

Data and Profiles - Market Profiles

Iran: Market Profile

🕒 13 April 2021

📝 Fitch Solutions



1. Overview

With a population of around 83 million people, Iran's economy is dominated by the hydrocarbon, agriculture and services sectors. Iran ranks second in the world in natural gas reserves and fourth in proven crude oil reserves. Economic activity and government revenues still depend, to a large extent, on oil revenues and, therefore, remain volatile. While hydrocarbon is the dominant sector in Iran and accounts for the majority of exports, growth in recent years has increasingly been based on non-oil sectors, as well as a short-lived recovery in consumption and investment demand. In the medium term, the economy has been weakened because oil exports and non-oil sector activity have both fallen considerably following the phased reintroduction of United States sanctions since late-2018 and the impact subsequently of the Covid-19 pandemic. Should relations improve under the new Biden administration and result in sanctions relief, the outlook for Iran's economy would brighten considerably because trade, especially in oil exports, would increase significantly.

Sources: World Bank, Fitch Solutions

2. Major Economic/Political Events and Upcoming Elections

May 2018

Then United States president Donald Trump announced the United States' withdrawal from the 2015 international deal on Iran's nuclear programme and the re-imposition of United States sanctions on Iran. The Iranian currency fell to record lows over the summer after the United

States pulled out of the nuclear deal.

November 2018

The United States re-imposed sanctions on Iran. The United States also granted relevant waivers to eight countries, including Mainland China, allowing them to continue to import oil from Iran for a six-month period after November 2018.

May 2019

The waivers on Iranian oil exports (previously granted to eight countries) expired on May 1, 2019.

July 2019

On July 1, Iran announced that its enriched uranium stockpile has exceeded 300kg, thereby breaching a commitment under the 2015 Joint Comprehensive Plan of Action (JCPOA, 'Iran nuclear deal').

September 2019

The Russian government stated it would allocate a EUR1.2 billion (USD1.32 billion) loan for construction of the 1.4GW Sirik thermal power plant in the Iranian province of Hormozgan, according to Iran's Minister of Energy Reza Ardakanian. The project comprised four units of 350MW capacity each. The plant was expected to become operational in five years.

October 2019

A free trade agreement (FTA) between Iran and the EAEU entered into force on October 27, creating conditions for preferential trade between Iran and the current Eurasian Economic Union (EAEU) members: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. The FTA would give Iran access to a single market comprised of 183 million people and with an aggregate GDP of USD4 trillion.

November 2019

The United States imposed additional sanctions on Iran that target several transportation firms. The moves would subject foreign firms and governments that do business with the targeted entities to sanctions, including a freeze on any assets that they might have in United States jurisdictions.

February 2020

Conservatives won the parliamentary elections that took place on February 21, 2020.

April 2020

In response to the Covid-19 crisis, Iran's National Development Fund was instructed by the Supreme Leader to transfer USD1.1 billion in budget deficit financing as of April 6.

On April 15, the government embarked on its biggest-ever initial public offering, selling its residual shares in 18 companies (including 12% share of the Social Welfare Fund (SHASTA), the largest public company) to generate income as it grapples with the economic consequences of Covid-19 and United States sanctions. The estimated privatisation proceeds are at around IRR165 trillion (0.6% of GDP) from banks and insurance companies and IRR70 trillion (0.2% of GDP) from SHASTA.

July 2020

President Hassan Rouhani said that a state of emergency to contain the coronavirus pandemic would remain in place at least until the end of January 2021.

August 2020

The Islamic Republic of Iran Railways was working on expanding railway connections in the country and increasing rail's share of freight transportation (Rail Freight). The state-run railway operator prioritised the completion of the line from Zahedan to Chabahar. Overall, more than 1,600km of the route was under construction, linking four provinces and expanding the network by more than 10%. Iran, which was a key route for any New Silk Road trade, has also unveiled domestic traction and rolling stock building programmes.

September 2020

The Ministry of Communications, Information and Technology requested the Mobile Telecommunication Company of Iran to launch 5G networks in parts of the country's capital, Tehran, with at least five areas having access by September. MTN Irancell also successfully trialled 5G, reaching download data rates of 1.5Gbps.

December 2020

It was reported that the Islamabad-Tehran-Istanbul freight train would resume operations in early 2021 to boost Pakistan's trade with Iran and Turkey.

February 2021

Iran and Armenia signed an agreement to enhance trade cooperation between the two countries. An Armenian spokesman said his country planned to replace 2,250 imports from Turkey (following its backing of Azerbaijan in the Nagorno-Karabakh war) in the next six months with Iran-made products.

Iran and the Eurasian Economic Union began holding talks in Tehran about abolishing customs duties to achieve zero tariff trade.

The Tehran Times reported that the value of Iran's non-oil exports to its 15 neighbouring countries had reached USD16.6 billion in the 10 months to January 19, 2021, and that there was scope to expand this to USD100 billion within two years.

It was reported that the head of the Iran-South Korea Joint Chamber of Commerce had said that at least USD1 billion of Iran's (USD7 billion) funds frozen in South Korea would be transferred soon.

Iran's Renewable Energy and Energy Efficiency Organization announced a 50MW wind farm joint project on the border of Iran and Afghanistan.

Razi Vaccine and Serum Research Institute unveiled a locally made Covid-19 vaccine, COV-Pars, which could be injected or inhaled, and would now begin human trials. COV-Pars was Iran's second vaccine after COVIran, which had finished phase one trials with the Barakat Foundation, linked to Imam Khomeini.

March 2021

On March 1, the International Trade Centre, a joint agency of the United Nations and the World Trade Organization, began the Europe-Iran Business Forum, funded by the EU, with some 4,000 delegates from more than 50 countries registered for the three-day online conference. EU exports to Iran totalled EUR3.7 billion in 2020, down 21% from the previous year, whereas EU imports from Iran were up 5% and totalled EUR712 million.

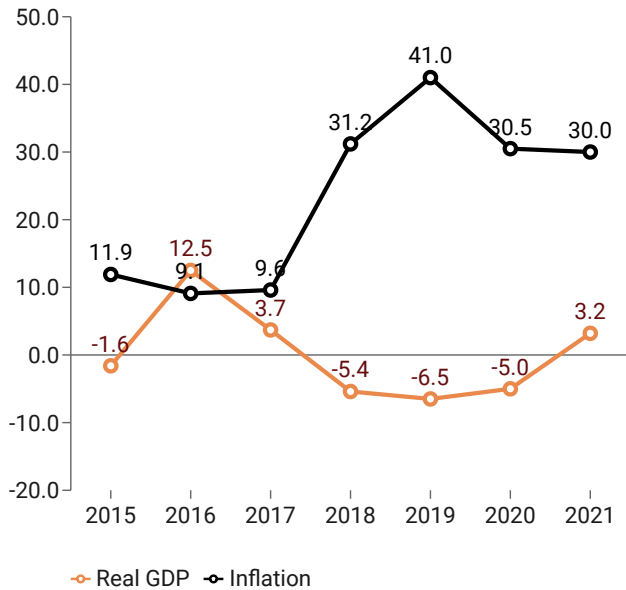
June 2021

A presidential election is due to be held in Iran.

Sources: BBC Country Profile – Timeline, IMF, [Tehran Times](#), Fitch Solutions

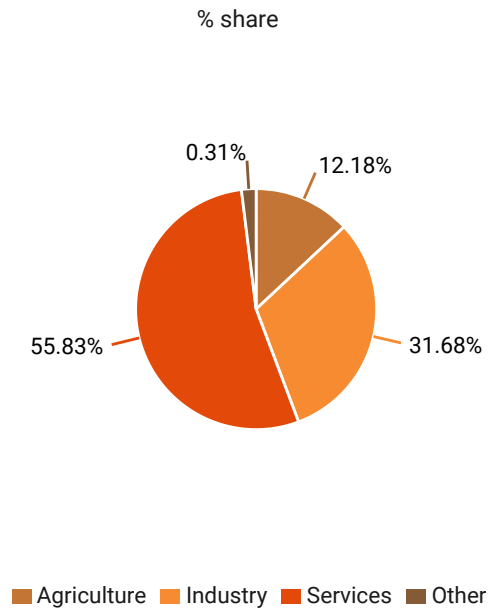
3. Major Economic Indicators

Real GDP and Inflation



2020 (estimate); 2021 (forecast), Note: Estimate for 2020 applies only to inflation
 Sources: IMF, World Economic Outlook Database
 Date last reviewed: February 25, 2021

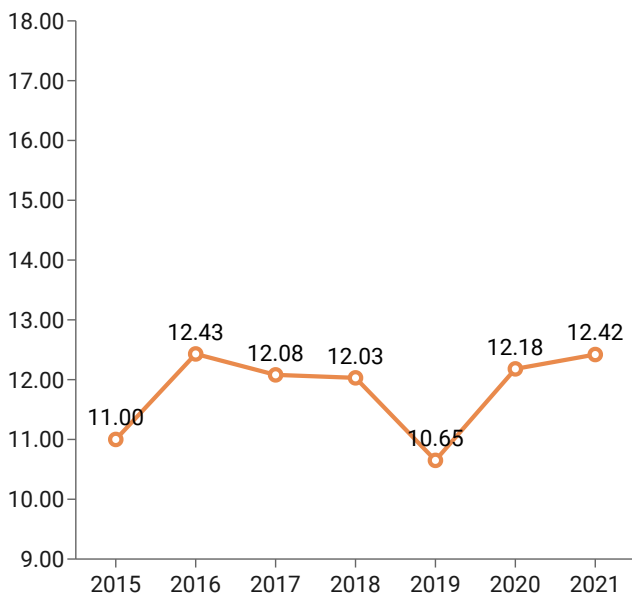
GDP by Sector (2019)



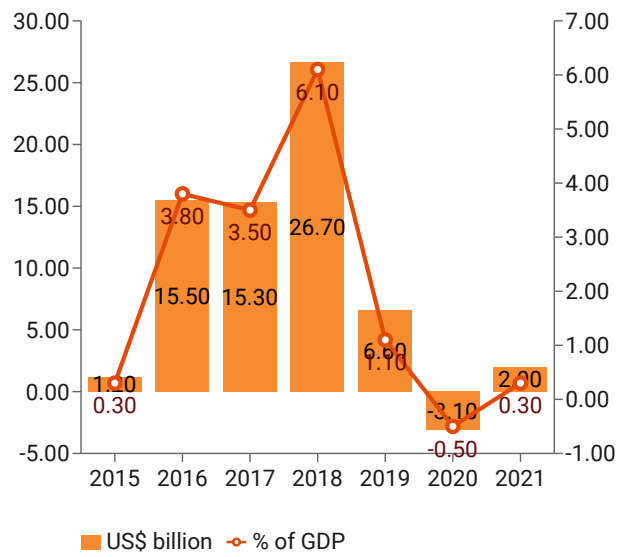
Note: 2019 is latest available data
 Sources: World Bank, Fitch Solutions
 Date last reviewed: February 25, 2021

Unemployment Rate

Current Account Balance



2020 (forecast)
Sources: IMF, Fitch Solutions
Date last reviewed: February 25, 2021

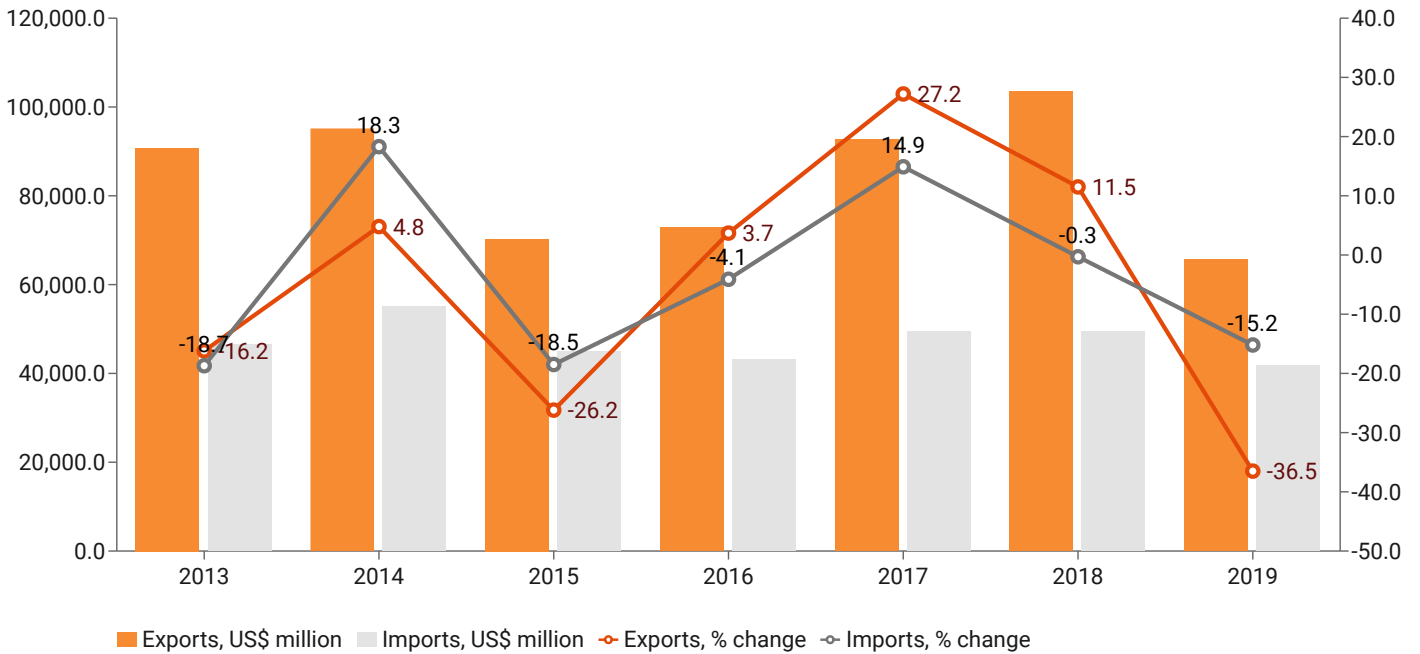


2020 (estimate); 2021 (forecast)
Sources: IMF, World Economic Outlook Database
Date last reviewed: February 25, 2021

4. External Trade

4.1 Merchandise Trade

Merchandise Trade



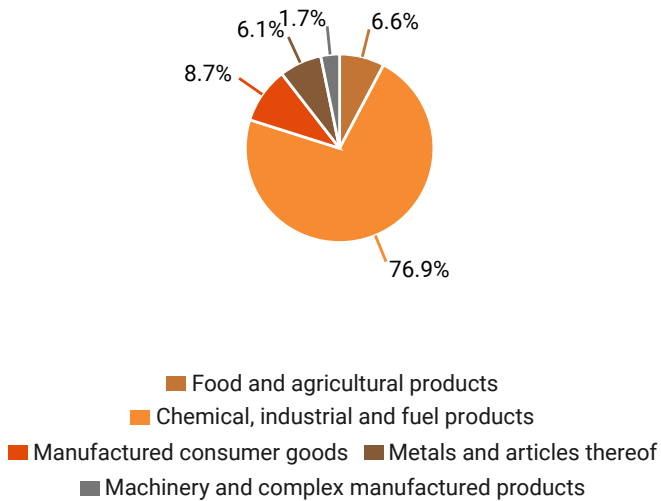
Sources: WTO, Fitch Solutions
Date last reviewed: February 25, 2021

Major Export Commodities (2018)

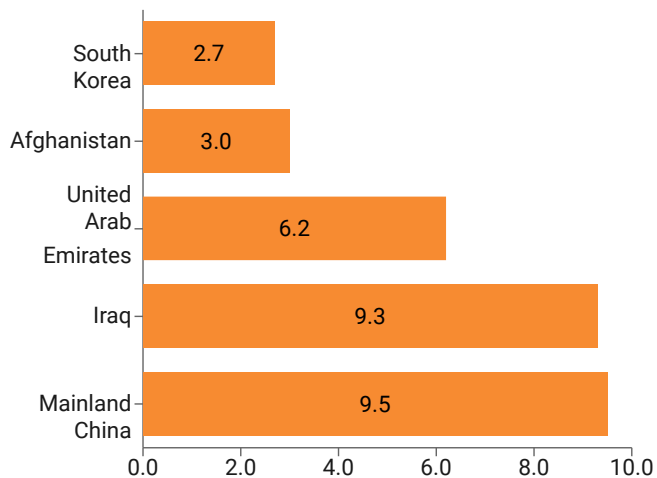
% share

Major Export Markets (2018)

% share



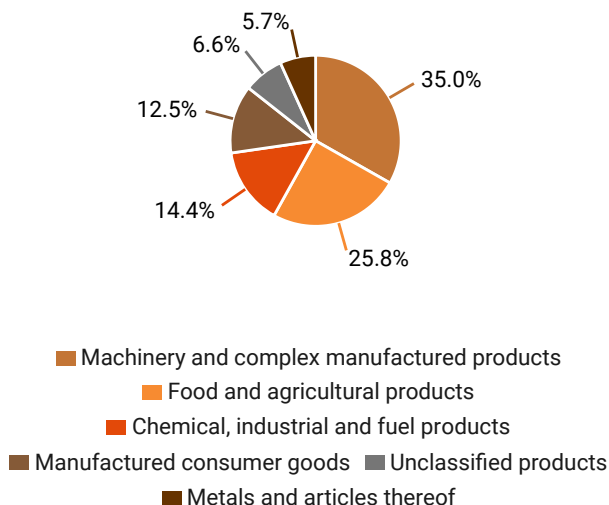
Note: 2018 is latest confirmed data
 Sources: ITC-Trade Map, Fitch Solutions
 Date last reviewed: February 25, 2021



Note: Asia not elsewhere specified and Europe not elsewhere specified make up 42.7% and 11.4% respectively
 Sources: ITC-Trade Map, Fitch Solutions
 Date last reviewed: February 25, 2021

Major Import Commodities (2018)

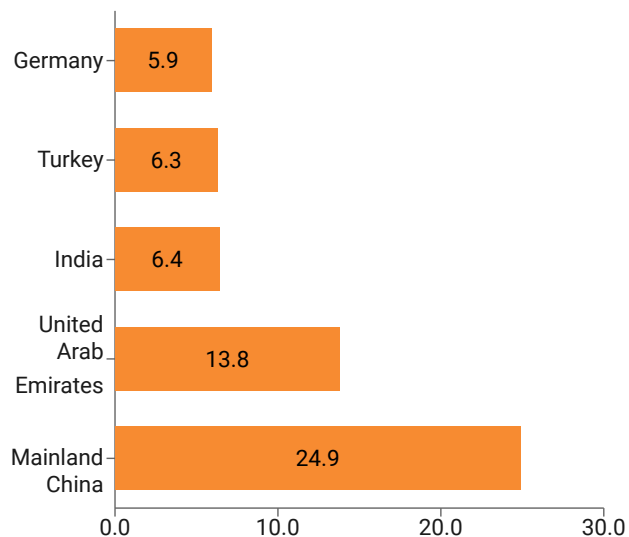
% share



Note: 2018 is latest confirmed data
 Sources: ITC-Trade Map, Fitch Solutions
 Date last reviewed: February 25, 2021

Major Import Markets (2018)

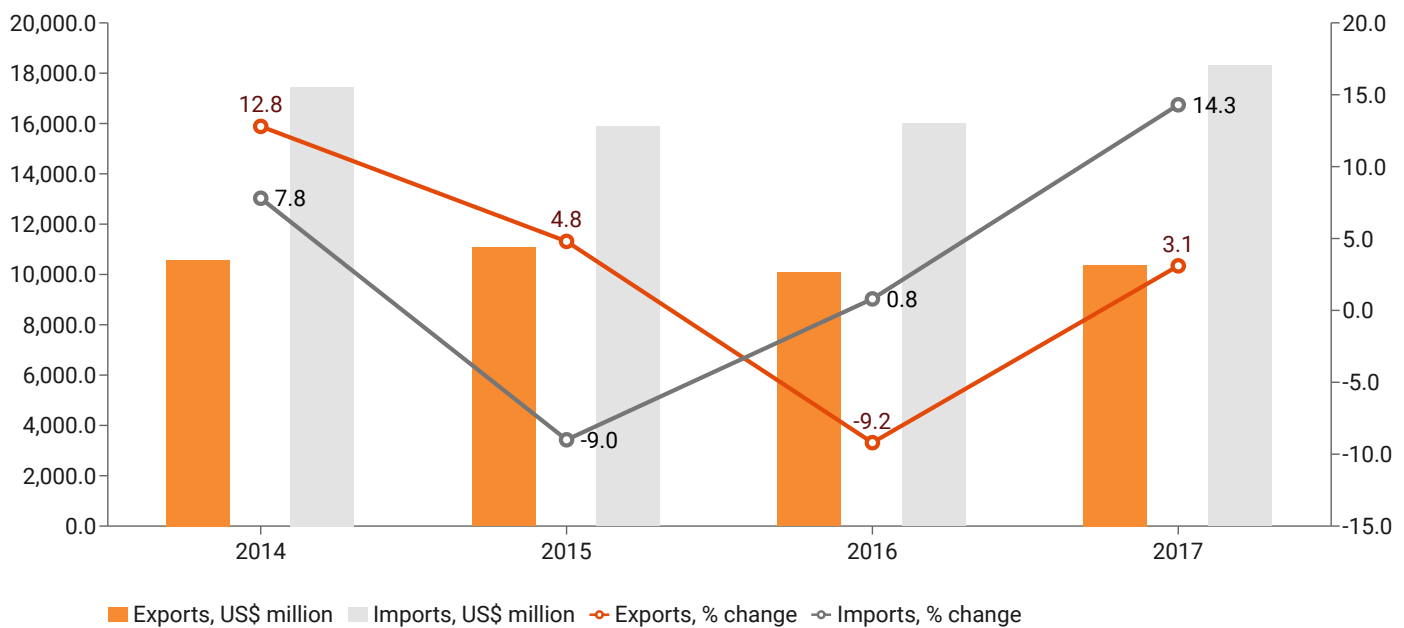
% share



Sources: ITC-Trade Map, Fitch Solutions
 Date last reviewed: February 25, 2021

4.2 Trade in Services

Trade in Services



2014-2017 (estimate); Note: WTO latest update only has 2014-2017 data

Source: WTO

Date last reviewed: February 25, 2021

5. Trade Policies

- United States sanctions have presented major barriers to trade growth in Iran. Although Iran has been under sanctions of varying severity imposed by the United States since the Islamic Revolution in 1979, these were significantly widened and further taken up by the European Union (EU) and the United Nations in 2011 as a response to the country's continuing nuclear programme. Sanctions in Iran have specifically targeted the development of nuclear facilities and the procurement of arms. Sanctions also include a ban on the involvement of Western companies in the oil and gas industry, the prohibition of oil exports to key developed markets, such as the United States and the EU, and the exclusion of the banking sector from the international finance industry. Although most sanctions were lifted in 2016, United States primary sanctions continued to obstruct international trade by preventing the use of USD for transactions with Iran.
- International trade in Iran has been shaped by the sanction regime from which the country began to emerge in 2016. The imposition of sanctions, led by the EU and the United States, affected trade volumes for Iran's key commodity export (oil) and investment in the hydrocarbons industry. Sanctions have also halted the use of USD for international trade and have driven the focus of trade flows towards Asian countries.
- Then United States president Donald Trump's decision in May 2018 to withdraw from the 2015 nuclear deal has paved the way for the re-imposition of United States sanctions against Iran. The first phase began on August 7, 2018. The first round targeted Iranian purchases of USD, metal trading, coal, industrial software and the Iranian autos sector. The second batch targeted its banking system and oil exports. These sanctions were implemented on November 5, 2018.
- Trade volumes in Iran are dominated by high-value hydrocarbon exports, which are the main drivers of economic growth and the major sources of government income. Import demand in Iran is also largely driven by the oil and gas sector. Nonetheless, Iran's vast natural resource wealth suggests that potential trade volumes could be far higher than the current level.
- Trade flows are hindered by considerable average import tariff rates, standing at an estimated 15.2% (in 2016), which is the eighth highest globally. This is partly due to the fact that Iran has yet to become a full member of the World Trade Organization (WTO), because its membership has been held up by United States vetoes and slow progress on accession since its application was accepted in 2005. The Iranian government has traditionally applied high tariffs on imports to protect and encourage growth in domestic industries, but this significantly increases the costs of imported inputs for businesses and reduces Iran's competitiveness.
- Trade bureaucracy and customs delays are a major hindrance to business activity in Iran. Convoluted procedures significantly increase the time and cost required for international trade, and particularly complicate the import process.
- The inability to use USD for trade transactions significantly increases the difficulty of selling into and operating in the Iranian market, because payments have to be made in alternative currencies, such as the euro or yuan.
- Iran has a Trade Promotion Organization that is responsible for attracting foreign direct investment.

6. Trade Agreements

6.1 Trade Updates

The new United States administration is assessing its options in relation to the United Nations conventional arms embargo on Iran and the Joint Comprehensive Plan Of Action (JCPOA, 'nuclear deal') that had been reached in 2015, but from which then-president Donald Trump withdrew. Iran is in discussions about trade deals with Afghanistan, Azerbaijan and India, which are in accordance with the trade vision outlined by the International North-South Transport Corridor project, a strategic trade network linking India and Russia through Iran and Central Asia.

6.2 Multinational Trade Agreements

Active

1. Iran-Syrian Preferential Trade Agreement: Syria is not a viable trade partner while its civil conflict continues and, therefore, the FTA signed in December 2011 is unlikely to offer attractive trading opportunities for many years, even if the war ends.
2. Economic Cooperation Organization (ECO): The partial scope agreement came into force in February 1992. The list of signatories includes Iran, Pakistan and Turkey.
3. Global System of Trade Preferences Among Developing Countries (GSTP): The partial scope preferential trade agreement was signed on April 13, 1988, and came into force on April 19, 1989. The GSTP aims to increase trade between developing countries in the framework of the United Nations Conference on Trade and Development. There are currently 42 signatory member states: Algeria, Argentina, Bangladesh, Benin, Bolivia, Brazil, Cameroon, Chile, Colombia, Cuba, Ecuador, Egypt, Ghana, Guinea, Guyana, India, Indonesia, Iran, Iraq, North Korea, South Korea, Libya, Malaysia, Mexico, Morocco, Mozambique, Myanmar, Nicaragua, Nigeria, Pakistan, Peru, Philippines, Singapore, Sri Lanka, Sudan, Tanzania, Thailand, Trinidad and Tobago, Tunisia, Venezuela, Vietnam and Zimbabwe. The Mercosur trade bloc also signed on November 2, 2006.
4. Iran-EAEU FTA: The EAEU is an economic union of states located in central and northern Asia and Eastern Europe. The treaty on the EAEU was signed on May 29, 2014, by the leaders of Belarus, Kazakhstan and Russia, and came into force on January 1, 2015. An FTA between Iran and the EAEU was signed on May 17, 2018 and entered into force on October 27, 2019, creating conditions for preferential trade between Iran and the current EAEU members: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. The FTA gives Iran access to a single market comprising 183 million people and with an aggregate GDP of USD4 trillion.

Under Negotiation

1. Gulf Cooperation Council (GCC): Iran is reliant on GCC states for imports, which flow through the better connected ports of the United Arab Emirates. Iran is currently negotiating an FTA with the GCC and will be encouraged by the GCC's rapprochement with Qatar, with whom Iran has close ties.
2. Iran-Pakistan FTA: In December 2016, Pakistan and Iran started negotiating an FTA with the objective of enhancing bilateral trade between both countries. Negotiations ongoing, although they are reportedly entering the final phase, with the Pakistan Ministry of Commerce seeking a comprehensive analysis of Iran-Pakistan trade relations prior to approving the agreement.
3. Iran-Indonesia FTA: Indonesia is a large economy that could provide a significant market for Iranian oil exports. As of January 2020, plans have not passed the discussion phase. Iran sells LPG gas, dates, pistachios, medicines, medical devices and steel to Indonesia, while coffee, tea, palm oil, textiles, garments, medicines and paper are exported from Indonesia to Iran.
4. Iran-Turkey: Turkey is located next to Iran and is among the leading trade partners for Iran in terms of exports and imports, offering a huge market for Iranian hydrocarbons. A trade agreement between the two countries would open up considerable opportunities for businesses to leverage.
5. Iran-Malaysia: Discussions on a preferential trade agreement between the two countries began in 2016 but were halted when the US reimposed sanctions on Iran in November 2018. In 2020 talks were revived and have progressed through several rounds. Iran's major exports to Malaysia include gas condensate, steel sheets, duranite, bitumen, urea fertilisers, steel ingots, steel cylinders, sponge iron, butadiene rubber and molybdenum oxide. Imports from Malaysia include palm oil, natural latex, natural rubber, cocoa butter, stearic acid, graphite electrode, medical gloves, acetic acid, glycerin, cocoa cream oil and lauryl alcohol.

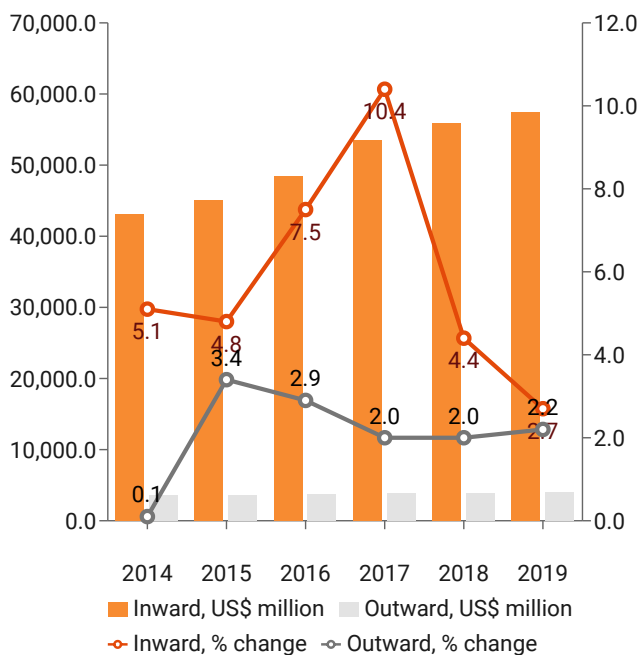
Sources: [Preferential Trade Agreement between the Syrian Arab Republic and the Islamic Republic of Iran](#), WTO Regional Trade Agreements Database, Fitch Solutions

7. Investment Policy

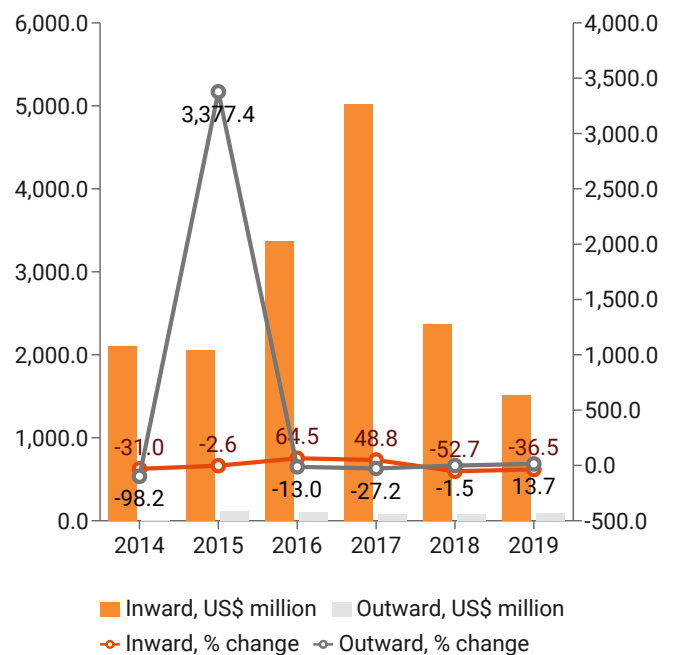
7.1 Foreign Direct Investment

Foreign Direct Investment Stock

Foreign Direct Investment Flow



Source: UNCTAD
Date last reviewed: February 25, 2021



Source: UNCTAD
Date last reviewed: February 25, 2021

7.2 Foreign Direct Investment Policy

- Iran offers one of the most difficult markets in the world for foreign investors to navigate. This is largely owing to the international sanctions placed on the country by the United States, which precluded investment by Western businesses in many sectors, including the valuable oil and gas industry, and continue to severely limit access to financing for firms based in Iran.
- Foreign direct investment (FDI) inflows continued during the sanctions regime, particularly from Mainland China, while South Korean and Indian firms have also been among the first to secure investment in infrastructure development following the lifting of sanctions.
- Sanctions imposed by the United States primarily focused on Iran's economically vital oil and gas industry and its financial sector, specifically preventing Western companies from involvement in the financing of oil exploration, production and refining. Iran's banking industry was excluded from global financial markets through the banning of trade in precious metals from Europe and expelling Iranian banks from SWIFT. By targeting these sectors in particular, the sanctions imposed a blanket ban on investment in Iran by Western firms. United States primary sanctions remain in place, causing difficulties for businesses with United States interests and preventing the use of United States dollars for transactions.
- Despite ongoing talks between Europe and Iran aimed at salvaging the nuclear deal and keeping European businesses in Iran, major European companies have already left the Iranian market in order to avoid United States sanctions.
- Ownership of natural resources is confined to the Iranian state. In the oil industry, private investment is restricted to buyback contracts (which allow private firms to provide the capital and expertise required for extraction) and require production sites to be returned to the ownership of the National Iranian Oil Company after the initial set-up.
- Foreign companies are required to strike joint venture agreements with state-owned enterprises in order to invest in some industries.
- Foreign investment is currently coordinated under the Foreign Investment Promotion and Protection Act, which was introduced in 2002.
- Iran has revealed several measures designed to encourage investment. These include abolishing restrictions on the percentages of foreign shareholding within a company, a three-year residence licence for foreign investors, directors and experts, as well as tax incentives and reduced administrative obligations for foreign investors.
- Iran has industrial free trade zones (FTZs) located nationwide, through which it is reported that 40% of the country's exports are processed. The zones are also a focus for foreign direct investment. In February 2021, Iran's Financial Tribune reported that more than USD6.2 billion had been invested by the private sector into FTZs during the first nine months of the Iranian year.
- According to the World Economic Forum's Global Competitiveness Report 2019, Iran has lost ground to rank 99th overall out of 141, down 10 places since 2018.

11. INSEAD's Global Talent Competitiveness Index 2020, ranked Iran 102nd overall out of 132 but in the top 10 in its regional group for each of the six pillars measured.

12. Iran is party to 58 active bilateral investment treaties (BITs), including one with Mainland China. An additional 12 BITs have been signed but are not in force.

Sources: US Department of Commerce, Organization for Investment, Economic and Technical Assistance of Iran, Tehran Times, Trade Promotion Organization of Iran, Financial Tribune, Fitch Solutions

7.3 Free Trade Zones and Investment Incentives

Free Trade Zone/Incentive Programme	Main Incentives Available
There are eight prominent industrial FTZs, located at Aras, Anzali, Arvand, Chabahar, Kish, Maku, Qeshm and Tehran's Imam Khomeini International Airport.	<ul style="list-style-type: none"> - Visa-free entry for foreign nationals - Freedom to repatriate profits and obtain foreign currency - 100% foreign ownership permitted - Income and asset tax exemption for 20 years - Customs duties exemption on capital goods - Fewer and more streamlined bureaucratic procedures - Each free zone has autonomous legal status, and has special employment and labour regulations. - Free construction and work completion permits.

Sources: US Department of Commerce, British Iranian Chamber of Commerce, Freezones.ir, Fitch Solutions

8. Taxation – 2021

- Value Added Tax: 9%
- Corporate Income Tax: 25%

Source: Iran National Tax Administration

8.1 Important Updates to Taxation Information

The government has introduced a simplified flat corporate income tax rate that is applicable to both resident and non-resident entities. A number of tax exemptions exist for legal entities engaged in the following economic activities: agriculture (100% permanent exemption); industry and mining (100% tax holiday for five years); industry and mining in less-developed areas (100% tax holiday for 10 years); for profits of private and cooperative companies developing, reconstructing and renovating existing industrial and mining units (50% permanent tax credit); tourism (50% permanent tax credit); the export of services and non-oil goods (100% tax holiday during the 5th Development Plan); handicrafts (100% permanent exemption); and educational and sport services (100% permanent exemption).

8.2 Business Taxes

Type of Tax	Tax Rate and Base
Corporate Income Tax (CIT)	25% on profits (a reduced rate of 15% applies up to IRR500 million). Companies that are quoted on the Stock Exchange and Commodity Exchange are eligible for a reduced CIT rate of 22.5%.
Social security contributions	23% on gross salaries (all employers)
VAT/GST	9% on sale of goods and services (standard); higher rates apply for cigarette and tobacco products (12%) and different kinds of gas and aviation fuel (20%).
Withholding Tax	Dividends: 0% Interest: 5% Royalties: 5%/7.5%

Property Transfer Tax	5% on land value (levied on the acquisition of real estate) and the transfer of goodwill is taxed at 2% on the transferred goodwill's value.
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Source: [Iran National Tax Administration](#)

Date last reviewed: February 25, 2021

9. Foreign Worker Requirements

9.1 Localisation Requirements

The saturation of the Iranian labour market means that the employment of foreign nationals is not encouraged, and the percentage of foreign workers employed in a company may be capped at 20%. The process of employing expatriate staff is made slightly easier if investment is through the 2002 Foreign Investment Promotion and Protection Act, which allows work and residence permits to be granted for foreign investors, directors, experts and their immediate family members.

9.2 Foreign Worker Permits

Companies wishing to employ foreign workers in Iran for more skilled positions must apply for work permits and seek permission from the Department General for the Employment of Foreign Nationals. Employment permits will only be granted if certain stipulations are met, namely that there is a lack of expertise among Iranian nationals for the position, the foreign national is qualified for the position and the expertise of the foreign national will be used to train Iranian workers who will subsequently replace the expatriate. Work permits are issued for a period of one year and there is a fee for it to be issued or renewed (a renewal also lasts for one year).

9.3 Visa/Travel Restrictions

Citizens of the United States, the United Kingdom, Canada and some South Asian and Middle Eastern countries must obtain visas in advance, and independent travel may be limited. Israeli citizens cannot travel to Iran and citizens of developing countries who have visited Israel may be refused entry to Iran.

Sources: Government websites, [Islamic Republic of Iran Ministry of Foreign Affairs](#), Fitch Solutions

10. Risks

10.1 Sovereign Credit Ratings

	Rating (Outlook)	Rating Date
Moody's	Withdrawn	Withdrawn
Standard & Poor's	Not rated	Not rated
Fitch Ratings	Not rated	Not rated

Sources: Moody's, S&P Global, Fitch Ratings

10.2 Competitiveness and Efficiency Indicators

	World Ranking		
	2018	2019	2020
Ease of Doing Business Index	124/190	128/190	127/190
Ease of Paying Taxes Index	150/190	149/190	144/190
Logistics Performance Index	64/160	N/A	N/A
Corruption Perception Index	138/180	146/180	149/180
IMD World Competitiveness	N/A	N/A	N/A

Sources: World Bank, IMD, Transparency International, Fitch Solutions

10.3 Fitch Solutions Risk Indices

	World Ranking		
	2019	2020	2021

Economic Risk Index Rank	137/202	115/201	118/201
Short-Term Economic Risk Score	39.4	38.3	48.5
Long-Term Economic Risk Score	46.3	47.9	46.3
Political Risk Index Rank	139/201	142/201	142/201
Short-Term Political Risk Score	59.6	59.6	59.6
Long-Term Political Risk Score	54.0	54.1	54.1
Operational Risk Index Rank	126/201	127/201	130/201
Operational Risk Score	43.3	42.8	42.4

Source: Fitch Solutions

Date last reviewed: February 25, 2021

10.4 Fitch Solutions Risk Summary

ECONOMIC RISK

In 2020, the economy contracted for the third consecutive year. United States sanctions on the manufacturing sector weigh on the non-oil private sector, while the oil economy remains crippled by prior sanctions and depressed energy prices. Moreover, the Covid-19 outbreak has further constricted activity and could severely disrupt economic activity throughout 2021, although that will depend in part on how well Iran's vaccination programme proceeds. The risk of escalation in sanctions by the US will impact the country's oil exports and investment inflows in the quarters ahead. Local currency depreciation and rising inflation are weighing on investment and consumption in real terms. Nevertheless, some level of trade with Asia and Russia is still likely to be maintained. In addition, Iran's long-term economic outlook could be one of the most promising in the Middle East and North African region, particularly in the event that the country can secure sanctions relief, against the backdrop of a positive consumer story and efforts to comply with structural reforms to the economy and security sector. In the interim, domestic political risk, elevated inflation and geopolitical tensions pose downside risks to the country's near-term outlook.

OPERATIONAL RISK

Iran's operating environment has suffered considerable setbacks resulting from then US president Donald Trump's decision to reintroduce broad sanctions and withdraw from the nuclear agreement reached in July 2015. While the other signatories to the agreement (the EU, Russia and Mainland China) have tentatively agreed to continue upholding it, most improvements to Iran's economy and business environment over the last three years have been negatively affected by these developments. Doing business in the country has become more difficult once again, particularly for Western firms, while structural risks – including obstacles to trade, regulatory restrictions, onerous taxes and stringent labour laws – are likely to remain in place amid slow reform momentum.

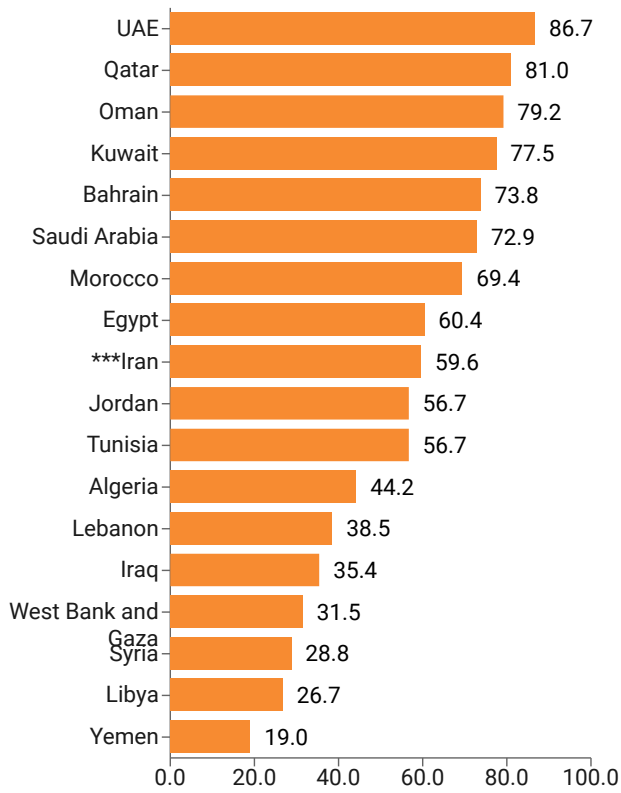
Source: Fitch Solutions

Date last reviewed: February 26, 2021

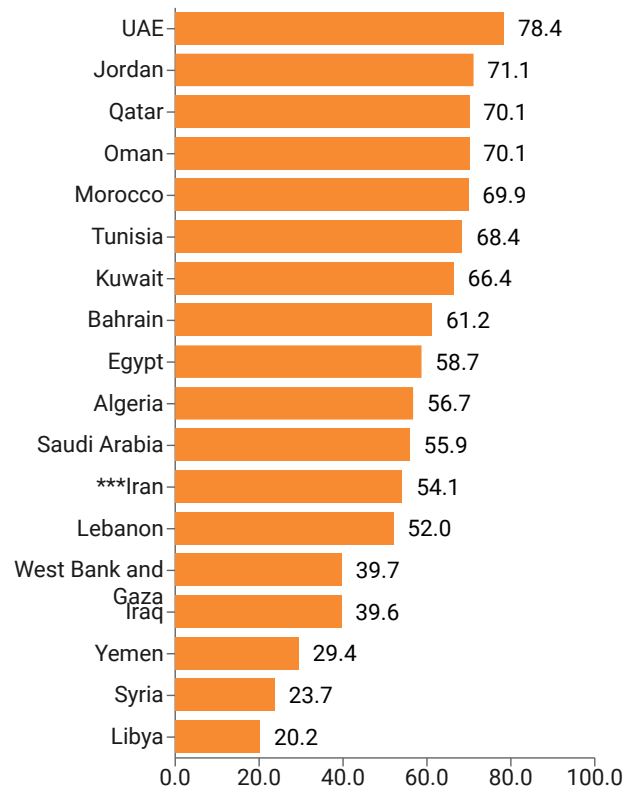
10.5 Fitch Solutions Political and Economic Risk Indices

Short Term Political Risk Index

Long Term Political Risk Index

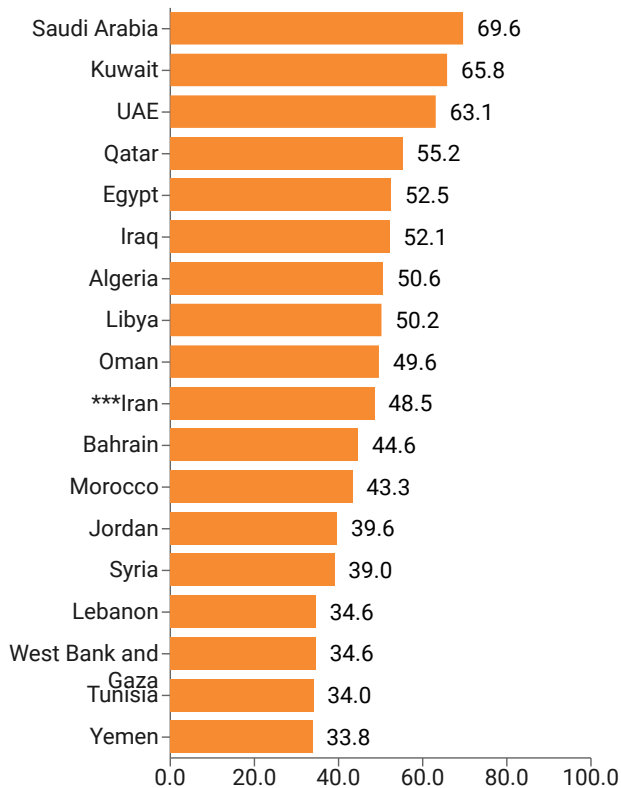


Note: 100 = Lowest Risk. 0 = Highest Risk
 Source: Fitch Solutions Political and Economic Risk Indices
 Date last reviewed: February 25, 2021



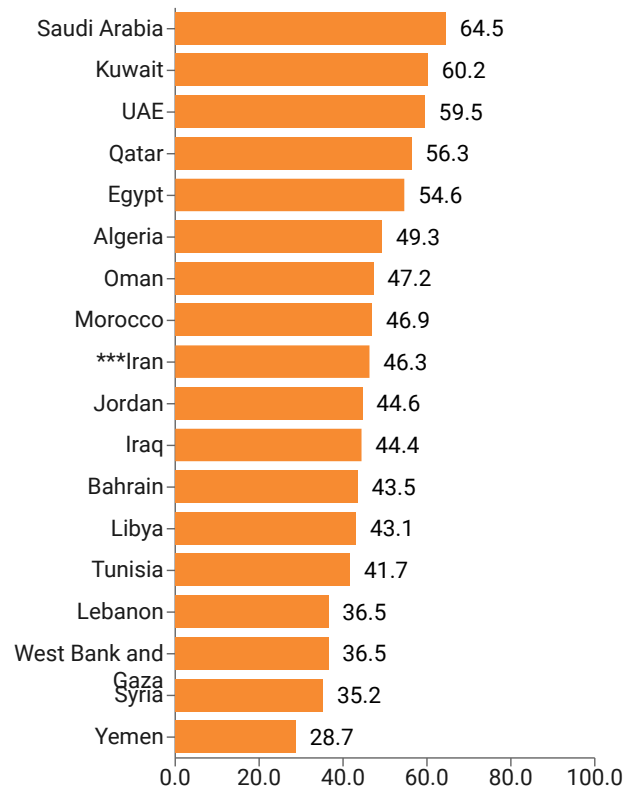
Note: 100 = Lowest Risk. 0 = Highest Risk
 Source: Fitch Solutions Political and Economic Risk Indices
 Date last reviewed: February 25, 2021

Short Term Economic Risk Index



Note: 100 = Lowest Risk. 0 = Highest Risk
 Source: Fitch Solutions Political and Economic Risk Indices
 Date last reviewed: February 25, 2021

Long Term Economic Risk Index



Note: 100 = Lowest Risk. 0 = Highest Risk
 Source: Fitch Solutions Political and Economic Risk Indices
 Date last reviewed: February 25, 2021

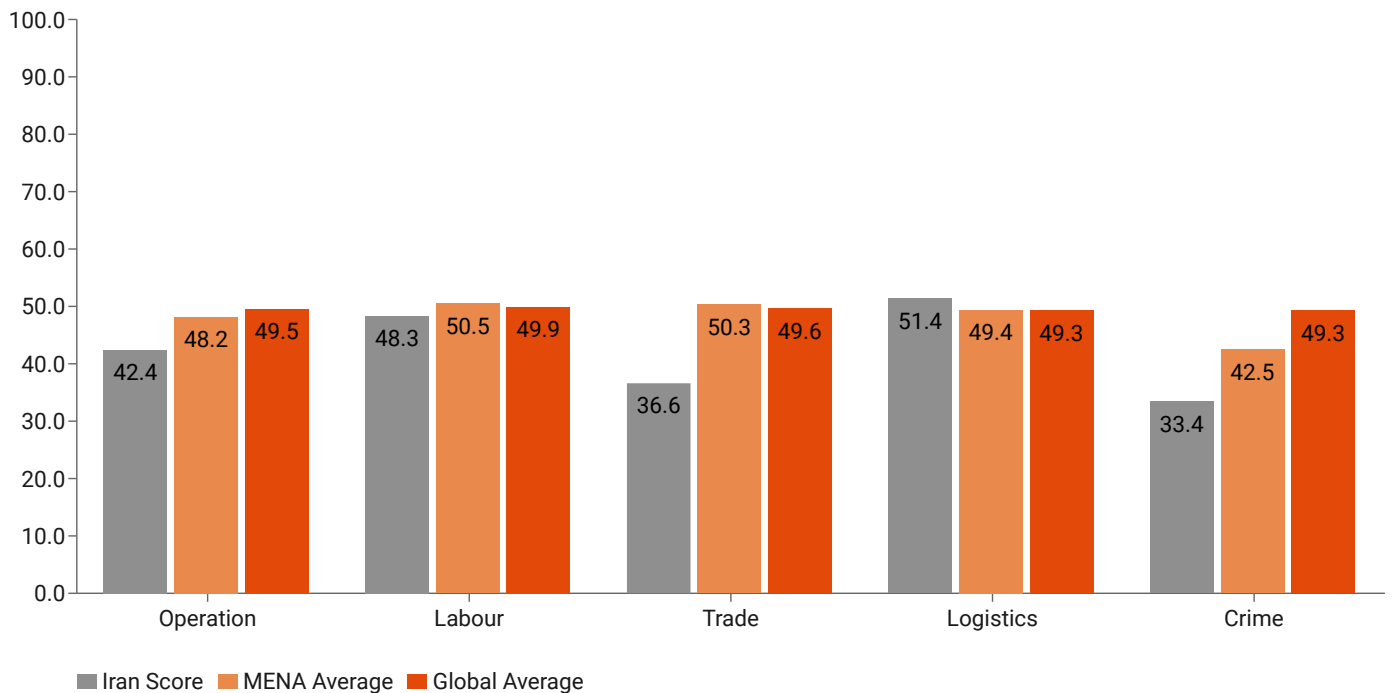
10.6 Fitch Solutions Operational Risk Index

	Operational Risk	Labour Market Risk	Trade and Investment Risk	Logistics Risk	Crime and Security Risk
Iran Score	42.4	48.3	36.6	51.4	33.4
MENA Average	48.2	50.5	50.3	49.4	42.5
MENA Position (out of 18)	12	9	13	9	12
Global Average	49.5	49.9	49.6	49.3	49.3
Global Position (out of 201)	130	105	149	84	159

100 = Lowest risk, 0 = Highest risk

Source: Fitch Solutions Operational Risk Index

Iran vs Global and Regional Operational Risk Averages



Note: 100 = Lowest Risk. 0 = Highest Risk

Source: Fitch Solutions Operational Risk Index

Date last reviewed: February 25, 2021

Country	Operational Risk Index	Labour Market Risk Index	Trade and Investment Risk Index	Logistics Risk Index	Crime and Security Risk Index
United Arab Emirates	72.5	67.4	78.7	69.9	74.1
Bahrain	68.3	63.0	76.0	72.8	61.5
Saudi Arabia	64.8	66.1	65.9	66.5	60.6
Qatar	64.7	63.3	62.8	73.4	59.3
Oman	64.5	58.2	64.3	66.5	68.8
Jordan	56.9	56.6	63.3	56.4	51.2

Morocco	55.1	42.5	66.2	54.4	57.4
Kuwait	54.9	55.7	57.4	48.9	57.5
Egypt	49.7	47.8	48.9	58.0	44.1
Tunisia	47.7	40.1	57.7	47.8	45.0
Lebanon	44.1	51.8	50.2	42.9	31.5
Iran	42.4	48.3	36.6	51.4	33.4
Algeria	39.6	47.0	31.9	43.4	35.9
West Bank and Gaza	31.4	46.0	38.3	23.8	17.7
Iraq	30.7	39.4	33.9	39.3	10.2
Libya	29.0	42.6	27.3	29.2	17.0
Syria	28.0	39.0	25.3	24.3	23.3
Yemen	22.6	34.3	19.8	20.2	16.1
Regional Averages	48.2	50.5	50.3	49.4	42.5
Emerging Markets Averages	46.8	48.3	47.1	45.8	46.1
Global Markets Averages	49.5	49.9	49.6	49.3	49.3

100 = Lowest risk, 0 = Highest risk

Source: Fitch Solutions Operational Risk Index

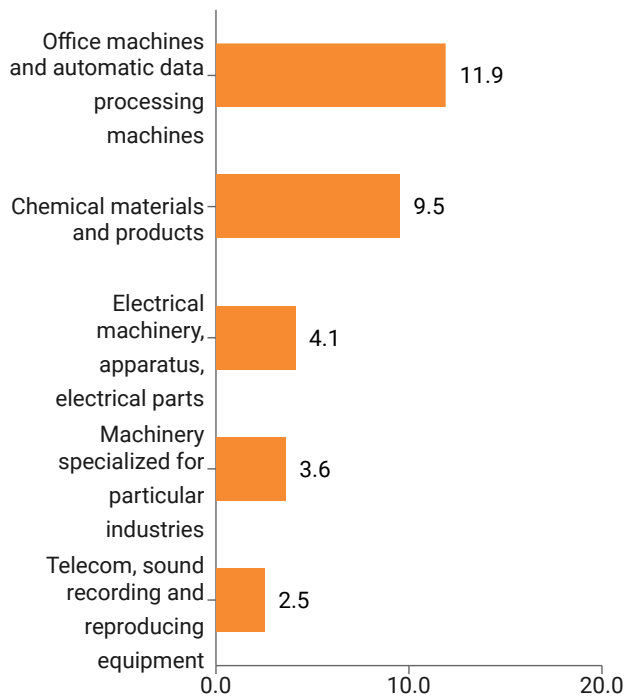
Date last reviewed: February 25, 2021

11. Hong Kong Connection

11.1 Hong Kong's Trade with Iran

Major Export Commodities to Iran (2020)

Major Import Commodities from Iran (2020)

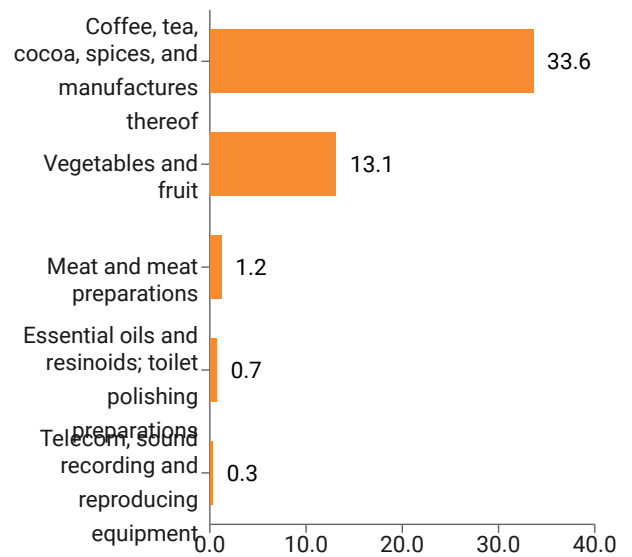


US\$ million

Note: Graph shows the main Hong Kong exports to Iran (by consignment)

Sources: Hong Kong Trade Statistics, Census and Statistics Department

Date last reviewed: March 1, 2021



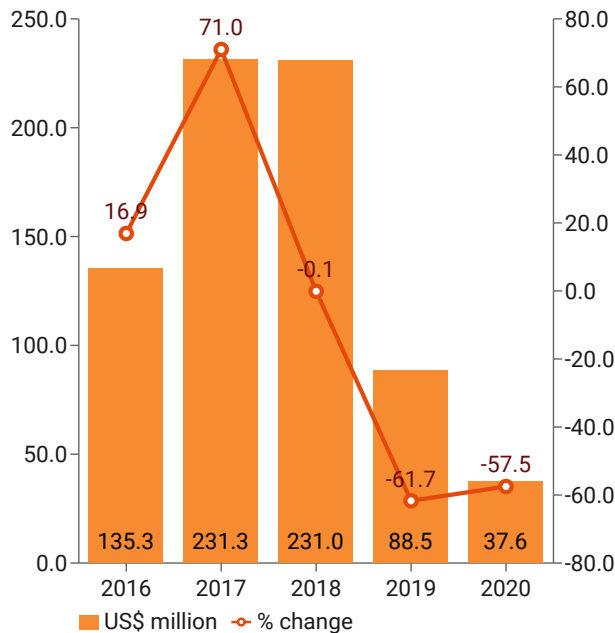
US\$ million

Note: Graph shows the main Hong Kong imports from Iran (by consignment)

Sources: Hong Kong Trade Statistics, Census and Statistics Department

Date last reviewed: March 1, 2021

Merchandise Exports to Iran

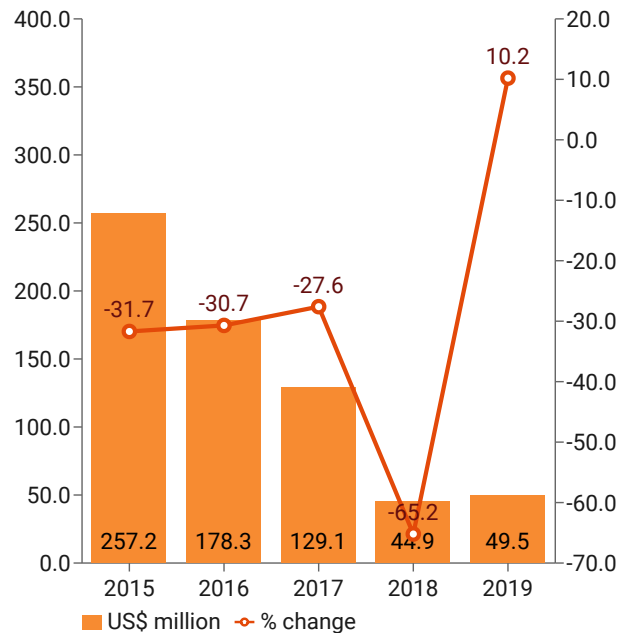


Note: Graph shows Hong Kong exports to Iran (by consignment)

Sources: Hong Kong Trade Statistics, Census & Statistics Department

Date last reviewed: March 1, 2021

Merchandise Imports from Iran



Note: Graph shows Hong Kong imports from Iran (by consignment)

Sources: Hong Kong Trade Statistics, Census & Statistics Department

Date last reviewed: March 1, 2021

Exchange Rate HK\$/US\$, average

7.76 (2016)

7.79 (2017)

7.84 (2018)
7.84 (2019)
7.76 (2020)

	2019	Growth rate (%)
Number of Iranian residents visiting Hong Kong	1,644	-34.2
Number of MENA residents visiting Hong Kong	113,849	-12.8

Sources: Hong Kong Tourism Board, United Nations Department of Economic and Social Affairs – Population Division, Fitch Solutions

Date last reviewed: February 25, 2021

11.2 Commercial Presence in Hong Kong

	2020	Growth rate (%)
Number of Iranian companies in Hong Kong	N/A	N/A
- Regional headquarters		
- Regional offices		
- Local offices		

11.3 Treaties and Agreements between Hong Kong and Iran

- Iran does not have a bilateral investment treaty with Hong Kong. Iran signed a bilateral investment treaty with Mainland China in June 2000 that entered into force on July 20, 2005.
- An investment promotion and protection agreement is under negotiation between Iran and Hong Kong.

Sources: UNCTAD, Trade and Industry Department of Hong Kong

11.4 Chamber of Commerce (or Related Organisations) in Hong Kong

The Iranian Chamber of Commerce and Investment in Hong Kong and Macau

Address: Unit 1101, 11/F, Asia Trade Centre, 79 Lei Muk Rd, Kwai Chung, New Territory, Hong Kong

Email: chamber@iranham.org.hk

Tel: (852) 2151 8681

Fax: (852) 2151 8682

Source: [The Iranian Chamber of Commerce and Investment in Hong Kong and Macau](#)

Consulate General of the Islamic Republic of Iran in Hong Kong

Address: Unit 701, 7/F, The Sun's Group Centre, 200 Gloucester Road, Causeway Bay, Hong Kong

Email: iranconsulate.hkg@mfa.gov.ir / info@iranconsulate.org.hk

Tel: (852) 2845 8002 / 2845 8005

Fax: (852) 2845 8003

Source: [Islamic Republic of Iran Hong Kong](#)

11.5 Visa Requirements for Hong Kong Residents

Iran has waived visa for Hong Kong, Macao and Chinese citizens since July 22, 2019. They can enjoy a 21-day stay upon each entry for business or sightseeing. No prior application is needed and the passports will be no longer stamped at the borders.

Source: [Visa on Demand](#)

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