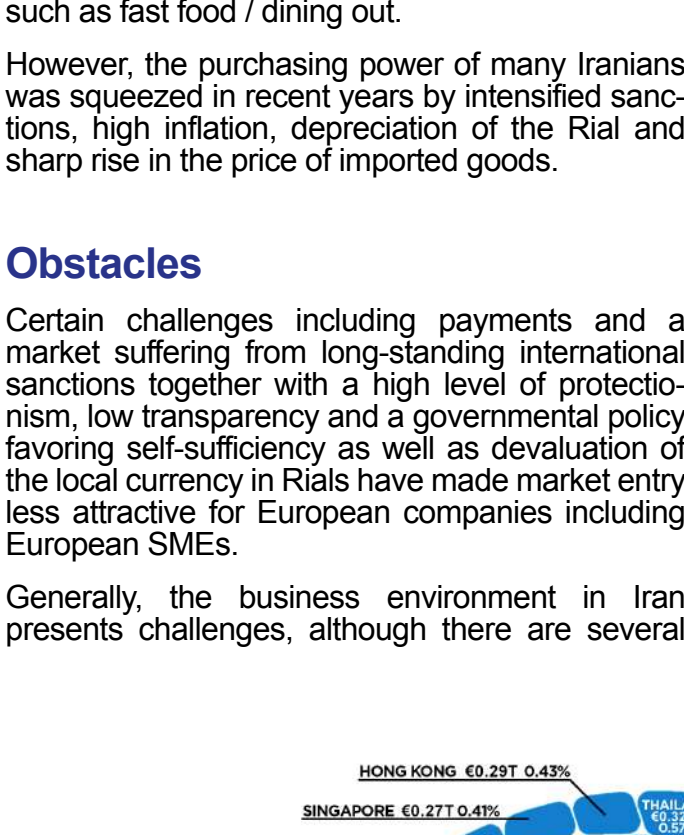
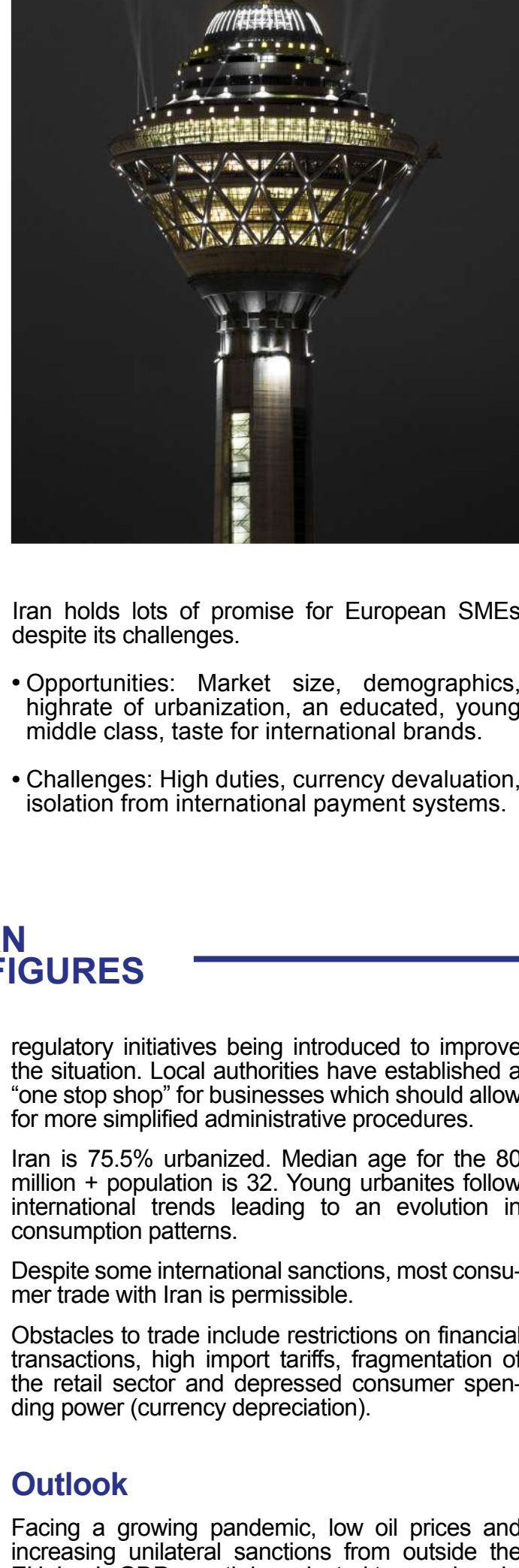


SME Guide to Doing Business with Iran

June 2022

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Iran holds lots of promise for European SMEs despite its challenges.

- **Opportunities:** Market size, demographics, highrate of urbanization, an educated, young middle class, taste for international brands.
- **Challenges:** High duties, currency devaluation, isolation from international payment systems.

IRAN FACTS & FIGURES

With a 0.53% share of the global economy, Iran is 27th among the world's top economies, according to the World Bank (WB) with a GDP higher than Norway, UAE, South Africa, Singapore, Malaysia, & Finland.

Iran is the second largest country in the Middle East, after Saudi Arabia and the 18th largest economy in the world. The World Bank describes the state as 'an upper-middle income developing country'.

The GDP per capita in Iran was €12,355.51 in 2017, when adjusted by purchasing power parity (PPP) equal to 82% of the world's average.

At this level of income, consumer spending would commonly be expected to grow quite strongly, driven by a desire for better quality, convenience and choice. This normally supports a transition from traditional to modern retail as well as strong growth in demand for products like processed foods and personal care products and services such as fast food / dining out.

However, the purchasing power of many Iranians was squeezed in recent years by intensified sanctions, high inflation, depreciation of the Rial and sharp rise in the price of imported goods.

Obstacles

Certain challenges including payments and a market suffering from long-standing international sanctions together with a high level of protectionism, low transparency and a governmental policy favoring self-sufficiency as well as devaluation of the local currency in Rials have made market entry less attractive for European companies including European SMEs.

Generally, the business environment in Iran presents challenges, although there are several

regulatory initiatives being introduced to improve the situation. Local authorities have established a "one stop shop" for businesses which should allow for more simplified administrative procedures.

Iran is 75.5% urbanized. Median age for the 80 million + population is 32. Young urbanites follow international trends leading to an evolution in consumption patterns.

Despite some international sanctions, most consumer trade with Iran is permissible.

Obstacles to trade include restrictions on financial transactions, high import tariffs, fragmentation of the retail sector and depressed consumer spending power (currency depreciation).

Outlook

Facing a growing pandemic, low oil prices and increasing unilateral sanctions from outside the EU, Iran's GDP growth is projected to remain subdued in 2020/21-2022/23. The baseline outlook is primarily driven by COVID-19 outbreak reducing oil and non-oil GDP in 2020/21 and two subsequent years of modest recovery.

Given the size of its economy and the demographics, the country needs to grow despite international sanctions and their impact on its economy.

Increased trade can help Iran achieve its development goals as many opportunities across different sectors are present in the market.

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Iran: a Promising Prospective Partner

Underdeveloped infrastructure, need for new technologies, with major industries requiring investment & modernization are in need for cooperation and investment.

European countries have always ranked as top trading partners for Iran.

Iran has the 3rd largest proven gas reserves and oil reserves in the world.

Other imports to Europe include chemicals, plastics and fruits.

Exports from Europe to Iran include machinery, cereals, iron and steel, and chemicals.

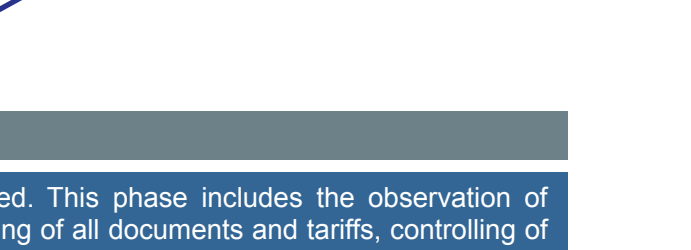
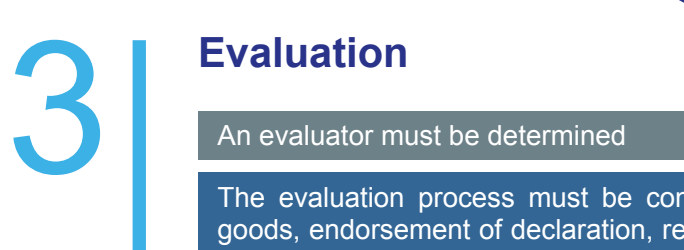
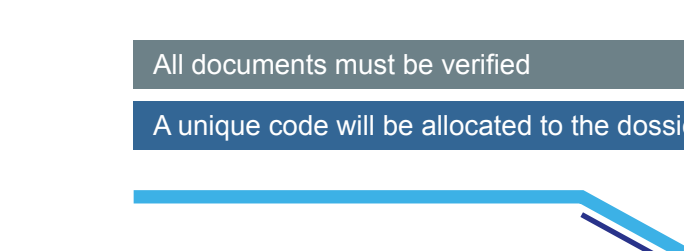
European companies would be major sources of technology & investment but could also become partners in developing regional opportunities & commodities.

Before the COVID-19 outbreak, the tourism industry was to grow by 2025 to 7.8% of the GDP offering many opportunities to European companies engaged in tourism and hospitality industries to help with hoteling, catering and tourist-related services to those who wish to travel to Iran.

Although the consumer industry is important, Europe has always provided machinery, food products, pharmaceuticals, chemicals, automobiles and parts to Iran.

Two major European countries who welcomed trading with Iran after the JCPOA were Italy and Germany given their long standing economic ties with Iran.

Trading with Iran



As Iran's 2nd largest trading partner, what does trading with Iran involve?

Total trade in goods between the EU and Iran in 2020 amounted to €4.5 billion. The EU's imports were worth €0.7 billion and were dominated by agriculture and raw materials (€0.4 billion, 57.1%), followed by chemicals (€0.1 billion, 14.2%). The EU's exports amounted to €3.8 billion and were led by machinery and transport equipment (€1.3 billion, 34.2%), chemicals (€1.0 billion, 26.3%) and agriculture and raw materials (€0.7 billion, 18.4%).

However, even with a good local trading partner, it makes sense to know the steps involved in trading especially in a complicated market like Iran.

Effective trading requires finding the right trading partner either for export or import. These partners help with challenges posed by the regulatory framework and unfamiliar business environment. Some of the points to consider in trading with Iran include the following as outlined by the World Bank:



List of Documents necessary for Exports from Europe to Iran

- Bank-confirmed foreign exchange statement
- Bill of lading
- Certificate of inspection
- Certificate of origin
- Commercial ID card
- Delivery order
- Import declaration
- Insurance policy
- Invoice
- Legal permission for clearance including standard certificate
- Order of registration by the Ministry of Industry, Mines and Trade
- Packing list
- Pro-forma invoice
- Warehouse receipt

The following flowcharts describe the procedures involved in both importing to Europe and exporting from Europe to Iran:

Exports from Europe to Iran Procedures Flow Chart



PROHIBITED GOODS

List of Prohibited Goods

- New rubber pneumatic tyres
- Computing optical microscopes, including those for photomicrography, cinephotomicrography or micro-projection
- Pork fat and poultry fat
- Sausages and similar products, of meat, meat offal or blood; food preparations based on these products
- Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted
- Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes
- Spades, shovels, hammers, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind
- Assembled and completed video magnetic tape of a width exceeding 6.5 mm
- Tractors
- Dumpers designed for off-highway use

IMPORTS TO EUROPE FROM IRAN

- Wrist-watches, pocket-watches and other watches, including stop-watches, with case of precious metal or of metal clad with precious metal
- Previous prohibitions on imported goods include
- Alcoholic drinks; unless it can be proved that it is for a non-Muslim individual
- Certain endangered species of plant, live animals and their products
- Import of berries, fruit, plants and their parts, seedlings or vegetables, bulbs, rhizomes, roots, seeds or tubers, soil, living (or collections of) bacteria, fungi, insects, nematodes or viruses, live birds, animals and their products

Imports to Europe from Iran

The required documents and standards related to goods set to enter the EU have been categorized under the following subheadings:

- Food and food safety
- Animal health
- Plant health
- Public health
- Product safety
- Technical standardization
- Packaging

For further information as to what each subheading requires, please refer to the following link:

<https://trade.ec.europa.eu/tradehelp/policy-areas-product-legislation>

In general, in order to export goods to Europe, six main steps must be taken*:



Documentation Required for Exit of Goods from Iran

1. **Commercial Card**
2. **Export License:** This is required if the Ministry of Industries, Mine and Trade has not announced a general approval for the export of the goods in question.
Vegetable oil, milk, chemical fertilizers, gray cement, cattle vaccination, disinfectants, combine harvesters, single and double differential tractors, tyres for heavy machinery and flour are part of the goods that require this license
3. **Certificate of Health and Quarantine:** If this is required, it will be issued by the Iran Veterinary Organization
4. **Standard Certificate:** A list of products destined for export that must have the Institute of Standards And Industrial Research of Iran's (ISIRI) stamp of approval can be seen in the following link. Please be advised; the list has been updated in July 2020.
5. **Packing List:** If the packaging or type of goods set for export vary, this document must be provided or each pack will be checked at customs
6. **Certificate of Origin:** In order to obtain this document, the exporter must take a copy of the bill of lading and customs clearance to the relevant Iranian Chamber of Industries, Mine and Trade
7. **Invoice:** In this document the date, name and address of destination, order or contract number, number, quantity or explanation of goods, unit price, total price, type of contract and customs tariff must be mentioned

8. **Bill of Lading:** This is the document through which the goods exchange hands from the exporter to the country and company/individual at its destination

9. **Certificate of inspection:** This will be provided from one of the international inspection companies which will ensure that the loaded goods are in line with the registered order

Goods Subject to Exports Tariff

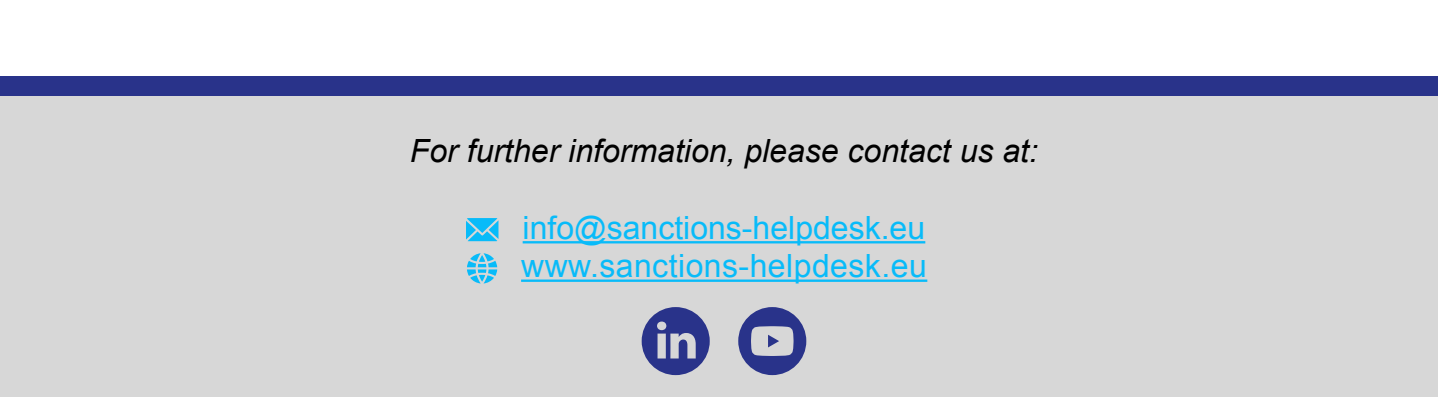
- Industrial Grease
- Beans; excluding chickpeas
- Raw cow hide
- 43 minerals including: hematite iron ore with 60% purity, Sandstone, Marble, Zinc Oxide & Magnesium dioxide.

Prohibited Goods Not to Leave Iran

Latest additions include: 28 medical related items including face masks, ventilators, vital sign monitors and stethoscopes due to COVID 19 outbreak.

IMPORTS FROM EUROPE TO IRAN

Procedures Related to Importing Goods From Europe to Iran



EU Sanctions Primer

Although many of EU's economic and trade sanctions were lifted against Iran after adoption of JCPOA, some restrictive measures still remain. For an orientation on the EU Sanctions toolset, please refer to the Sanctions Toolkit at [provide hyperlink](#). However, in a nutshell, regardless of good or services originating from the EU, restrictions apply to both the activities to transpire with an Iranian entity or national and the entity or the national itself.

Restricted activities include:

- Nuclear related items that feature on the Nuclear Suppliers Group list;
- Certain items that could contribute to reprocessing – or enrichment-related or heavy water-related activities or other activities inconsistent with the JCPOA;
- Items that feature on the Missile Technology Control Regime list;
- Certain software designed specifically for use in nuclear and military industries;
- Certain graphite and raw, fabricated semi-finished metals;
- Certain items or services that may be used for internal repression;
- Certain items or services that may be used for the monitoring or interception of internet or telephone communications;
- Any items that an EU Member State has determined could contribute to the development of nuclear power delivery systems.
- Technical assistance, financing, financial assistance or brokerage service connected to above items and those on the EU's Common Military List.
- The purchase, import or transport from Iran of certain of the above listed items;

• Bunkering or ship supply services to, or any other servicing of, vessels or (i) engineering and maintenance services to cargo aircraft, owned or controlled directly or indirectly, by an Iranian person, entity or body where there are reasonable grounds to determine that the vessels or aircraft carry items included in the EU's Common Military List or certain of above listed items;

• Entering into arrangements with an Iranian (person, entity or body) (or persons acting on their behalf or at their direction) that would enable them to participate or increase participation in commercial activities involving uranium mining, the production or use of certain nuclear materials or the manufacture of items listed on the EU Common Military list; and

• The provision of any telecommunication or internet monitoring or interception services of any kind to, or for the direct or indirect benefit of, Iran's government, public bodies, corporations and agencies or any person or entity acting on their behalf or at their direction.

Entities & Individuals appearing on Consolidated list of persons, groups and entities subject to EU financial sanctions

- Regardless of the activity, direct or indirect acceptance of funds or economic resources from targets of Iranian financial sanctions, or making funds or economic resources available to or for the benefit of those targets is prohibited. Economic resources are assets of any kind, whether tangible or intangible, that may be used to obtain funds, goods or services. Any funds or economic resources belonging to, owned or controlled by targets of Iranian financial sanctions must be frozen and may require to be reported to a government body.
- Supplies & any dealing with entities more than 50% owned or controlled by financial sanctions targets are also prohibited.

For further information, please contact us at:

info@sanctions-helpdesk.eu
www.sanctions-helpdesk.eu

