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## **IRAN RAILWAY REPORT AN INTRODUCTION TO THE IRANIAN RAILWAY INDUSTRY**

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# 1. Foreword

Today, shipping is one of the largest and most important industries in the world which needs continuous investment in its infrastructure and equipment in order to increase speed and to reduce cost. The most efficient and cheapest method, both in passenger and cargo, is still rail transportation.

Developed and developing countries have much progress in this field and a large share of the development of its infrastructure is allocated to this sector. Iran is one of the largest countries in the MENA region which has a railway infrastructure for more than 130 years but in the recent decades, especially after the heavy sanctions hit the country, this industry has not seen significant progress. Today after the implementation of the JCPOA (Joint Comprehensive Plan of Action) and the subsequent lifting of major sanctions (Implementation Day, January 2016) the country is able to renew its railway infrastructure. In this report the current status, future plans and the entrance barriers to the Iranian railway sector is discussed. In the cargo sector the need to transport various goods especially petrochemical products to ports has made the development of this sector a priority for the country. Also major projects are defined to increase the railway passenger capacity. Both, cargo and passenger transport, offer one of the most interesting business opportunities in Iran for foreign companies.

The rail transport in Iran can be separated in two areas: railway and subway. The railway is managed by the Ministry of Road and Urban Development (central authority) but the subway is managed by municipalities (decentralized authorities). Railway projects are well defined and communicated by the central authority whereas opportunities in the subway and metro sector are decided by local authorities without nationwide standard procedures applied. It has to be said, that the Chinese competitors have a major share in the subway and metro sectors in Iran.



### **Suheil el Obeid**

Switzerland Global Enterprise

Senior Consultant Africa, Middle East, Iran & Turkey

Exportieren

Stampfenbachstrasse 85

8006 Zürich

[selobeid@s-ge.com](mailto:selobeid@s-ge.com)

+41 44 365 54 72

+41 79 398 66 4

[s-ge.com](http://s-ge.com)

# 2. Market Overview

### 2.1. ROLE OF THE RAIL SECTOR IN IRAN

The transportation strategy for the next decade focuses on expansion of the rail sector. The growing significance of Iran as a transit country between Europe, Asia, and Central Asia has made the development of the rail sector a strategic priority. The relevant areas are maintenance, improvement, and reconstruction of existing rails. In 2013, the Ministry of Road and Urban Development announced that more than 10'000 km in new lines would be commissioned, but performance has not exceeded an average 250 km per year.

In 2013, the Iranian railways transported around 25 million passengers, which is very low for a country of 80 million. The privatization of rail services and introduction of express trains have had limited impact on these figures.

Cargo transportation capacity was more than 150 million tons in 2013, with 22% of that actually utilized. Some 88% of the cargo wagons were privately owned. The low utilization of existing cargo capacity is due partly to the fact that many companies use their cargo wagons as storage units and partly to the fact that the sector has a serious lack of maintenance services. The overwhelming majority of cargo – 556 million tons per annum – is transported by road, so rail cargo transportation has considerable growth potential.

Key opportunities in the rail sector are to be found in:

- Construction and maintenance
- Procurement of locomotives
- Procurement of wagons
- Offering services to optimally utilize the existing infrastructure and capacity (including door-to-door transport)
- Finding greater energy efficiencies to make prices more competitive with road transportation

In the fashion of the aviation sector, the Iranian government will look for foreign companies which can offer technological and financial solutions.

## 2. Market Overview

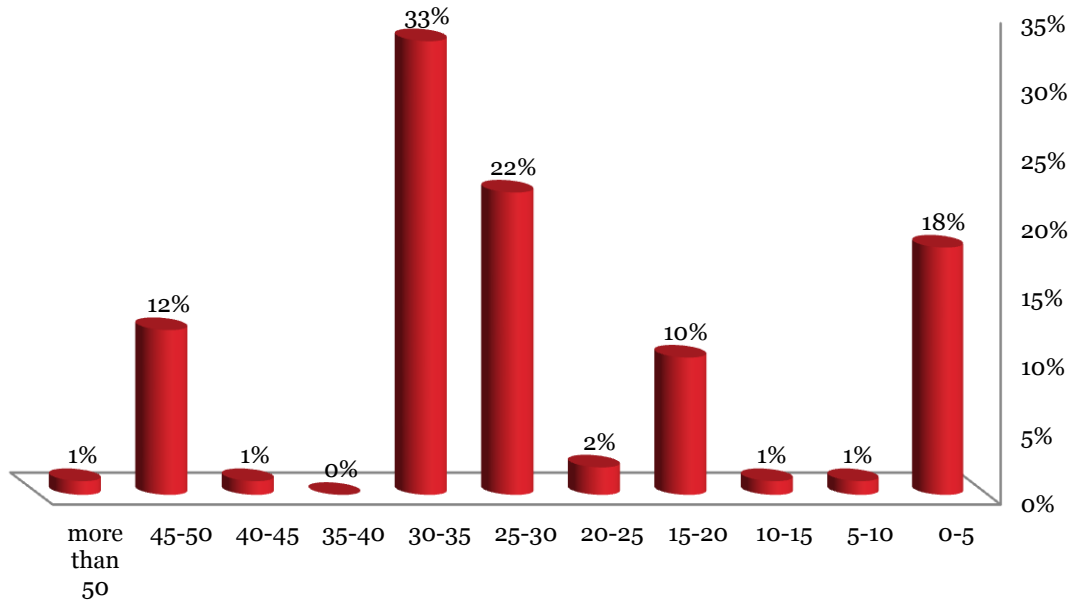


Figure 1: Rail Passenger Rolling Stock Age in Iran

Almost 70% of Iran's rolling stock is older than 25 years (see also Figure 1). The rather low procurement quality, the lack of proper maintenance and the lack of spare parts supply (due to sanctions) has led to low speed and poor consumer experience (the current average speed of trains in Iran is about 70 km per hour). These factors are reflected in the low popularity of railway in Iran. Most passengers prefer busses, cars or airplanes today.

Having a look at the wagon types which were operational in Iran in 2013, the figure below shows that 1<sup>st</sup> class wagons are preferred to attract more passengers. For better understanding some pictures of current wagons which are being produced or renewed in Iran can be found in Appendix 3.

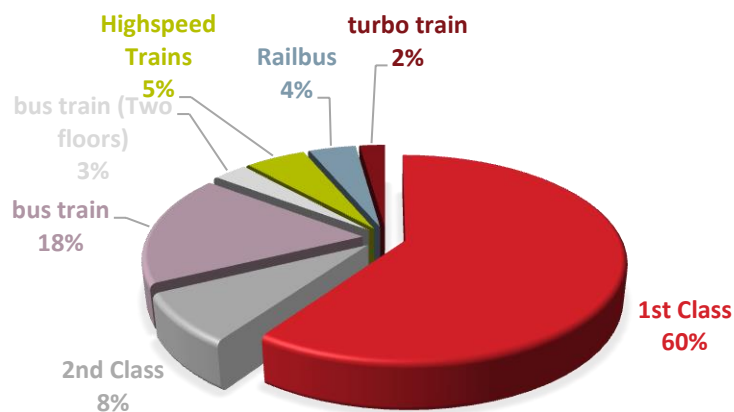


Figure 2: Wagon Types in 2013

## 2. Market Overview

### 2.1.1. Current Status

The Share of Passenger and Cargo Trains in the transportation system of Iran are shown in Figure 3 and Figure 4.

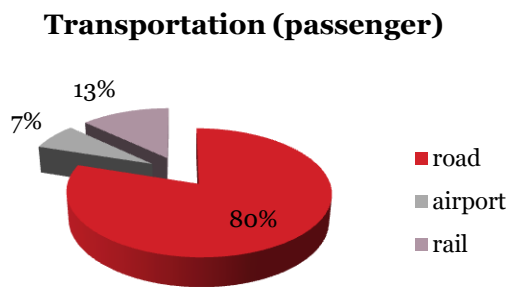


Figure 3: Passenger Transport in current Iran

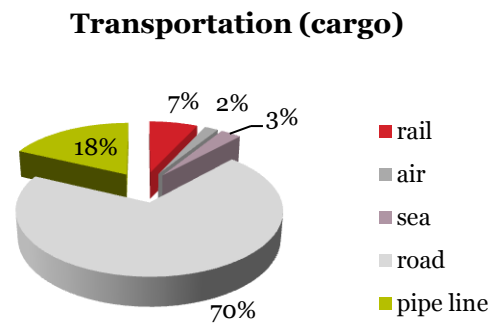


Figure 4: Cargo Transport in current Iran

As shown in the figures above, in Iran road transport counts for the majority for both passenger and cargo sectors (speed, quality). In cargo transportation in addition to the low speed, network limitations are the barriers to use this method. Considering that only 13% of the passenger transport and 7% of the cargo transport is via rail, the potential to develop the railway industry in Iran is enormous.

Additionally about half of the railway network and related infrastructure of Iran have been built before the Iranian revolution in 1979 and need to be modernized (see also Figure 5).



## 2. Market Overview

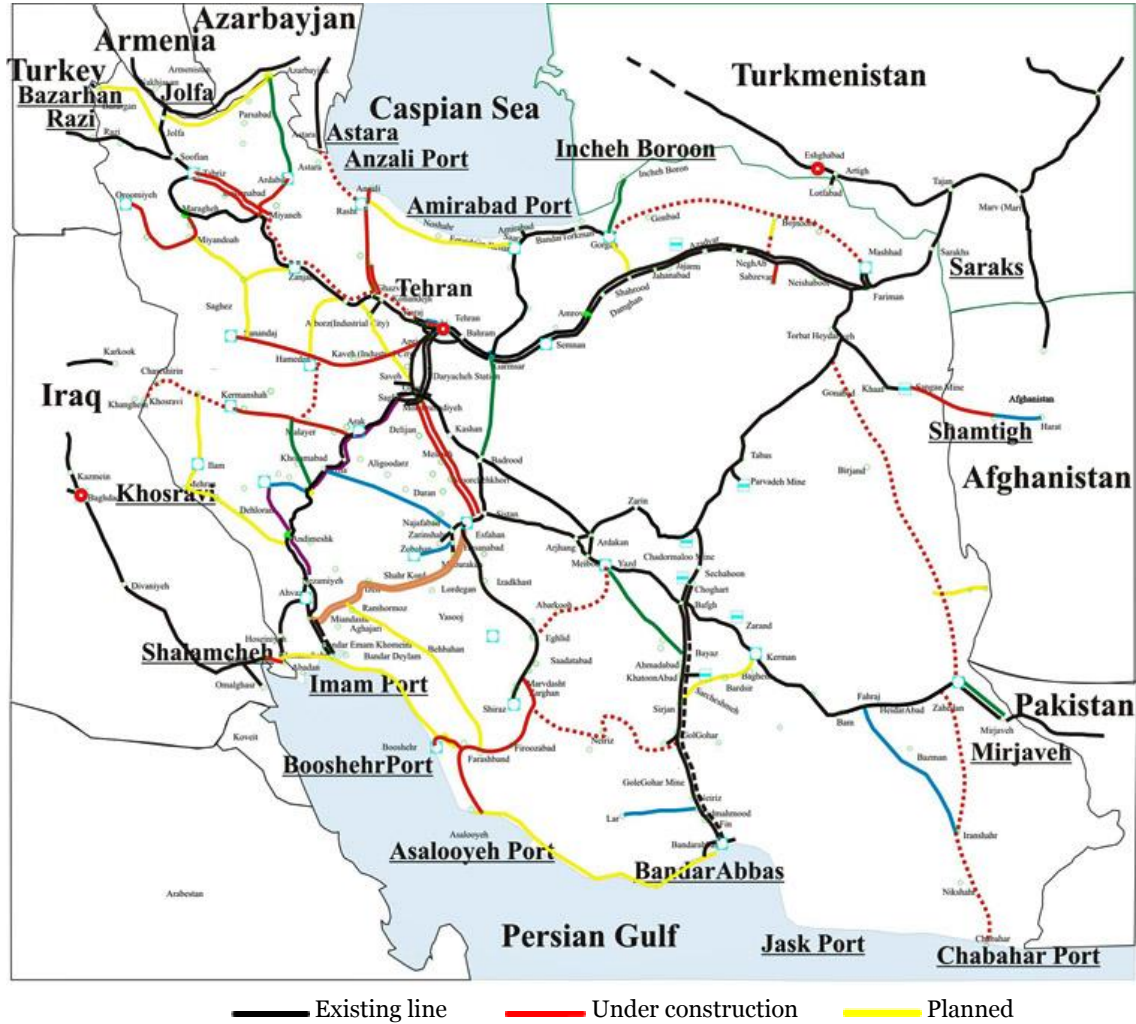


Figure 5: Iran Railway Network

The following figures show the status of the existing fleet, railway network and infrastructure in Iran.

Index	Unit	Qty.
Total length of the existing lines	km	13241
Total length of the main lines	km	10420
Length of the branch lines	km	2821
Length of the electrified lines	km	196
Length of the under construction lines	km	8437
Length of lines under double-tracked	km	450

Figure 6: Existing Network

## 2. Market Overview

Index	Unit	Qty.
Total number of available locos	Set	869
Total number of available freight cars	Set	22715
Total number of passenger cars	Set	2025
Others	Set	332

Figure 7: Existing Fleet

Index	Unit	Qty.
Total freight payload	Thousand ton	34924
Total tons-kilometer	Million ton-km	24461
Total number of carried passengers	Thousand persons	24304
Total passenger-kilometer	Million pass.-km	16269

Figure 8: Existing Freight and Passenger Transport

Most of the locomotives are diesel today and only 8 electrical locomotives are operational on 196 km of the railway network in Iran. One of the government's priorities is electrification.

### 2.2. TRANSPORT POLICY

#### 2.2.1. Government Policy

Rail transport is given high priority in the government's policy as one of the most efficient means of transport. The sixth development plan proposed by the Iranian government outlines the following general policies:

- Priority in the development of rail transport and a competitive advantage for it;
- Development of rail freight terminals with priority of equipped connections network to major economic centers, commercial and industrial entrances and exits and important regional and international networks, especially in rail corridor north - south with the aim of developing export and cargo transit;
- Giving priority to areas of strategic industries (such as oil, gas, petrochemical, transportation, advanced materials, construction, ICT, aerospace, sea, water and agriculture) and the increased penetration rate of advanced technologies in them.

#### 2.2.2. Future Orientation / Vision 2025

The country's vision for the passenger and cargo capacity and utilization outlined in the Rail Rolling Stock Section for the year 2025 is defined as follows:

- 25000 km railway network with approximate 6000 km double-tracked
- Total capacity for passenger transport to be increased to 160 million
- Carrying 220 million tons of cargo
- Railway market share in cargo transport to be 30%
- Railway market share in passenger transport to be 18%

## 2. Market Overview

To do so, Iran plans to invest \$25bn over the next ten years in the modernization and expansion of its railway network. The investment is expected to extend Iran Railways' track length from the current 15,000km to 25,000km by 2025.

### 2.2.3. Strategy and Communication

The government transport strategy prioritizes the rail transport by putting an emphasis on energy consumption, environmental impact, safety and national security.

1. The establishment of a comprehensive system of transport and the contribution of each sub-set by giving priority to rail transport by considering the following aspects:
  - Economic and defense and security considerations
  - Reduction of energy consumption intensity
  - Reduce environmental pollution
  - Increasing safety
  - Align the infrastructure with demand, fleet and equipment
2. Increase productivity and achieve higher levels of development, improved transportation management and human resources and information
3. Develop and reform of transport network according to the following items:
  - Development Plan
  - Security and defense considerations
  - National profitability
  - Country transit position
  - Demand
4. Attract domestic and foreign investment, create jobs and expand insurance coverage
5. Achieving a market share in international transportation

### 2.2.4. Budget

The government is encouraging infrastructure projects to be executed based on BOT (Build, Operate, and Transfer) and EPCF (Engineering, Procurement, Construction, Finance) contracts. The motivation for these new contractual structures can be explained as follows:

1. The sanctions and the low oil price has decreased the country's infrastructure budget
2. The government wants to encourage (foreign) companies to think in a long term (partner rather than supplier)

Contractors able and willing to co-finance projects will participate in the gains based on the methods mentioned above. For further detailed information please refer to appendix 1.

## 3. Decision Making Process

### 3.1. WHO IS WHO & DECISION MAKERS

Despite the current situation of rail transport in the country, the industry has always been of great importance infrastructure sectors. Hence the government preserves stewardship of this sector and the major decisions are made by government authorities.

Currently, the Islamic Republic of Iran Railway Company (RAI) is responsible for all matters related to railways and municipalities are responsible for all matters pertaining to urban metros. In accordance with new regulations, those bodies are authorized to outsource parts of the work to private organizations.

#### 3.1.1. Decision Making Process

Figure 9 outlines the different levels of decision makers/ Stake holders in Iran. Companies willing to enter the market should understand which section they should approach, depending on their size, abilities and strategy. Large companies with the ability to finance should enter the EPCF Contractor Level and SMEs should aim for the subcontractors. Alternatively SMEs can build consortia to bunch their abilities and increase their competitive advantage.

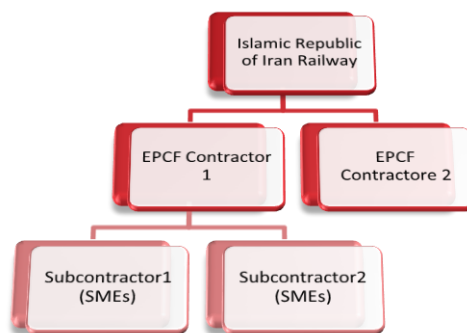


Figure 9: Decision Making Process

# 4. Projects

## 4.1. PROJECT LIST

All currently available projects in the railway sector are listed in the appendix 1.

## 4.2. PROJECT ACCESS

### 4.2.1. RAI Procurement Policy

As previously discussed, the preferred methods to participate in tenders is BOT (Build, Operate, and Transfer), BLT (Build, Lease, and Transfer) and EPCF (Engineering, Procurement, Construction, and Finance). The main contractor has free choice to appoint subcontractors. A law protecting “Local Content” is in force encouraging foreign contractors to engage with Iranian companies as far as possible (priority). It has to be mentioned that most Iranian subcontractors are in the construction sector.

### 4.2.2. Foreign Investment Promotion and Protection Act (FIPPA)

The Foreign Investment Promotion and Protection Act (FIPPA)

After nearly 48 years, the new law on foreign investment in Iran under the name of “Foreign Investment Promotion and Protection Act” (FIPPA) was ratified by the Parliament in 2002. FIPPA replaced the Law for the “Attraction and Protection of Foreign Investment” (LAPFI) which was in effect since 1955. FIPPA’s replacement of LAPFI has further enhanced the legal framework and operational environment for foreign investors in Iran.

Some specific enhancements introduced by FIPPA for foreign investments in Iran can be outlined as follows:

- Broader fields for involvement by foreign investors including in major infrastructure
- Broader definition given to foreign investment, covering all types of investments from “Foreign Direct Investment” (FDI) to different types of project financing methods including “Civil Participation”, “Buy-Back” arrangements, “Counter trade”, and various “Build-Operate- Transfer” (BOT) schemes
- Streamlined and fast-track investment licensing application and approval process
- Creation of a one-stop shop called the “Center for Foreign Investment Services” at the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI) for focused and efficient support for foreign investment undertakings in Iran
- More flexibility and facilitated regulatory practices for the access of foreign investors to foreign exchange for capital transfer purposes
- Introduction of new legal options governing the government investor(s) relations

It should be stressed that FIPPA is a significant complement to a whole host of reforms taking place in Iran’s general macroeconomic framework and structural mechanisms. These economy-wide reforms are intended to stimulate and benefit both foreign and local investments. Some key elements of economic reforms include:

- The introduction of a new income tax regime with a single and competitive flat tax rate of 25%, and a range of exemptions for manufacturing enterprises and total exemption for export-generated revenues
- Elimination of a wide range of non-tariff barriers and further liberalization of the foreign trade regime
- Creation of several private banks and other private non-banking credit institutions
- Unification of foreign exchange rate and significant liberalization of foreign exchange regime
- Legal reforms for the establishment of private insurance companies
- Continued emphasis and progress on the privatization of state-owned enterprises including public sector banks

## 4. Projects

The full range of reforms and improvements in Iran's economy, particularly those focused on the attraction and support of foreign investments, has increased the challenges and opportunities facing the management and staff of OIETAI (Organization of Investment Economic and Technical Assistance of Iran). As the official authority in charge of foreign investment in Iran, OIETAI renders its utmost to ensure that the economic and legal reforms are translated into a growing record of foreign investments in Iran. Furthermore, in acknowledging a dynamic and fast changing global economic and business environment, we shall also ensure that foreign investors continue to enjoy competitive and efficient incentives in order to select Iran as a long-term investment platform in the dynamic global economy.

The complete text of FIPPA is attached in appendix 2.

The license application follows a four step procedure (see also Figure 10):

1. Submission of Application to the OIETAI
2. Review of the Application by the Foreign Investment Board
3. Communication of the Draft License to the Foreign Investor
4. Issuance of the Investment License

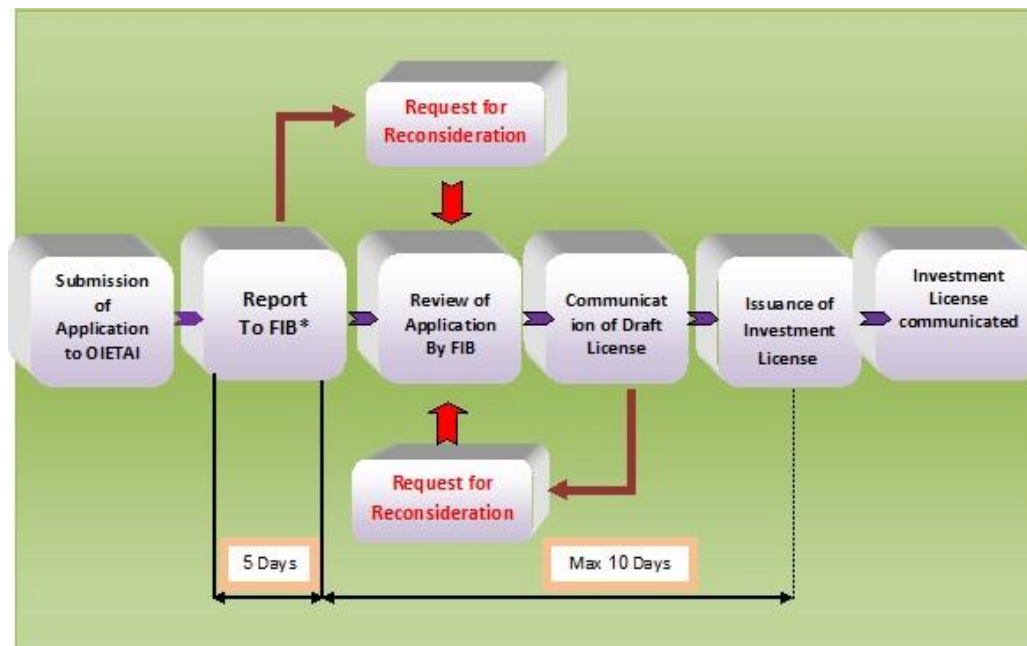


Figure 10: The Four Stages to the FIPPA License

Documents required by the OIETAI include:

- Application Form
- Establishment License / Primary agreement / Preliminary agreement of the pertinent Iranian organization
- Official letter of the foreign investor to submit to the OIETAI
- The foreign investor's background including a brief history of the company, the year of establishment area of activities in case of foreign investor is a natural person, a photocopy of passport and resume will be provided
- A list of machinery and equipment which may be imported into the country as a part of the foreign investor's capital (if available)
- In case that part of the foreign investor's share is in the form of technical know-how, a draft of the contract outlining the conditions of the transfer of technology
- Any further useful information

# 5. Market Entry Barriers

## 5.1. GENERAL SITUATION

Today, Foreign Direct Investment (FDI) is one of the major elements linked to the domestic economy, especially in developing countries and serves as an agent for the transfer of capital, technology, expertise and management methodologies. Iran is working on frameworks to attract FDI in the railway sector. Specific conditions are outlined in appendix 1 of this report.

The lifting of the sanctions has increased the interest of foreign investors to look into Iran's infrastructure. So far, Iran has signed agreements worth EUR40bn with Italy and France. Italian companies are granted projects to modernize parts of the infrastructure and to work on the Tehran-Qom high-speed trains. Further the below projects are published by the ministry and the media:

- Chinese authorities have proposed a high-speed railway connecting its western city of Urumqi to Tehran
- Iran said that it plans to award a project worth \$1.2 billion to Russia to establish an electric train service to connect the north to a key city east of capital Tehran
- SAIL has bagged an export contract to supply about 100,000 tons of rails to Iran from its flagship entity Bhilai Steel Plant (BSP), which has been the sole producer of rail for the company

## 5.2. OBSTACLES AND CHALLENGES

According to experts, economic weakness, concessions, nepotism and inappropriate facilities for investors, bureaucracy, institutional and legal frameworks and political and economic risks are the main obstacles to foreign investment in Iran. These obstacles can be observed in all sectors, and particularly in the oil, gas & petrochemical, infrastructure and transportation.

It has to be considered that the governmental controls directly and indirectly still some 70 percent of the Iranian economy. The legal system and judiciary, the two-tiered exchange rate and cultural barriers are challenges to be considered. The head of the foreign investment office has announced that the government is taking every measure to mitigate all non-economic risks foreign investors might face in Iran.

The main barriers for European companies to enter Iran can be summarized as follows:

- Legal system and judiciary
- Two-tiered exchange rate
- Cultural misunderstanding
- Bureaucracy & nepotism
- Unknown, Chinese and Russian competitors
- Local competitors (especially in construction)
- Local content (Transfer of technology, local assembly/ production)
- Project financing

## 6. Market Players

### 6.1. OVERVIEW COMPETITIVE LANDSCAPE

Railroad construction in Iran has been traditionally carried out by the public sector, since according to Article 44 of the Constitution, railroads and all large-scale industries are regarded as public properties. The law grants 100% ownership of all railroads, either existing or at different stages of construction, to the government and prohibits their transfer to the private sector. However, since 2006, with the government's shift towards privatization, in line with the implementation of the policies outlined in the amendment of Article 44, government authorities have been considering allowing the private sector to participate in developing the rail transportation system. Thus, the private sector was allowed to engage in the construction and investment of main railroads. It was also allowed to utilize railroads, without having ownership rights.

### 6.2. SUPPLIER LANDSCAPE (LOCAL VS. GLOBAL PLAYERS)

Today, local contractors and suppliers are able to manufacture and supply most parts related to construction works in Iran. The sanctions has benefitted the local construction industry to become predominantly self-sufficient. However other areas of the railway infrastructure, equipment, locomotives, IT systems, controls, wheels etc. is in need of state of the art technologies missing in Iran.

There are two companies producing locomotives under the license of Siemens and Alstom (both of these companies are semi-governmental). Some other companies produce and renew wagons in Iran. To list of the most important Iranian players can be found in Figure 11.

Row	Company Name	Website	Activities
1	Tehran Wagon	<a href="http://www.tehranwagon.com">www.tehranwagon.com</a>	Producing Wagon
2	Mapna Locomotive	<a href="http://www.mapnagroup.com">www.mapnagroup.com</a>	Producing Locomotive Under Siemens license
3	Rail Faraz Tima Group	<a href="http://www.railtimagroup.com">www.railtimagroup.com</a>	Producing Rail
4	Iranian Rail industries development (IRICO)	<a href="http://www.iri-co.net">www.iri-co.net</a>	Railbus Producer Under Hyundai Rotem license
5	Green Flour Industrial Group	<a href="http://www.gpig-co.com">www.gpig-co.com</a>	Producing Wagon
6	Sanat Avar Mostaghel	<a href="http://www.sanatavar.ir">www.sanatavar.ir</a>	Production of Components for Railway Vehicles
7	Khatam equipment Development Company	<a href="http://www.khatamco.com">www.khatamco.com</a>	Railway Controller Producer



## 6. Market Players

Row	Company Name	Website	Activities
8	Taam Locomotive Aria	www.taamlocomotive.com	Rebuild & Repair Locomotive
9	Fan Generator Industrial Group	www.fangenerator.com	Producing Industrial Generator
10	Academic Center for Education, Culture & Research	www.acecr.ac.ir	Research
11	Sepand Tahviah	www.sepandtahviah.com	Producing Wagon Air Condition
12	Alocast Iran	www.alucastiran.com	High Voltage Transmission Line Equipment
13	Tarh Negasht	www.tarhnegasht.com	Producing Gears and Gearboxes
14	Neda Industrial Group	www.nedaco.com	Equipment Supplier
15	Padzaniy	www.padzaniy.com	Interior Wagon Parts Producer
16	Kowsar Wagon	www.wagonkowsar.com	Producing Cargo Wagon
17	Mapna Railway Development	www.mapnagroup.com	Railway Infrastructure Developer
18	Jooshkab	www.jooshkab.com	Electrical Cable Producer
19	Tabriz Wagon	www.wagontabriz.ir	Producing Cargo Wagon
20	Mabna Diesel Power	www.mabnamotors.com	Producing Diesel Locomotive Engine
21	Ario Rastak	www.noavasy.com	Producing Industrial Parts
22	Wagon Pars	www.wagonpars.com	Producing Locomotive Under Alstom License and Wagon
23	Proshut Door	www.proshutdoor.com	Producing Automatic Doors

## 6. Market Players

Row	Company Name	Website	Activities
24	Kafriz Esfahan	www.kafriz.com	Manufacturer of Railway Tires

Figure 11: Most Important Iranian Market Players in Railway Industries

During the sanctions most European and US-American companies were banned from or did withhold from doing business with Iran. Iran procured most equipment from China and Russia while paying prices higher than what competitors in Europe would have offered whereas quality and efficiency were inferior. The lifting of the sanctions will open opportunities to Swiss companies to participate in this market. At this time several companies from Germany, Italy, Austria and France are negotiating to enter Iran.

# 7. Iran after the Sanctions

## 7.1. IRAN IN THE WORLD TODAY

Iran is the second largest economy in the Middle East and North Africa (MENA) region after Saudi Arabia, with an estimated Gross Domestic Product (GDP) in 2014 of US\$406.3 billion. It also has the second largest population of the region after Egypt, with an estimated 78.5 million people in 2014. Iran's economy is characterized by a large hydrocarbon sector, small scale agriculture and services sectors, and a noticeable state presence in manufacturing and financial services. Iran ranks second in the world in natural gas reserves and fourth in proven crude oil reserves. Economic activity and government revenues still depend to a large extent on oil revenues and therefore remain volatile.

## 7.2. GOVERNMENT OF IRAN'S VISION AND REFORM AGENDA

Iranian authorities have adopted a comprehensive strategy encompassing market-based reforms as reflected in the government's 20-year vision document and the recently issued sixth five-year development plan for the 2016-2021 period. The sixth five-year development plan remains ambitious, comprised of three pillars, namely, the development of a resistance economy, progress in science and technology, and the promotion of cultural excellence. On the economic front, the development plan envisages an annual economic growth rate of 8% and considers the implementation of reforms of state-owned enterprises, the financial and banking sector, and the allocation and management of oil revenues among the main priorities of the government during the five-year period.

The Iranian state continues to play a key role in the economy with large public and quasi-public enterprises dominating to some extent the manufacturing and commercial sectors. The financial sector is also dominated by public banks. Moreover, the business environment remains restrictive with the country ranking 130 out of the 189 countries surveyed in the 2015 Doing Business. Within the MENA region, Algeria, Djibouti, Iraq, Libya, Syria, West Bank and Gaza are the only countries which fall behind Iran in this ranking.

## 7.3. RECENT ECONOMIC DEVELOPMENTS

Following two years of recession, the Iranian economy recovered during the 2014 Iranian calendar year (i.e., March 2014-March 2015) as the new administration led by President Rouhani took office in July 2013 and a partial lifting of sanctions was enacted under the Joint Plan of Action (JPA). This sanctions relief included the partial removal of constraints on Iran's oil exports, and the supply chain in key sectors of the economy—such as in the automobiles industry—and on international and domestic banks' international transactions. The economy expanded by 3% in 2014, on the heels of annual economic contractions of 6.6% and 1.9% in 2012 and 2013, respectively. As of August, 2015, the official and parallel market rates were trading at 29,797 Iranian rials per U.S. dollar and 33,400 Iranian rials per U.S. dollar, respectively, thereby representing a difference of about 13%, down from roughly 190% in the second quarter of 2012 when sanctions were tightened. The inflation rate declined from a year-on-year peak of 45.1% in 2012 to 15.6% in June 2015 in line with the lifting of sanctions and the tightening of monetary policy by the Central Bank of Iran.

## 7.4. POLITICAL DEVELOPMENTS

On July 14, 2015, the P5+1 (i.e., China, France, Germany, Russia, United Kingdom and United States) and Iran agreed on the Joint Comprehensive Plan of Action (JCPOA), which limits Iran's nuclear program while the international community enacts the lifting of sanctions on Iran. If the JCPOA is successfully implemented, it will result in the lifting of all US, EU and UN sanctions on Iran by March-June 2016. The implications for the Iranian economy and the welfare of its citizens are significant. On the domestic side, parliamentary elections in Iran and the formation of the new council that appoints the Supreme Leader are scheduled for February 2016.

## **7. Iran after the Sanctions**

### **7.5. ECONOMIC OUTLOOK**

The medium-term outlook is positive as the JCPOA is enacted and implemented and the government tackles much needed reforms to unleash growth and private-sector led job creation. Growth will decelerate from 3% in 2014 to 1.9% in 2015 (March 2015-March 2016) against the backdrop of low oil prices despite a projected increase in oil production by 200,000 barrels per day from 3.1 million barrels per day in 2014. If all sanctions are be lifted by the beginning of the 2016 Iranian calendar year (March-June 2016), real GDP should rise to 5.8 % and 6.7 % in 2016 and 2017, respectively, as oil production reaches 3.6 and 4.2 million barrels per day. Reforms to the business environment to promote competition, rationalize licensing and authorization requirements, reduce the imprint of State-Owned Enterprises in the economy, and improve the health of the financial and banking sector are needed to accelerate growth and private-sector led job creation.

# 8. Doing Business in Iran

### 8.1. GENERAL INFORMATION TO CONSIDER

Throw out any pre-conceived notion of Iran you might have. The way the media has painted the picture of Iran is not the real Iran. Iran is a magnificent, mysterious country with a rich history and culture. Go to Iran with an open mind and heart. Iran is one of the safest countries in the world where major crime or terrorism is concerned.

#### 8.1.1. People

One of the best things about Iran is its people. Depending on where you travel, there will meet more or less educated people and more or less city folks which changes their understanding, beliefs, and behavior as in any part of the world. Iranians of all parts are kind, warm, friendly, helpful, proud, generous, and close. There is one thing that ties them all together and that's Iran. Although tourism was down since 1979, they remain respectful and curious towards tourists. They will welcome you, thank you for visiting and ask you questions.

#### 8.1.2. Pride

Iran has many different cultural groups such as Azeri, Kurdish, Persian, etc. each proud of their own culture and of being Iranian. Due in major part to the long history of Iran and its invasion by other countries over centuries, Iranians are very sensitive about certain things. Do not call Iranians "Arabs" or "Muslims". They are not Arab and they are mostly Shia Muslims. Do not use the expressions "the Gulf" and "the Arabian Gulf". It is the Persian Gulf.

#### 8.1.3. Sights

Iran has destinations to serve any type of interest. From mountains for skiing and hiking to beaches for swimming, to cities for sightseeing, to a rich history.

#### 8.1.4. Clothes

Iranians especially Tehrani's are very fashion conscious. Most of the young ladies around the country now wear form fitting manteau (raincoat type of item) with tight pants underneath. Open toe shoes, makeup, nail polish, tiny scarves, and sunglasses are a staple of most Tehrani ladies. In order to go under the radar, don't use excessive makeup, nail polish, or shorter than ankle length pants. Tourists get away with wearing long and loose shirts with pants and any type of scarf. Men can wear t-shirts and pants anywhere. Shorts are not appropriate for men except on the beach or at the gym.

#### 8.1.5. Food

Iran has some of the best dishes in the world. The Persian cuisine consists of a delicious array of stews and different rice among many other dishes. And of course Persian bread. These used to be all made inside brick ovens (tanoors) by hand but machines have taken the place of many. Still, Persian breads are a part of any good meal and they are simply delicious. Persian sweets and pastries are absolutely wonderful and you can find pastry shops in every corner of main streets. If you get lucky enough to be invited to someone's house for lunch or dinner, be sure to pick up a box of fresh pastries at a local shop. Fast food stores abound serving all sorts of creative sandwiches. Don't be shy to try different things and most certainly don't stay away from eating real Iranian food. The majority of people in Iran are conscious of properly cleaning fruits and vegetables and general cooking hygiene. Tap water is safe to drink in any part of the country although you might not like the taste in some parts. Bottled water is readily available.

#### 8.1.6. Taarof

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This is a polite exchange that takes place in all aspects of life in Iran, in shops, in streets, in businesses, at homes. Simply stated, it is a form of one person making an offering and the other, refusing it. This ritual may repeat itself several times before the individuals finally determine whether the offer and refusal are real or simply polite. Be very careful how and with whom you taarof so that it does not interfere with your stay. Use common sense as to when to do it and when not to.

### 8.1.7. Help

Do not be afraid to ask any Iranian anything. If they speak English, they will endeavor to help you to the best way they can. They will not stray you or make up stories. If asking for directions, as in any other country make sure to ask a few people as you go along until you reach your destination.

## 8.2. GENERAL DOS AND DON'TS

### 8.2.1. The Dos

- Throw away any preconceptions you might have of Iran and enter the country with an open mind
- Do say salaam (hello) when you enter shops
- Do say merci (thank you) when you receive help
- Tipping is a big part of the Iranian culture (for instance, when you receive any sort of assistance from someone from the luggage cart handler at the airport to a cab driver in the city, you should tip them)
- Do try seasonal snacks sold on the side of streets
- Do try and learn a few Persian expressions and use them when you interact with people
- Do make friends! It will let you experience the Persian culture in a much better way

### 8.2.2. The Don'ts

- Don't be afraid to ask Iranians for help they will always help you in the best way they can
- Don't use the expressions "the Gulf" or "the Arabian Gulf" - it is the Persian Gulf
- Don't give the thumbs up it is considered offensive in Iran (although if someone gives you the thumbs up with a smile, it means they acknowledge your culture)
- Don't try to shake hands with Iranian women if you are a man
- Don't try to shake hands with Iranian men if you are a woman
- Don't be uncomfortable when you are treated to a meal by Iranians as hospitality is part of the Persian culture and it is NOT an imposition
- Don't engage in public displays of affection
- Don't ask for Sheesha, which means crystal meth in Iran, when ordering a water pipe - ask for a Qalyoun instead!
- Don't drive if you do not have an international driver's license
- Don't snap photos of sites where you see a 'No Photography Allowed' sign
- Don't blow your nose in company it is considered impolite
- Don't bring alcohol or drugs with you
- Don't bring satellite phones with you

## 8.3. CULTURAL BACKGROUND

With a long-standing and proud civilization, Persian culture is among the richest in the world. Two and a half millennia of inspiring literature, thousands of poets and writers, magnificent and impressive architecture, live customs dating back to Zoroastrians over 3000 years ago, and other unique characteristics of the nation are rivaled by only a few countries. Throughout the history, this grand treasure of Persia was gradually transferred to eastern and western nations. Iran's significant contribution into the world civilization in many respects is indispensable. Many ceremonies of the ancient Persians are the basis of western celebrations.

Among the ceremonies still being held are Norouz, Charshanbeh Suri, Sizdah Bedar, Yalda Night and Haft Sin. Sitting around Haft Sin and reciting Hafez, visiting family and friends during Norouz celebration, night of Charshanbeh Suri and jumping over the bonfire in the hope of getting rid of all illnesses and misfortunes, spending Sizdah Bedar, the 13th day of the New Year, in nature, are old interesting traditions coming from the Achaemenid Empire.

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Another eminent feature of Persian culture is art. In fact culture and art are two closely interwoven concepts forming the soul of human civilizations. Persian exquisite carpets, subtle soulful classic music, outstanding tile work of unique blue mosques, old influential architectural style and countless brilliant literary works are famous in the world.

Persian or Farsi, is one of the world's oldest languages still in use today, and is known to have one of the most powerful literary traditions and potentials. Persian poetry with masterpieces of Saadi, Hafiz, Rumi and Omar Khayyam is well known around the world. As all Persians are quick to point out, Farsi is not related to Arabic, it is a member of the Indo-European family of languages.

### 8.4. HOW TO (GREET, DRESS, ETC.)

#### 8.4.1. Meeting and Greeting

When meeting someone in a business or official context always shake hands. As a male you should wait to see if women extend their hands, if they do not, then simply nod your head and smile.

The most common greeting in Iran is “salam” which originates from the Islamic greeting “Asalamu alaykum” (peace be upon you). One would also reply with “salam”. When departing, Iranians will generally usually use, “khoda-hafez” (may God preserve you).

When doing business in Iran, stick to formalities. Once a relationship has been established your Iranian counterpart will quickly start to address you with your first name. Men are addressed with “agha” proceeded by the surname. So, Alan Jones will be “Agha-ye Jones”. With women you would use “khanoom”. So, Samantha Jones will be “khanoom-e Jones”. Professionals with titles will be addressed similarly, for example, “Doctor-e Jones”.

#### 8.4.2. Dress

When doing business in Iran you will notice that most Iranian officials and business people wear clothing comprising of trousers, shirt and jacket. Many officials will be seen with collarless shirts. Ties are very uncommon. As a male you would be expected to be smart and conservative. A suit is standard although wearing a tie is not necessary. Whether doing business in Iran or visiting, women should wear very conservative clothing that covers arms, legs and hair. When in public women must cover their hair with a scarf. However, the last decade has seen incredible changes in what the authorities are willing to tolerate. Women can now be seen wearing make-up, jeans and scarves that barely cover the hair. However, as a foreigner it is best to err on the side of caution.

#### 8.4.3. Meetings

If you plan on doing business in Iran appointments should be made in advance both via telephone and in writing. Prior to arriving in Iran telephone again just to confirm time and place. Business hours are Saturday to Thursday 9 a.m. - 5 p.m. Lunch is usually one hour at around 1 p.m. Friday is a holiday. No business will take place so either try and avoid it or ensure you can use it to see some of Iran. There are a few key times to avoid in Iran. No-Rooz is the major holiday for Iranians. Although its roots are in Zoroastrianism, this New Year celebration is an integral part of Iranian culture. All offices, businesses, shops, etc. will close for 2-3 weeks. Other times to avoid doing business are Ramazan (the month of fasting), Eid-e Fetr (festival celebrating the end of Ramazan), Eid-e Ghurban (celebrating the end of the pilgrimage) and Ashura (the tenth day of Muharram).

Punctuality in Iran is rare. However, it will be expected of you. If you are doing business with government officials in Iran be prepared to be kept waiting. The administration and bureaucracy in Iran can be chaotic, meaning that officials may need to address an important issue before seeing you. Be patient and courteous. If you like tea, do not be afraid to ask for lots of it! Although many Iranians in business and in the higher levels of government will have a good understanding of English, it is best to arrange for your own interpreter to accompany you.

At the beginning of any meeting engage in niceties and ask after people's health, families, work, etc. Wait for your counterpart to initiate the change in conversation to business matters.

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### **8.4.4. Negotiations**

Before doing business in Iran appreciate this: Your success is defined by your aptitude to build effective personal relationships combined with a clearly outlined and well-presented proposal. Business is personal in Iran. Many businesses are family owned and run. Even within government, officials usually work within networks of friends and associates. If you have influential friends in Iran, do not be afraid to call in favors. Just be prepared to re-pay them in the future. This is all part of doing business in Iran.

Building a relationship with your Iranian counterpart(s) is critical. The first meeting should be solely focused on getting to know each other. Once a relationship has been established you can safely move on to business matters.

Iranians are astute business people. They enjoy haggling and getting concessions so be prepared for long negotiations. Decision making can be slow. It is most likely that you will meet and negotiate with less senior members of a family or state department first. Once you are seen as trustworthy you will then move on to meet more senior members. Implementing decisions are just as slow. Iran's red tape and layered bureaucracy means a lot of waiting. Applying pressure in a non-confrontational way can help speed matters up although the most effective way to do so is to use people of influence to help you.

### **8.4.5. Women in Corporate Iran**

The Iranian Revolution and its aftermath have generated many debates, one of which pertains to the effects on women's labor force participation and employment patterns. For over 20 years, Iran-born scholars have debated the extent of women's post-revolutionary marginalization, emphasizing the impact of ideology or economic policy. For some, Islamization led to women's labor marginalization, while others have argued that Islamization - and its attendant sex segregation - actually benefited women, in that conservative families allowed their daughters to be educated and to seek work. The fact is that 30 years after the revolution, women constitute only 20% of the formal sector paid labor force (that is, those entitled to paid holidays, maternity leave, pension, and other provisions of labor law). According to the results of the 2013 Iranian census, only 3.6 million Iranian women are salaried workers, compared with 17.4 million men.

However much as Iranians as a whole are doing well in terms of health, education, and social protection, the presumed benefits of Islamization for women's advancement look meager when compared to the social and gender indicators of other advanced developing countries.

### **8.4.6. Bribery and Nepotism**

Iran is characterized by high levels of official and institutional corruption. The continuing problems of corruption and ideologically-driven appointments to key positions are factors often cited by the regime's critics that Iran fails to meet Islamic standards of integrity.

Iran's serious deficiencies with respect to anti-money laundering / countering the financing of terrorism controls have long been highlighted by numerous international bodies and government agencies. Starting in October 2007, the Financial Action Task Force has issued a series of public statements expressing its concern that Iran's lack of a comprehensive regime represents a significant vulnerability within the international financial system. The statements further called upon Iran to address those deficiencies with urgency, and called upon member countries to advise their institutions to conduct enhanced due diligence with respect to the risks associated with Iran's deficiencies. The Iranian government's reliance on corruption and nepotism in business further limits opportunities for all Iranians. The Transparency International Corruption Perceptions Index of 2014 ranked Iran 136st out of the 175 countries.

### **8.4.7. Gifts**

Iranians will give gifts at various social occasions, such as returning from a trip or to mark the achievement of a major personal or business success. On birthdays sweets and cakes are brought to the office, but gifts are not expected. On Nouruz, the Iranian New Year, monetary gifts, new bank notes or gold coins, are usually given to servants or other service providers. If invited to an Iranian house, one ought to bring flowers or pastry for the hosts.



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Two general pointers in gift giving include: gifts should be elegantly wrapped, most shops offer this service; and, when received, gifts are not usually opened, and in fact can be left on a table and not mentioned. Lastly, no matter what you have brought, to be in accordance with taarof remember to apologize for the gifts total inadequacy.

### **8.4.8. Alcohol**

The alcoholic drinks market in Iran comprises only non-alcoholic beer as Islamic law forbids the consumption, manufacture and trade of alcohol in any form among Muslims.

## **9. Conclusion and Suggestions**

According to the explanations which are mentioned in the report, Iran despite all the difficulties and obstacles for the entry of foreign investment and technology, is one of the safest countries in the region. Iran plans to invest \$25bn over the next ten years in the modernization and expansion of its railway network which offers many opportunities to Swiss businesses.

If Swiss companies are willing to enter the market, it is recommended to act as fast as possible. Further, if Swiss companies are not familiar with this complex market, it is recommended to select an Iranian company that has experience and familiarity with the capabilities and needs of the Railway sector in Iran and the local work regulations.

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# 11. Attachments

**11.1. APPENDIX 1: INVESTMENT OPPORTUNITIES**

**11.2. APPENDIX 2: FIPPA**

**11.3. APPENDIX 3: WAGON PICTURES**

## **ExportHelp**

s-ge.com/exporthelp  
exporthelp@s-ge.com  
T 0844 811 812



Switzerland Global Enterprise  
Stampfenbachstrasse 85  
CH-8006 Zürich  
T +41 44 365 51 51

Switzerland Global Enterprise  
Corso Elvezia 16 – CP 5399  
CH-6901 Lugano  
T +41 91 601 86 86

Switzerland Global Enterprise  
Avenue d'Ouchy 47 – CP 315  
CH-1001 Lausanne  
T +41 21 545 94 94

s-ge.com