



Financial and Capital Facilitation of Joint Industrial Project

The 5th Korea-Iran Cooperation Forum

Alireza Garshasbi

Sep 2017



Content

1- Economy of Iran at a Glance

- ☐ Main Drivers for Economic growth (2016)
- ☐ Outstanding position of Iran for investors
- ☐ Industrial FDI Jumping after JCPOA

2- Investment Priorities in the Iran Industrial Sector

- ☐ Inward FDI Accumulation in Manufacturing
- ☐ Investment Strategies & Policies
- ☐ Industrial Investment Priorities in Iran

2- Financial and Capital Facilitation

- ☐ Supportive Approaches in Laws in IRAN (FIPPA)
- ☐ Investment Licensing Procedure
- ☐ Tax Exemptions
- ☐ Incentives in Trade -Industrial Free Zones
- ☐ Incentives for investment in Special Economic Zones

4- Conclusion Remarks



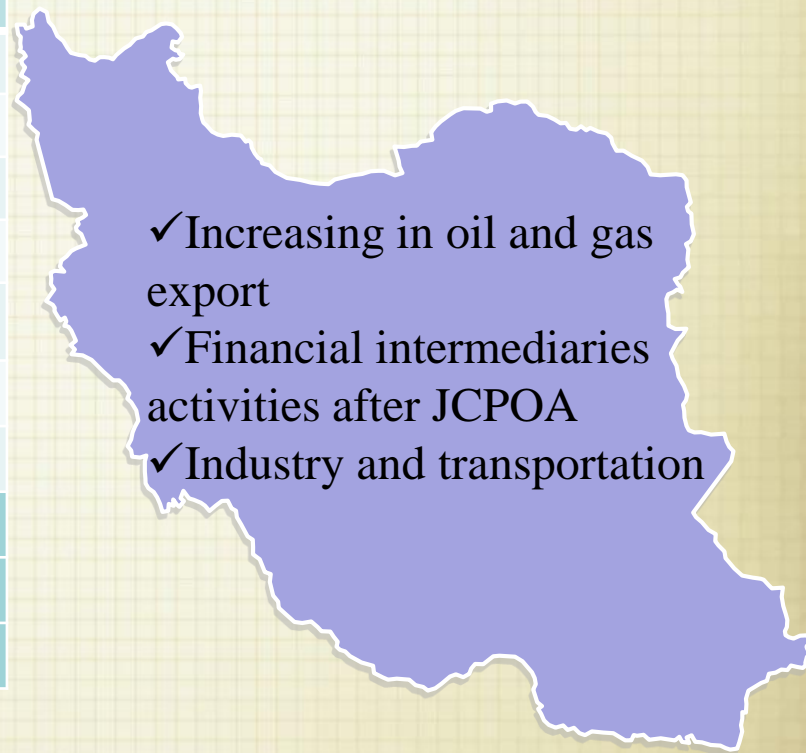
1. Economy of Iran at a Glance





1. Main Drivers for Economic growth (2016)

Variables and Index	Unit	Iran	Growth (Percent)
GDP	Billion US\$	425.3	1.8
Total Exports (FOB)	Billion US\$	83.9	30
Total Imports (FOB)	Billion US\$	63.2	20.6
Industries Export	Billion US\$	29.2	5.4
Total oil export	Million barrel a day	2.2	41.3
FDI	Billion US\$	3.4	61
Inflation	Percent	9	-24.3
Economic Freedom Index	Rank	155	16
Innovation Index	Rank	75	3
Logistic Performance Index	Rank	96	18



Source: IMF, World bank, Iran Central Bank of Iran, ...



2. Outstanding Position of Iran for Investors

Competition at a high level for utilizing Iran opportunities

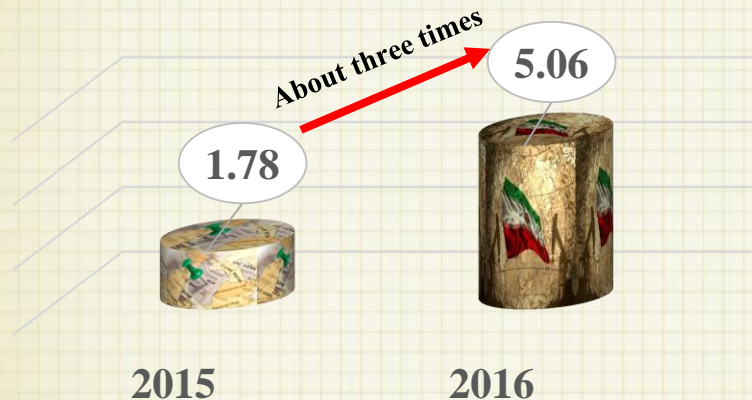
**Settlement Nuclear problem
and lifting sanction**

- 1- Ranked as a 29th largest economy in the world and has great market (more than 80 million people)
- 2- Strategic Position in the region: located at the center of huge market (more than 400 million people with our neighbors)
- 3- The most stable country in the region where full of Conflicts
- 4- Varied and plentiful reserves of natural resources like Oil and Gas with low cost
- 5- Large pool of trained and efficient manpower at very competitive cost
- 6- Appropriated reserve in National Development Fund



3. Industrial FDI Jumping after JCPOA

Industrial Foreign Direct Investment



Ratified FDI (Billion US\$) Industry, Mine and Trade Ministry

Some important Contract:

- ❑ Automotive Contract with RENAULT (0.6 Billion Dollar)
- ❑ Contract with PEUGEOT for Joint Venture producing
- ❑ Finance contract (Credit Line) between Iran Ministry of Economic Affairs and Finance and Korea Exim bank (8 Billion Euros)
- ❑ Aircraft purchasing contracts with BOEING, AIRBUS and ATR companies (34 Billion Dollar)
- ❑ Rails purchase contract with INDIA (2 Billion Dollar)
- ❑ Contract with Hyundai for building 10 commercial ships, Three types of Car and KANGAN Petro Refining
- ❑ Gas contract between TOTAL and the NIOC for the development of phase 11 of South Pars.
- ❑ Agreement for a 1.6 Billion Euro upgrade Tabriz refinery by Korea's Engineering and Construction Co (SKEC)



2. Investment Priorities in Iran Industrial Sector





1. Inward FDI Accumulation in Manufacturing

Industrial activities Share of Inward FDI Accumulation

Activities	1979 to 2010	2011-2016
Chemicals and Petrochemical products	50.43	24.7
Basic Metals & Metallic Goods	39.79	10.5
Automotive & Driving Force	4.12	30.5
Food, beverages and tobacco products	2.91	8.5
Others	2.75	25.7

Source: International Trade Centre (ITC), Investment Map (2013) and OIETAI



2. Investment Strategies & Policies

A. The Comprehensive Policies of ‘Economy of Resistance’



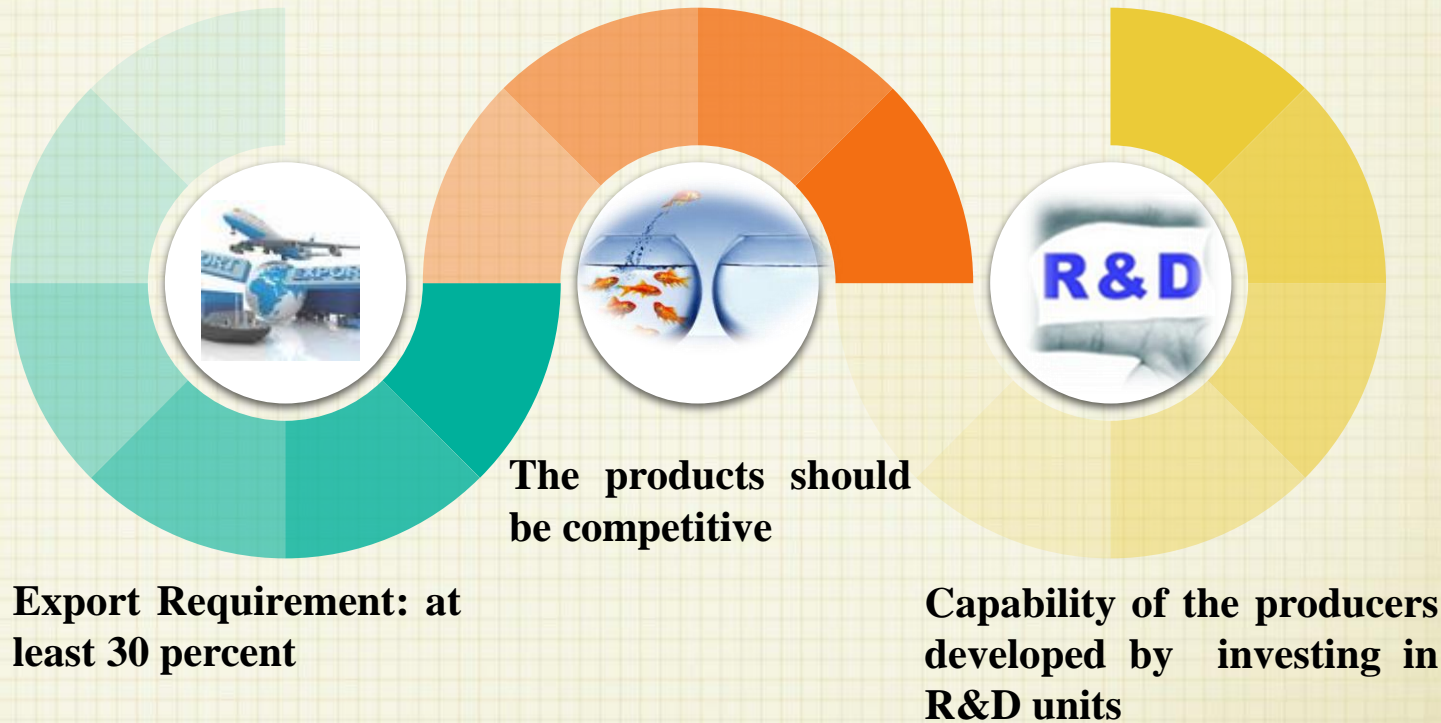
Key variables	Policy goals
Approach	Outward oriented Economy (The Spirit of Policy)
Power of Resistance	Expanding strategic links, cooperation, and consultation with regional and international countries (Article 12)
Non-oil share of GDP	Moving from Oil-based to knowledge-based Economy (Article 13)
Oil by-product exports	✓ Diversification through increasing the contribution of petrochemical products, renewable energy diversification, reducing dependence on crude oil export (Article 10 & 13)
The engine of growth	Promotion of production factors productivity (article 3)
Foreign Direct Investment	Export development of good and services (Article 10)

Source:” The comprehensive policies of ‘Economy of Resistance’ so called *Siasat-haye kolli-ye eghtesad-e moghavemati*



2. Investment Strategies & Policies

B. Joint Venture in Iran: New Framework





3. Industrial Investment Priorities in Iran

1- Metals and Metallic Goods

- ✓ Seamless Pipe from Stainless Steel
- ✓ Production of Alumina
- ✓ Copper Cathode
- ✓ Ferro Manganese, Ferro Silicon Manganese
- ✓ Steel Cord

2- Non-Metallic Minerals

- ✓ Ceramic Fiber
- ✓ Glass Fiber
- ✓ Basalt Fiber
- ✓ Concentrated coal

3- Petrochemical

- ✓ High Purity Ethylene Oxide Production
- ✓ downstream products
- ✓ Production of Polypropylene from Natural Gas (GTTP), Propylene, Polypropylene, Gasoline, LPG Hydrated Lime
- ✓ Polypropylene from Propane

4- Machinery and equipment

- ✓ Servo press up to 300 Tonss
- ✓ Multi-tasking CNC , CNC Laser processing Machines

5- Chemicals and Polymer

- ✓ All Steel Tires (Bus, Truck), Steel Belted Tires (Passenger)
- ✓ Methyl Methacrylate, Poly Methyl Methacrylate
- ✓ Acrylate Chain
- ✓ Polyacetals (Polyoxymethylene)
- ✓ Cyclohexane, Caprolactam, Adipic Acid, Ammonium Sulfate

6- Cellulose

- ✓ Pulp Paper, Printing & Writing Paper
- ✓ Duplex board
- ✓ Paper from agricultural waste or paper waste



3. Industrial Investment Priorities in Iran



7- Food and Drug

- ✓ Herbal essential oil
- ✓ Food and Pharmaceutical Beta-carotene Grade, Beta-Carotene Nutritional Supplements

8- Medical Equipment

- ✓ Vacuum blood collection tube
- ✓ Medical bottles and colored glass bottles
- ✓ Coronary Stent
- ✓ Dental Implants

9- Textile and Clothing

- ✓ Spinning, Weaving, Dying, Printing & Finishing of Cottons Fabric System Textile
- ✓ polyester staple fibers(cottons type)
- ✓ Black Chador / Veil Garment
- ✓ Technical Textiles

10- Electricity and Electronic Devices

- ✓ Solar Cells From Wafer Production

11- Household Appliances

- ✓ Inverter Air Conditioner

12- Automotive and Driving Force

- ✓ Electric Car
- ✓ Hybrid Car
- ✓ Cylindrical & Low Consumption Engine
- ✓ Vehicle Production
- ✓ Automatic Gearbox
- ✓ Construction of Marine Vessels
- ✓ Motorcycle Engine



3. Financial and Capital Facilitation



1. Supportive Approaches in Laws in IRAN (FIPPA)



Foreign investments under this law equally enjoy all, rights, protections, and facilities provided for domestic investments

easy provision of entry and exit visas, residence and work permits, etc., streamlined and fast-track investment licensing

Facilities

Intry

Repatriation of principal capital, dividend and capital gain, are fully guaranteed under FIPPA and can go abroad.

Foreign investment not to be subjected to expropriation or nationalization

No restriction is imposed on the manner, type and volume of investment, percentage of shareholding or profit and capital repatriation

1. Supportive Approaches in Laws in IRAN (FIPPA)



Preventing Monopolistic Position:

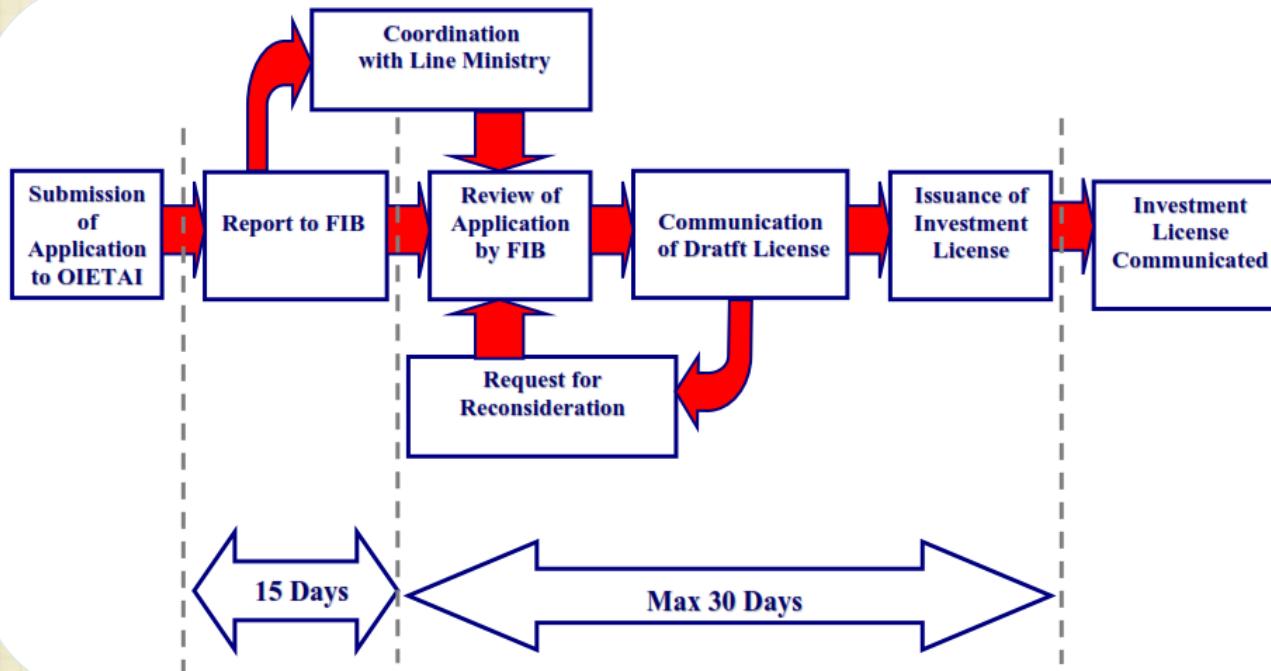


The ratio of the value of the goods and services produced by the foreign investments to the value of the goods and services supplied to the local market at the time of issuance of the investment license, should not exceed 25% in each economic sector and 35% in each field (sub- sector). **Foreign investment for the production of goods and services specifically for export purposes other than oil, exempted from the that ratios.**



2. Investment Licensing Procedure

Under the FIPPA, application procedure for investment licensing is designed in a very short and simplified manner in four stages.



Stage 1:
Submission of Application to the OIETAI

Stage 2:
Review of the Application by FIB

Stage 3:
Communicating Draft License

Stage 4:
Issuance of License



3. Tax Exemptions

Activity	Level of Tax Exemption (Percent)	Duration of Exemption
Agriculture	100	Perpetual
Industry and Mining	80	4 Year
Industry and Mining in Less-Developed Areas	100	20 Year
Tourism	50	Perpetual
Handicrafts & Cultural Activities	100	Perpetual
Educational & Sport Services	100	Perpetual
Salary in Less-Developed Areas	50	Perpetual
All Economic Activities in Free Zones	100	20 Year
Profits of Private and Cooperative Companies used for development, reconstruction and renovation of existing industrial and mining units	50	Perpetual

Note: Tax exemptions for the legal entities based on Direct Taxation Law and other pertinent legislations



4. Incentives in Trade -Industrial Free Zones



- **Tax exemption for 20 years** from the date of operation for all economic activities
- **Freedom of entry and exit of capital** and profits



- **Abolition of entry visas** and easily issue of residence permits for foreigners
- **Facilitated regulation on labor relations**, employment and social security



- Transfer of part manufactured goods to the mainland **without paying customs duties**.
- Elimination of pay customs duties on imports from outside to the region and vice versa

5. Incentives for investment in Special Economic Zones



Export of goods from these areas will be carried out without any formalities.

All the goods imported to the region for the required production or services are exempted from the general import-export laws



Goods manufactured in special economic zones, is not subject to price regulation due to unutilized resources and allocated currency

Log entry of merchandise will be done without any customs formalities Goods imported from outside or industrial areas or other commercial zones can be exported without any formalities of the country.

4. Conclusion Remarks:



Base on

- ☐ Nuclear Deal and new space in front of Iran
- ☐ Necessity of utilizing of foreign resources specially FDI
- ☐ Our policy maker's attention to improve Investment Climate rather than Easing Doing Business
- ☐ Our economic capacities in market, manpower, energy, access to free waters, incentives, ...

4. Conclusion Remarks:



- ☐ Investment Climate improvement for foreign investor
- ☐ Promotion Bilateral Investment Agreement between Iran and Korea in priorities areas
- ☐ Legal protection of property rights of foreign investors, particularly for immovable property and more facilitated in Due diligence
- ☐ Export joint ventures with technology transfer
- ☐ Providing low-cost financial resources for foreign investors
- ☐ More facilitated access of investors to foreign exchange

1- which reform (Laws, Rules, Regulations, Institution,...) stimulate FDI in IRAN particularly Technology transfer ?

2- How we can manage the flow of FDI that not distort our value chain?



Thanks for Your Attention





National Development Fund



Articles of Association:

Article 84 of the Fifth Development Plan of the Islamic Republic of Iran Article 84:

NDF is established to turn a portion of the revenues originated from selling oil, gas, gas condensate and oil products to durable wealth and productive economic investments as well as preserving the share of future generations from the oil and gas resources and products.

The Funds Spending

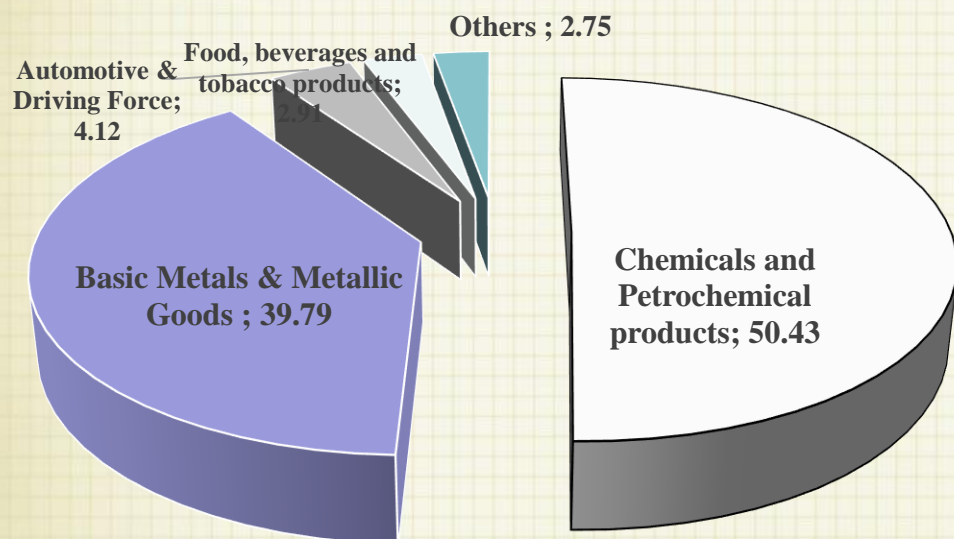
- 1 - To extend financial facilities to the private and cooperative sector as well as the economic entities owned by public non - governmental institutions , to be used for production and development of investments with economic, financial and technical feasibility
2. To extend financial facilities for the export of engineering and technical services to Iranian private and cooperative companies which win inter national tenders, through the Fund's resources or syndicated facilities.
3. To extend buyer ' s credit to the buyers of Iran - made goods and services in the export - target markets of Iran.
4. To invest in foreign financial and money markets .
5. To extend financial facilities to foreign investors on competitive and economic viability grounds in order to attract and protect investors in Iran in accordance with 7 Article 80 of the Constitution.
6. To pay for expenses of the Fund.



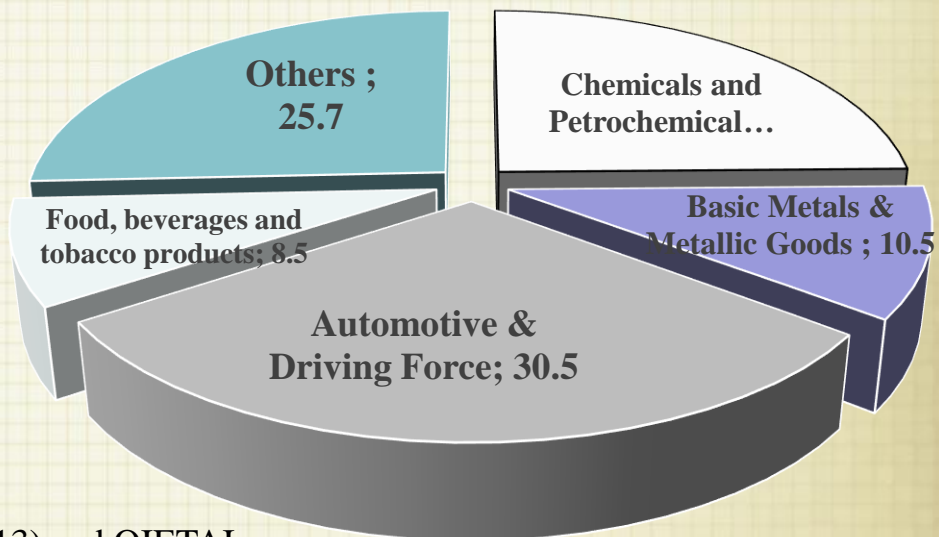
1. Inward FDI Accumulation in Manufacturing

Industrial activities Share of Inward FDI Accumulation

Period: 1979-2010



Period: 2011-2014



Source: International Trade Centre (ITC), Investment Map (2013) and OIETAI

Note: Information for 2015 and 2016 Not finalized yet, but it shows the same trend as well as 2011-14 period.