



Polish Investment  
& Trade Agency  
PFR Group

# IRAN. NEW DESTINATION FOR THE AUTOMOTIVE SECTOR

Due to the imposed sanctions resulting in a long-term isolation, Iran has developed its own, well-established car production.

Automotive sector in Iran plays a strategic role in the national economy. It is the second - after oil and gas - most important industrial specialization of this country.

Today Iran is the 18th biggest car manufacturer in the world.



## Potential for Polish business

Poland and Iran have much in common regarding the automotive industry. In both countries, the sector is among the top power engines of the economic development. However, Poland has become a leading manufacturer and exporter of car parts and accessories, while Iran has focused on producing of ready-made vehicles - mainly for the internal market needs. This significant difference between the two countries is the source of business opportunities for both partners.

By 2025, Iran is planning to produce three million vehicles annually, one third of this amount will be exported. Only in the last six months the Iranian automotive industry has recorded an increase of 18% year-on-year. In the same period, the sector's sales increased by 10% YoY.

Some of Polish automotive companies have already been taking advantage of this situation. In 2016, Polish automotive export to Iranian reached \$ 6.1 million. Out of which \$ 2.8 million was generated by the parts and accessories.

## Iranian vehicles with foreign car parts

Iran's economy is oriented towards co-production, attracting foreign companies to export and make investments there. The government in Teheran has gradually mitigated protectionist policies towards the automotive market.

Vehicles that leave Iranian factories may contain up to 60% of parts derived from abroad. However, according to PAIH's Foreign Trade Office in Teheran, this proportion will increase to 80% in the coming years - in favour of foreign subcontractors.

## Demand of the Iranian automotive sector

- ✓ Accessories and spare parts for: fuel tanks, navigation systems, lighting systems, engines, gearboxes, filters, tires, fluids.
- ✓ Spare parts agricultural machinery.
- ✓ New automotive technologies.

Iran also liberalises its tax system to boost exports of the automotive industry. Companies located in Iran that sell at least 30% of their local production abroad can expect even a 50% reduction in taxes.

## Automotive brands on Iranian market Manufactured and importerted

IKCO, Pars Khodro, Saipa, Hyundai, PSA, Peugeot, Citroen, Renault, Mercedes Benz, Volkswagen, Kia, Toyota, Nissan, BMW, Mercedes Benz, Rover, SsangYong, Audi, Subaru, SEAT, Mitsubishi, Iveco, Volvo, MAN, Kamaz, Caterpillar, Kawasaki.

The growing demand for car parts and accessories shapes the Iranian automotive landscape. The fact that the country is the second largest internal market in the Middle East (80 million of inhabitants) and should be considered as an entry way to neighbouring markets, creates new business perspectives for Polish automotive producers - the chance that should not be omitted.