

New conditions for foreign car making firms

Apr 26, 2016 By Mr. Ahmadreza Tavakoli in Linked In

Iran, which seeks to become Middle East's auto manufacturing hub and regards the industry as the biggest in the non-oil sector, has set new conditions for foreign companies to operate in the country.

In a bid to support national auto spare parts industry, Industries, Mines and Trade Ministry has obliged foreign carmakers to allocate a 20-percent share for Iranian-made car parts if they want to operate in the domestic market, said Arash Mohebbinejad, the secretary of the Iranian Car Spare Parts Makers Union. The ministry has also obliged Iranian auto manufacturers to purchase 40 percent of the spare parts from the domestic market, ILNA reported.

Iran's Vision 2025 economic development plan has set a goal to boost car output to three million per year by 2025. Furthermore, Iranian auto spare parts makers are obliged to produce \$6 billion worth of car parts by 2025.

Earlier, Mohammad Baqer Rejal, the head of the Iranian Car Spare Parts Manufacturers Association, said that auto manufacturers owe \$2.3 billion to manufacturers of car parts. A great part of the debt was accumulated in the past few months as only four months ago the debt was \$1.6 billion. Today, only 15-20 percent of car parts cannot be produced in Iran since it is not economically viable to establish production lines for them as they mostly include electronic parts.

Iran's car production during the year to March 19 stood at 976,836 indicating a decline of 13.7 percent compared to the amount for the same period of the preceding year.

Iran produced 989,110 cars in 2012, which made the country Asia's eighth largest car manufacturer. Iran also ranked 18th in the world in the mentioned year. The Islamic Republic's car output faced a 40-percent decline in 2012 due to the sanctions.

With the removal of international sanctions, the Islamic Republic plans to revive its auto manufacturing industry since cooperation between Iranian carmakers and foreign car manufacturers has picked up.

Today, the race has tightened for access to Iran's auto market. European automakers, which were forced to leave the Iranian market following Western sanctions on the Islamic Republic for its nuclear program, are now attempting to restore their previous shares of Iran's huge car market.

Deputy Minister of Industries, Mines and Trade Mohsen Salehinia earlier noted that the country plans to manufacture 1.35 million cars in the year to March 2017 and also boost exports. Also, the Iranian market will be supplied with joint venture products from early 2017.

Experts believe that the Islamic Republic can be transformed into the region's car producing hub given its geopolitical location and security.

James Dorsey, a senior fellow at Nanyang Technological University's S. Rajaratnam School of International Studies, earlier told Azernews that initially, the car industry is likely to focus on the domestic market.

"Beyond that, Iran has a substantial domestic market in its own right and a long-standing industry with local models, the car industry needs significant upgrading to erase the effects of years of international sanctions," he said.

President Hassan Rouhani has urged international companies to cooperate with Iran to develop the auto manufacturing industry. He said Iran welcomes foreign auto manufacturers to come, do research and produce cars.

Meanwhile, economists claim that Iran's car making industry needs modernization after years of sanctions, while its spare parts industry requires \$8 billion in foreign investment in the long term.