

Barriers to Enter a Newly Emerging Market

Iran

Case Company SuomIran Oy

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<p>In this thesis, the author describes the analytical processes that are involved to determine the barriers while entering in the Iranian market and provide some suggestions on how to deal with those barriers. Barriers are considered as an obstacle to achieve the target, and these obstacles/difficulties in the market prevent new competitors to enter the market. Which is beneficial for existing firms because they can protect their revenues and profits.</p> <p>The goal of this thesis is to assist international and Finnish companies to understand the Iranian business environment and existing barriers such as corruptions, logistics, taxes and so on. The aim is to provide small and medium-sized companies with enough theoretical knowledge about Iran and entry barriers because knowing those barriers enable them to find hidden opportunities.</p> <p>The author analyzes and applies relevant theories works to find out the answers to the main research questions. To answer those questions the author collects pieces of information about the barriers, risk, and opportunities that are present in the market by doing secondary research via literature, desktop, internet, and intranet methods.</p> <p>On the basis of the finding, some recommendations will be given to the case company. This thesis summarizes personal observations and determines the main barrier that is keeping international case company from entering Iran.</p>	
Keywords Internationalization, Emerging Market, Entry Market Barrier, Newly Emerged Market	

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1 Introduction

The main purpose of this thesis is to research trade relationship Iran-Finland for the company called SuomIran Oy which is situated in Helsinki. International trade involves many factors in the environment. The objective of the thesis is to identify the barriers, challenges, and opportunities existing in the Iran market. International trade depends on certain factors to ensure its growth and sustainability. Liberalization, globalization and technological advancements are key for the success of international commerce; however, trading across borders requires a good understanding of the market and legal policies for international business.

SuomIran Oy is a consulting firm and the mission of the company is to provide business guidance to Finnish and Iranian companies to promote trade relations between them. Also provide services to speed up the growth within the entrepreneurship environment of both countries especially in energy, environmental and cleantech sector. The company is operating in Finland and partly in Iran. The company provides services such as market research, risk analysis, help to find potential trusty partners and so on... The company is an expert in professional green consultancies such as renewable energy, energy-saving, waste to energy, power plants and air pollution. And matchmaking is also another service that SuomIran providing to their customers.

The company's focus is on energy sectors and the reason behind that this sector has the second-highest share in the country (Iran) GDP and they are very professional in it. Company is providing services in other sectors as well and proven them self their as well especially in the education industry, automotive industries. The company came into the existence due to the investment opportunities in Iran since the sanctions have been removed by the US and many developed countries want to enter Iran, especially in the energy sector, because of the whole world energy system is moving towards natural resources. Location of Iran is in the middle east where the sun is shining most of the time of the year. And there are lots of great opportunities for companies to produce electricity from renewable energies since the country rich in natural resources such as oil, gas and so on.

Every developing country have their thread and weakness, Iran is very rich in energy sector almost 98% of people have accesses to electric. But on the other hand, has trouble with water, corruption, and many other problems, the government made some rules and regulation to promote international business in Iran.

1.1 Thesis objective

It is a market research base thesis for international/Finnish energy companies that want to enter Iran. This thesis aims to identify the obstacles that are coming up when companies try to enter the market, or some company has faced it. Then analyze what hurdles are on their path and how to remove those barriers.

The goal is to do genuine research and identify entry barriers for international companies to enter the potential newly emerging market (Iran). And also explain how to be able to control somehow those barriers by taking the right type of decision and make it easier for International companies. And it can be done through the following questions

RQ1: What are the factors which affect entry? for example, PESTEL analysis of the country will be done in it. To find out what the role of economic infrastructure and in this question, the author discuss the road, rail, and source of the transportation system. Another important area of research is the country bank system is it reliable or not and how nicely they are operating.

RQ2: What is the motive of Expansion? Internationalization is one of the most important factors behind motivation. This part is again desktop research and PESTEL analysis of the country will be done in it.

RQ3: What are the Challenges in Iranian Market? This task heavily depends on secondary data and desktop research. The author will study books and thesis which has general information about the barrier to entry in the energy industry of Iran.

RQ4: Most appropriate entry mode for companies in the energy industry and the advantages and disadvantage of that entry

Table1. Overlay matrix below presents, Overlay matrix for a research-oriented thesis

Research Questions	Theoretical Framework	Research Methods	Results
RQ1. What are the factors affecting entry mode	Books, company case and article also some academic sources such thesis	Secondary research via literature and desktop	A theoretical academic base for the plan
RQ2: Motives of expansion to Iran	Books, company cases, articles and other international companies that are currently operating there.	Both desktop and Interview will be used	To increase the overall understanding of why Iran's energy industry is suitable for companies.
RQ3: What are the Challenges	Books and so on.	Desktop Research base	Identify current existing barriers in the market.
RQ4: Most appropriate entry mode for companies	Book and news and some past to future changes and some prediction about the possible change in population attitude	Interview and desktop research	Some recommendation can be made

(Elizabeth San Miguel, 2013)

1.2 Short introduction of the target country

The Islamic Republic of Iran located in the western Asia. The current population of Iran, according to United Nations estimation is 82,788,138 with total land area of 1,628,550 km². The urban population includes 62,702,803 people (75.7%). The northern borders of Iran are connected with Turkmenistan, Azerbaijan, Armenia, Kazakhstan and Russia. In the east, Pakistan and Afghanistan are located, while its south is bordered by the Persian Gulf and Gulf of Oman. Iraq is in the west, whereas Turkey is situated at the northwest of Iran (World Population review 2019). The capital city of Iran is Tehran with a population of almost 8.4 million people. Persian (Farsi) is the official language of Iran while the currency named as Iranian Rial.

Islam is the major religion of Iran with 99% Muslim population constituted Shi'a (89%), Sunni (10%) and the remaining 1% includes Christian, Zoroastrian, Baha'i, and Jewish population. The median age in Iran is 30.1 years, considered as youth of the country. (World Population review 2019.)



Figure 1. Map of Iran with nearby bordered in the world map (Operation world 2019).

1.3 Demarcation

It is fundamentally important to do demarcation of thesis topic to produce valuable information for the reader/company. In this thesis, the author will be focusing on the entry barrier that will come up when companies enter into energy industry of Iran. There are so many barriers that may arrive, but mainly focus will be on those barriers which will be more prominent and obvious.

1.4 Risk analysis

As we all know that emerging economic offering huge business opportunities, but on the other hand it is very risky for the companies that are willing to enter into markets. Because most developing countries are acting as an emerging market and bring many risk and challenges along with benefits. A true and smart risk analysis can be done before making an entry in these countries help companies to minimize and control on upcoming risks. The manager can do two types of research to clearly understand the risk in target market primary and secondary data research.

Primary data: This type of data collection is usually industry focus and this thesis focus on the energy industry in Iran. Information about this industry can be obtained by interviewing/asking a question with international business consulting companies,

embassies in foreign countries, international distributor, agents and the international companies that are already operating there.

Secondary Data: Now a day there are plenty of reliable sources are available in today worlds such as The Economist, Euro money, international Monetary Fund, Rating Agencies, World Bank and many others these organization upload and publish country-specific information and rating annually or even quarterly. In addition to those firm data can be gathered from the bank, major investment houses, local educational institutions and universities for a better understanding of the local environment for the target country. They can be useful sources for analyzing several risks involved when doing business in a risky market (Cavusgil et.al, 2002, 26).

To minimize some of the risks and time, our consulting company provides very factual information which can help companies who want to enter in Iran energy industry. Finding local partners in the target country is a challenging part for the new company because trusty and reliable partner plays a major role in decision making particularly in Iran where systems are not transparent. SuomIran is here to make your life and entry easy in the market (Iran) and may suggest some experienced and well know local partners.

1.5 International aspect

People and industries attitude regarding their energy consumptions and emission green gas has been changed a lot of people become more aware of the side effect of Co₂. The international companies are working on the reduction of gas emission by setting certain annual goals and reporting it. Those changes lead an Automotive industry to introduce the electric car in 2008 that has an electric chargeable battery which comes in varieties of batteries. Lack of charging facility in public places shrink the acceptance of electric car in the market, but developed country such as Germany, Finland, and other countries have installed electric Plug-socket in the parking area of big shopping malls or other relevant places to prompt it. U.S government has less tax on the electric car than others. Big international companies such as Citech, GE (general electronic) and so on... are also working on their emission on Co₂ and want to reduce it. For example, they are planning to convert heavy medical equipment's energy system to natural energy system. Many international universities are working on energy suitability and their productions.

People in Pakistan, Cyprus, and Turkey are using Solar cells energy for their personal use of energy. I believe the production of energy using natural source has countless advantages and scope in the future.

Dramatic changes in the price of oil provide opportunities to look at another source of energy such as natural sources. The country like Finland does have bad weather condition can do their business in other country or newly emerging market such as Iran, China, Pakistan, and India. Where weather situation tends to be good and particularly produce solar energy by using sunlight. Once the company becomes stable in producing energy by using natural resources can do their business in other countries.

Now day energy industry is facing a new challenge than ever before. The industry is focusing on natural resource to produce energy such as solar energy, nuclear energy, bio-waste energy, and renewable energy. The huge amount of research work is going on to produce sustainable and more effective energy through natural sources. On the other hand, industries such as medical, beverage and so on... already start implanting solar energy plant in their office to reduce the emission of Co2.

The transition towards more renewable energy and diversified supplies is creating opportunities and challenges for the security of the global energy infrastructure. Now renewable energy is a part of energy portfolio and rapidly gaining market share, it is bringing benefit such as energy mix diversification, with the distributed generation growing at a fast pace worldwide and its installed capacity expected to more than double in the next decade. On the other hand, the energy generation portfolio transitions and diversifies further bring new challenges such as changes in the electricity business model and their rule and regulatory policies to ensure secure and reliable supply.

Increasing in demand of natural source energy and their management leads a new global energy security rules and regulations. Due to the unusual changes in the price of oil and gas energy emerging market such as China and India have put pressure to readjust the price against the backdrop of a general adjustment in energy supply patterns. Through this thesis Author(i) will identify the barriers that are coming in the path of Finnish company when they want to enter in Iran energy industry also provide some suggestion based on own finding and theoretical work and how those barriers can be minimized. Provide very useful information that can be used later on for advance and better solution for upcoming barriers

Nowadays almost all big companies are working on their annual report to address how much emission of co2 has been produced by them self. Which enable them to set the realistic goal to reduce emission let's say by 5% in the upcoming two years and then make the plan and act on them according to their target that has been set. Even small-medium companies are working on it at least in the developed country; however, this trend seems

to become more popular in near future due to the requirement of time and some governmental policies and advancement of technologies which make it easier to keep track on it. This positive change in the company's behavior can somehow reduce or control the Global warming.

1.6 Benefits

This thesis has certain benefits first of all the company will get genuine information in the form of the proper report with one hand information. Later on, the company may work on entry barriers that will mention in this report and try to cope up and provide nice and real consultancy to its customers based on the finding. However, it is the superficial stage of information, but still, it is authentic and trustworthy. I believe Finnish and Iranian people will gain an advantage in the long run if a deal happened between those two countries.

The second benefit to all the B2B sectors who has a business relation with Iran or Finland. A student like us who are studying business can get advantages when they want to know more about the business environment and cultural issues of the companies of Iran. Finnish investors in the energy sector can get the most benefit of this work. Doing a thesis for a commission company is one of the best practical ways for a student to understand how the market is in real-time how thing can be seen in many different aspects. Which explain what are the suitable theoretical approaches related to the topic of the thesis? I am the one who will get the most benefit with this thesis because as an author I will go in-depth and detail analysis of Iran industry which will increase my knowledge.

1.7 Key concepts

Emerging Market: Word emerging market use for the countries who are in transaction phase from developing to developed market because of their rapid growth and industrialization. Countries are continually investing on their education system and technologies advancement, increasing foreign investments and focusing on integrating themselves in the global economy as a major player (S.Tamer Cavusgil, Pervaz N. Ghauri & Ayse A.Akcal, 2013, 03)

Internationalization: Doing business in many different countries of the world, but often limited to a certain region (e.g. Europe). To be successful in internationalization it is very important for the firm to prepare the plan (Hollensen, 2017, 19)

Entry modes: As stated by Root (1987), "entry is an institutional arrangement that makes possible the entry of a company's products, technology, human skills, the management or other resources into a foreign country.

Target Market: A new market that is outside of the company`s domestic market (Hollensen, 2011, 276).

1.8 Case company

SuomIran Oy is a business consultancy company and acts as an intermediary between Finland-Iran which provide their services such as market research of both countries, risk analysis analyzes all the possible risks that Finnish investor should consider before entering to the Iranian market. This company has expertise in the fields of energy and environment.

The company is relevantly new in the market and it was established in 2010, current location in Helsinki, Finland Kaunispääntie 5, 00970. The mission of the company is to provide business consultancy to Finnish companies entering Iran and stimulate trade relationship between them. And enable Iranian companies to know more about the environmental energy companies of Finland for instance about technology transfer and investment

SuomIran is technically assisting Finnish companies to establish an enterprise in middle eastern countries especially in Iran with over 80 million population. The staff has proficiency and experience, communication network, language skills, cultural understanding because they are from Iran. The company is operating in Finland and partly in Iran since the company is providing business advisories to Finnish companies and have combinational knowledge of business environment for both countries. Iran requires technological development regardless of the existing natural resource developed country such as Finland could help them by sharing knowledge.

2 Business environmental analysis of Iran

To understand business environmental of Iran. The author will use the most powerful and well-known tool in the business world called PESTLE analysis. PESTLE is an abbreviation for Six sources of change: political, economic, social, technological, legal and environmental and each source has its importance. PESTLE analysis is a powerful and widely used tool for understanding strategic risk. Which classifies the changes and the effects of the external macro-environment on a firm's competitive position. (Tanya Sammut-Bonnici and David Galea 2015, 1.) It is used as a fundamental tool of situational analysis for the business evaluation purpose and it is one of the most common models which is used for the evolution of the external business environment that is highly dynamic (Gupta 2013, 13.)

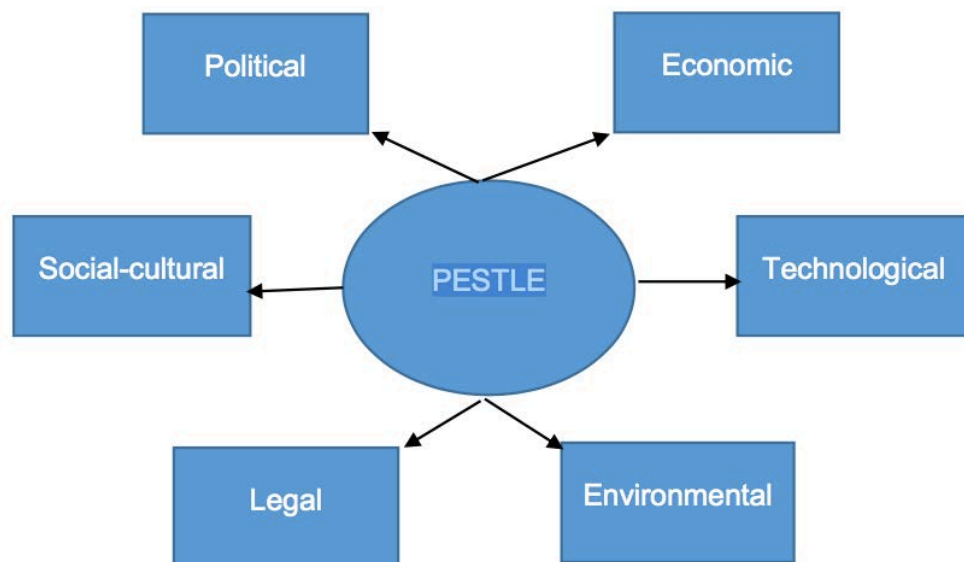


Figure 2. Six key elements of PESTLE analysis (Tanya Sammut-Bonnici and David Galea 2015, 1.)

PESTEL analysis is a very fundamental framework for the companies to understating the external influences on a business. It provides real and good information about the country's(area) where the company wants to internationalize. (PESTLE Analysis 2018.) Mostly all the companies before entering any new market prefer to do Pestle analysis, to gain the understanding of the whole environment of the business (Wood 2013, 33.)

Pestle analysis revealed the opportunities and threat that exist in the new market and it has a huge influence on decision making whether to enter a new market or not. It stretches a view of the whole environment from many different angles that one wants to check and keep a track of while contemplating on a certain idea/plan. More than just understanding the market, this framework represents one of the vertebrae of the backbone of strategic management that not only defines what a company should do but also accounts for an organization's goals and the strategies stringed to them (Rashain Perera 2017.)

2.1 The political view of Iran

Political factors determine to what extent a government may influence the economy or a certain industry. For example, a government may impose a new tax or duty due to which entire revenue generating structures of organizations might change.

Political factors include tax policies, Financial policy, trade tariffs, etc. that a government may impose around the upcoming year and it affect the business environment (economic environment) to a great extent. The political environment has a huge impact on the business organization in many ways. It may add a risk factor and lead to a major loss, and it is important to understand that the political factor has the power to change the results. Companies should be fully prepared to deal with the local and international outcomes of politics. (PESTLE Analysis A Tool for Business Analysis 2015.)

Iran has an elected president, parliament (or Majlis), "Assembly of Experts" (which elects the Supreme Leader), and local councils. The election for the new government in Iran takes place once every four years. once the government comes into the authority it cannot stay for more than 8 years. Whenever a new government comes into the control they still should follow and act according to the constitutional rules of the country, but interactions of any government might be different from the other one when having political affairs with other nations. (Gerg Bruno 2008.)

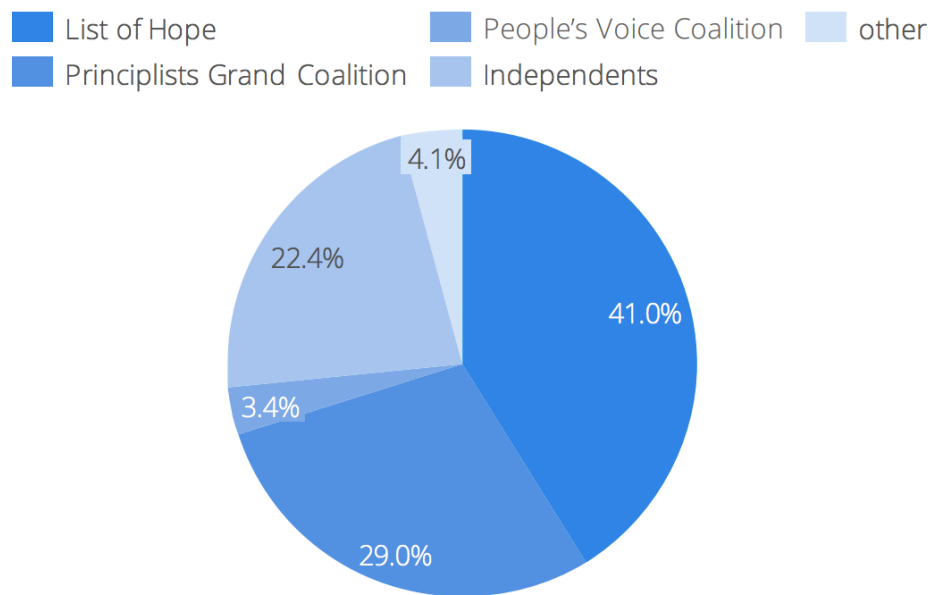


Figure 3. Latest election results: Iranian Islamic Consultative Assembly, 2016 (Haaga-Helia Statista Country Report 2019)

The political framework of Iran takes place in a theocracy in a format of syncretic politics that is guided by Islamic ideology. Political fundamentals of Iran are officially based on the main constitutional laws and the laws of foreign policy are in the tenth chapter from article 152-155. The translation of the constitution has been published on the website of World Intellectual Property Organization (WIPO). Knowing the basic constitutional laws of the country assist the company and business, not only to them also to an individual who intended to interact with Iran for having a general concept of the foreign policy of Iran.

These constitutional laws are as follows:

Chapter 10 of Constitutional Laws of Iran regarding Foreign Policy

- **Article 152:** The foreign policy of the Islamic Republic of Iran is based on the rejection of any kind of domination, both its exercise and submission to it; the preservation of the all-inclusive independence of the country and its territorial integrity; the defense of the rights of all Muslims; non-alignment in relation to the domineering powers; mutual peaceful relations with nonaggressive states.
- **Article 153:** Any form of agreement that would result in foreign domination over the natural and economic resources, foreign domination over culture, the army, and other affairs of the country, is forbidden.
- **Article 154:** The Islamic Republic of Iran considers human happiness throughout human society as its ideal. It considers independence, freedom, and the governance of

justice and truth as the right of all the people of the world. Consequently, while it completely abstains from any kind of intervention in the internal affairs of other nations, it supports the struggles of the oppressed for their rights against the oppressors anywhere in the world.

- **Article 155:** The Islamic Republic of Iran can grant amnesty to the persons who seek political asylum unless according to the laws of Iran they are identified as traitors and criminals.

(International Society for Iranian Studies, 2014. 32-33)

The 1979 Revolution Since then, U.S. officials have consistently identified Iran's support for militant Middle East groups as a significant threat to U.S. interests and allies, and Iran's nuclear program took precedence in U.S. policy after 2002. In 2010, during the Obama Administration due to broad international economic pressure on Iran to convince it to agree on strict limits on the nuclear program. The effort that has been done by relatively moderate Hassan Rouhani as president of Iran multilateral nuclear agreement resulted in the Joint Comprehensive Plan of Action (JCPOA). In this agreement exchanged sanctions relief for limits on Iran's nuclear program but did not contain binding limits on Iran's missile program or its regional influence or human rights abuses. (Every CRSR Report 2019.)

On May 8, 2018, in the Trump Administration United States announced that they withdrawal the JCOPA and reimpose all U.S. secondary sanctions and the new sanctions went into place in November with oil purchase. In May 2019 ending of sanctions exceptions for buyers of Iranian oil, is to apply "maximum pressure" on Iran to compel it to change its behavior, including negotiating a new JCPOA that takes into account the broad range of U.S. concerns. At the same time, President Trump showed interest to meet with Iranian leaders. However, Administration statements and reports have a list of the things and objectionable behaviors that Iran has to change the sustained relationship between the U.S. and Iran. On the other side, Iranian leaders say they will not talk with the Administration until and unless it returns the 2015 JCPOA. (Every CRSR Report 2019.)

New Sanctions with oil purchase waivers in place for China, India, Japan, South Korea, Taiwan, Turkey, Italy, and Greece. Since then, Italy, Greece, and Taiwan have frozen their Iranian oil imports. On the other hand, other countries Turkey and China have a stand against the U.S. action, but it is unclear whether they will continue to buy Iranian oil. In April 2019 the Trump administration has shown the confidence that countries such as Saudi Arabia and the United Arab Emirates will counterbalance any loss in Iranian oil. U.S.

pressure has widened leadership differences in Iran. Hassan Rouhani, who somehow succeeded to improve Iran's relations with the West, including the United States, resulting in winning presidential elections again in 2017. (VOA news 2019)

One of the valuable agreements between Iran and the EU (union) is a nuclear agreement that is named Joint Comprehensive Plan of Action (JCPOA) has started its implementation and in accordance with the European Union website (European Union 2017.) "On 16 January 2016, once the International Atomic Energy Agency had verified the implementation by Iran of the nuclear-related measures, most EU and UN sanctions were lifted. The EU lifted all nuclear-related economic and financial sanctions. However, some restrictions remain in force, including restrictions on the transfer of proliferation-sensitive goods, the arms and ballistic missiles embargoes and the restrictive measures against some of the listed persons and entities". Indeed, it was a big new for Iran and the rest of the world it brings many opportunities in many sectors such as the economy (allowing more international companies to enter Iran's business)

The joint comprehensive Plan of Action between Iran and the EU has opened the door to a renewal of broader relations. This renewed commitment takes place based on the full and continued implementation of the JCPOA by Iran and the other parties. The International Atomic Energy Agency (IAEA) regularly verifies Iran's compliance with the JCPOA.

What they agreed on JCPOA:

- To make sure and encourage full implementation of the JCPOA to further expand bilateral cooperation.
- Building good relations ship in areas of mutual interest to benefit the economic development, human rights, prosperity and well-being of the people of Iran and the EU including with the cooperation on energy, environment, migration, drugs, humanitarian aid, transport, civil protection, science, education, and culture.
- Promote regional peace, and stability as well as. In case if any regional conflict to do peaceful settlement through dialogue and engagement. (Iran and the EU 2018.)



Figure 4. Follow up a meeting between Iran and European Union on Nuclear deal

In the follow up meeting between both representative from 16 April 2016 Due to high level of visit and exchange of knowledge(information) has improved EU-Iran cooperation in most value able sectors, such as economic, from trade and investment talk to education and science cooperation, environment and climate change' expert exchanges and discussions on humanitarian and human rights issues.

A high-level Dialogue takes place twice a year to discuss the progress of JCOPA cooperation between the EU and Iran. From EU side by EEAS Secretary General Helga Schmid and on the Iranian side by deputy Foreign Minister Abbas Araghchi. The European Union continuously supports Iran's integration in the world economy and its membership in the World Trade Organization.

High Representative of EU Mogherini said in a press conference. "The fact that we are still here, being able to say that the deal is still fully implemented as the IAEA [International Atomic Energy Agency] has done less than a month ago is encouraging" Participants said they are determined to protect the freedom of their economic operators to pursue legitimate business with Iran and said that this initiative is aimed at preserving the Iran deal, which is in the international interest. (Iran Deal 2018.)

One of the very interesting facts about JCPOA agreement which has been written down in the agreement is that if one day the sanctions will return for Iran. Trades that have been made before returning the sanctions will be applicable and follow old terms and condition. All the businesses and companies can continue according to their previous contracts with Iranian companies, but the new contract can be made if one day the sanctions appear again. So, it is high time for international companies to do seriously think about doing business in

Iran. Media is creating much more hype of sanitation in Iran and also talked a lot what happens if that sanitation comes as it is mentioned in JOCAP agreement.

In fourth EU/E4 political consultations on regional issues with Iran was held by EEAS Secretary General Helga Schmid and attended by E4 countries (France, Germany, Italy and the United Kingdom) at the level of Political Directors. The Iranian delegation was led by Hossein Jaber Ansari, Deputy Minister for Foreign Affairs. The main focus of this meeting was on the political and humanitarian situation in Yemen. All participated EU countries were in strong support for the ongoing political talks in Sweden facilitated by the UN Special Envoy. (Task Force Iran 2018.)

2.2 The economic situation of Iran

The economic factor of any country has a direct impact on business(companies), and it has a long-term effect on the performance. For example, a rise in the inflation rate of any economy would affect the way companies' price their products and services.

In addition to that, it would affect consumer purchasing behavior power and change in demand/supply models for that economy. Economic factors include inflation rate, interest rates, foreign exchange rates, economic growth patterns, etc. (PESTLE Analysis A Tool for Business Analysis 2015.)

In 2017 estimated Gross Domestic Product (GDP) of Iran was US\$447.7 billion, and a population of 80.6 million people. Iran's economy is described by the hydrocarbon sector, agriculture and services sectors, and a noticeable state presence in manufacturing and financial services. Iran is the second-largest sources of natural gas reserves in the world and fourth in proven crude oil reserves. Economic activity and government revenues heavily depend on oil, therefore instability in the economy continues. Oil, agriculture, and services sectors are now back above the levels of activity they were before sanctions in 2012/13. (The world Banks 2018.)

Iranian authorities have implemented a five-year development plan for the 2016-2021 period. The purpose of the five-year development plan is to have an increase in the annual economic growth rate of 8 percent and improvements of state-owned enterprises, the financial and banking sector, and the better and useful distribution oil revenues among the main priorities of the government. And five-year development plan based on three basic

pillars, 1- The development of a resilient economy, 2- Progress in science and technology, 3- The promotion of cultural excellence.

The unemployment rate remains high, at 12.1 percent as of Apr-Jun 2018, while it represents a moderate improvement compared to the same period of the previous year (12.6 percent).

Even though the government is working a lot for the betterment of the economic the unemployment rate still high, at 12.1 percent as of Apr-Jun 2018, however, it showed slight improvement if we compare to the same period of the previous year which is (12.6 percent). Iran is a male dominant society, therefore, the gender gap seen in the labor market. Unemployment rate between genders is 19.7 percent women and in man 10.2 percent. Youth (15-24 years) unemployment at 28.3 percent in June 2018 which is high if we compare to last year and other regional averages. Participation of female in the labor market continuously increase and Iran has shown very clear and prominent differences in the participation of female in the labor force although the gap is still high. (The world Banks 2018.)

The economy is predicted to fall because of US sanctions terminating in November 2018 which decreased in the oil exports are expected half of their 2017/18. Resulting in the contract of economic by 1.4 percent on average between 2017/18-2020/2. On the other hands increase in import prices from the devaluation are expected to push inflation back above 30 percent in the coming years.



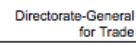
Poverty in the country estimated to fallen from 13.1 percent to 8.1 percent between 2009 and 2013 (US\$5.5 a day line in 2011 PPP). And it's because of the universal cash transfer program in late 2010, which preceded the elimination of subsidies on energy and bread. (The world Banks 2018.)

Looking ahead, the falling real value of cash transfers due to inflation may counterbalance the positive impact on wellbeing from economic growth in 2016/17 and 2017/18 and exacerbate the impact of predicted negative growth after 2017/18. (The world Banks 2018.)

IMF assessment on anti-money laundering and combatting the financing of terrorism, the World Bank is also helping Iran with its National Risk Assessment. In contrast, EU member state in Iran deal will provide a legal entity enable legitimate financial transactions, by

international standards. Which will allow Iranian banks to operate in the international market? (Djavad Salehi Isfahani 4 December 2018.)

Removal of s sanctions along with JCPOA implementation in 2016 has facilitated trade and economic relations. EU imports from Iran reached 5.5 billion EUR, representing an increase of 344,8% and EU exports amounted to 8.2 billion EUR, an increase of 27,8%. In 2017 EU imports from Iran went beyond 10.1 billion EUR and exports to Iran peaked at 10.8 billion EUR. European investors are more visible in the energy, automotive and transport sectors and according to the IMF real GDP growth in Iran is expected to reach 4.3 percent in 2017/18. (Djavad Salehi Isfahani 4 December 2018.)

European Union, Trade with Iran

Total goods: EU Trade flows and balance Source Eurostat Comext - Statistical regime 4

Period	Imports			Exports			Balance Value Mio €	Total trade Value Mio €
	Value Mio €	% Growth	% Extra-EU	Value Mio €	% Growth	% Extra-EU		
2007	14,052		1.0	10,125		0.8	-3,926	24,177
2008	15,942	13.5	1.0	11,341	12.0	0.9	-4,601	27,283
2009	9,384	-41.1	0.8	10,434	-8.0	1.0	1,050	19,818
2010	14,528	54.8	0.9	11,319	8.5	0.8	-3,210	25,847
2011	17,329	19.3	1.0	10,497	-7.3	0.7	-6,832	27,826
2012	5,652	-67.4	0.3	7,379	-29.7	0.4	1,728	13,031
2013	783	-86.1	0.0	5,446	-26.2	0.3	4,662	6,229
2014	1,158	47.8	0.1	6,430	18.1	0.4	5,272	7,587
2015	1,254	8.3	0.1	6,471	0.7	0.4	5,218	7,725
2016	5,516	340.0	0.3	8,233	27.2	0.5	2,717	13,748
2017	10,148	84.0	0.5	10,825	31.5	0.6	678	20,973

% Growth: relative variation between current and previous period
 % Extra-EU: imports/exports as % of all EU partners i.e. excluding trade between EU Member States

Figure 5. Total goods EU Trade flows and balance (Adopted from European Commission, Trade with Iran)

Iran trading has been increased after the implementation of the nuclear agreement as JCPOA and statistics has proven that (European Union Iran-trade statistics 2018, 2) shows that EU imports from Iran stand for 10.1 billion in 2017 which is double from last year in 2016. In addition to import, the export of EU merchandise trade with Iran touched 10.8 billion that faced with an increase of 2.5 billion from 2016 (European Commission 2019.)

2.3 The social and cultural environment

This section provides information about the social environment of the market, such as cultural trends, demographics, population analytics, etc. For example, inspiration from Western countries like the US, this can be buying trends where there is high demand during the Holiday season. (PESTLE Analysis A Tool for Social-factors 2015.)

In early 20th century Iranian society was ruled by elite (the Qajar dynasty monarch and his extended family, court-appointed officials in Tehran and provincial capitals, major landlords, and chiefs of large nomadic tribes); later on the new wide-ranging economic development programs have been implemented by Reza Shah Pahlavi (crowned also representative of Qajar dynasty) which stimulate the industrialization and urbanization of the country. As a result of stimulation, it brings two class of society in front first Urban social class a middle class of professionals and technocrats (technical experts) and second a working-class engaged in manual and industrial labor. Further up these middle class and technocratic divided into secular and religious class. Now a day youth of the Republic of Iran is rising secularism. (Countries quest 2010.)

People in the world see Iranian culture similar as middle eastern culture, of course, there are many similarities between Iran and other middle east countries such as religion, clothes, weather (Yeganeh & Su 2007, 341.) But there are many differences as well such as a unique history, language different, racial identities. In research done and published in the international journal of Emerald Insight in 2007 for understanding the core cultural orientations of Iranian managers, half of the respondents mentioned their source as an Iranian and around 48 percent of the respondents had mentioned their religion as the main source. This is due to having two basics of the Social structure in Iranian families and the concept of the family is more private than in any country in the world.

Female must be protected from the outside influences and are taken care of at all times. It unethical to ask questions about Iranian wife or any other female relatives. Loyalty to families comes first then other social relationship, even business. Iranian see them self-having two distinct identities: "Zaher" (public) and "batin" (private).

There are certain modes of behavior which has to be flowed by the people of Iran when they are in public. Some mode of behavior only in the homes among their close circle to make them feel free for themselves, a family member is always the part of the inner circle.

The inner-circle consists of the basis of a person's social and business network. Friendship with local is extremely important to the extended business. People from the inner are the trusty and reliable, they give advice, provide assistance in business, help other finding jobs, or cut through the bureaucracy. (UK Essays 2017.)

The Iranian people mostly invest their money in gold, foreign currency, buying residential places or placing their money in the banks to get high interest. One of the popular economists of Iran Dr. Mohammad Hossein Adib is advising to the people to invest their money on small solar power plant (since energy is one of the most use full) in which they can build on the roof of their apartments in his interview on social media. He mentioned that the return for these kinds of investment is around 25 to 30 percent with the return of their first investment amount in 3.5 years.

2.4 Technology of Iran

In the last 30 years, Iran has made considerable advancement in science and technology through education and training program, regardless of the fact of international sanctions. Iranian youth and government have shown a clear interest in the technology sector Iran's university population improved from 100,000 in 1979 to 2 million in 2006 (Iran's science progress fastest in the world 2012.) Recent registration the number of engineering and science college students is more than two million. Which resulted in the growth of Iran's scientific is one of the fastest in the world. Iran took many interesting and motivating steps in different sectors, including aerospace, nuclear science, medical development, as well as stem cell and cloning research. Persian has always the support of science, contributing to medicine, mathematics, astronomy, and philosophy. (Science and technology in Iran May 2019.)

One of the most important drivers of today's economic performance is the advancement in technologies. Over the last 70 years, both developed and developing country has been in support of the development of STI. To expand the technologies numerous government organization, tools, and policies maker are making it easy for everyone. (Abdul s. Soofi & Mehdi Goodarzi 2017, 12.) Investment in scientific research and technologies development has resulted in an increase in several scientific researchers and engineers than ever before which brought a large number of researcher publication, which caused a rapid rate of discoveries around the world (UNESO 2010.)

Companies in Iran hiring more researchers than ever before and the number of firms and their purpose of researching activity had doubled. After removing the sanctions, competition in the market of the world caused an obvious increase in R&D endeavors. (UNESCO 2017.)

Ability to create, distribute and exploit the knowledge and technologies has become a major source of competitive advantage, wealth creation and improvement in the quality of life. Evidence has proven that the countries which were able to act as a leader in STI development processes have experienced a higher rate of economic growth than the countries which did not adopt such policies (Bechmann 2009, 35.)

This is one of the reasons that's why developing countries pay extra attention to STI. According to the World Bank (2010), the state should play an important role in the development of STI by adopting different policies in support of the innovation and technological learning at domestic level enterprises.

Technology has become a part of almost all areas of goods and services and the speed of changing it is accelerating. (Wood 2013, 35.) Technology influences customers, competitors, suppliers, marketing materials and organizational structures. By examining technological factors of one country we would be able to figure out the degree of threats and opportunities that might exist in that area and how innovation and research and development will have effects on customers, rules, and regulations and substituting of products. (Dicken 2007, 73.) states that technological change is an essential force in crystallizing the schema of the transformation of the economy. There are two key points needs to be built to avoid drawbacks of the misconception of technology and these are:

Transferring technology in any sector of Iran has always been a challenge but under the of Paris agreement rules and regulation which make it is able.

Article 9, number 1 of Paris agreement rules and regulations:

-Developed country Parties shall provide financial resources to assist developing country Parties concerning both mitigation and adaptation in continuation of their existing obligations under the Convention. (Adoption of the Paris agreement 2015, 13.)

Article 9, number 7 of Paris agreement rules and regulations:

-Developed country Parties shall provide transparent and consistent information on support for developing country Parties provided and mobilized through public interventions biennially in accordance with the modalities, procedures and guidelines

to be adopted by the Conference of the Parties serving as the meeting of the Parties to this Agreement, at its first session, as stipulated in Article 13, paragraph 13. Other Parties are encouraged to do so.
(Adoption of the Paris agreement 2015, 14.)

Apart from all the discussion, Iran is in a need of new technologies and, due to the international demand toward sustainable or renewable energy in the world to somehow control the climate change of world by reducing CO2 emission originate Paris agreement rules and regulations. According to the Paris agreement, all the developed countries are highly encouraged to support developing countries in most of the sectors especially the renewable energies industry. International or Finnish companies according to above mention rules can easily collaborate and share their technologies with Iranian companies and businesses

99.4% of the population in Iran have access to electricity

Infrastructure

Percentage of population with access to electricity in 2014

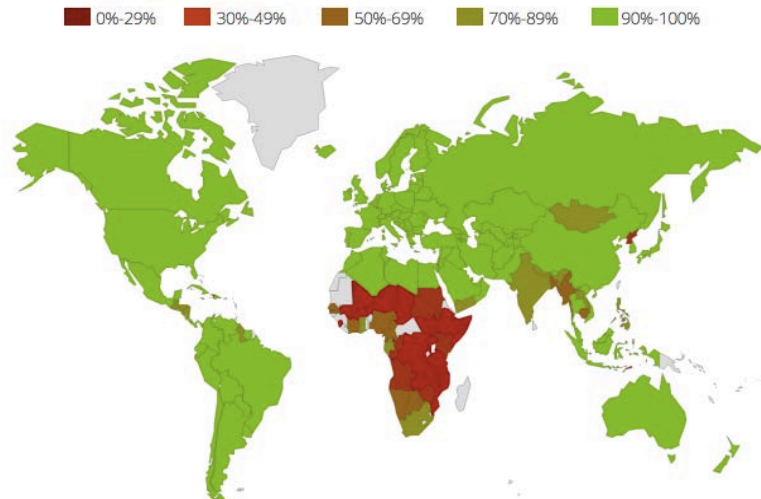


Figure 6. Explain the accessibility of electricity to local in 2014 (Statista Country Report, 2019).

2.5 The ecological and ethical environment of Iran

Environmental conditions of the world are getting worst day by day and major environmental issues are global warming, climate change, pollution, environmental degradation, and resource depletion, etc. It is the alarming situation for the people who live on this planet earth and these issues are not only harmful to nature but human lives and their activities as well. Environmental protection (agencies) is a trying to protect the natural environments by introducing some rules regulation and at the same educating people about their attitude and their side effect of individual's act at organizational and governmental levels, for the benefit of both the environment and humans. Many cities in the world are facing problem from air pollution, lack of clean water, plastics pollution, global warming, and deforestation.

Environment issues of Iran are not different from the world especially in urban areas, vehicle emissions, refinery operations, and industrial wastes increase air pollution daily. The greenhouse effect is one of the environmental problems of both regional and globally most polluted cities of Iran is Tehran which is the Capital of the country. According to the Automobile Technical Tests Center, over 1,200,000 vehicles in Tehran are more than 20 years old, which means ultimately more toxic gasses and pollution in the air.

However, public and private transport such as buses and cars running on natural gas are planned to replace the existing public transportation fleet in the future. Energy prices are kept artificially low in Iran through heavy state subsidies, resulting in highly inefficient and polluting consumption patterns. (Atieh Bahar Consulting 2003.)

Many areas of Iran territory facing trouble from overgrazing, desertification and/or deforestation. Industrial and urban waste water runoff has contaminated rivers, coastal and underground waters. In 2016 there are about 4.24 million vehicles in Tehran, cars are the most popular sources of vehicles about 80% of air pollution in capital of Iran is due to the private vehicles such as a car, motorbike, the remaining 20% is due to factories and industry emissions. (Tehran Times 2018.)

Global warming is one of the main reasons that nearly all the countries in the world signed on one agreement called Paris agreement to slow down the earth of getting warmer which originate most of the country in the world to think about the renewable energy in all sector from household to business sectors. Apart from the political issues that threaten the security

of the world, environmental concerns are another threat to the world. According to UNDO Iran is working hard to prevent their wetlands and lakes from drying.

One of the worst ecological disasters of the recent decade is shrinking down of Iran's great Lake Urmia, which is located in the mountain of northwest Iran, this lake is fed by 13 rivers and nominated as a site of international importance under the UN Convention on wetlands which was signed in 1971 in Iranian city of Ramsar. This lake starts shrinking in 1995, but in 2013 Iran and the UN Development Programme funded by the Japanese government triggered their effort to save the lake and priorities it.

In 2018 some positive result has been seen Urmia lake appears to be stabilizing. According to the head of Iran's environment department Abolfazl Abesht, it is the beginning of the lake revival and the lake's surface area reaches 2,300km² last year. However, it will take a decade to return to 5,000km², but at least there is an upward trend in it. (The Jakarta Post 2019.)

Country average production of trash per day estimated 50,000 tons and 70 and 80 percent trash disposed of hygienically, but the rest are not (Iran News 2012.) Iran produces over 8 million tons of hazardous waste annually which is showing bad management of waste treatment plants in the country (Financial Tribune 2016.) Iran waste Infrastructures need to be improved.

3 Barriers to entry in the Iranian market

According to the Statistics Finland 2019, most of the international companies has been faced certain barriers when the enters into the market is shown in the figure

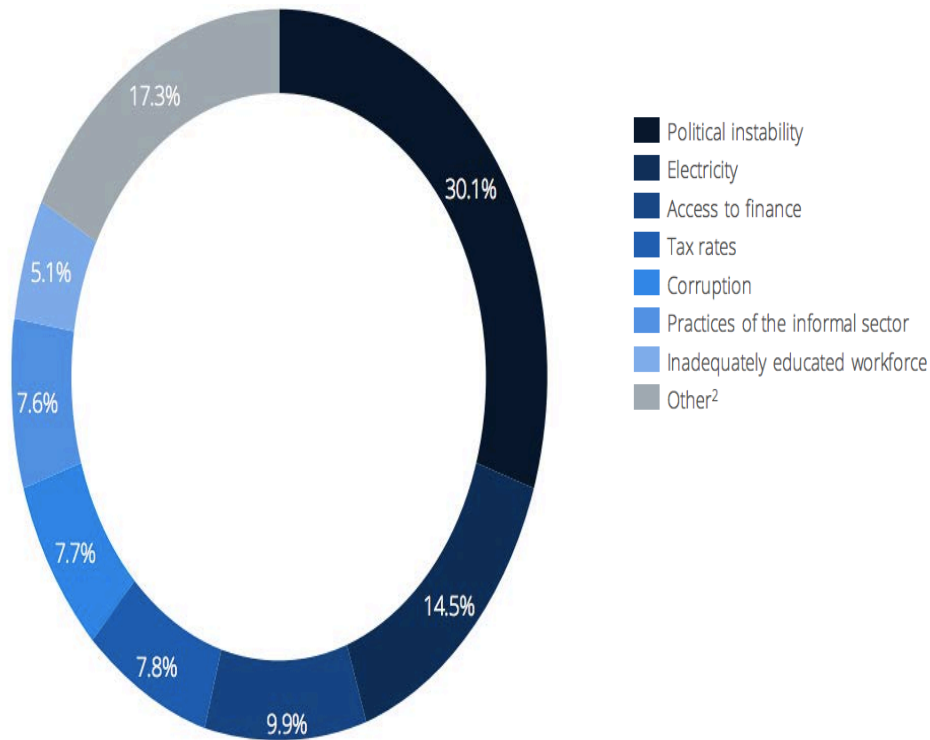


Figure 7. Explain barriers that exist in Iran market (Statistics Finland 2019.)

Above picture has been taken from the Statista country, which collect quantitative data from numerous private and public sectors, which include the International Monetary Fund, the World Bank, the United Nations, the OECD, the World Economic Forum, the International Labour Organization, the CIA World Factbook, the Election Guide, the Freedom House, the Political Handbook of the World and Statista itself. The data sources are indicated in footnotes throughout the report. Issues related to the government are much higher than challenges related to infrastructure. For example, concern with government such as (political instability, corruption, practices of the informal sector, crime, theft and disorder, and courts) were the biggest obstacle for 48.6% of companies, however, the second biggest obstacle by 15.9% of companies were electricity and transportation (Statistics Finland 2019.)

3.1 Political instabilities

Political instabilities in the emerging market always vary widely. Many countries have made considerable improvement in it and many companies are working on it for example, Updating their institution, implementing business-friendly policies and encouraging foreign companies to work at the global level. But the challenges and risk are relatively high in the emerging market.

The government in emerging market (Iran) are more intrusive and less transparent than developed countries. In some sector of business, the government may act against the foreign business to help a local to get the support for candidate election. Local polices can affect a company in unexpected ways. There are high chances that inexperience politicians might overreact if the business causes some sudden changes. (S. Tamer Cavusgil, Pervaz N. Ghauri & Ayse A.Akcal, 2013, 35.)

Iran is among those emerging countries who have the ambition to become economic and technologies develop. However, the imposition of sanction always been a big obstacle to reach the objectives, the ambition remains in place government is talking attractive steps towards the goal. Despite sanitation situation key economic indicators such as inflation, trade, and unemployment has been improving. Iran has shown significant growth in the post-sanctions era. (Mehrdad Parhizkar Global Trade 2015.)

Iran wants to develop a knowledge-based economy and to fulfill those this development Iran needs to focus on two important elements which skill and technologies transfer by doing a partnership with foreign entities. During the sanitation time, many EU countries have stop trading with Iran, which ultimately create a gap in the economy, but Iran fulfilled those gaps by trading with a developing country such China, India, Saudi Arab (Mehrdad Parhizkar Global Trade 2015.)

U.S. Department of Treasury that published in Wall Street Journal analysis showed that first quarter of 2014, Iran has officially provided licenses to 296 companies to operate in Iran's including Non-government organizations, in different sectors such as education, health, aerospace (Schectman 2016.) Iran has had been in different types of sanitation and each sanction has its own rules and regulation. To be successful in the Iranian market, it is important to understand sanitation rules and regulation and act according to them as we have seen in the past.

Iran has free zone trade territory which is a subgroup of special economic zone it can be port or non-port area. In that area, there are special customs rules and regulations with a lot of different kind of advantages for trade. According to the World Bank, Free Zone Trade are duty-free areas which are offering warehousing, storage, and distribution facilities for trade, transshipment, and re-export operations. Free zone area in Iran is not new it has been established in the 1960s when the government asked the United Nations Conference on Trade and Development (UNCTAD) to investigate the possibility of establishing free ports in Iran. (IRANPARTNER 2017.)

Many countries in the world have free trade zone area to provide opportunities and advantages to international companies, investors and they're own economy as well. Most of the successful international marketer entered Iran through the free trade zone area and gradually spread all over the country.

And the location of the free trade zone is located in Northern, southern, eastern, and western part of Iran on the top it those area has free visa entry in Iran.

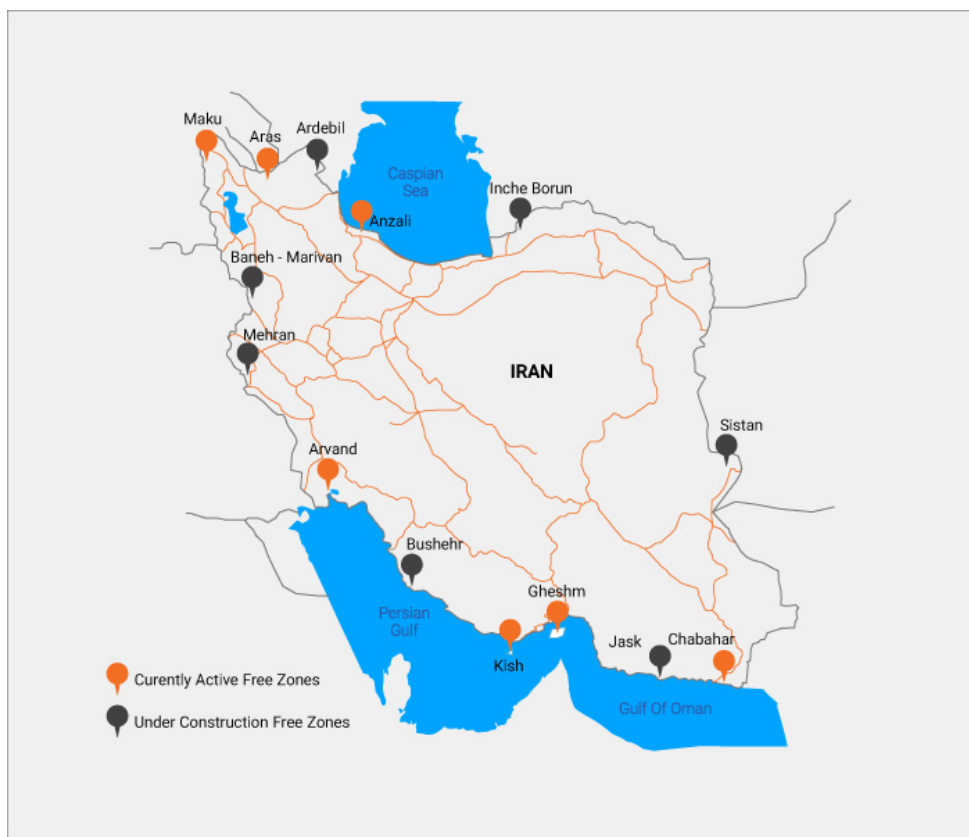


Figure 8. Explaining current and future free zones areas in Iran (IRANPARTNER 2017.)

There are some advantages to register(start) business in Free zone area.

- Full Tax exemption for 15-20 years with the ability for renewal.
- The possibility of taking part in tenders and biddings of each area.
- Free Arrivals and departures of foreign shareholders of the companies with no need for a visa
- 100% foreign ownership of foreign currency, profit, capital, commodity, and property (in case the company has been registered in the region)
- No limitation for transferring foreign currency to other free zones in Iran or abroad
- Exemption from custom and road pricing payments for importing raw materials and industrial machinery needed in production units
- Offering a variety of banking services and accessibility to international banking
- Straightforward procedure for re-exporting and transacting goods and commodities
- Accessibility to young and specialized workforce
- Vicinity to neighborhood countries and ability to penetrating their markets
- Possibility of getting the branch of foreign or domestic companies and brands (IRANPARTNER 2017.)

There are so many international companies who are operating pretty well in Iran. More precisely plenty of EU companies are operating in Iran market. Consulting with those companies who are already in the market could provide very deep, detail and informative information particularly when both companies are from different sectors. Almost every country has a business in Iran particularly Finland has in Metso Iran (Garino Group) operating in oil and gas industry and they will be able to support other companies and getting them to familiarize with legal works, financial transactions, logistics, and many other activities. And Finnish small and medium-sized companies have shown a great interest in Iran market another way to contact the consulting services of Iranian companies in that country is another way of gaining enough knowledge.

3.2 Accesses to finances

In 2014 Iran's financial services sector generated 2% of its GDP meaning that government is working for the betterment of this sector as well, which is regulated by the Central Bank of Iran. There are 8 state-owned banks active in the market. Iran's capital markets are a small comparison of international standards but growing rapidly. The Tehran Stock Exchange has a capitalization of around USD 100 billion in Iran market. There are certain opportunities for Finland businesses in Iran due to a geographical location on earth.

Although foreign investment faces limitations because of the financial services sector in Iran is comparatively small. To develop this industry more foreign capital and expertise will be needed. (GOV.UK 2018.)

3.3 Taxation in Iran

The taxation system in Iran is designed through the self-assessment system. Which mean profit of the companies are taxed the corporate level and dividends distributed to shareholders are exempt from tax. Locals need to tax on international income. However non-Iranian nationals (foreigners) have to pay tax on the income which derived from the sources in Iran or activities performed in Iran (GOV.UK 2018.)

Tax registration in Iran

Companies must register with the State Tax Organisation and Social Insurance Organisation for:

- value-added tax
- corporate income taxes
- customs related tariffs
- social taxes and employment-related taxes

Companies must have commercial code (similar to a tax identification code) to operate in Iran. This comprehensive commercial code is needed for these companies to let Iranian customers pay them.

Since its Iran has no specific rules on tax on transactions between connected companies and no specific rules about capital gains on tax. So, the Finnish company should make some sort of connection with already existing companies in Iran for not only for the benefit of tax but also for the help to make internationalize processes easy. On the other hand, companies in the international market are a bit closed (reluctant) to share their core information with other companies. It depends on the social connection of the company in Iran. Taxation system have to deal with officials in Iran since the system is not transparent so it better to do those with layers (GOV.UK 2018.)

Manufacturing and mining companies are tax exemption (up to 80% to 100%) of taxes for up to 10 years under certain terms and conditions, for example, companies that are registered and officially allowed to operate in a free trade zone (FTZ) are eligible to have

this tax exemption automatically. Income derived from operations carried out outside the FTZ is taxable on the same basis as non-FTZ companies. I would recommend Finnish companies to take entry in Free zone since this area has very good advantages such as no taxes up to 15 years, better logistics services and no Visa requirements (GOV.UK 2018).

4 Challenges to Finnish companies

Challenging to Finnish companies is pretty similar to many international companies face when they enter an emerging market. When it comes to Iran, the business environment is not easy and stable since it is a developing country, but the current administration has taken very impressive steps to improve it. Major improvement of the funding programme in different sectors shows moderate development in the efficiency of public expenditure.

Reforms of the banking sector including anti-money laundering and counter-terrorist financing laws are expected to be implemented in 2018. And in 2018 The EU Member States will set up a legal entity enabling legitimate financial transactions, following international standards, with Iran (Task Force Iran 2018.) Bureaucrats also plan an increase in VAT and elimination of tax exemptions.

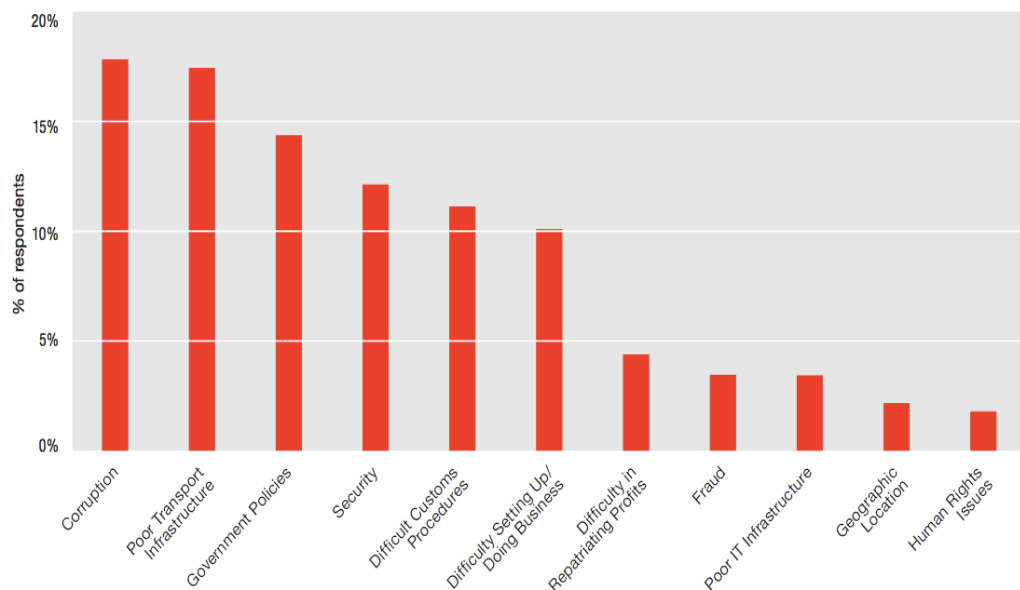


Figure 9. Future Logistic Emerging Market (adapted from Transport Intelligence)

Fig.9 showed three main challenges that Finnish company will face when entering the Iran market such as corruptions, poor transport, infrastructure, and government policies respectively.

4.1 Iran Deal to control corruption

Dealing with corruption is always been a significant concern for business in emerging markets but as companies do internationalization, they empower local to tackle with operation staff and the chance of corruption increase than ever before. However national policies on corruptions and bribery are stick and straight than in the past. (Haaga-Helia, 2018.)

Dealing with this problem is not easy both government and local has to be on the same board. However international companies can provide training local worker and explain them companies' policies regarding corruption. Explain polices and serious actions on suspects to involve in corruption and show zero tolerance on it. The worker should know what the corruption and their consequences is, for example different between a bribe and a gift.

Iran Deal set a new mechanism which is typically good for European companies who are wishing to do business with Iran to ensure the full and effective implementation of the Iran deal. The EU Member States will set up a legal entity enabling legitimate financial transactions, by international standards, with Iran, High Representative Federica Mogherini announced in New York. Mogherini chaired a meeting of the remaining parties to the Iran deal on the margins of the UN General Assembly. (Task Force Iran 2018.)

The new payment system will assist and provide reassurance to European businesses wishing to continue trading with Iran, justifying the effect of re-imposed US sanctions, under European Law. Other business partners will have accesses to open and check business account in any part of the world. Professionals from the EU Member States will now have to make the operational decision at the technical level.

Participants in new mechanism system said they want to protect the freedom of their economic operators to pursue legitimate business with Iran. Aimed of this initiative is to preserve the Iran deal, which is in the international interest. (Task Force Iran 2018.)

4.2 Logistic challenges

Iran is among that country in the world that has shown the biggest improvement in logistics infrastructure in the past few years and according to intelligence transport service it will continue in the upcoming future as well (Haaga-Helia, 2018.)

The largest container shipping company Maersk resumed services to after a five year of interruption in October 2016 and according to them, it represents a 1.4m EU market. Almost all the logistics provides services such as MSC, CMA CGM, HMM, Evergreen and Yang Ming has resumed their services in Iran after sanctions lifting. In a nutshell, container lines have returned altogether (Haaga-Helia, 2018.)

The same developing trend has been seen in air freight mode. Many major European airlines have resumed their services to Iran. KLM started in October 2016, IAG Cargo in September and Air France in April. On the top of it, Iran has ordered 80 jets from Boeing and 100 Air Bus (Haaga-Helia, 2018.)

Road freight: Most of the major declaration made nearby road freight relate to trade between Europe and Iran. DHL Freight, Delamode and Gebrüder Weiss all announced new services to Iran in 2016 (Haaga-Helia, 2018.)

Freight forwarding A few European and Turkish freight forwarders have established a presence in Iran due to Iran geographical location, partnering with local agents to service ports north of Tehran and on the Caspian Sea, and investing in logistics facilities. A Turkish forwarder is discovering the possibility for the services from Cologne, Germany, for vehicle parts (Haaga-Helia, 2018.)

Despite all the improvements in logistics sectors have been made, but there is still a need of huge development in Iran logistic particularly when it comes to business with a developed country such as Finland or any develop EU countries. Least shipment time between Western Europe and Iran in less than eight days and there are no other existence facilities available at the momentum.

The international automotive industry has shown a great interest in doing business in Iran. In August 2017, Renault announced that they would set up a new factory in the south of

Tehran producing 150,000 vehicles per year, putting it on course to manufacture 500,000 per year in Iran by 2022. (Haaga-Helia, 2018.)

During the press conference, Iranian President Hassan Rouhani told about the decision that has been made in Tehran the end of October 2016 with his Finnish colleague Sauli Niinistö about Railroad logistics will be laid via Baku and Moscow. According to Hassan Rouhani, "the parties also agreed to launch direct railway service between Iran and Finland." Adding to his statement he said Tehran and Helsinki are interested to do cooperation in other areas such as energy, transport, environment, and agriculture. Both sides have spoken about development in tourism and banking sector as well. (Elena Baidakova Export maker 2016.)

4.3 Future potential emerging logistics markets

To get a deep understanding of the most-promising emerging logistics markets of the world Transport Intelligence made a surveyed of logistics industry between professionals during September and November 2017. Participants are from different countries of the world in the logistics field and 529 respondent of supply chain professionals have taken the part in this survey

Geographical Distribution of Survey Respondents

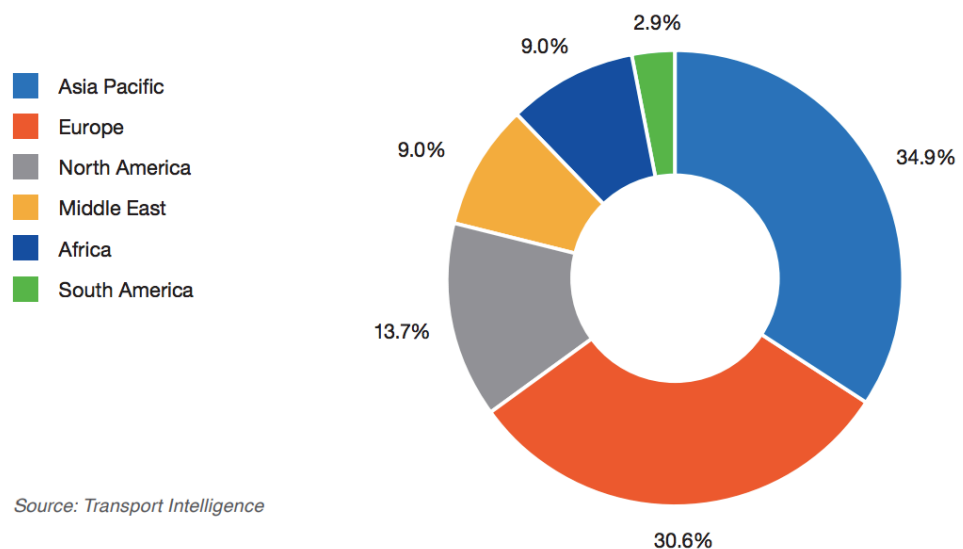


Figure 10. Future Logistic Emerging Market (adapted from Transport Intelligence)

According to this survey, 34.9% of logistics distribution will be done from the Asia Pacific which is not surprising because China and India are there. The second most popular logistic control area in Europe (Haaga-Helia, 2018.)

Two most prominent markets between Europe to Asia are an aspect to experiencing strong growth in air freight from the EU in 2017 are Kazakhstan and Iran, with projections of 24.3% and 10.1% respectively. Due to their relatively close geographical locations. For Kazakhstan, growth appears to be being driven by an expansion in flowers volumes, with tonnage for January-July 2017 reaching over 2,000 tonnes, almost ten times higher year-on-year. For Iran, electronics, plastics, and pharma volumes look to be growing impressively.

As International logistics providers returned to Iran in 2016 after lifting of UN sanctions. The resulted massive increase in exports doubled in the year to €13.7bn. LSPs are now gradually improving their presence in Iran as their confidence in the country grows because of the different international agreements between Iran to pursue their logistics system (Haaga-Helia, 2018.)

4.4 Iran in future logistic emerging market

In the same survey respondents were asked to rank the five emerging markets they viewed as having the most potential to grow as logistics markets over the next five years

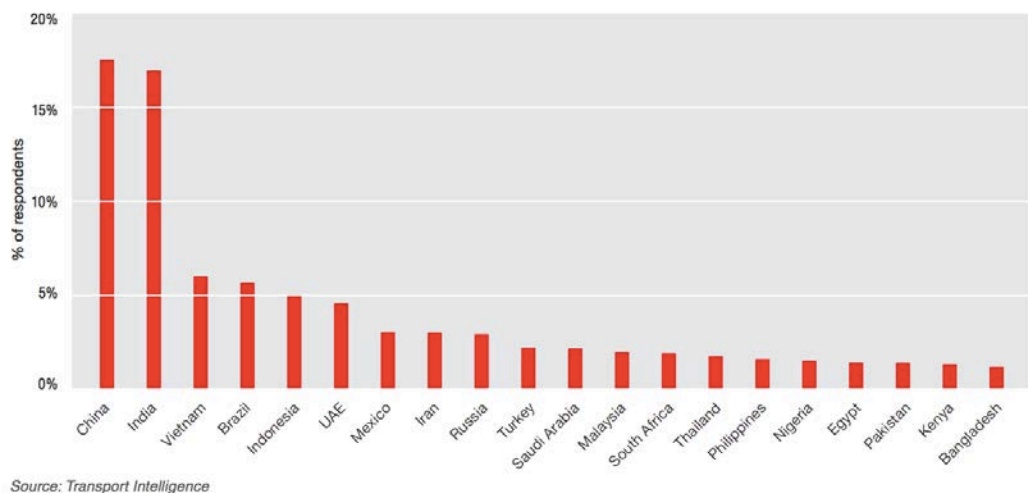


Figure 11. Future Logistic Emerging Market (adapted from Transport Intelligence)

There is no surprise to see China and India again to remain on the first and second position as a most growing logistics market respectively.

Vietnam lies on third-highest potential according to the respondents which are pretty interesting however country has shown(proven) impressive economic and trade growth over many years. At the same, it also indicated that market size isn't everything.

Brazil and Indonesia will maintain its position within the top five ranks if we compare to last year analysis and will be able to sustain their confidence in the market.

A most noticeable improvement will be seen in Iran. Iran will surprisingly climb to 8th rank which it may catch the eye of Finnish investors because the country is going to be top 10 logistic markets soon. There is jumping trend in the last year which means that country is continuously improving in their logistic facilities and showing a remarkable rise, having jumped from 27th to 15th in 2016, and then 15th to 9th in last year's survey. Investors around the world are impressed by how international LSPs have managed to successfully expand operations following the lifting of UN and EU sanctions in January 2016

Saudi Arabia at the rank 11th, which is an indicator that business-friendly reforms will take place and kick-start the country's economy and current Crown prince dynamic programs of social liberalization and economic diversification away from oil. And remaining country such as Malaysia, South Africa Philippines, Nigeria, Egypt, Pakistan, Kenya, and Bangladesh will stay at low ranks.

5 Iran motivation toward Finland

It is a bit tricky to explain, because it comes along with Government motivation for example, laws, international law, Iran and Finland relationship at Government level. Apart from all the fact, the Iranian Government has played an important role to increase the motivation of locals to do business with Finland. The government are trying to build a confident and transparent business relationship by agreeing on different terms and condition at the international level which is favor of both countries. Iran business delegations' visits and their well-informed discussion about upcoming opportunities and Trade in the market enable Iran to do business with Finland. Also, many other factors that enhance the presences of Iran are those such as signing Iran deal agreements, Paris agreement, introducing new EU banking system to avoid corruption, new international laws, noticeable improvement in logistic facilities soon...

At the day same day Iranian delegation visit from Sanandaj chamber of commerce (Kurdistan province) to Finland, disused with Valio about future collaborations in the dairy industry. The discussion starts with an introductory presentation from both sides which explain the current situation and market share and later on went into a deep understanding of the situation. Valio representative explains their strategy and policies for emerging to the new markets like the whole Middle East and also reviewing Iran market. The session was followed by proposing opportunities for collaboration, which were Valio's technology transfer to Iran, new production lines in Iran under licenses of Valio, and possible JV projects, in case of having financial feasibility. (Petri Sagulin Exportmaker 2016.)

Finland is still interested in promoting their business cooperation with Iran in both small- and medium-sized companies but they are waiting for the European Union to establish its special payment mechanism, known as Special Purpose Vehicle (SPV), to facilitate trade with Iran under the US bans. (Iran Front Page 2018.)

As it mentions above many small and medium-size Finnish companies are waiting for approval of EU payment in Iran. Iranian Foreign Ministry Spokesman Bahram Qassemi says, "Tehran welcomes the EU's announcement of its special financial mechanism for trade with Iran but considers it as a first step that should be followed by quicker implementation of other commitments" (Iran Front Page 2019.) and this welcome EU's

announcement of its special financial mechanism will enable Finnish companies to enter in Iran market as soon as possible.

To strengthen the trade relationship between Iran and Finland in late October 2016 Iran has signed Memorandum of understanding with Finland and it is the essential step to facilitate the financing of Finnish companies to export project. According to Haarasilta (Executive Vice President of Finnvera) "Finnish companies will get better export opportunities to Iran" and he sees export growth in many industries such as Cleantech, the, and mining technology are few of them were both Finland and Iran have solid expertise. In addition to that, our mission is to promote the export of both small and large Finnish companies.

"Finnvera has already guarantees for the trade with Iran. For us to be able to contribute to the financing of increasingly large business deals, both Finland and Iran have to show strong commitment" (Finnvera 2016).

6 Recommendation for Finnish firms

There are several groups how can take advantages of this recommendation. Firstly, for international companies and investor who want to expand to the market of Iran. Author recommendation is to understand and gain enough knowledge about the rules and regulations of international agreements also collect sufficient knowledge of laws since it is an Islamic country, so laws are supposed to be slightly different than many countries.

And another interesting recommendation to Finnish companies is to take entry in Free zone since this area has very good advantages such as no taxes up to 15 years, better logistics services and no Visa requirements (GOV.UK 2018.) Not only because of taxes exempt, but this strategy also helps to understand the country accurate situation. Enable to find a trusty and worthy local partner since business in Iran needs to worthy local partners how can deal with small legal and lingual issues. Finnish companies can use FInvera as a source of connection to find reliable business Partners as Finnvera has guarantees trade with Iran and said for us be able to contribute to the financing of increasingly large business deals, both Finland and Iran have to show strong commitment”

As far as a concern to deal with biggest barriers (which is corruption) in 2018 The EU Member States will set up a legal entity enabling legitimate financial transactions, by international standards, with Iran. Reforms of the banking sector including anti-money laundering and counter-terrorist financing laws are expected to be implemented (Task Force Iran 2018.) Based on my finding I recommend the small and medium-size company to go through the EU banking system to keep their transaction more trackable and clearer. Second largest barriers are to deal with politics and dealing with a local and international politic of target country Iran has very less control. However, the international business relationship is getting better day by day and hoping to improve even more. Since the government is promoting more international companies in the country to generate more employment and of course bring money to their country.

Logistic is another hot barrier to deal with it. Iran is improving their contract with largest and well-known logistics companies such as DHL Freight, Delamode, and Gebrüder Weiss all announced new services to Iran in 2016. All the improvements new services have been mentioned in chapter 4.2 despite all the fact and figure Iran is in need to improve their logistics connection. Least shipment time between Western Europe and Iran in less than eight days and there are no other existence facilities available at the momentum. As far as

it concerned from Finland to Iran According to Hassan Rouhani, "both parties also agreed to launch direct railway service between Iran and Finland." This project is not officially launched yet but seems both countries have great intention to build direct railway track from Helsinki to Tehran will be laid via Baku and Moscow. For more and detail understanding of barriers read chapter 4.

Now for Finnish companies, one of my biggest suggestions is to contact the company like Finnvera, Suomiran and other Finnish companies(that are existing in Iran) to acquires the support from them (which has been mention in appendix). This type of support will help them to get real inside of the current ongoing situation. Which indeed familiarize themselves with the market of Iran and Iranian partners in detail.

7 Future research and own learning

Future research can be done in the EU Banking system since it is the newest banking system in Iran and introduced in May 2019. So, this area needs to be researched whether it is applied and functional there correctly or not. How many companies have the intention to use this system? What are the advantages of having it and so on?

The logistic part is the second area most common that needs to do further research because the Government is updating their system and trying to make it better. Least shipment time between Western Europe and Iran in less than eight days and there are no other existence facilities available at the moment. As far as it concerned from Finland to Iran According to Hassan Rouhani, "both parties also agreed to launch direct railway service between Iran and Finland." This project is not officially launched yet but seems both countries have great intention to build direct railway track from Helsinki to Tehran will be laid via Baku and Moscow. For more and detail understanding of barriers read chapter 4.

From the very beginning till the end of the thesis I would say I have learned so many stuff. There will be the list of the things that I learned from the thesis, but as an Author, I would like to discuss a few of them. There was some challenging part in the start of the thesis such as demarcation, research question, investigating questions, finding a commission company and so on... Thanks to the teachers, students and teaching style which enable me to deal with those challenges one by one. After doing all thesis related hard work and discussion with fellow student finally able to get the commission company and continue thesis writing. Collecting information and writing that information in thesis and references them according to the Haaga-Helia University of Applied format is another interesting part.

As far as the concern about learnings related to the target market before doing this thesis, I did not know much about Iran market. Surprise to see that both the Iranian Regime and local are doing very well to promote internationalization in their country in almost every sector.

Taking very cautious steps to deal with entry barriers such as EU banking Mechanism is the latest one. Which is a huge relief for the EU companies to deal with major corruptions in Iran.

8 Conclusion

Iran is considering as a new emerging market in the world due to their geographical location and being rich in natural resources. The Iranian government is accepting and implementing new laws, rules and regulations to help their country to come out from dark days of sanction and improve its economy. Many foreign companies, investor and local are expected to see growth in the economy after the relief of the sanctions. Since government is continuously promoting a business-friendly environment in all sectors of the economy. Iran as an emerging market has certain barriers and challenges which has been discussed in the above chapters. Apart from challenges and barriers Iran has a potential market for foreign business due to several facts such as having a large population, being rich in natural resources, low cost of labor force, raw material, and energy, being in developing process with great need of know-how technologies, offering favourable business opportunities in special areas such as Free Trade Zones, being in strategic location are all in the list of attractions towards doing business with Iran. Despite all the facts Iran oil and gas are the largest industry, and the second most prominent industry is energy industry, which is the most demanding industry for the foreign investor. And another reason of attraction for international companies across the world to consider Iran as the potential market continues growth in an economy.

U.S Sanctions on Iran and its effect:

The Trump administration has made clear that they have no intention to target food and medical trade of Iran. That's way over the past two decades, many Western firms are doing very well in the food and medical market. (The Wall Street Journal 2018.)

The U.S wants to hit Iran where it hurts more, so they target Iran's oil, port operators, shipping and shipbuilding companies, and the financial sector, chiefly insurers, and dealings with Iran's banks and central bank. Any Non-American companies how are not following the U.S. financial system will be fined. Also, mention anyone who is involved in oil trade with Iran and with its banking system will have to face penalties. (The Wall Street Journal 2018.)

Whereas oil is one of the most prominent industries in Iran because it is contributing 12% of GDP. No access to the international banking system will make payments collections very difficult. Though in 2019 Iran has accepted to the new international banking system which opens the door for many Finnish/international companies to entry in Iran. (The Wall Street Journal 2018.)

Trump wants to take advantage of the current situation of Iran and forced to renegotiate a new deal with them to put some limits on its nuclear program, on its ballistic missiles and its military involvement in Syria and Lebanon, home to its proxy Hezbollah. Which is in interests of Israel, who sees Iran as a dangerous threat for them. (The Wall Street Journal 2018.)

At the same time, President Hassan Rouhani is trying best to stabilize Iran's economy and prop up its currency, the rial, which has lost value the dollar in 2018. On October 27 in his speech media on media, he said that country has enough financial resources to cope with the new sanctions. But Iran cannot defend themselves because of the power the U.S. and their control in Iran. (The Wall Street Journal 2018.)

Sanctions for Finnish companies will be similar as for other international will a have which has been discussed in the above paragraph. But been a part of EU region Finland have certain advantage such EU banking system which is recently adopted by Iranian Bank. Most of the Sanction is on Iran's oil, port operators, shipping and shipbuilding companies, and the financial sector. Countries that affect most with oil purchase waivers in place for China, India, Japan, South Korea, Taiwan, Turkey, Italy, and Greece. Since then, Italy, Greece, and Taiwan because these countries are importing crude oil from Iran. (VOA news 2019).

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Appendix

European companies operating in Iran

Country	Email Info	Phone number	Street addresses
Finland (2 Companies)	info@garno-group.com		NO.30,Iraj, Dead end
Metso Iran (Garno Group) Styrochem of Finland		514-457- 3226 ext: 238	Nelson Mandela st, Tehran, Iran
Sweden (4 Companies)	iran.info@alfalaval.com	+98 21 88 64 1821-22	Unit # 10, 22nd Floor, 19687 Tehran, Iran
Alfa Laval Iran Co. Ltd. Atlas Copco Iran	rental.iran@cn.atlascopco.com		
Camfil Farr Co NYNAS	karuna.sadasivam@nynas.com		
Norway (6 companies)	iran.info@barwil.com	+(9821) 26431851	Head Office Address: No. 2, Arafati St. Bagh-e-Sardar St., Sohani St., Sohanak Tehran, Iran
Barwil Fugro- Geoteam AS	Trough their web page	+47 22 53 81 00	Drammensveien 264 NO-0283 Oslo
Hydro ROXAR Norway Saga Energy SPT Group Norway			

Appendix no.1 Showing the companies that are operating in both countries (across Iran and Finland borders)