.
56. "Iran wants 'pre-sanctions oil market share.'" AFP, August 26, 2016.
57. "Iran wants 'pre-sanctions oil market share.'" AFP, August 26, 2016; "Iran is Ready to Raise Oil Output to Pre-Sanctions Levels." Reuters, September 5, 2016.
58. "Iran is Ready to Raise Oil Output to Pre-Sanctions Levels." Reuters, September 5, 2016.
59. Ibid.
61. Ibid.
62. Ibid.
63. "Iran is Ready to Raise Oil Output to Pre-Sanctions Levels." Reuters, September 5, 2016.
68. Ibid.
72. Ibid.
74. Ibid.
75. Ibid.
76. Ibid.
78. Ibid.
79. Ibid.
80. Ibid.
82. Ibid.
83. Ibid.
85. Ibid.
86. Ibid.
88. Ibid.
95. "Iran says in talks with Rio, Glencore about copper projects." Mining.com, June 02, 2016.
99. Ibid.
100. Ibid.
101. Ibid.
104. "World insight: Iran after the sanctions, and what it means for higher education." The Times

“Iran’s university enrolment is booming. Now what?” ICEF Monitor, December 1, 2015.


Ibid.

“Iran’s university enrolment is booming. Now what?” ICEF Monitor, December 1, 2015.

“End of Iran sanctions will not lead to a ‘sea change’ in the region for HE.” The Times Higher Education, January 28, 2016.

Ibid.

“Iran’s university enrolment is booming. Now what?” ICEF Monitor, December 1, 2015.


Ibid.

“Iran’s university enrolment is booming. Now what?” ICEF Monitor, December 1, 2015.

“End of Iran sanctions will not lead to a ‘sea change’ in the region for HE.” The Times Higher Education, January 28, 2016.

Ibid.

“Iran’s university enrolment is booming. Now what?” ICEF Monitor, December 1, 2015.


Ibid.

“Iran’s university enrolment is booming. Now what?” ICEF Monitor, December 1, 2015.
