

# How will Iranian Fastener Market & Related Demand/Industry Sector be After Western Countries Lifted Sanctions Against Iran?

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## Introduction

Iran is the most powerful country in the Middle East. Why? Because:

- The biggest oil resources are in Saudi Arabia and Iran is the 3rd largest country; the biggest gas resources are in Russia and Iran is in the 2nd largest place. On the other hand, Iran is the number one of the value of both resources (oil + gas).
- Iran has different types of mineral resources and their values are even more than Iran's oil value.
- Iran has different types of industries that need renovation. The technology of most of them returned to 14 years ago (after the implementation of sanctions), like the automotive industry; and the technology of few of them returned to 37 years ago (after Iran's revolution), like the aviation industry.

Iran's economy is very important for other countries because it is an untapped market that helps countries to pass the current depression situation in their economies. Therefore, most Western countries came to Iran for negotiating, like French Peugeot in the automotive industry, Airbus in the aviation industry,

German M. Benz and Volkswagen in the automotive industry, and U.S. GM and Boeing. This market is also very important for China. President Xi Jinping visited Iran from January 22 to 23, making him the first Chinese president to do so since Jiang Zemin's visit in 2002!

Iran and Russia have eliminated the visa rule between both countries for facilitating the business.

## What About the Other Asian Countries?

Although Japan, China, South Korea are ready for business cooperation with Iran, it seems that the rest of Asian countries are in the heavy sleeping! Or, for some reasons they go in the opposite way and Taiwan is an example (One and half years ago, I once predicted these days and suggested Taiwanese companies should increase their relationship with Iran; however, nobody listened). Malaysia, however, has increased Iranians' visa free period from 90 days to 140 days, while Indonesia has also eliminated its visa free period for Iranians, etc.

## The Fastener Industry

There are some opportunities available if Asian companies can return to the right track of businesses with Iran, and then, they can make money from this market.

- Iranian Auto-part Makers:

Iran has 4 car producers and their production capacities are about 2 million units of cars annually. The biggest Iranian car producer is Iran-Khodro, which has signed a contract with Peugeot and M. Benz for producing their new cars in Iran. Saipa as the 2nd biggest car manufacturer in Iran is producing for Nissan and Kia brands, etc.

Because of the sanctions, most foreign companies had stopped their cooperation with Iran, and therefore, raw materials and supervision of the original cooperating

companies were eliminated. The pressure from sanctions harmed all parties in the automotive industry. For example, the automotive part producers do not have any choice and they should deliver the parts to car manufacturers on time, so they start to produce low quality parts with low quality materials and/or import the parts from China.



Nowadays, foreign car manufacturers return to Iran, but the quality and prices of most of these part producers can't meet foreigners' needs, so they go toward bankruptcy.

## Opportunities

In this situation, I explain some opportunities that may help other foreigners' suppliers to make money in the Iranian market.

- In terms of raw materials, Iranian fastener manufacturers like other wire producers always have problems with existing wires in Iran. Wire supplies in Iran are as follows:
  - » A part of these materials are produced in Iran, and their quality is not good for producing fasteners. In this regard, we have an opportunity. Taiwanese wire producers may help Iranian colleagues solve their problems through joint venture, contracting, etc.
  - » A part of these materials come from foreign wire suppliers (like Russia and Ukraine) and the quality for producing fasteners is low. Chinese wire has fair quality but is not stable and Taiwanese wire is expensive. Another opportunity here for trading companies in Taiwan is to modify their prices or financial terms in the contracts, and then they could increase their export values to Iran.
- In terms of tooling and machine suppliers, Iran doesn't have any local strong tooling producers, and the main problem of fastener producers with tooling suppliers is the delivery time. As a result, if any foreign tooling producer can establish a factory in Iran, it can conquer the market.
- Fastener suppliers can make some cooperating contracts (like licensing,

JV contracting, co-investing, etc.) with Iranian fastener producers to help them support Western car manufacturers.

Please note that the models above can be also used in other industries, too.

The Iranian market is open now; however it is a little bit late for Asian brands (because Iranians like Western products especially made in Germany and USA), but with some proper strategies, Asian companies could still have time to enter the Iranian market maybe in two years.

Welcome to the Iranian market! ■