

# Iran means business

**1→** The Iranian macro business environment case is defined by a "diversified economy, superbly educated workforce, a consuming population with appetite for brands, urban dwelling, and an entrepreneurial community", according to Managing Partner of Arjan Capital, Andreas Schweitzer. A very comprehensive overview of all opportunities in each sector in Iran was supported by Dr. Afshaneh Shafei, head of the Department for Industry and Mines Studies, Institute for Trade Studies and Research, Ministry of Industry, Trade and Mines.

The debate at the conference, effectively, demonstrated the Islamic Republic has done a great job opening itself to foreign business and explaining the opportunity set to the world. Numerous trade delegations have now visited Iran, observing that the reality is very different from what the international press has traditionally reported.

I have also witnessed the sea change in Iran to welcoming foreign business. From personal experience, as managing director of AlphaBet Capital Advisors, going to Iran many times on corporate business development initiatives, I know how important it is to visit Iran first-hand – to believe you really must see and get involved. Back as early as 2015 when I undertook my first trip, I was asked by many curious Western colleagues what it is like in Iran, as if I had been to the moon. The question that continuously cropped up was what I thought to be the most shocking there I observed on the ground. Perhaps it was the dilapidated infrastructure, oppressive religious and military themes everywhere, poor range of quality consumer goods I had encountered. To their disappointment and surprise, I had to relay that there, indeed, was not much of a dramatic difference to report for it simply was if I had entered a part of Europe – although it has been a charming adventure there really were more similarities than differences! And, given its size and proximity to Dubai, where I am based, it was an obvious case to get involved for investment. Also in agreement was the Switzerland-Iran Chamber of Commerce President, Philippe Welti. He summarised the Iranian opportunity well stating, "Iran is strategically well positioned to become the centre-point in the region serving as a hub to its neighbouring countries accessing over 450 million consumers."

Investors can be reassured that the climate for working with foreign business is supported by the right mechanisms. According to Masood Kamali Ardakani, "Iran has put in place supportive government policies and regulation, including FIPPA (Foreign Investment Protection and Promotion Act), to facilitate entry into Iran by foreign businesses." There are many advantages of investing through FIPPA, with the following, to name a few: no discrimination between domestic and foreign investors; all foreign investors being allowed to invest in all fields; foreign investors being able to hold 100% of the shares in an Iranian entity; the option for a free transfer of foreign capital and profits abroad. Importantly, the legislation also protects foreign investors against nationalisation and expropriation, which is obviously a main concern by foreign parties evaluating this market.

Additionally, Iran has created seven free trade zones and 19 special economic zones – introducing in these zones certain tax incentives, among other things.

To effectively assist international investors and corporates, an Investment Service Centre ([www.investiniran.ir/en/investmentguide/sevicecenter](http://www.investiniran.ir/en/investmentguide/sevicecenter)) has been set up as a help desk for queries.

All in all, the symposium audience needed no further convincing on the potential of Iran as an important market – the opportunity potential was clearly understood. Given the growing enthusiasm to do business with Iran, it remains a slightly mysterious and little understood market for the international business community. The panel discussions high-



lighted below are the main perceived risks to mitigate.

## ■ Political risks

Planning with certainty has become more difficult for corporates given the seemingly unpredictable nature of the Trump Administration. However, according to Philippe Welti, "it does not really matter what Trump says; what matters is the reaction it causes in the international business community." The common opinion is Europe has a vested interest to maintain the nuclear agreement and any risk of snapback is, therefore, unlikely. This fact was well defined by Professor H. Mirmohammad Sadeghi, a famous law expert and the president of ICCIMA Education & Research Institute in his inaugural speech as the symposium VIP speaker.

Head of Business Development at Boland Payeh Holding, Behzad Aminfar, highlighted the "importance of understanding the priorities of government in order to be successful in Iran." The symposium audience voiced the importance for the Iranian government to be both vocal and consistent in planning & policy to the international business community so corporates have more certainty to support their entry into Iran.

## ■ Due diligence

Any transaction with Iran requires good preparation. Co-owner of 2FX Treasury, Kees Lakerveld outlined the steps international corporates should be taking prior to engaging with a counterparty in Iran such as (1) KYC (know your customer) and (2) transaction due diligence. There are Third Party Service Providers that can specifically assist in the screening process.

Afridi & Angell Partner, Shahram Safai, also noted that "doing due diligence on counterparties in Iran is not as hard as some businesses have been made to believe. There are websites in Iran to verify corporate filings and shareholders." Most of these KYC checks are not specific to Iran. Internationally, parties are required to do many of these checks on any counterparty they do business with.

Transaction due diligence includes checking that there is no industry risk, no dual use (commercial and military use), and it needs to adhere to the rule that no more than 10% of the content derives from the U.S.

"The most important thing for parties is to document their due diligence in case their books get checked in the future," said Kees Lakerveld.

## ■ Transparency at a corporate level

Many companies maintain several sets of accounts, which does not provide much comfort to international investors – there is still a significant information gap. Huge strides are being made with adoption of international accounting standards. However, Iranian corporates require further education on what is requested by the international business community in terms of information and transparency in order to enter the Iranian market. This will vary from sector to sector. With it being less of an issue in some – for example, Van Campen Liem Associate, Saman Sadeghi, highlighted "the technology sector has proven much easier in obtaining the relevant information from

the entrepreneurs and is, subsequently, attracting significant foreign investment interest."

## ■ The banking system

Kees Lakerveld, explained that "successful market entry into Iran requires a banking strategy. Ideally the corporates would like to be able to use their current bank but that is not possible in the majority of cases. The problem is not sending money out of Iran; the issue is on the receiving end. Not all banks are currently ready to do business with Iran and receiving funds that come from Iran, directly or indirectly." However, banks with little or no U.S. exposure currently seem to be most open to doing business with Iran. "In practice, you need to be either an existing client of the bank or commercially interesting enough for a bank to be willing to take what they perceive as high risks of doing business with Iran," said Kees Lakerveld.

Philip Sidney Partner, Joost Mellis, further detailed "there is a wall of fear and no 'front running ambitions' with the people in charge at the banks. Political risks play a role, legacy of mega penalties and those with large U.S. exposure are nervous about putting their current or future business in the U.S. at risk. It's not just the Iranian banks that have their set of problems. Many of the banks internationally too are grappling with their own business issues, which makes them reluctant to take on more risk. Some banks have been pulling out of emerging markets in general to focus on their home market."

The Iranians have been very eager to learn about compliance. Great progress has been made on the side of Iranian banks to establish an international compliance framework. They will next have to convey the improvements to the system in order to allay international banks so that they feel comfortable that their KYCs are now being done on their clients to the international standards expected, reducing the perceived risks in the mind of the international banks. The Iranian banks should continue face-to-face meetings, not just in Tehran but also abroad. Cross-border discussions between compliance departments would naturally be the next phase.

Regarding the settlement of currencies, the USD may still not be used for any transaction with Iran. Of all alternative currencies, the Euro was highlighted as the clear favored currency as the clearing happens through one centralized clearing system, Target2.

## ■ Legal issues and negotiating agreements

Only a year ago, the law firms were the main culprits in warning investors of all the risks. Arguably, they may have gone overboard at the time and scared off a number of investors. Issues that used to centre on the agenda a year ago, such as snapback, no longer feature prominently in discussions. Kees Lakerveld clarified "that even if there was a snapback it wouldn't have a retroactive effect."

The firms presenting were positively focused on how to structure the business and discussed practicalities regarding agreements with counterparts in order to get the business closed

Andreas Schweitzer highlighted: "ne-

gotiating agreements in Iran requires a lot of patience." Shahram Safai, shared some tips on the matter: "keep contracts short, focus on debt and equity only (not many people in Iran are familiar with warrants), take a team approach in negotiations, arbitration clauses are enforceable through the Iranian Courts, expect to have to explain every clause including the general clauses that are standard in international business agreements, sign agreements outside of Iran and importantly agreements in English are accepted."

## ■ Sovereign guarantees

Some international investors look for additional guarantees. By way of an example, in one of the renewable sector workshops of the symposium, a participant highlighted that international project owners would like the payments by SUNA (the Renewable Energy Organisation of Iran) to have a sovereign guarantee (in case of non-payment by SUNA), as this would greatly facilitate financing from the credit agencies in their home countries.

## ■ Next steps

After having opened the doors to the international business community and having explained the real Iran of today that "Iran Means Business", it is now time for Iranian private companies, as Khaghani referred to on the basis of "Economic-B2B Diplomacy" to actively travel and meet their counterparties in their respective home countries in order to help close the gap in information, understanding and expectations.

## ■ Future for Iran-Netherlands business

Head of Productivity and Organizational Improvement Research Department, Institute for Trade Studies and Research (ITSR), Ministry of Industry, Trade and Mines, Masood Kamali Ardakani, said that "Iran's population of 80 million and 400+ million, including its neighbouring markets (versus 17 million in the Netherlands) is a promising market for Dutch companies."

Currently, approximately half of exports to Iran are related to the medical and pharmaceutical industries. Holland has a lot more to offer and in terms of know-how and technology is not limited only to the oil & gas sector, agriculture and water. There are countless other areas to be explored and acted upon by Dutch companies. Iran is keen to cooperate with The Netherlands in areas such as port infrastructure, renewable energy, construction of greenhouses, water technologies, agro food industries pharmaceuticals and tourism as The Netherlands is considered one of the top destinations in Europe. And not to forget downstream petroleum and energy industries that Mahmood Khaghani explained as the chairman of the symposium and during roundtable discussions the advantages of ECO-Caspian Energy Grid for converting regional gas to power and exporting electricity to regional markets, the EU and beyond.

The Netherlands' gross national product and its high purchasing power, make it an overall attractive market for high quality Iranian goods. At present, half of the exports of Iranian products to Holland are relatively low value edible fruits and nuts. Iran has much more to offer to Holland in terms of higher value goods. The speakers highlighted the importance of bilateral agreements – as of yet, a bilateral agreement between The Netherlands and Iran does not yet exist.

In keeping with the positive spirit of the symposium an appropriate Dutch proverb to conclude with: 'waar een wil is, is een weg' (translated as 'where there is a will, there is a way'), which I have been told, is identical to the Iranian's own proverb: 'Khashtan, Tavanestan ast = When there is a will, There is a way.'

Rebecca Meijlink, managing director of AlphaBet Capital Advisors, in association with Mahmood Khaghani, Advisor to the Education & Research Institute, Iran Chamber of Commerce, Industries, Mines & Agriculture, (Amsterdam, 24th, February 2017).

## Putin hails Syria talks in Astana as foundation for Geneva

Russia says the latest rounds of Syria peace talks in Kazakhstan created a "mechanism" to control the truce holding across the state, and helped revive the United Nations-backed negotiations underway in Geneva, Switzerland.



The Astana talks focused on bolstering the Syria-wide ceasefire between militants and the Syrian government that has been in place since December 30, 2016.

Commenting on the diplomatic process in Astana on Monday, Russian President Vladimir Putin said "a mechanism to control the ceasefire has been created, which is the most important thing."

"This is the foundation that has allowed the Geneva negotiations to resume," he added.

Meanwhile, Russian Deputy Foreign Minister Mikhail Bogdanov on Monday called for the formation of a joint opposition delegation to the Geneva talks, Ria Novosti reported.

He said representatives of Syria's Kurdish population should also participate in the negotiations.

The Damascus delegation to the Geneva talks is headed by Syrian Ambassador to the United Nations Bashar al-Ja'afari.

However, the opposition side is deeply fractured, with several groups based in different countries attending the talks, a situation which has complicated the ongoing crisis resolution talks in Geneva.

On Sunday, UN Special Envoy for Syria Staffan De Mistura held separate talks on core topics with representatives from the Cairo and Moscow platforms of the opposition in Geneva.

De Mistura is scheduled to meet with delegates of the Riyadh-based High Negotiations Committee (HNC) in the Swiss city.

HNC negotiator Mohammed Alloush said on Monday that his team would hold talks with Russian Foreign Ministry officials in Geneva on "the promises they did not keep."

(Source: TASS)

## Russian frigate heads to Mediterranean on Syria mission

The Russian frigate Admiral Grigorovich left the port of Sevastopol in Crimea on Monday for the Mediterranean where it will join the country's naval forces deployed near the Syrian coast, a naval official said.

A witness saw the ship leaving its moorings in the naval port of Sevastopol.

"It (the frigate) will be operating as part of the permanent Russian Navy force in the Mediterranean," the Interfax news agency quoted the navy's Captain Vyacheclav Truhachev, a spokesman for the Black Sea fleet, as saying.

The frigate armed with Kalibr (Caliber) cruise missiles was deployed to the Mediterranean Sea last November as part of Russia's naval task force to Syria where it launched missile strikes against the Islamic State in Iraq and the Levant (ISIL/Daesh) targets.

The Admiral Grigorovich is the first in the class of six frigates commissioned by the Russian navy in 2010 for its Black Sea Fleet.

(Source: RT)

## Abbas: No state should relocate Israel embassy

**1→** United Nations Secretary General Antonio Guterres blasted the ratification of the bill, emphasizing that it would "have far-reaching legal consequences for Israel." A chorus of outcry also followed from elsewhere, including the German government.

Abbas touched on the land grab law, saying, "Israel has recently announced its intent to create more occupation units over our land. It has adopted a law, which legitimates the theft of occupied Palestinian land, in particular private lands."

"This is a dangerous precedent, which we reject. The international community rejects it as well. This is a situation that does not allow our people to establish their own state. This is an act, which leads to hatred and violence."

He asserted that Tel Aviv was thus moving towards the creation of an "apartheid solution" to the Arab-Israeli conflict.

The Palestinian leader's appeal to the UNHCR came as the Trump administration has mulled quitting the rights body over its purported bias against Israel, Politico reported on Saturday.

(Source: agencies)

## Trump to sign new travel order on Wednesday

**2→** Concerning refugees, America has always set an annual restriction on the number of refugees it will accept. Since 1980, the United States has accepted less than 2 million refugees in total, almost half of whom were children accompanying their refugee parents. Also, the Obama administration alone deported 2.5 million people, although not limited to refugees.

World leaders reacted to Trump's travel ban in a condemning way. Iranian Foreign Minister Javad Zarif said, "Iran will take legal, political and reciprocal measures accordingly," speaking in response to the visa ban that also

targets Iranian nationals.

"The U.S. decision to restrict travel for Muslims to the U.S., even if for a temporary period of three months, is an obvious insult to the Islamic world and in particular to the great nation of Iran," the Foreign Affairs Ministry said in a statement.

Many have protested Trump's decision to ban citizens from Muslim countries to enter the U.S. Massive crowds gathered at airports all across the U.S. shortly after the ban was issued, to protest it and to show solidarity towards those affected.

Asghar Farhadi, the Iranian director who won his second Oscar for Best Foreign Film at the 89th Academy Awards this Sunday, chose not to attend the Oscars in protest to the travel ban.

Instead, two Iranian-American engineers and NASA scientists attended the gala on his behalf. "My absence is out of respect for the people of my country, and those of the other six nations who have been disrespected by the inhumane law that bans entry of immigrants to the U.S.," Anousheh Ansari, the first female space tourist, read out of a statement from Farhadi on stage.