

Prepared by the Embassy in Tehran.

Summary

- Iran is a 'sleeping giant'. It remains an untapped market with a lot of potential, although financial and banking sanctions, the difficulties of doing business in Iran, along with a stalled Joint Comprehensive Plan of Action (JCPOA or nuclear agreement) and Iran's blacklisting by the Financial Action Task Force (FATF) will continue to affect humanitarian sanctions-exempted trade for some time.
- However, there is still some scope for humanitarian trade from New Zealand to increase despite the many challenges in the market. It remains important for businesses to seek legal advice and undertake due diligence.
- Iran is now producing and exporting butter and its dairy import needs have shrunk dramatically. Overall, Iran's import needs remain focused on food processing machinery, whey protein and wheat with an emphasis on acquiring the resources/investment it needs to strengthen its own domestic market capabilities.
- The New Zealand-Iran bilateral trade has significantly dropped in recent years, yet New Zealand exports to Iran are now more diversified. In addition to dairy ingredients, New Zealand's exports currently include commodities such as wool, medicines, premium wood and food processing equipment, specialised manufacturing products such as earthquake-resistant building materials, and services.
- New Zealand goods and services are often sought after due to perceived and actual reputational quality. Even prior to the imposition of US sanctions 90% of New Zealand exports to Iran would have fallen under what is now the current humanitarian exemption.

Report

Iran's operating environment

- After relying on outside sources for much of its dairy needs in previous years, dairy companies in Iran are successfully servicing a population of over 80 million in most areas. Many dairy companies are now focused on exports and competition rather than focusing solely on supplying market needs.
- Some of the main challenges faced by domestic dairy companies in servicing the Iranian market include the decreasing purchasing power of Iranians generally, but also climate related issues such as sourcing water in north and central Iran. The situation is not critical, according to domestic companies, but is getting worse with frequent and longer droughts. On the opposite end of the scale and due to Iran's complex and varied climate, there have also been flood interruptions in the past year. Iran still needs to import lactose, milk protein, whey protein, wheat and animal feed from outside sources.
- Although imports for wood to Iran have become difficult, due to the cost of shipping and with financial sanctions impeding banking transactions, the quality of New Zealand wood (radiata pine and New Zealand grown Douglas Fir) means that it is still sought after. Namely because it is hand-planted, high quality and typically cheaper than most European options. With Iran making ample marble, wood is considered a luxury building material that is used on façades for apartment buildings and in some structural work on high-end vacation homes in northern Iran.
- According to domestic media reporting in Iran a preliminary list of 129 unsafe buildings in Tehran was published recently following the collapse of a prominent building in the South of Iran. The list includes names of shopping

malls, dormitories, hospitals, as well as residential and business high-rises all over Tehran.

- New Zealand services and earthquake strengthening goods are often sought after due to the quality of New Zealand products and expertise, and due to New Zealand's frequent placement at the top of the Corruption Perceptions Index, with New Zealand sharing the top spot with Finland and Denmark in 2021.

Opportunities for New Zealand

- Despite the many challenges in the market, trade in humanitarian products is still possible. It is fundamental, however, that businesses seek their own legal advice and undertake due diligence before engaging in the market. Discussing the situation with their banks is also recommended.
- In addition to dairy ingredients, New Zealand's exports to Iran currently include commodities such as wool used in hand-made Persian carpets, medicines, premium wood and food processing equipment, specialised manufacturing products such as earthquake-resistant building materials, and services such as coffee roasting expertise. Most of this trade is "invisible" trade not reflected in official statistics – arriving in Tehran via other regional ports.
- Business contacts noted that businesses undertaking sanctions-safe trade should be more open about their payment channels and dealings in order to encourage more trade using humanitarian exemptions.
- The New Zealand Embassy in Tehran continues to work closely with New Zealand Trade and Enterprise, including on joint webinars which cover market opportunities and insights. If interested in future webinars, please contact newzealandembassytehran@hotmail.co.nz

This report is based on a visit by New Zealand Trade and Enterprise (NZTE) Trade Commissioner for Iran Kevin McKenna (based in the New Zealand Consulate in Dubai) to Tehran from 29-30 May 2022. NZTE and the New Zealand Embassy in Tehran met with a number of private sector contacts in the dairy, wood, and earthquake proofing industries – many of which have long-standing trading relationships with New Zealand.

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