



## EYE ON IRAN

# Trends and expectations of Iran's business community

This briefing is based on an extensive public opinion survey conducted by FTI Consulting to explore Iranian attitudes to both the recent nuclear deal and the possibility of increased interaction with the West. It also reflects contributions from a panel of experts as part of a breakfast briefing to discuss the survey's findings, hosted by FTI Consulting in October 2015.

### Contributors:

**Rana Rahimpour** - News presenter & bilingual reporter, BBC World Persia

**Dr Bijan Khajehpour** - Managing Partner, Atieh International, Vienna

**Sarah Keeling** - Head of Global Risk & Investigations Practice, FTI Consulting

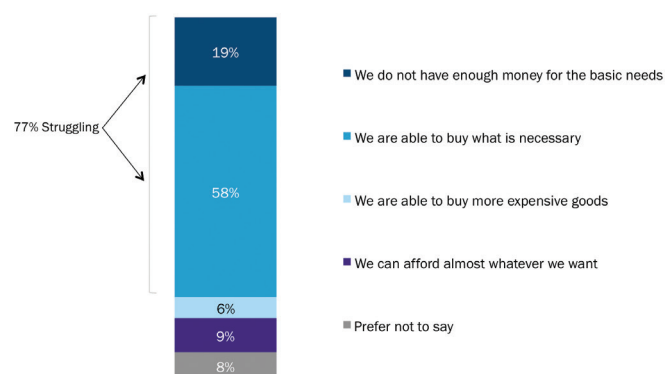
**Dan Healy** - Head of Strategy Consulting & Research, FTI Consulting

**Charles Hollis** - Head of Middle East & North Africa Team, FTI Consulting

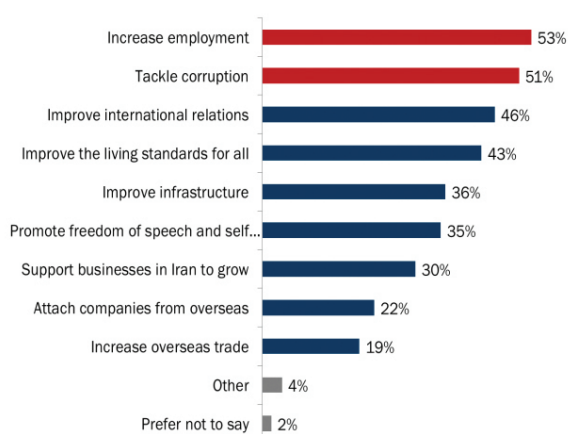
At the time of the survey, US sanctions were still in force for US companies and expected to remain in the medium term.

### Harnessing optimism

The results of our survey of Iranian attitudes, following the July 2015 nuclear deal, show that there are high levels of optimism among Iran's younger generation. However, the Iranian Government will have to work hard to harness this optimism by increasing employment opportunities and tackling corruption. There is a strong sense that Iranians need to see tangible benefits from the deal, particularly as 77% of those surveyed say they are struggling to meet the costs of everyday expenses.

**Graph 1:** Which of the following statements best describes your household income?

Unsurprisingly, Iranians most want their leaders to increase employment (53%) in tandem with tackling corruption (51%). Interestingly, almost half (46%) want to see their leaders actively reaching out and improving Iran's international relations.

**Graph 2:** Which of the following do you consider is important for your country leaders to concentrate on?

## A peaceful co-existence?

83% of survey respondents see no problem with peaceful co-existence with the West; these results were largely consistent across the different age groups surveyed. However, the US and EU are perceived as more attractive partners than the UK or Russia. Germany is perceived as the most trustworthy and welcome nation.

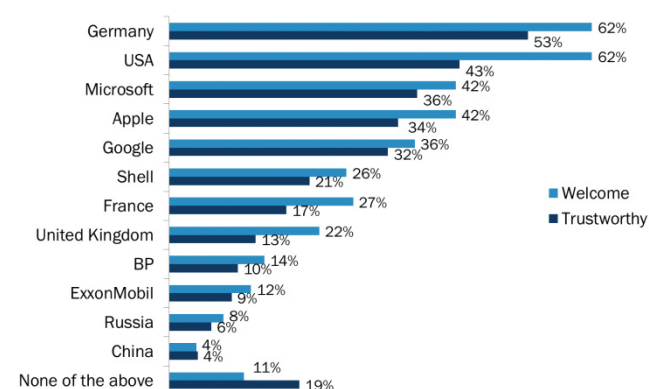
**Graph 3:** Which of the following statements do you agree with most?

## Who do Iranians trust?

While Germany and the US top the rankings in terms of trustworthiness, a number of global brands, including Microsoft, Apple and Google, are considered to be significantly more trustworthy and welcome than a number of other countries. For example, while 42% of participants state that Apple is welcome in Iran, only 22% say the UK is welcome. However, not all Iranians are receptive to foreign states and international brands in the local market, according to our survey, with a fifth who believe that none of the corporates and countries can be trusted.

**Graph 4:** Which of the following countries, oil companies and technology companies do you think are TRUSTWORTHY?

Which of the following countries, oil companies and technology companies would you WELCOME IN IRAN?



The survey also shows that despite sanctions, the use of foreign technology in Iran is widespread, with the vast majority of respondents using mobile devices to access the internet.

## Political ramifications of the nuclear deal

Providing some colour behind these numbers, the BBC's Rana Rahimpour said that Hassan Rouhani's election in August 2013 came as a great surprise. Until the last 48 hours before polling, many Iranians had not been expected to vote, yet they came out in support of Rouhani seemingly at the last minute. The regime even allowed voters to celebrate the result in the streets.

It has since emerged that during the last year of Mahmoud Ahmadinejad's presidency, discreet contact had been made between the US and Iran, brokered by Oman. However, Iran needed a new face with which to negotiate with the West. Rana described President Rouhani, whose primary election pledge had been a nuclear deal, as the "perfect choice" for these negotiations.

At the time of FTI Consulting's event, the nuclear deal had already been ratified by the US Congress, but had still to be accepted by the Iranian Parliament. According to Rana, a faction of radicals were trying their best to thwart the deal; other groups of conservatives close to the Supreme Leader Ali Khamenei wanted the deal to go through. The deal has since been agreed by the Majlis, although not without controversy.

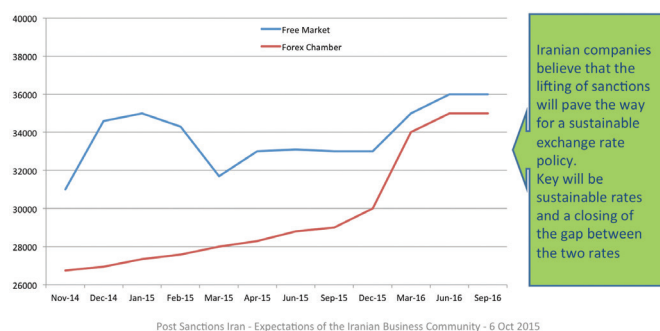
Rana also emphasised Iranians' impatience for sanctions to be lifted. Initial optimism following the deal has been followed by frustration as the Iranian economy continues to decline and the stock market fell.

## The effects of lifted sanctions

Dr Bijan Khajehpour of Atieh International was positive about the Iranian Government's ability to implement the required technical changes to its nuclear technology. The Government was keen for sanctions to be lifted before the upcoming elections to the Council of Experts, the body that ultimately chooses the Supreme Leader, on 26 February 2016, and the Iranian Government hoped that the positive momentum gathered by the lifting of sanctions would affect these election results.

He argued that despite many years of sanctions, Iran had transformed itself into an export-led economy. This was significant because the business community wanted an exchange rate that would maintain Iran's competitiveness in international export markets.

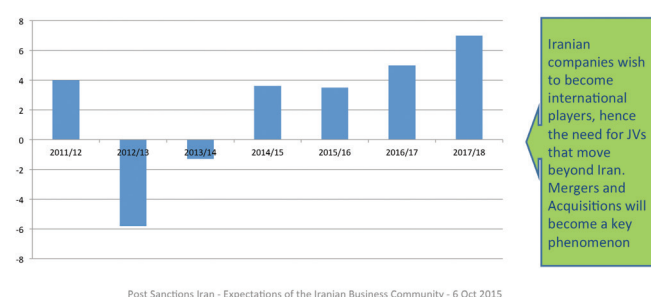
**Graph 5: Exchange rates**



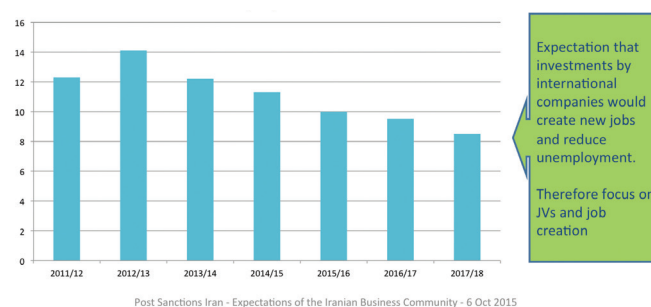
Iranian businesses were hoping that lifting sanctions would eliminate the hassles and costs of doing foreign business, according to Bijan. At the same time, there were concerns that the introduction of foreign competitors in the domestic market would push out local producers. Iranian companies could no longer hide behind sanctions as a new-found consumer confidence continued to build. Demand for better quality and cheaper foreign products was clear from a recent social media campaign to boycott poor-quality but over-priced Iranian cars.

President Rouhani's election heralded not only a nuclear deal, but an upturn in the Iranian economy. Iran experienced negative GDP growth during the last year of Ahmedinejad's tenure as president, due to a combination of crippling sanctions, poor economic management and populist policies. Rouhani has reintroduced technocrats into his government and GDP growth has increased significantly. However, Bijan cautioned that Iran needed 8% annual growth in order to create the jobs required to support the growing population. While unemployment and inflation have been reduced, they remain serious problems for the country.

**Graph 6: Outlook for GDP growth**



**Graph 7: Unemployment trends**



As the Iranian economy opens up, local companies will seek international opportunities. Iran does not want to simply be flooded with imports; it is looking for joint ventures that add value. Bijan therefore expected mergers and acquisitions to become a key phenomenon in a post-sanctions Iran.

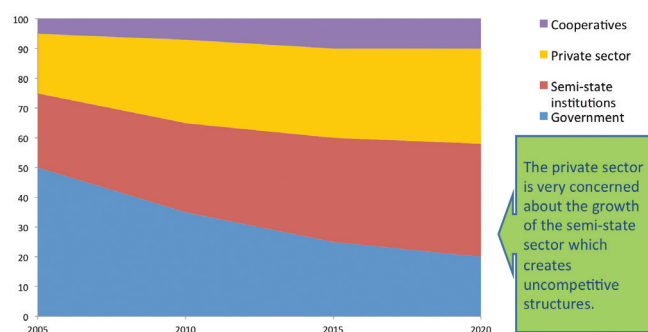
## Opportunities - but tread cautiously

Charles Hollis from FTI Consulting emphasised that businesses should be cautious about rushing into Iran. Sanctions are still in place and the latest US Government guidelines on trade with Iran are still awaited. It is likely that dollar transactions will still be ring-fenced. In addition, the anti-terrorism sanctions, under which the vast majority of fines have actually been imposed, remain in force. As such, companies considering going into Iran need to plan carefully. In particular, a detailed understanding of local customers and potential business partners will be critical.



The discussions at our recent briefing on these survey results demonstrated a keen interest among our audience in corporate governance in Iran and the future of the country's oil and gas industry. There remains much uncertainty about the role of semi-state entities in Iran's economy. While these entities have pulled out of some sectors of the economy, their position remains entrenched in other areas. For example, the Iranian Revolutionary Guard Corps (IRGC) have recently agreed to withdraw from the Iranian gas industry, but it still dominates the telecoms sector on "national security grounds". More generally, the IRGC is seen by many as reaching its commercial limits, since it lacks the technological prowess to compete on the international stage. However, if IRGC-related entities are sanctioned, they may simply create new companies and it may become increasingly difficult to tell which ones it backs. As such, rigorous due diligence into potential Iranian partners will be essential to ensure that businesses are not engaging with proscribed entities.

**Graph 8: Changing composition of ownership of the economy**



Post Sanctions Iran - Expectations of the Iranian Business Community - 6 Oct 2015

While it seems inevitable that the semi-state sector will reap at least some of the benefits of a growing Iranian economy, the private sector will also expand, given the creativity and ingenuity of Iran's business community.

However, levels of corruption in both the private and semi-state sectors represent a significant barrier to economic growth. President Rouhani himself has commented that corruption in Iran is a national security threat.

FTI Consulting would like to thank Azar Global and Realtime Alert Investigation and Discovery (RAID) for their assistance with this project.

### RESEARCH METHODOLOGY

Research was conducted online by FTI Consulting from 25th – 29th September 2015 with n=1,710 respondents living in Iran. Further information on the results and methodology can be obtained by emailing [dan.healy@fticonsulting.com](mailto:dan.healy@fticonsulting.com)

Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100%.

Sarah Keeling  
Head of Global Risk  
& Investigations Practice  
+44 (0)20 3727 1284  
[sarah.keeling@fticonsulting.com](mailto:sarah.keeling@fticonsulting.com)

Charles Hollis  
Head of Middle East  
& North Africa Team  
+44 (0)20 3727 1252  
[charles.hollis@fticonsulting.com](mailto:charles.hollis@fticonsulting.com)

Dan Healy  
Head of Strategy  
Consulting & Research  
+44 (0)20 3727 1239  
[dan.healy@fticonsulting.com](mailto:dan.healy@fticonsulting.com)



### About FTI Consulting

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. The views expressed herein are those of the author(s) and not necessarily the views of FTI Consulting, Inc. its management, its subsidiaries, its affiliates, or its other professionals, members or employees.