

5th NUMOV German – Middle East Business Round Table – Focus Iran Industry

by Alexander Rieper

On April 27th, NUMOV organized the 5th NUMOV German – Middle East Business Round Table, this time with a special focus on the Iranian industry, including the booming automotive sector. More than 200 participants from various economic sectors attended the conference that took place at the “Rheinterrassen” in Düsseldorf, overlooking the River Rhine. The aim of the conference, for once, was to introduce information on investment possibilities in Iran and, secondly, to present and share the experiences German businesses have gathered while doing business in Iran.



f.l.t.r.: H.E. Ali Reza Sheikh Attar, Ambassador of the Islamic Republic of Iran; H.E. Ahmad Ghalebani, Deputy Minister of Industries and Mines and Chairman of the Board of Executives of Industrial Development and Renovation Organization of Iran (IDRO); Dr. Martin Herrenknecht, Chairman of the Board of Herrenknecht AG, Deputy Chairman of the Board of NUMOV; Burkhard Dahmen, Member of the Board of SMS Siemag AG, Member of the Board of NUMOV; Dr. Manouchehr Manteghi, Senior Adviser for the Minister, Ministry of Industries and Mines of the Islamic Republic of Iran

Burkhard Dahmen, Member of the Board of SMS Siemag AG and Member of the Board of NUMOV, moderated the conference and welcomed the speakers and the participants. He emphasized the importance of dialogue for successful economic relations, stressing that the high number of participants reflects the need of the business community for a forum to exchange information concerning doing business in and with Iran.

USA interested in establishing bank in Iran

According to H.E. Vice-President of Iran Parviz Davood, US banks are interested in establishing a bank in Iran, and so are many other international banks.

Improvement of US-Iranian relationship

End of March saw the first meeting of senior diplomats from the US and Iran after almost 30 years of silence provoked by the captivity of the entire embassy staff in Teheran in 1979. It was also the first meeting of high-ranking representatives of both countries after President Obama announced the administration's policy of engagement.

The meeting of Richard Holbrooke, Special Envoy to Pakistan and Afghanistan and the Deputy Foreign Minister of Iran, Mehdi Akhondzadeh in The Hague should only be the first, said Hillary Clinton, US Secretary of State at the closure of the international Afghanistan conference. Even though she did not have direct contact with any member of the Iranian delegation herself, she regarded the Iranian contribution as promising: “Issues such as security, and in particular drug trade, are issues which have raised concerns within the US administration,” Clinton said. Likewise, she underlined the interest of the Obama administration to cooperate with Iran in stabilising Afghanistan. “We will find ways and means for collaboration.”

Akhondzadeh announced that “Iran is prepared to participate in projects aiming at fighting drug trade and aiding reconstruction in Afghanistan.” He criticized that the presence of foreign troops in the country “has not led to an improvement of the situation, and also a dispatch of further foreign troops will not be effective in this regard.” On the contrary, he urged for greater financial support for the training of Afghan security forces.

H.E. Ali Reza Sheikh Attar, the Ambassador of the Islamic Republic of Iran to Germany, extended his appreciation to NUMOV for organizing the conference. He pointed out that events and seminars on the Iranian economy and investment possibilities had been organized before, but pointed out that the NUMOV conference was the first to gather experts on the various fields of the Iranian economy and industry. “The number of more than 200 participants,” he said, “is record-breaking.” In his speech, H.E. Ali Reza Sheikh Attar explained: “The Iranian economy has not suffered as much as other economies from the global financial crisis. This is mainly due to the fact that the Iranian financial market has never been tightly integrated with the global financial markets. Thus, right now Iran offers good opportunities for doing business.” He stressed that in 2008 the trade volume between the EU and Iran increased by 6%, reaching a volume of EUR 25.6 billion. The export of industrial facilities from the EU to Iran reached

EUR 6.2 billion, up 12% compared to 2007.

Concerning the German-Iranian trade relations, H.E. Ali Reza Sheikh Attar mentioned that, compared to the 1990s, when Germany was the major trading partner of Iran, the country now ranks at a lower rank of the list of Iranian trading partners. Today China, the United Arab Emirates, Turkey and even Italy are trading more goods and services with Iran. Over the course of his speech, H.E. the Ambassador stressed: "There are good business opportunities in the automotive



Participants of the Business Round Table

potential customers to our domestic 70 million consumers."

Dr. Martin Herrenknecht, Chairman of the Board of Herrenknecht AG and Deputy Chairman of the Board of NUMOV, shared his experience with doing business in Iran. Herrenknecht AG is a manufacturer of tunnelling systems,

Herrenknecht showed optimism: "The business climate may improve in the near future; industrial projects potentially requiring German products are definitely at hand."

H.E. Ahmad Ghalebani, Deputy Minister of Industries and Mines of the Islamic Republic of Iran and Chairman of the Board of Executives of the Industrial Development and Renovation Organization of Iran (IDRO), held a presentation titled "The Development of Industry in Iran and an Overview of IDRO." H.E. Ghalebani detailed: "The organization was founded by the government in 1967 by virtue of the Iranian Law of Establishment. Today the company is the largest industrial holding company in Iran with more than 100 affiliated companies. IDRO's main objective is to assist with the development of the Iranian industrial sector and to accelerate the industrialization process. It is within this context that the policy regarding industrial development can be divided into three phases: from simple assembly opera-

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Belgium, Sweden, and Switzerland increases trade with Iran Trade between the Iranian economy and Belgium, Sweden, and Switzerland has increased. In the past Iranian year, imports from Belgium to Iran rose by 85% year on year, while exports to Belgium increased by 84%. Among the trading partners of Iran, Belgium ranks 9th followed by Turkey. In the same year, Switzerland exported goods worth \$3.5 billion to Iran making the country the 4th biggest import market of the Iranian economy after China. With respect to Sweden, Iranian imports to the country rose to 1.28% last year, compared to 0.93% in the year before. By contrast, in the same year Sweden exported good totalling up to \$712.5 million to Iran.

industry, of which the infrastructure is 70% made in Germany, and in the steel industry. The latter reached a production of 10 million tons per year and a consumption of steel products of 15 millions tons. Iran produces not only for domestic consumption, but also for the greater region, including Pakistan, Afghanistan, Central Asia and the Caucasus, Iraq and the countries of the Persian Gulf. In doing so, we add another 350 million

Turkey and Iran agreed on new trade projects In late April, Turkey and Iran agreed on boosting bilateral trade and economic ties by implementing a set of new projects. The first of these projects was signed by both sides on the recent Turkey-Iran Business Forum in Ankara, introducing preferential trade tariffs for goods traded between Turkey and Iran. Further projects will include an agreement to allow free movement of goods between the two countries and to merge both countries' customs and create a joint economic zone, the Turkish State Minister Kürsat Tüzmen said. Altogether, Turkey and Iran aim at increasing the volume of trade to \$20 billion within the next five years by means of a new regulation allowing both countries bilateral trade in their respective national currency.

active in several countries of the Middle East. The company even has subsidiaries in Dubai and Iran. Since 1997, Herrenknecht has produced 12 utility tunnelling units to be used in Iranian construction projects. In the field of horizontal directional drilling rigs, Herrenknecht has a market share of 100%, and in the field of micro tunnelling its market share is around 55%. Dr. Her-

tions to local content and import substitution and finally the third and last phase of proprietary, domestic research and development."

Furthermore, H.E. Ahmad Ghalebani pointed out that Iran has a tradition of industrialization that goes back more than 100 years. "Today the country is the 31st largest economy in the world and ranks at position 18 of the largest economies in the world by purchasing power."

Dr. Manouchehr Manteghi, Senior Adviser for the Minister of Industries and



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Mines of the Islamic Republic of Iran, continued the panel by presenting the Iranian car industry and Iran Khodro, Iran's major car producer, in specific. Today, Iran is the 15th largest automotive manufacturer worldwide with an output of 1.3 million units. In 2000, Iran only ranked in place 27. With a population of 70 million people, 115 out of 1000 Iranians own a car. "In the last 10 years, the production capacities have steadily been expanded. Driving forces behind this

task is the privatization of its subsidiary companies, i.e. the formation of adequate steel, copper, cement and mining groups which would then be fit for sale to the private sector. In 2008, the Iranian steel production surpassed the capacity of 10 million tons per year. IMIDRO's



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Indian gas corporation to invest in Iran The Indian Oil and Natural Gas Corporation (ONGC) has tendered for a contract allowing extraction of 1.1 billion cubic metres of gas from the gas field Farzad, the Iranian news agency Mehr announced. The investment volume would be at approximately \$3 billion, the agency said.

Iraq major buyer of Iranian non-oil products For the past Iranian year 1387, Iraq was the major buyer of Iranian non-oil products, the Iranian deputy commerce minister Mehdi Ghazanfari announced. Exports of non-oil products worth \$2.3 billion left Iran for Iraq, a plus compared to exports equalling \$1.5 billion in the previous year. For the whole last year, 13% of all Iranian exports went to Iraq.

development are the population growth with a high share of young people, a growth in purchasing power in the last years, and the improvement of roads and infrastructure."

"Iran Khodro itself now has a production capacity of 600.000 cars and aims to surpass the mark of 1 million cars. In this context, Iran Khodro has invested \$ 2 billion over the last 10 years. In addition to increasing the quantity of produced cars," Dr. Manteghi said, "Iran Khodro also targets to improve the quality standards of its products. To fulfil this goal, the company is looking for joint ventures with international companies, in particular with German companies." To take part in future developments, the company finally also boosts hybrid and electric cars in its portfolio.

After a coffee break in which the participants had the change to exchange information face-to-face, **Seyed Mohammad Reza Najmossadat**, Chairman and Managing Director of National Iranian Steel Company (NISCO), gave insights into IMIDRO, the Iranian Mines and Mining Industries Development and Renovation Organization. IMIDRO currently has 63 subsidiaries including 8 major companies, among them the major Iranian steel production companies. IMIDRO's main

own goal is to reach a production of 25 million tons per year by 2025. Burkhard Dahmen, Member of the Board of SMS Siemag AG and Member of the Board of NUMOV continued with sharing experiences during a speech on the perspectives of metallurgical plant construction in Iran. SMS Siemag has been active in Iran since the 1970s. The SMS group developed the concept for the first major Iranian steel production complex which was constructed in cooperation with the Iranian government in 1975. The latest production facility has an annual production capacity of 2.6 million tons of hot-rolled coils.

Last but not least, **Jürgen Sander**, Managing Director of VEM motors GmbH and Member of the Board of NUMOV, held a speech on "First Experience of a New Form of Cooperation between Germany and Iran as Illustrated by the Production and Sale of Electric Motors." VEM motors GmbH has two offices in Iran, one in Tehran and one in Shiraz. Jürgen Sander stressed the good business relations that he enjoys with Iran, especially in the field of training of staff and business cooperation. Both Burkhard Dahmen and Jürgen Sander concluded that Iran is a country worth investing in. Trade relations and partners are stable, payment is in time

and business relations often last for years.

During the ensuing question and answer session, subjects such as investment

\$ 10 billion of foreign investments

Foreign investments amounted to \$10 billion in the year 1387 (2008/ 2009). This is an increase of 300% compared to the previous year.

Continued cooperation between Iran and Total With its large oil and gas reserves Iran has significance for the French company Total. Both sides expect to continue good cooperation.

German investors in the province of Lorestan German investors are planning to construct low-cost apartments in the province of Lorestan. They will set up a factory for the production of pre-fabricated building materials.

climate, financing opportunities, and trade regulations were discussed. These and further issues were again picked up during lunch which was joined by the conference participants and speakers and taken against the backdrop of the River Rhine. ●

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