

Iran mideasts model economy



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Strategic Management - Iran Mideast's Model Economy _ Case Study

Introduction: New large scale emerging markets such as China and India provide a strong internationalization incentive because of the potential demand in them¹. Because of currency fluctuations firms may also choose to distribute their operations across many countries including emerging ones to reduce the risk of devaluation in one country². However the uniqueness of emerging markets presents both opportunities and challenges. ³ Iran from the facts found in the case study may be strategically treated as an emerging market presenting new opportunities as well as challenges.

Challenges of Iran:

The foremost challenge Iran faces is the trade sanctions from the United States that has hampered the inflow of foreign direct investments in to the country. If the country can solve its political and economic problems the country would be able to equal the economic growth of China in a very short time.

The results of the last Parliament elections though disqualified the reformist candidates still a number of business minded focused on economic issues have been elected. However the progress in the economic reforms cannot be expected to take place at a faster pace.

There are numerous challenges the country has to pace on the economic front. The amount of subsidies the government has to shell out on almost all the imported products from wheat till the imported fuel. The exports of non-oil products are very meager. Most of the manufacturing plants run in losses. The control of more than 50 percent of the economic activity is in the hands of various government departments and religious charities.

Investments by private firms face lot of hurdles especially in the lucrative oil

industry. This deters the major international companies to sign up contracts with the country. Corruptions at all levels are another major challenge the country has to tackle.

An all round economic reforms that too at a very fast rate will enable Iran to emerge as a strong economy because of the following distinct strategic advantages the country has.

Advantages of Iran as an Emerging Market:

Iran has World's second largest natural gas reserve with a capacity to produce up to 4 million barrels a day is the single strong factor the country cash one, since no major discoveries of oil has been done after the 1979 revolution.

The offering by the government licenses for new banking companies, reduction in the corporate tax to 25 percent and larger liberalization of trade are some of the measures that will provide enough incentives for the firms to make large capital investments in the country.

The restrictions on imports of automobiles and protection of the home auto industry are another major area that multinational firms can consider for doing business in the country. With the potential for the manufacture of cars in millions of numbers the automobile industry provides a major industrial area that offers a wider scope for multinational business firms.

The government is expected to bring about other major economic reforms before any possible reduction in the oil prices. The important economic reform the government should look at the dismantling the trade barriers which have hitherto been affecting foreign competition.

Buzzing Iranian stock exchange activities is yet another attractive area where major economic developments can be aimed at by the promotion of

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foreign inward remittances.

Conclusion:

The following advantages are likely to accrue to the firms using the strategic markets of an emerging economy like that of Iran.

1. Enlarged market size
2. Greater return on major capital investments or investments in new products and processes
3. Greater economies of scale and
4. Competitive advantages through location which gives access to low cost labour, critical resources or large customer areas.

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