



## **Submission No 10**

### **Inquiry into Australia's trade and investment relationship with the economies of the Gulf States**

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*In the Name of God*

## **Submission to the Joint Standing Committee on Foreign Affairs and Trade.**

### **Iran's view on trade and investment relations with Australia.**

Iran and Australia have enjoyed more than forty years of cordial bilateral relations. Over the last decade greater mutual ties in economic, political, cultural, and scientific fields have developed through more active and frequent ministerial, parliamentary, and official level exchanges. Nine Joint Ministerial Commissions have been held so far, and the next will be held in Canberra later this year.

In recent years the relations between Iran and Australia have been based on good and stable trade relations. Australia has exported mostly agricultural and mining products, such as wheat, coal, barley, and butter, to Iran. Throughout this period Iran has striven to transform these trade relations into a long-term economic relationship that includes investment, lines of credit, transfer of technology, and so on. In spite of holding several JMC meetings, the balance of trade is still, by far, in Australia's favour. From the Iranian perspective, there is a desire to address the issue of trade imbalance and to diversify the scope of economic cooperation.

In order to institutionalize and diversify the economic and trade relations between our two countries a number of agreements have been proposed and are being negotiated. Iran would like to accelerate the path of on-going negotiations between relevant bodies in Australia and Iran. These agreements include trade, investment promotion, and aviation. Further agreements may be sought in the fields of customs and taxation once the current proposed agreements have been concluded. The Agreement on Reciprocal Promotion and Protection of Investments (IPPA), the Air Transport Agreement, and other new trade agreements are among those which have been pursued by both countries. Concluding the Trade Agreement by the next JMC has special priority as it will eventually facilitate and boost the business relations between our two countries.

Iran is looking to strengthen its trading position and to reduce its dependence on oil revenue. It is introducing currency and tax reform, and is moving to attract and protect foreign investment, whilst at the same time opening up employment opportunities through investment in manufacturing industries. Iran's strategic geographical position, and its access to international waterways, make it an attractive trading partner, providing, as it does, a gateway to Central Asia for Australian companies.

Iran is well-positioned to be a rich source of energy for many years to come; it possesses almost 10 percent of the world's proven oil reserves, and close to 16 percent of the world's natural gas. Australian companies could make investments in such fields as oil, gas, and mining infrastructure, in joint industrial production in mainland and free economic zones, in transport, transit of goods to Central Asia, and in the promotion of tourism.

Underpinning Iran's dedication to the strengthening of cultural ties with Australia are President Khatami's initiative, *Dialogue Among Civilizations*; the richness of Iran's culture and history, which we wish to share; Australia's multicultural policy; and the presence in Australia of thousands of Iranian immigrants. Drawing on these resources will allow the Australian people to become familiar with the language, culture, and civilization of Iran, which, in turn, will lead to greater mutual understanding between our two nations and will further our bilateral relationships.

Scientific and educational cooperation is an important area that has shown positive growth. During the past twenty years Iran has sponsored, through government scholarships, almost 900 M.A. and Ph.D. level students studying in Australian educational institutions. At present, there exist ten Memorandums of Understanding between Iran's Ministry of Education and various Australian universities. Joint programs have also started between some universities in our two countries. On the basis of developmental needs the number of scholarship students for overseas studies could be increased. These students, upon completion of their study and return to Iran, would continue to act as goodwill ambassadors, greatly contributing to the relations and promotion of trade and investment cooperation between our two countries. CSIRO cooperation with various Iranian organizations during past years has demonstrated the potential for the expansion of scientific, trade-oriented relations between our two countries.

Another area of cooperation that can be further developed is tourism. Iran is blessed with a wide variety of tourist attractions and low-cost tourist destinations. New efforts are in train to promote cross-tourism between our two countries. Iran treats very seriously its policy to attract more tourists into the country and, in general, to make the industry more active. Investment in upgrading Iran's existing tourism infrastructures is promising and is welcomed by Iranian authorities.

Iran is geographically a quarter the size of Australia, but has a population over three times greater. The structure of this population is rather unique as its demography includes a very large youth sector. This large well-educated, young population gives Iran great opportunities. For example, there are significant economic advantages on offer to foreign investors who see the potential of a large, skilled, and well-educated workforce.

The upward trend in economic activities in Iran has gained momentum during the implementation of the last two *Five Year Economic Development Plans*, and the current third one. Sound economic policies, combined with rebound in world oil prices and private sector confidence, have strengthened output growth and investment performance and have brought about considerable improvement in economic conditions. Due to stable oil prices in international markets, improved foreign reserves, large savings in the Oil Stabilization Fund, a strong balance of payments position, increased public contribution in investment, sound monetary and fiscal policies, and the downward trend in inflation, an economic growth rate of between 5 and 7.5 percent is achievable in Iran. In addition, the introduction of the unified single currency exchange rate has had a positive impact, making economic activities more transparent and attractive for foreign investments, as well as establishing sound monetary bases for enhancing foreign trade and for promoting export of non-oil commodities.

The new law on attraction and protection of foreign investments, which has provided significant guarantees and assurances for investors, has paved the way for business people interested in long-term business in Iran. Another important factor regarding the present economic situation in Iran is the Import Tariff Policy implemented by the government in recent years. Through this new policy paves the way for the importation into Iran of a broad range of commodities. The Iranian market is becoming increasingly competitive; price, technology, consumer sentiment, and market-related forces will determine the domestic market. It is this current status in the

Iranian marketplace that we wish to draw to the attention of Australian companies and investors. Although doing business in Iran might initially appear difficult, those who pursue such opportunities as are on offer will doubtless find ample reward.

In considering establishing long-term, stable, and diverse economic relationships, attention needs to be given to the lack of active participation of Australian companies in Iran. Understandably, from economic and geographical points of view, Australian companies have focused their energies on other regions, but opportunities now arise through Iran's economic development plans for new, comprehensive, and effective approaches towards doing business in Iran. Most major European, Japanese, and Korean companies are actively developing projects in Iran and have benefited from Iran's stable and promising economic outlook. An excellent example of such active involvement and investment by foreign companies in development projects in Iran is the Iranian-Japanese cooperative development of the Azadegan oil field.

Iran is one of the major markets in its region. With its road, railway, and air links to CIS countries Iran is perfectly positioned to become the hub for regional activities of Australian companies wanting to enter this vast and less-explored market.

Iran recognises Australia's importance within the Asia-Pacific region, and is aware of Australia's significance in regional economic development. Iran values the trade relations it has so far enjoyed with Australia, but believes that great untapped potential exists to further bilateral relations in the business sectors. Iran's vision is not only to finalize the mutual economic agreements between our two countries, but to shape the future trend of bilateral relations through diversifying and extending economic and trade relations with Australia.

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