



## The Light Bulb Goes On For Iran

One of the areas of the world that Grail Research covers most closely is the Middle East. Late in 2008 we noted a trend about Iranian economic deals. Prior to 30 years ago, Iran had a history of free market economics. With 30<sup>th</sup> anniversary of the establishment of the Islamic Republic of Iran, we thought it was interesting that FDI inflow trajectory and pace of deals makes Iran look to be heading in the direction of a more open economy.

Iran has negotiated at least 48 deals across a wide range of sectors in the past 7 months.

- While Oil and Gas account for 50% of the deals, there are also deals in Automotive, Telecom, Banking, Manufacturing, Alternative Energy and other non-Petroleum sectors
- The 20 deals with public deal values total almost USD 62B
- Deals are with companies and/or governments in more than 25 separate nations, including countries such as Australia (zinc production plan), Italy (desalination, industrial manufacturing), Turkey (natural gas, textile manufacturing), Nigeria (nuclear energy), Ecuador (cement, petrochemicals, oil refinery, alternative energy), Nicaragua (agriculture, alternative energy)
- Some of the more interesting deals include:
  - *28 August 2008* – Iran and Nigeria have signed a nuclear deal to assist Nigeria in building its electricity generation capacity
  - *13 September 2008* – Iran and Iraq decided to establish three free trade zones in Iraq to promote trade between two countries
  - *27 October 2008* – Thailand plans to barter rice for Iran's oil. Thailand is the world's largest rice exporter while Iran is one of the world's top 10 importers of rice
  - *2 December 2008* – The Mobina Group plans to buy shares of two Belarusian banks. The group also plans to construct a waste recycling plant, as well as some trade and residential complexes in Belarus
  - *14 December 2008* – Australia's Union Resources Ltd signed an initial agreement to build a zinc production plant worth USD 1.2Bn in central Iran
  - *24 December 2008* – Iran's Zagros Khodro and Malaysia's Proton Company have signed a memorandum of understanding under which proton will supply automotive parts to Zagros Khodro to assemble Proton Gen-2 car model in Iran
  - *19 January 2009* – Iran will build a light bulb factory in Senegal with annual production of 3.5M units in the initial phase
  - *25 February 2009* – Iran plans to invest USD 200M in Nicaragua's agricultural and energy sectors; deal includes building a dam and a hydroelectric power station, setting up milk factories and buying beef, coffee, rice and beans

FDI Inflows comparison puts Iran better than Venezuela in 2008 and at the same level as Turkey 10 years ago.

### FDI Inward Flows (USD MM at Current Prices)

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Iran	38	16	29	58	108	400	306	918	317	754
Venezuela	4,985	2,890	4,701	3,683	782	2,040	1,483	2,589	-590	646
Turkey	940	783	982	3,352	1,133	1,751	2,785	10,031	19,989	22,029

Source: United Nation Conference on Trade and Development (UNCTAD)