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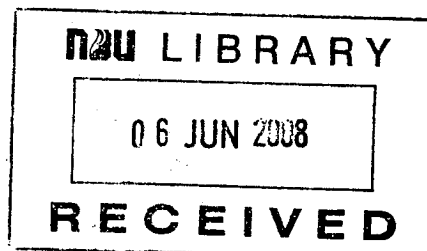
**Bordeaux Business School
Institute of International Business**

The Operational Expansion to Iran: Case of Medicals International

**A Thesis Submitted in Partial Fulfillment of the Requirements for the Joint
Degree of the Master of Business Administration (M.B.A.) and the Master of
Science in International Business (M.I.B.)**

Jad Hanna EL Hajj

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2007**



Approval Certificate

The Operational Expansion to Iran: Case of Medicals International

BY

Jad Hanna EL Hajj

Approved:

Signature: _____
Supervisor

NDU MBA/MIB Academic Committee: _____

- R. Q. Wehawi D.
Director of Graduate Programs

Bordeaux Business School: _____

3/17/08

Date

DECLARATION

I hereby declare that this Thesis is entirely my own work and that it has not been submitted as an exercise for a degree at any other University.

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Jad Hanna El Hajj

FULL NAME

ABSTRACT

In the middle of an unstable region and an ongoing fierce competition among companies in order to gain market share and develop further. A question arise on how can a Lebanese company like Medicals International, which deals with selling and marketing health care items related to ophthalmology and dentistry remain ahead in the business and increase its sales numbers, thus; generating profits? Would its penetration of a foreign market like Iran give it this advantage? If so, what are the steps that this company needs to adopt in order to gain a success story in the Islamic Republic?

The experience gained from sales and marketing in general and specifically in the health care items represented by the products introduced by Medicals International, can give notice that continuous expansion through a very well organized plan can grant any company the ability to grow and develop in terms of profits, market share, company image, regional and international recognition.

During University learning years and from continuous professional experience, we have learned that when a company plans to penetrate a foreign market, all of its resources must be analyzed and the benefits and advantages from such action need to be tested.

This thesis studied Medicals International resources related to human power, facilities and products introduced. Then a thorough analysis of the opportunities that Iran can offer to the company is undertaken, related to population (market size), infrastructure and laws that are supportive to foreign investment. Last, the risks behind investing in Iran assisted in making the decision to penetrate or not to the Islamic Republic.

Finally, a financial forecasted analysis over a 4 year period helped in proving the progress that Medicals can achieve if the management succeeded in supervising the process, and when all resources are put in the right place.

This thesis has contributed to the welfare of Medicals International in terms of profits, image, overall growth and development. The results obtained prove that the company will gain profits after a 4-year period. In addition to being a guideline for success, this thesis has an academic value that can be interpreted in the fields of Management, Marketing, Sales and Strategy.

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Chapter One: Introduction

Many questions arose when I decided to deal with such a topic to be the core of my Memoir, such as Why Medicals International wants to open in Iran? Why is it interested in targeting the Iranian market? What should Medicals goal be? Will this expansion grant the company added value? And many more.....

The answers to these questions begin with showing Iran's importance as a strategic and economical market rich in resources.

1.1 Iran's importance as an excellent place for investment

To begin with, Iran qualifies from many aspects to be an excellent location for Investment. It has a unique geographical location at a cross road connecting the Middle East, Asia and Europe, empowered by many inter- and trans-regional trade, customs, tax and foreign investments arrangements. Furthermore, Iran plays a crucial role in being a part of the gateway for the Gulf region. The Iranian Interior Minister Mostafa Pourmohammadi noted "Iran's strategic location at a chokepoint for a vital Persian Gulf oil route."¹Iran is also building new lines for trading by reducing the distance between borders, in order to gain time and money.

"The new line between Bafgh and Mashhad will reduce the distance between Bandar Abbas and the Turkmenistan border at Sarakhs by 1000 km compared to the present route via Tehran. This is a vital link between the new Central Asian republics and the open sea and thus world markets - Bandar Abbas is served by round-the world container shipping lines."² It is obvious from the above quotations that Iran is an essential element in the region, and it can play a major role in developing the economy and trade zones in the neighboring countries. Having such a strategic location grants Iran great impact and power for the regional and international markets. Second, Iran has great market potentials and

¹ Final Edition (2006, Mar.12). World in Brief. The Washington Post, pg.A15

²Brice,D. (2005, May). Iran plans 50% network expansion as Mashhad-Bafgh opens, Railway Gazette International, Vol. 161, Iss.5:pg.281

proximity advantages. The country has a growing population as well as quick accessibility to nearby countries that also have many inhabitants.

Third, the developed infrastructure in Iran is a major advantage that can attract foreign investment, since such well built sector can help make all business transactions easier and at a faster pace, this will save time and additional costs.

For instance the total distance of railways in Iran is estimated to be 8367 km and that of roadways is considered around 179,388 km.³ These numbers reveal the importance of the transportation sector in the Islamic Republic.

In addition to all these attractive characteristics that Iran has in order to encourage any regional or International company to invest there. The Islamic Republic has a diversified range of energy, telecommunication, as well as public utilities. Furthermore, Iran has plenty of natural resources ranging from oil and gas to metallic and nonmetallic elements. This shows the country's ability to produce raw materials and make them available for use. Climatic features are very important in order to know the best time to introduce certain products that have suitable characteristics that fit such climate. This will grant the company additional marketing tool to better sell its items. For instance, in spring there might be some allergic symptoms that cause irritations to certain patients, but the product found in the market has special characteristics that help in solving this dilemma. Such product will have great competitive advantages over others.

Finally, new investment legislation was made. The enactment of new foreign investment promotion and protection act (FIPPA) substituted the former law concerning attraction and protection of foreign investments in Iran (LAPFI) providing full security and legal protection to foreign investments based on transparency and international standards.⁴

³ www.cia.gov (The World Factbook)

⁴ Abed Al Aziz El Zein, Medicals International Report, Iran Office, 2006,p.10

1.2 Importance of the Research

The importance of this research is that it will draw a map of operations for Medicals International and the best way to penetrate a market like the Iranian market. Also it will give a chance to discover a strategic and economical market rich in resources, taking into consideration its population, location, political regime, economy and banking sector. This discovery will lead to further development and growth of Medicals in terms of profits (increase market share), image and regional expansion. Entering Iran will allow access to other neighboring markets or ones that have good relations with Iran such as China and Russia. No doubt about it, that this expansion will be an added value to the overall company's status. This thesis aims to discover ways for strategic and operational planning. It is very essential to give a small introduction about the ophthalmic industry in the world, to shed the light on the importance of this field to the companies operating in it in terms of profits and increasing business, to the health of the patients in need and the welfare of societies as a whole.

1.3 Ophthalmic Industry Overview

The Ophthalmic sector is considered to be a multi-billion dollar industry, especially in the United States. This sector is divided into two specialized areas, one has to do with contact lenses that are put on the external part of the eye whether for medical reasons (vision correction) or for cosmetic advantages and the other area is related to the surgery of the eye (i.e. placing the lens internally). There are numerous manufacturers of contact lenses, such as Bausch and Lomb, CIBA Vision, Coopervision, Johnson and Johnson, Ocular Sciences and Wesley Jessen. Also the channels of distribution in this field are many, including eye care practitioners (Ophthalmologists and Optometrists), national and regional optical chains and mass merchants.

The contact lens market has undergone significant change in recent years. For example, in the past contact lenses were made to last for long periods of time. In addition to constant cleaning and removal was required. But nowadays, the lenses are designed to become disposable; furthermore, they can be replaced daily, weekly or monthly.

Many manufacturers are specialized in providing lenses (Intra Ocular lenses) and other surgical related items for eye surgeries. For instance, there is Alcon, STAAR Surgical and Angiotech. Others are specialized in laser surgeries, such as Ellex and Intralase. The laser technology has greatly developed among the years in which specialists managed to make it faster with minimal side effects. As the eye surgeon Roy Rubinfeld, who is a clinical expert for the American Academy of Ophthalmology, said "Ten years ago we had two procedures -- Lasik and PRK -- and everyone got one of them," Today we have many more tools in our bag of tricks."⁵

"In addition to Lasik, PRK and Epi-Lasik, there is IntraLase, which uses a laser rather than the special blade used in Lasik to cut a flap in the cornea; it may offer improved precision and reduce side effects such as dry eye."⁵

Ophthalmology is an important field in countries such as the U.S., U.K., Japan, Germany, France, Italy and Spain. Major Manufacturers have local distributors, whether in the Far East or the Mena region.

After stating the importance of the research made and the reasons behind choosing Iran as the field of study in Chapter one, Chapter two will investigate many publications, journals, theses, books and various newspapers that have already tackled such issue or a topic related to our thesis. These reviews will help in making decisions on whether to invest or not in the Islamic Republic of Iran.

⁵ Boodman, S. (2006). Maturity becomes lasik; New approaches create a longer pool of candidates for Elective Eye Surgery, The Washington Post

Chapter Two: Literature Review

In this chapter, a deep investigation was made to show whether many, few or none of the previous dissertations, theses, journals and other publications have dealt with the idea of expanding to Iran, through a well structured plan. Also to check if any of these subjects have covered the ophthalmic sector as the field of study in Iran. It is essential to analyze any research that has tackled the issue of foreign investment in Iran and its impact on the country and the company as well.

First, there is no thesis/Memoir that deals with the topic which states that a certain company is expanding to Iran and specifically to penetrate the ophthalmic market. But some have spoken on the subject of foreign investment and the many factors that affect this issue. Not to mention the importance of such topic on the decisions made by Medicals International management.

2.1 American Joint Venture manufacturing firms in Iran: Investment Determinants and Comparative Performance

In this thesis, the importance of foreign investment is clearly stated. Due to the controversial nature of foreign investment there was a need for an empirical research to pave the way towards the establishment of a generally accepted theoretical framework. This survey examines some of the main characteristics and economic implication of foreign direct investment in Iran. It has been shown that the main plea of foreign investment in Iran is the diffusion of technical and managerial skills brought by foreign investment. Also Iran provided laws and regulations that became major incentives that attracted foreign investments. It is worth mentioning that the period under study is between 1971 and 1976. In this period the Shah was the ruler of Iran and he was a big ally of the United States. In addition to the above information, this thesis made a small comparison between the Iranian firms and the American-Iranian joint venture firms in their role for transfer of technology to Iran. The results showed that the American-Iranian joint ventures were more capital intensive and efficient than their Iranian counterparts. In conclusion, the FDI would have been more beneficial to the Islamic Republic if it hadn't faced an inefficient bureaucratic system.

In comparison, with the current situation in Iran under the ruling of Ahmadi Najad, the encouragement of foreign investments is still underway, since the law concerning the attraction and protection of foreign investment passed in November of 1955 is still applied. It is stated that Iran is continuously providing incentives to foreign companies. For this reason, Medicals International has chosen to enter Iran and make use of all the benefits provided by the country. Even though the regime in Iran has changed during the years, but the policy of encouraging and attracting foreign capital remains the same. The importance of such reference is that it shows that since the 1980's and until year 2007, despite the change in the regime, the attention given to foreign investment (FIPPA) is an important aspect to the Islamic Republic of Iran.

Mainly the studies and researches are related to foreign investment in Iran, and since Medicals expansion to the Islamic republic is considered as such, it is crucial to reveal all the advantages and disadvantages that this country offers. Furthermore, what can be done to make laws better and more efficient, keeping in mind the factors that directly affect the company's investment.

2.2 An analysis of the determinants of investment in developing countries: A case study of Iran (1970-1993)

This study is trying to identify the essential determinants of investment and their effect on other factors, Iran will be the field of study. It is very important to state that the author found great difficulty in his research due to the lack of data and the difference of economic structures between Iran and other developed countries. The results showed that the investment was negatively affected by an increase in the interest rate, but positively influenced by the components of aggregate demand such as private consumption, public current and capital expenditure. These results show that public current and capital expenditure crowd in private investment. Also the government needs to make changes in interest rates policies, pursue a unified floating exchange rate and allocate a higher proportion of oil export revenues to infrastructure in order to achieve economic development and encourage investment. This study can be an important factor for Medicals International plan for its expansion into Iran, because it can monitor the elements

that affect investment in Iran and other developing countries that it might enter in the future.

2.3 Country Report: Foreign trade and payments: Economy is handling limited sanctions

It is clearly proven that after the sanctions that the US, Europe and the United Nations have placed on Iran, the Islamic Republic decided to open gateways with the Asian and Arab businessmen to trade, invest and do business with them. Iran believes that Asian and Arab companies will close the gaps caused by the impact of the sanctions on its growth and development. "Iranian trade with Germany, the Islamic Republic's biggest European trading partner, declined by 7% in 2006 compared with 2005. Consultants and analysts in the Iranian capital, Tehran, say that Asian and Arab traders and investors are willing to take advantage of the situation, especially as they are more used to working in a volatile political environment than are Europeans."⁶ Medicals, being a Lebanese company, has the advantage and knowledge to work under special circumstances. In addition to the chance provided by the Iranian government for Arab firms to invest on its premises.

In accordance with what has been mentioned earlier about Iran's openness to Arab and Asian companies in order to face the severe sanctions opposed on it by the U.S. Iran opened gateways with Malaysia. Below is a document on this cooperation:

2.4 Opportunities in Iran

The Iran-Malaysia Exhibition (IMEX) was made to encourage investment and trade with both countries. The exhibitors are set to come from different industries such as petrochemical, agriculture and construction equipment but most importantly the exhibition will involve medical equipment, medical services, biotechnology and dental equipment. "The exhibition offers a platform for facilitating trade of products and services, know-how and technology and a collaboration, development and investment exchange between industry counterparts from each country", says Datuk Naim Mohamad, Chairman of the Malaysia Iran Joint Business Council. This reference obviously shows that Iran is trying to

⁶ Mohammad Shakeel (editor), Country Report: Foreign trade and payments: Economy is handling limited sanctions, The Economist Intelligence Unit, Paterson's Dartford, 2007

find alternative markets to the US, following the sanctions proposed by the western world. Medicals International realized that Iran is a promising market and it is trying to build relations with Asian and Arab companies. In addition, the Islamic Republic is providing incentives to do business. This helped in making decisions to penetrate the Iranian market.

The above studies showed Iran's interest in attracting foreign investments especially those from Asia, Africa and Arab countries. The following studies reveal some risks that can affect investment in the future and cause damage to the company planning to enter the Iranian market. Furthermore, an outlook concerning investment forecasts will be analyzed.

2.5 Economic Forecast

Iran's economic growth is projected to reach well over 5% by the end of 2010.⁷ Economic analysts argue that the sanctions put by the United Nations Security Council can have a negative impact on the economy and investment as a whole. "The institute's analysts further argue that possible sanctions by the Security Council will also leave deep impact on foreign investment." It is essential for a company such as Medicals who is entering a foreign market, to make forecasts concerning the future impacts on its investment to better analyze its position and all the possible actions it might take in the long term.

2.6 Iran-US crisis can pose risk to Central Asia

"New United Nations sanctions against Iran will not seriously affect Central Asian countries in the short term, but an escalation in the confrontation between Iran and the West could halt Iranian-funded projects and raise tensions in the Caspian region."⁸

The sanctions imposed on Iran can have great impact on all countries doing business with the Islamic Republic especially towards countries in Central Asia. Projects can be stopped, postponed or even cancelled due to the tightened situation or due to the possibility of military action against Iran. So we can consider this as a snow ball that will hit Iran, GCC,

⁷ Economic Focus(2006),Economic forecast,Iran Daily

⁸ Iran-US Crisis could pose risk to Central Asia, NBCentral Asia, 2007

and other nearby countries. As previously mentioned, Medicals access to Iran can help it enter to nearby countries or ones that have good relations with it. In this matter, the company has to realize that the risks imposed on Iran will affect its operation in other countries. Political instability and continuous pressure put on Iran, will lead to turmoil in the entire regional area.

2.7 Politics & Economics: U.S. weighs extra steps on Iran; sanctions targeting Guard Corps may add pressure in Nuclear Debate

This edition of the Wall Street Journal shows that the U.N. sanctions and the more focused U.S. financial retaliation has scared away many of the International businesses from Iran and increased the cost of conducting International trade. Furthermore, the Bush administration tried to isolate many Iranian banks and other financial institutions from international financial circles; this led to several major European banks to cut off their operations in the Islamic Republic. In addition to these sanctions, some U.S. officials called for freezing the financial assets of the Iranian Revolutionary Guard Corps (IRGC) in order to increase pressure and force Iran to stop its nuclear program. "Some U.S. and European officials working on Iran said there isn't yet a consensus internationally or in Washington to challenge the IRGC directly. Others disagree over whether the U.N. mandate provides the legal grounds to try to freeze the IRGC's assets, while some U.S. diplomats worry that taking a confrontational stance against the IRGC risks undermining continuing efforts to find a negotiated settlement over Iran's nuclear program." These sanctions have direct and indirect effects on the foreign companies that intend to invest in Iran, and this is the case of Medicals International.

2.8 U.S. eyes penalties for Iran business

The U.S. Senate began considering legislation that would toughen existing sanctions against foreign companies that invest in Iran's oil, gas and petrochemical industries. "It is time for the Senate to act", Senator Robert Menendez said in opening remarks at the Senate Banking committee hearing, when with every day that passes, Iran continues its march toward nuclear weapons. Medicals International concern should be related to future actions that might be taken by the United States since the sanctions put on foreign companies

investing in Iran in the fields of petrochemicals and fuel might spread to other industries related to health care such as medical equipment, pharmaceuticals and many others. For instance, if the U.S. decides in a few months to put heavy penalties on companies doing business with Iran in the fields of ophthalmology, optical and dental in specific then the result would be catastrophic on a newly penetrating company to the Iranian market.

2.9 Iran Economy: Sanctions-proof

“The pressure exerted by the U.S. on Western banks to limit their exposure to Iran is having great impacts on the pattern of Iran’s external trade, with a dip in the level of export credits approved by some of Iran’s leading European trading partners, notably Germany. However, this has been offset by an increase in facilities provided by Asian agencies, and the overall level of medium-term export credits has remained stable.” This is another proof that as tensions increase towards limiting the role of Western institutions in Iran, there is an increase in trade and business with Asian counterparts including Russia. Medicals can take advantage of the openness of the Iranian regime towards Arab and Asian companies to do business on its premises.

2.10 Politics & Economics: G-8 threatens more sanctions for Iran

“German Chancellor Angela Merkel, who chaired the summit, condemned Iran’s expansion of its uranium enrichment program. A joint statement by the G-8 said they “will support adopting further measures” to existing U.N. sanctions against Iran unless Iran suspends its enrichment activities.” Additional pressure is put by the G-8 summit to show the intense attitude of the Western world towards the Iranian regime and its nuclear program. Since the economy is directly affected by politics, every decision taken will have a direct impact on foreign companies in Iran or the ones that are planning to penetrate the Iranian market.

In summarizing the above references, it can be said that investment in Iran has been studied from the days of the Shah till nowadays in the ruling of Ahmadi Najad. Cooperation with the U.S. companies in the old days was obvious and significant. Currently, even though many laws and regulations were made to attract investment

especially from the western world, the sanctions imposed by the UN and the United States are causing long term damage with respect to the internal of Iran and to other regional markets. Medicals is determined to study all these factors because they will have direct impact on its foreign investment in the Islamic Republic. Iran's interest in attracting business from Asia, Africa and the Arab world can help the company make its decision and make use of the advantages presented by Iran. The basic issue is to compare between the times of the Shah where business was completely different from the current days of Ahmadi Najad, since the American companies dealt with the past regime while nowadays there is some kind of boycott. This major factor needs to be noticed in order for any foreign company to cope with this situation. Since operating in the past in previous conditions is different from operations today. Some products that have an American origin are not welcomed in Iran; management has to take into consideration the suppliers' history and the items' nationality to make the appropriate decision.

After the literature review made and the ophthalmic industry discussed, the next chapter will deal with Medicals International in terms of mission, vision and lines of operations. Also the major products that the company offers will be revealed. Management needs to know all the power and resources it possesses in order to be able to make the best out of them and achieve optimal results.

Chapter Three: Medicals International & Products

After stating the reasons and importance of Medicals expansion to Iran and analyzing the ophthalmic industry, we have reached a point in the Memoir where we need to explore Medicals history, profile and the kinds of products it markets, in order to better understand the goals behind its decision and the way its management thinks. Furthermore, by knowing the strategy and policy it applies we will be able to realize why they took these particular steps.

3.1 History:

Medicals international was established in 1994 as a limited partnership in Beirut, Lebanon. Then Medicals grew bigger to become a regional organization with 8 offices serving 11 countries with the objective of marketing medical and health related items such as dental, optical and ophthalmic. After Beirut office came Dubai office which was established in 1997, followed by Cairo office in 1999, Saudi Arabia in 2001, Syria, Jordan & Kuwait in 2004 and 2005 witnessed the establishment of its office in Qatar. In the mean time, Medicals International-Offshore sal was founded to look after the supplies & logistics of all Medicals International units.

Medicals Associates (offshore) sal was founded in 2001 to look after the holdings of the group in Saudi Arabia, and in 2003, Medicals International Dental (offshore) sal was established to start the dental division of the group. Medicals is a distributor for many international brands in the field of health care items.

3.2 Profile:

A- Mission statement:

Medicals International is a customer-oriented company and service plays an essential role in making it a success story. The company's business is in sales and marketing of medical items in market places where the manufacturers find it cost inefficient to open their own distribution networks. Then Medicals opens its subsidiary in each one of these areas, doing so grants the company three advantages related to the accessibility for its client base, getting excellent data from the market and having a sense of identity and

belonging to the market where it is doing business. The result will be faster integration in its markets.

B-Vision and Objective: “We think of the patient first”

“The company’s objective is to become a leading provider in health care products and capital equipment in the Middle East and North Africa region. Achieving the above is a process of ensuring we have the most credible and competitive human capital, fast and efficient service and reliable suppliers.”

C-Strategy and Policy:

“Medicals International is a self-financed organization with focus on long-term profit and return. Service is a key in our strategy and we continue to strongly emphasize on customer’s satisfaction.”

The company is constantly working on ensuring a strong market presence for its suppliers. The management takes decisions concerning the markets, sales, policies and choice of suppliers with respect to the positive impact on its shareholders.

D-Sales and Marketing:

Medicals is engaged in direct selling through its well-trained sales force. Management developed its own sales model that is followed systematically by all sales personnel and which highlights the company’s promotional programs. This strategy continues to ensure faster market penetration and leading market position in a 3 to 4 year product cycle. Undertaking of new products is affected greatly by this sales model. Up to this stage, Medicals International sal doesn’t utilize mass media to reach its clients base nor to promote a new brand; it still focus on personal and phone selling. The company participates in all local and regional meetings, exhibitions and seminars. One of the most important aspects that Medicals possess is its ability to constantly train its sales force by providing them with intensive courses domestically and overseas. This way they will gain up-to-date information and competitive advantage over other teams. Furthermore, it is very crucial and essential to be able to answer tough questions of doctors, opticians, optometrists and professionals whenever they are addressed to do so.

Medicals executives and staff are constantly analyzing their sales data and trying to find ways to reach the target by the end of each quarter to maintain growth at the end of each year. Sales meetings done at the end of each quarter ensures that every department is on the right track and employees are doing their job efficiently. Whenever a certain weakness is detected severe measures are taken to bring things back to the drawn plan.

Sometimes when the political and economical conditions in Lebanon are negatively affected, management takes severe actions to minimize losses and maintain continuity.

Medicals International directly responds to the urgent needs of its customers. Despite the difficulty of some cases, it manages to provide the necessary tools without any extra charges. For example, one of the cases states that a certain dentist was out of stock during his surgery and even though the distance separating Medicals office from the dentist's clinic, it succeeded in providing the items in a record time of 20 minutes, having in mind that normally the distance separating the two premises takes about 45 minutes.

The accuracy and the just on time service helped in maintaining the account and encouraged other customers to do business with Medicals. These cases play a major role in building the company's credibility and overall image with respect to its stakeholders. The feedback on such conditions highly affects the number of new customers that want to become part of this service.

E-Human Capital:

Medicals team consists of over 100 employees properly trained and coached to become proper business entrepreneurs on all levels. Beirut's office consists of 27 employees distributed as follows:

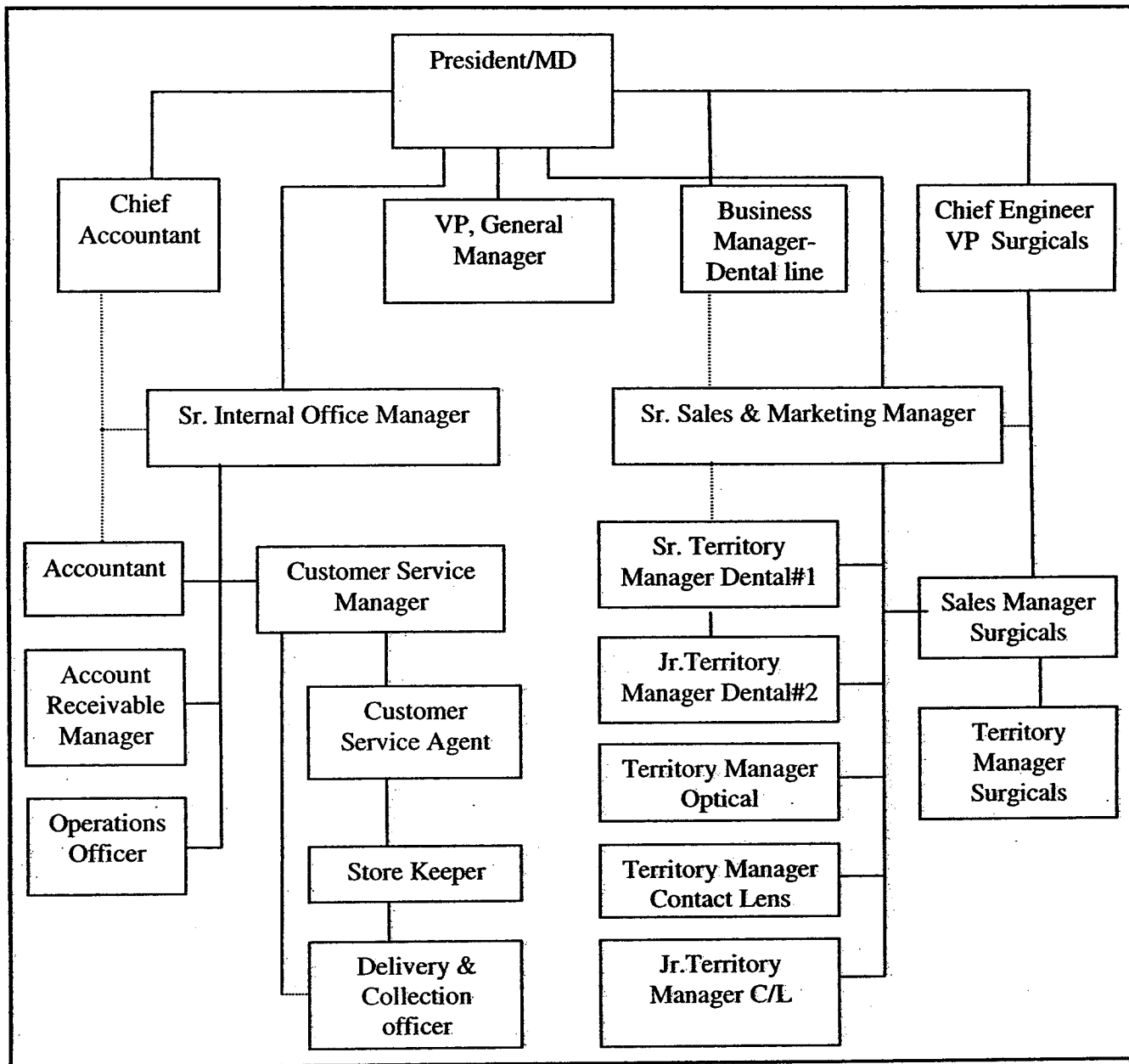


Figure 1: Medicals International-Beirut Office Chart

Source: Adapted from Medicals International "Employee Handbook" 2006

All members come with proper educational background of a minimum BS/BA or engineering degrees and then the company works on enhancing and developing its staff through constant intensive training and research for the objective of committing to service and excellence. Medicals top management invest in its human capital by equipping them with all the knowledge, skills and support needed to become competent individuals able to take the right decisions at the right time. The most important values at Medicals are teamwork, constant professional development and serving the society lying within its lines of operations.

The company provides its staff with opportunities to excel in life through offering promotions and handling further responsibilities whether locally or abroad.

F-Suppliers:

Medicals International makes sure that it selects young and dynamic suppliers with innovative products at their early life cycle. Management makes sure that it acts on exclusive distribution basis, thus establishing credibility and ensuring positive return on investment.

The company works in close partnership with its suppliers, building such trust results in long term relationship based on mutual respect.

As far as pricing is concerned, it is determined in agreement with suppliers and market requirements. Medicals follows a penetration pricing strategy with strong and aggressive promotional programs. Its main concern is to be well reputed, however, with a high quality product line, superior level of service and a competitive price.

The manufacturers that Medicals exclusively represents are:

- Oertli Instrumente AG, Switzerland
- Laserex, Ellex laser Technologies, Australia
- Lasersight Technologies, Inc. USA
- Intralase Technologies, Inc. USA
- STAAR Surgicals AG, Switzerland
- Ophthalmic Innovations Inc., USA
- Surgical Specialties Corp., USA
- Seiko, Japan
- Addition Technology Inc., USA

- Bohus Biotech, Sweden
- Astra Tech, AstraZeneca, Sweden
- Pfortner Cornealente, Argentina
- Ocular Sciences Inc. and Cooper Vision, USA
- Nico SRL, Italy

G-Clients and Service:

Medicals International views its clients as partners and from that base is committed on bringing the highest quality service in the industry. Here are some key clients that Medicals International deals with:

- King Khaled Eye Specialty Hospital (KSA)
- Eye and Ear Infirmary (Lebanon)
- King Abdul Aziz Hospital (KSA)
- University of Mansoura (Egypt)
- Alex University Hospital (Egypt)
- Cairo University Hospital (Egypt)
- King Hussein Medical City (Jordan)
- Dubai Hospital (UAE)
- National Guard (Saudi Arabia)
- Armed forces hospital (Saudi, Bahrain, Kuwait)
- Al Magrabi Eye and Ear Center (KSA-UAE-Oman-Egypt)
- SAAD Hospital (KSA)
- Eye and Ear Infirmary (Syria)
- Jeddah Eye hospital (KSA)
- Levant Clinic (Lebanon)
- Clemenceau Medical Center (Lebanon)
- AUH (Lebanon)
- Al Emadi Hospital (Qatar)
- Eye Specialists Hospital (Jordan)

The delivery system at Medicals is very unique since it assures that any item reaches its destination as soon as possible and within 24 hours at any point regionally. An

additional advantage which Medicals provides is the technical, clinical and after sales service department that consists of a team of highly qualified engineers headed by a chief unit. This technical team undertakes constant training for skills updating and development which promotes them to provide the most refined and professional service, support and knowledge transfer.

“This department looks after demonstration, sales and after sales support of capital equipment with the objective of ensuring that:

Products demonstration for advanced leads is properly completed. Wet labs and other hands-on courses are well structured and conducted in various geographical locations and at advanced standards. Also after sales preventive check-up is cyclically completed and on-call maintenance are answered on time.”

H-Contribution to the society:

Medicals International contributes to its environment and society as a whole by spreading knowledge. The sales team and the company’s product specialists work on technically supporting the various schools of opticians, Optometry and ophthalmology. Also many wet labs and hands-on are made for students in universities. The decision makers at Medicals make sure that constant seminars and presentations are done to its clients, doctors and professionals. Furthermore, during each sales cycle, the salesperson is obliged to present articles that contain up-to-date information that grants the doctor added value to his or her knowledge. Every year International speakers are invited to give seminars on the newest technologies in the fields of dental, optical and ophthalmology. In addition to knowledge, Medicals promotes local communities by keeping a green and clean environment. There is a mutual interest between the company and its society since Medicals is benefiting from the capability to promote its products to the market and the consumer. And on the other hand the society is developing through the service provided by the health sector to the people in need.

I-Products:

After giving an overview about Medicals profile, strategy and lines of operation, it is very crucial to reveal the types of products it offers for the Lebanese and other regional markets. The company’s plan is to introduce these products to the Iranian

community. As previously mentioned Medicals international has four major departments: the contact lens, optical, surgical and dental department. Each one of these departments contains a unique brand that grants it advantage over other competitors. To begin with, the contact lens department has many kinds of eye care products. For instance, this section provides the edge III line conventional, Biomedics 55% disposable, Biomedics 38% disposable, Tricolor plano, Tricolor-Rx, 1 day Biomedics, Biomedics toric, Rose K and the Iris print (therapeutic lens). One of the items that made Medicals become a market leader in the Lebanese arena, is the Biomedics 1 day soft contact lens which offers the patients a practitioner trusted alternative to consumer-promoted disposables that have a tendency to handle poorly, tear easily and lose shape. Comfort, handling and visual performance are made possible through a proprietary development process.

In an independent northern European study, 180 patients showed preference for the Biomedics 1-day comfort, handling and reduced dry eye that contribute to increased patient satisfaction.

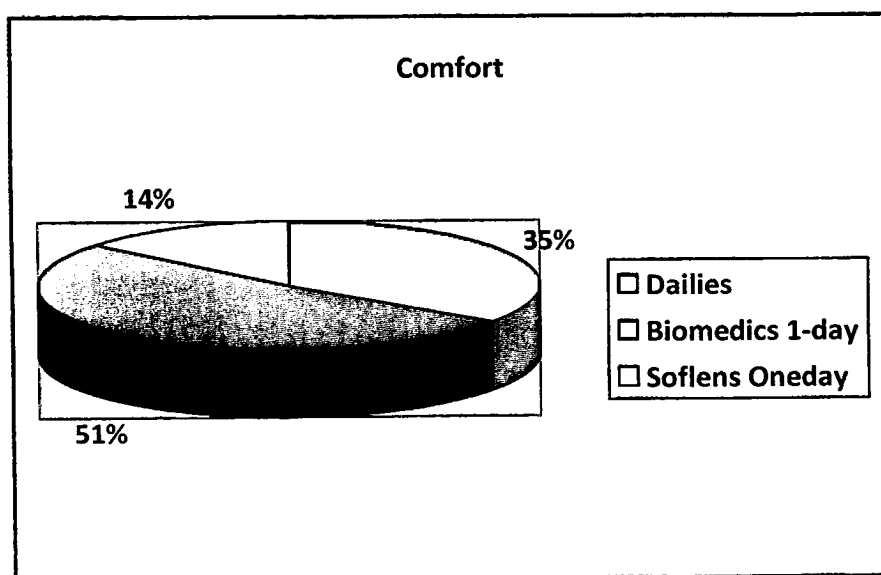


Figure 2: Biomedics 1-day Comfort vs Competitors

Source: Adapted from Biomedics 1-day proven clinical performance, powerful patient loyalty, Data on file, 2001

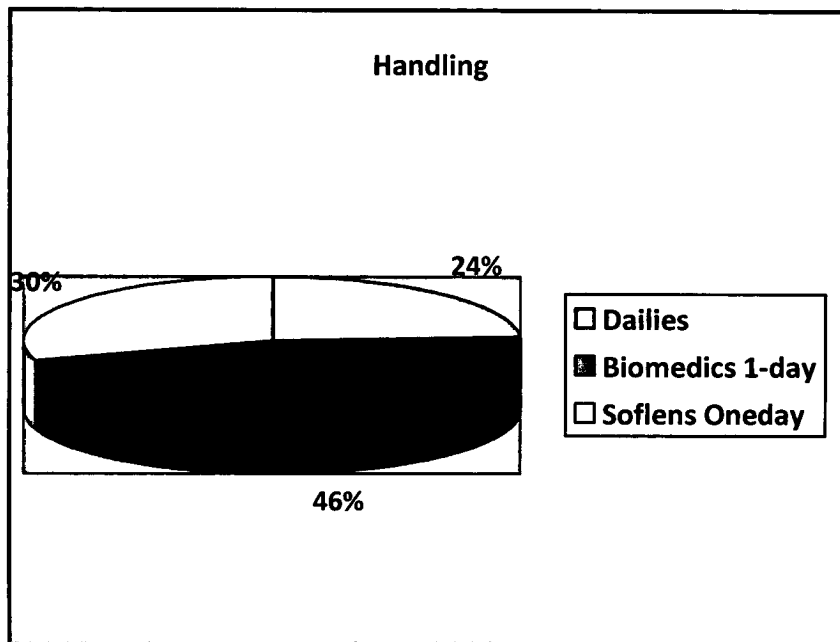


Figure 3: Biomedics 1-day Handling vs Competitors

Source: Adapted from Biomedics 1-day proven clinical performance, powerful patient loyalty, Data on file, 2001

Another item is the Biomedics 55 Evolution which has an optimized comfort and vision for all myopes and hyperopes. The benefits of the Biomedics 55 are many and they can be summarized by improved comfort, vision and packaging. Improved vision is obtained by neutralizing contact lens ocular aberrations.

Furthermore, Medicals markets the Waicon's TriKolor cosmetic contact lens that contains a wide range of colors suitable for all preferences so that the customer can get the image he is aiming for.

Additional complementary solutions are also sold by the company. For example, BioSoak, Biomedics solution, claritear and clarity plus are used to clean, disinfect, lubricate and rinse the desired lenses.

The final item in this department is the Rose K, which is designed by Paul Rose, manufactured by David Thomas and distributed by Medicals. The Rose K main target is to handle keratoconus by fitting all corneal shapes, sizes and stages and this is achieved due to the unique design that changes as the base curve steepens. Such features along with many others made the Rose K an essential product and a big source of income to Medicals.

The surgical department is responsible for marketing a wide range of products such as the Intraocular lenses, Aquasense, STAAR, knives from Angiotech, Merocel, Eye shield, sutures, cauteries, Microvisc from Bohus Biotech and other equipment from Oertli, like the phaco machine and the laser Intralase from Ellex. Finally, there is the laserex which develops innovative ophthalmic laser solutions that preserve vision and improve patient care. “Also the laserex leads the world in YAG laser technology, commanding over 50% share of the global photodisruptor market”. This technology provides precision, efficacy, longevity, reliability and speed. The Intralase technology is the only technology that is capable of giving precision-design to the patient’s intracorneal architecture in terms of diameter, depth, edge angle and morphology. In addition to creating the optimal stromal bed for the refractive procedure that follows. This technology is at the heart of the surgical department at Medicals. One of the most important items at the company is taken from the Ophthalmic Innovations International family of products which is the Aqua-sense III that is used in cataract surgeries with phacoemulsification, providing stability and durability. Not to mention the method that is developed by OII to remove trace materials found in hydrophilic lenses, called precision unresolved-materials extraction (P.U.R.E.). “OII lenses that go through the P.U.R.E. system have enduring optical clarity and enhanced biocompatibility. All OII hydrophilic acrylic lenses are currently being treated with this proprietary system.” STAAR Surgical, one of Medicals’ suppliers, continues to lead the industry by introducing an extraordinary range of options of the Intraocular lenses thus giving Medicals advantage over other competitors in Lebanon and other regional countries. Medical’s plan is to pass the success of these lenses in local and international markets to the Iranian market.

The Optical department has two major brands, Seiko and Vanni. “Seiko makes thin and light lenses to suit all lifestyles. Seiko is a world leader in the design and manufacture of technologically advanced lens materials and delivers the style, comfort and quality that one might expect from an innovative global brand”. It supplies Medicals with Seiko AZ design, Super SV 1.67 AS, AR-Diaccoat 1.50 and P-1W 1.67 AS. Beirut inventory has the AR-Diaccoat with single vision spherical design and the SSV with the single vision aspheric design. And any other type or design is considered as a special

order. “Every SEIKO lens includes a scratch resistant hard-coating, special anti reflection coating and easy-to-clean water resistant surface coating as standard”. These lenses have many features that put them ahead in the industry and make them attractive to the customer. Such features vary from scratch resistant, 100% UV protection, reflection free coating, 50% lighter (AR-Diaccoat 1.50) to 40% thinner and 65% lighter (SUPER SV 1.67 AS). Another brand is the Vanni sunglasses that Medicals have in a variety of styles, designer fashions, frames and colors. With Vanni sunglasses the customer gets UV blocking, protection from glare and absolute comfort.

The final department at Medicals is the dental department. It introduces the AstraTech Dental Implant system. Astratech is part of the AstraZeneca Group one of the largest pharmaceutical companies in the world, known for its research and development strategy. Even though Medicals founded the dental department three years ago, it managed to get a big portion of the Lebanese market share due to the superior features that its implant possesses. The Astra implant consists of pure titanium. The most important design features are Osseospeed, Microthread and Conical Seal Design. Osseospeed, is the implant’s rough surface that is blasted with Titanium dioxide and dipped in fluoride. Fluoride speeds up osseointegration, meaning that the healing period is minimized and bone to implant interlock is strengthened. As for Microthreads, they are the retention elements on the implant that balance the stress so that the marginal bone level can be maintained in order to get optimal esthetics results. The Conical Seal Design helps in stress distribution so that there won’t be major risks for screw fracturing or loosening. “Furthermore, the innovative conical interface allows simple self-guiding seating of the abutment without the need for an extra radiograph to check that it is seated. It ensures the absence of micromovements and microleakage between the abutment and the fixture”. A thorough explanation about Medicals’ profile, lines of operations and products has been stated, revealing all the aspects that need to be known internally so that we can stress on the strong points that Medicals possesses in order to make use of such resources while entering the Iranian market. Now it is time to study the external environment Medicals is accessing so that we can point the threats and opportunities that exists, by doing so we can build the company’s strategy to make use of every opportunity and to be able to overcome any obstacle.

Chapter Four: Iran as the field of research

After studying Medicals way of doing business, we are now capable of defining the strong points that it possesses and how it can make the best of its resources. In the following Chapter, Iran will be the field for our research through its unique features in terms of history, geography, population, culture, political regime, economy, banking sector, laws and regulations. Further analysis will be dealt with, so that all the potential threats and opportunities found in the Iranian market can be determined.

4.1 History:

“Known as Persia until 1935, Iran became an Islamic republic in 1979 after the ruling monarchy was overthrown and the Shah was forced into exile. Conservative forces established a theocratic system of government with ultimate political authority nominally vested in a learned religious scholar”.

4.2 Population and Geographical Information:

Iran’s population is a little bit less than 70 million. Most Iranians reside in densely populated urban areas. Iran’s capital is Tehran. The population of the Tehran area, its suburbs and the surrounding area is approximately 12 million.

4.3 People⁹

Population: 65,397,521

Age structure: 0-14 years: 23.2% (male 7,783,794/ female 7,385,721)

15-64 years: 71.4% (male 23,636,883/ female 23,088,934)

65 years and over: 5.4% (male 1,701,727/ female 1,800,462)

Median age: Total: 25.8 years

Male: 25.6 years

Female: 26 years

Population growth rate: 0.66%

Birth rate: 16.57 births/1000 population

Death rate: 5.65 deaths/1000 population

Sex ratio: At birth: 1.05 male(s)/female

Under 15 years: 1.054 male(s)/female

⁹ www.cia.gov (The World Factbook)

15-64 years: 1.024 male(s)/female

Total population: 1.026 male(s)/female

Infant mortality rate: Total: 38.12 death/1000 live births

Male: 38.29 death/1000 live births

Female: 37.93 death/1000 live births

Life expectancy at birth: Total population: 70.56 years

Male: 69.12 years

Female: 72.07

Total fertility rate: 1.71 children born/woman

4.4 Geography and Resources

Location: Middle East, bordering the Gulf of Oman, the Persian Gulf, and the Caspian Sea, between Iraq and Pakistan.

Geographic coordinates: 32 00 N, 53 00 E

Map references: Middle East

Area: Total: 1.648 million sq Km

Land: 1.636 million sq Km

Water: 12,000 sq Km

Land boundaries: Total: 5,440 Km

Border countries: Afghanistan: 936 Km, Armenia 35 Km, Azerbaijan-proper 432

Km, Azerbaijan-Naxcivan exclave 179 Km, Iraq 1,458 Km, Pakistan 909 Km,

Turkey 499 Km, Turkmenistan 992 Km

Natural resources: petroleum, natural gas, coal, chromium, copper, iron ore, lead, manganese, zinc and sulfur.

Climate: mostly arid or semiarid, subtropical along Caspian coast.

4.5 Political, Sociocultural and technological factors

Iran is considered to be a Theocratic Republic. Its Administrative divisions are divided into 30 provinces (ostanha, singular - ostan); Ardabil, Azarbayjan-e Gharbi, Azarbayjan-e Sharqi, Bushehr, Chahar Mahall va Bakhtiari, Esfahan, Fars, Gilan, Golestan, Hamadan, Hormozgan, Ilam, Kerman, Kermanshah, Khorasan-e Janubi, Khorasan-e Razavi, Khorasan-e Shemali, Khuzestan, Kohgiluyeh va Buyer Ahmad, Kordestan, Lorestan, Markazi, Mazandaran, Qazvin, Qom, Semnan, Sistan va Baluchestan, Tehran, Yazd, Zanzan.

The Constitution was made in December 1979; and it was revised in 1989 in order to expand the powers of the presidency and eliminate the prime ministership. The constitution codifies the Islamic principles in the government.

The Executive branch is presented by the chief of state and currently he is the Supreme leader Ali Hoseini Khamenei (since June 1989) and the head of government Ahmadi Najad. As for the cabinet, it consists of the council of ministers selected by the president with legislative approval. The elections are made by a supreme leader who is appointed for life by the assembly of experts. Then the assembly of experts is elected by popular vote for an eight-year term. The president is elected by popular vote for a term of four years. The legislative branch consists of an Islamic consultative assembly of 290 seats and its members are elected by popular vote to serve a term of four years. Concerning the judicial branch, it is made up of the Supreme Court with a four member high council of the judiciary that has a single head and overlapping responsibilities. Both parties supervise on law enforcement and implementing legal policies.

“The use of technology is influenced by such factors as policy and infrastructure.

However, also the economic and socio-cultural situation has a large impact on using new technology. To bridge the information technology gap of all the related organizations and user groups from industries & social institutes should liaise in development activities and supporting projects. The government should invest in the infrastructure development, by providing the necessary resources and training to the population.”

“The sociocultural dimensions of the environment consist of customs, lifestyles, and values that characterize the society in which the firm operates. Socio-cultural components of the environment influence the ability of the firm to obtain resources, make its goods and services, and function within the society. Sociocultural factors include anything within the context of society that has the potential to affect an organization. Population demographics, rising educational levels, norms and values, and attitudes toward social responsibility are examples of sociocultural variables.” In order for a company such as Medicals International to succeed in a foreign country, it is essential to learn all the norms and values that differentiate one country from another. Furthermore, preserving the environment the company is operating in and contributing to the overall welfare of the society can assist in better adapting to the system. For instance, a company can lose a big

account due to the misinterpretations of its manager while negotiating an agreement with a local supplier.

Many reasons lie behind showing Iran's population, geography and its legislative and judicial body. One of which is to grant Medicals the opportunity to know the exact market size it will be accessing, this way it can forecast or plan ahead in terms of sales target and market growth. Furthermore, it would be a step in the dark if an international company enters a new market without knowing the exact judicial laws and regulations.

Understanding the age structure and the median age, can give a glimpse on where the majority lies, so that the company can target this exact group. Now management needs to study Iran's economy, currency and banking to be able to set standards that fit such system. For instance, if the unemployment rates and population below poverty line are high and GDP per capita are low, Medicals would have to choose the perfect product or health care item to penetrate the market. In addition, to the suppliers' conditions and Medicals plans to grow, top management needs to analyze the above numbers thoroughly in order to set the optimal prices that can fit the consumer's capabilities.

4.6 Economy

“Iran's economy is marked by a bloated, inefficient state sector over reliance on the oil sector, and state policies that create major distortions throughout”. Most economic activity is controlled by the state. As for the private sector, mainly it is concentrated in the workshops scale, farming and other services. The president of the republic, Najad, is trying to continue the reforms of the former president Khatami but his progress was very limited and not much was done concerning this issue. The progressive increase in oil prices in recent years granted Iran a total of \$60 billion in foreign exchange reserves, but this didn't solve the problem of high inflation and unemployment.

In the early 21st century, the service sector contributed the largest percentage of the GDP, followed by industry (mining and manufacturing) and agriculture. Although historically, agriculture was the most important sector of Iran's economy, its share of the GDP has been declining since the 1930's due to the rise of manufacturing. Meanwhile, the mining sector, which is dominated by the production of oil, has grown rapidly since Iran nationalized its oil fields in the 1950's. Factory manufacturing has experienced periods of growth and stagnation. Trade and commerce activities have expanded with the country's increasing

stagnation. Trade and commerce activities have expanded with the country's increasing urbanization. During the late 1970's the Iranian economy appeared ready to grow to a level with the world's developed countries, but the 1979 revolution and the subsequent eight-year war with Iraq strained all economic sectors. However, the need to produce for the war effort actually spurred industrialization as did government spending on infrastructure development. In 2006, Iran's GDP (purchasing power parity) was \$599.2 billion, GDP per capita was \$8700 and the GDP real growth rate was 4.3%. Having in mind these numbers, Medicals can make special accommodations that can adapt with such facts. In Iran the labor force is calculated to be around 24.36 million, but what is worth mentioning is that it is facing a shortage of skilled labor, so whenever the company wants to recruit labor for jobs like delivery, stock keeper and operations officer it has to keep in mind that it would be difficult to attain skilled labor from Iran or if it managed to do so they can be causing the company to put in an additional investment represented by the high salaries and other securities (medical insurance). Unemployment rate is 15% and the population below poverty line is around 40%, these numbers are considered to be very high and the company who is accessing this market will have to take notice. For instance, management cannot penetrate the market with a very expensive, luxurious product on one hand and on the other hand 40% of the Iranian population is barely capable of supporting their families with the basic needs of life (food, water....). The most important aspect is to be able to make your product presented in such a way that it becomes an essential part of life and the customer cannot live without.

The Inflation rate in Iran is 15.8% and the Investment is 30% of GDP. Keeping in mind that Iran gives great attention to investment, Medicals has to expect to have many competitors in their lines of operations. This way, it can make all the necessary studies to know the market and its players with their weaknesses and strengths ahead of time before accessing the arena.

4.7 Currency

The Iranian currency is referred to as "Rial". It is internationally abbreviated as Rf or Ris. Coins are available in denominations of 10, 50, 100 and 250 Rial. As for the bank notes they are found in denominations of 100, 200, 500, 1000, 2000, 5000 and 10000 Rials. What is worth mentioning is that the Iranians use an old currency unit for their daily operations and transactions called "Toman", and it is worth 10 Rials. Many places in Iran

accept to complete a transaction by using Master card (subject to an additional 4% charge). The Rial is bought at foreign exchange banks and other authorized money exchangers. At Tehran International Airport, currency exchange counters are usually open during normal office hours. The exchange rate fluctuates daily depending on the money market. In compliance with new currency policies and for the convenience of foreigners hotel and travel tour rates in addition to the price of carpets are expressed in US dollars. Medicals financial department must be aware of all currency policies and the exchange rates, to be able to set pricing strategies accordingly.

Exchange Rates	1 US DOLLAR	→	9160 Rial
	1 Euro	→	11500 Rial
	1 US DOLLAR	→	916 Toman
	1 Euro	→	1150 Toman

Table 1: Exchange rates of Rial vs Dollar vs Euro

Source: Abed Al Aziz El Zein, Medicals International Report, Iran office, 2006, p.15

4.8 Banking Sector

The Iranian financial sector is dominated by ten state-owned banks, including six full service commercial banks and four specialized. In addition to four small private non-bank credit institutions that have recently been licensed.

“Iran’s private sector banks include the Parsian bank, Karafarin bank, Eqtesad-e-Novin and Saman bank.” Commercial banks accept demand, savings and time deposits; engage mainly in short term lending, primarily to the private sector and public non-bank financial enterprises; and act as agents of depositors in the investment of funds. The profits (losses) from these investments are then distributed to depositors based on the duration and amount of the investment. Specialized banks lend mainly on a long-term basis (five years or more) and have equity participation in the agricultural, industrial, ruining, housing and export sectors. Their sources of funds are low-cost, long-term government deposits and loans, with the exception of the housing bank whose resources are largely private deposits.

The banking system activities are generally divided into two basic fields:

- 1- Adopting Monetary Policies
- 2- Performing Banking Transactions

1-Adopting Monetary Policies

As the coordinator of monetary and credit policies, the central bank has both the adopting and supervisory duties of successful implementation of the above mentioned policies. The main goal for application of such policies includes the efficient coordination of existing supplies and demands of financial sources within the country's economy as a whole, in a way which facilitates the accomplishments of the country's stated goals for its economic development programs.

2-Performing Banking Transactions

It is done by setting a certain ceiling for banking services and facilities, transferable to the government, private and cooperative sectors by the country's banking system. Allocating larger amounts of banking credit services to non-governmental and private sectors, in such a way that the largest share (equal to 36%) would be allocated to mines and industries. 30% would be allocated to construction and housing. The remaining 15% would cover the exports, services and other commercial sectors. The minimum and maximum interest rates for granted bank loans and services to various sectors remained unchanged since 1993 (agricultural sector 12%-16%, industrial 16%-18%, construction 15% and finally the service and commercial sector is between 18%-24%).

"The developments in Iran's banking system lags in its adaptation to the needs of a liberalizing economy and is tightly controlled by the central bank, clearly illustrates the challenge". "For this reason, Iran is launching a dramatic restructuring of its economy, by ending the dominance of the state sector with a massive privatization program, which includes the sell-off of most of the state-owned banking sector. Davood Danesh Jafari, the minister of economic affairs and finance, described what is happening as an economic renaissance in Iran. Jafari plans to significantly reduce the role of government in the Iranian economy which he estimates is 50% state-owned at present."

4.9 Foreign Investment

After stating the essential aspects that Medicals International needs to know in order to understand the system in terms of exchange rates and banking transactions. It is time to answer questions that have blogged the minds of potential foreign investors all these years, following the Islamic revolution in Iran. When Medicals International decided to invest in Iran, its top management asked many questions such as, what advantages or risks should be expected? What legal guarantees are there for protecting the company's capital? Will the company be able to transfer its profits abroad? Medicals executive board knew that the best source of information that could tackle these questions would be the Iranian Chamber of Commerce, Industries and Mines. Below, are some fundamental answers that will be dealt with, concerning the criteria for foreign investment in Iran.

A-Are there specific laws related to foreign investment in Iran?

“Many laws exist that are based on the Islamic shari’a. First, there is the law concerning attraction and protection of foreign investment in Iran, passed in November of 1955, and the rules for the execution ratified in 1956, are the governing guidelines in this respect. The law pertaining to the establishment of free trade-industrial zones in the Islamic republic of Iran approved in 1993, and the regulations governing capital investment in the free trade-industrial zones approved in 1994, have specified the manner in which foreigners can invest in Iran. The laws of five-year economic, social and cultural development plans of Iran have also confirmed that foreign investors may invest in various economic sectors in partnership with Iranian nationals.”

B-Who is entitled to invest in Iran and in what areas?

“Only private individuals, companies and establishments of foreign origin are allowed to invest in Iran. Foreign investment is allowed only in the fields of development, rehabilitation, industrial, agricultural production and transportation. Financing institutions providing assistance to Iranian establishments are also entitled to the advantages issued from the law.”

C-What about the service sector?

“Services performed independently of foreign investment activities do not fall under the framework of foreign investment laws, unless they are connected to one of the said fields.”

D-In what forms can foreign capital be imported into Iran?

“Foreign capital can be imported to Iran in the form of foreign currencies, machinery, tools, spare parts, raw material, land, air and sea means of transportation used in the execution of a project for which capital has been imported; in addition to wages and salaries paid to experts in foreign exchange. All net profits earned in Iran, added to the original capital or invested in other enterprises falling under the law concerning attraction and protection of foreign investment shall be treated as foreign capital.”

E-What legal protection is foreign capital entitled to?

“The government of the Islamic Republic of Iran extends its protection to all foreign capital imported into the country according to the law concerning attraction and protection of foreign investment and the profits earned there from.

Legal entitlements, exemptions and facilities for capital investment provided under different laws, including laws pertaining to taxation will also be applicable to foreign investors. If foreign capital investments are expropriated as a result of any legal enactment, the owner so deprived is entitled to a government guarantee of fair compensation for any resulting damages and losses.”

F-Can foreign capital be covered by an insurance policy?

The capital which is imported to Iran can be insured if the foreign investors find it necessary. When a certain accident or dilemma occurs, the insurance companies become successor to the capital investor, under the conditions stated in the insurance policy agreed upon. This successorship shall not be deemed as transfer of capital.

G-Is there no limit on the transfer of profits earned as a result of business activities of a foreign investor in Iran?

In general, transferring original capital and profits earned from activities made in Iran has no legal limitations. The owner of the foreign capital must keep 10% of his initial capital in Iran for a period of six months from the date of transfer as a security deposit until he is capable of meeting his obligations. Then he can transfer abroad the net profit from the initial investment after removing taxes, dues and statutory reserve requirements in the same currency that he originally imported his capital.

Medicals International gave great attention to this particular issue in order not to face problems while transferring any gain from its operations overseas whether to Lebanon or the Mena region.

H-What rate of foreign exchange will be applied to the transfer of the principal of foreign capital and the profit accrued from its investment in Iran?

The rate for remittance of profits and the repatriation of capital is the selling price that is set by the bank on the day of the transfer.

I-In what foreign currency will the remittance of profits be expected?

The transfer will be the same as the currency imported to the Iranian market.

J-Following approval, where are joint foreign-Iranian ventures registered?

The articles related to the issue of joint-venture companies are found in the form of one of the companies stated in the commercial code of Iran. Usually, they take into consideration the location of each company where they are registered in the office for registration of companies, either in Tehran or in one of its branches elsewhere in the country.

K-What is the amount and limit of foreign investments in Iran?

The Organization for Investment, Economic and Technical Assistance of Iran (OIETAI), which is responsible for foreign investment applications, sets ratios for foreign investors with Iranian nationals and they study each case separately. Sometimes, they grant the foreigner the majority of shareholders. Later on, the resolutions of OIETAI shall then be ratified by the council of Ministers in form of a decree.

L-How are foreign investments protected against various risks?

The right of the foreign investor (approved by the council of ministers), is usually protected against expropriation and nationalization. The government is responsible for giving fair compensation for any damages in the free trade-Industrial zones.

4.10 Competition

When a company wants to better understand the industry context in which it is operating it is essential to abide by Michael Porter's framework that models an industry as being influenced by five forces. These forces are supplier power, buyer power, barriers to entry, threat of substitutes and rivalry. In the case of Medicals International, penetrating Iran is still a very cautious step since much information related to the industry environment are missing due to the discrete flow of information and lack of data. Medical's top management realized the importance of the buyer's power in Iran and his capability of influencing companies to lower prices. The company has through its connections with

Iranian suppliers managed to build relations with some key players that are capable of providing raw material needed to start up the business. It is always disturbing to know that another product from a different industry can be a substitute for the product Medicals is offering. A close substitute product constrains the ability of firms in an industry to raise prices; thus, forcing Medicals to apply a specific pricing strategy to avoid being overtaken. New technologies in the industry are contributing to competition among firms. Medicals International has to be aware of all new technologies in the industry in order to be able to compete and survive for the long term. When industry profits increase we would expect additional firms to enter the market to make use of the high profit levels. In order to raise the entry barriers, Medicals needs to obtain patents and rights on know-how technology and make its distribution channels restricted to other competitors. This can be attained through signing agreements with suppliers and major key players. Rivalry has a low profile in Iran due to the many restrictions and secrecy of information. This can be due to the political conditions of some international firms with the Iranian government. Most of the companies in Iran do not have facilities, but rather international distributors market (IDM). The IDM network provides marketing, distribution and eye care support. Not to mention that it is very difficult for U.S. and European companies to operate in Iran due to the political tension among Iran and their countries. Furthermore, these companies fear from being penalized by their countries for doing business in a hostile country. Cibavision is one of the companies that operate in Iran through an IDM. Further access to information provided by Iranian officials, embassies and governmental organizations would have made it possible to better analyze the competitive environment. It is worth mentioning that it is very difficult to attain information from reliable sources related to this part.

4.11 Dispute settlement between the foreign investor and his Iranian counterpart in the zone:

The disputes are settled as per the written agreements and contracts between the two parties. “Under the foreign investment promotion and protection act (FIPPA), the application procedure for investment licensing is designed in a very short and simplified manner.” As illustrated below the procedure is organized in four stages.

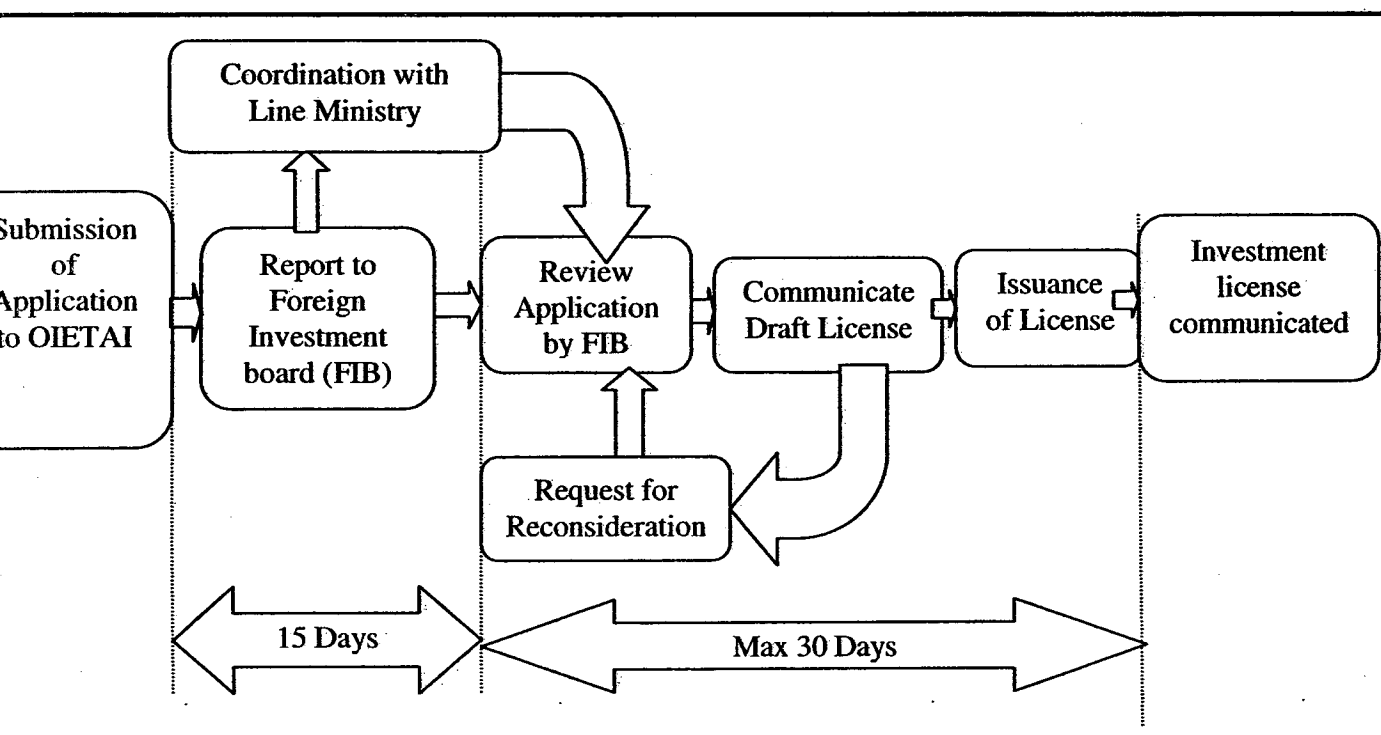


Figure 4: Application procedure for Investment Licensing

OIETAI: Organization for Investment, Economic and Technical Assistance of Iran

Source: www.iccim.org

After the many questions concerning foreign investment laws and regulations have been answered, Medicals moved to another aspect of importance for its description of the Islamic Republic of Iran. In order to make the right decision and adjust the product prices accordingly, taxation needs to be handled, in terms of the types of direct taxes, tax exemptions and corporate tax calculations.

“According to the law of direct taxation, there is a direct tax on real property, undeveloped land, inheritance, income earned from agricultural activities, salary, professions, corporation, incidental income and aggregate income acquired through various resources.”

“Articles 132 to 146 of the Law of Direct Taxation specify the major tax exemptions as follows: Income earned by productive enterprise and mining units which have obtained an establishment license, or an identification card from the Ministry of Industry, Ministry of mines and metals or the ministry of Jihad-e-Sazandegi (Construction Crusade), shall be exempt from taxation for a period of eight, six or four years from the commencement date of their operation. If such units are developed in deprived regions of Iran, an equivalent of half of the aforementioned periods of tax exemptions shall be added to their legal period of tax exemption. In addition, 20% of taxable income earned from manufacturing, mining, engineering, designing and assembly designing which have or will receive an operating license from the said ministries, are exempt from taxation.

According to Article 113 of the third five-year economic, social and cultural development plan, export of all goods and services shall be exempt from taxation. Income earned from all agricultural activities, farming, fisheries are also exempted. In addition to the above cases, exemptions and tax breaks have been outlined in the Law of Direct Taxation and other related legislations for some public utility institutions, as well as cultural, religious and scientific foundations and activities.”

Corporate taxes are calculated by deducting 10% of the total taxable income and the remainder is calculated on the basis of rates set by Article 131 of the Law of Direct Taxation. Non-commercial Iranian legal entities as well as companies whose shares are on the stock exchange market are exempted from the 10% corporation tax. The rates stated in Article 131 are as follows:

Up to Rls. 1,000,000 annual taxable income		12%
Up to Rls. 2,500,000 annual taxable income	On sums in excess of Rls. 1,000,000	18%
Up to Rls. 4,000,000 annual taxable income	On sums in excess of Rls. 2,500,000	25%
Up to Rls. 9,000,000 annual taxable income	On sums in excess of Rls. 4,000,000	35%
Up to Rls. 25,000,000 annual taxable income	On sums in excess of Rls. 9,000,000	40%
Up to Rls. 50,000,000 annual taxable income	On sums in excess of Rls. 25,000,000	45%
Up to Rls. 100,000,000 annual taxable income	On sums in excess of Rls. 50,000,000	50%
Up to Rls. 300,000,000 annual taxable income	On sums in excess of Rls. 100,000,000	52%
On sums in excess of Rls. 300,000,000		54%

Table 2: Calculation of Corporate Taxes on the basis of rates set by Article 131 of the Law of Direct Taxation

Source: www.iccim.org

“According to Article 105 of the law of Direct Taxation, foreign legal entities must pay taxes on all taxable income earned through investments or from direct and indirect (through agents, branch offices, activities...). Nevertheless, by virtue of Article 113, direct taxes on income earned by foreign airlines and shipping companies through transporting passengers and cargo from Iran are flat rate of 5% on all sums received from these activities in Iran or at the final destination.

In accordance with Article 111, the taxable income of foreign contractors in Iran, active in areas such as construction, technical installations, transportation, designing plans for buildings and installations, topographical surveying, drawing, supervision and technical calculations, is a flat rate of 12% of their annual receipts in all instances.”

Iran provides tax incentives for investments and activities in the free trade-industrial zones. Natural persons and legal entities active in this area are exempted from payment of direct

income tax for 15 years from date of operation as stated in the license. Furthermore, Iran has signed agreements with Germany and France to prevent double taxation.

4.12 Customs

All goods and commodities entering the customs area in Iran are considered as “entering” goods and commodities. From these entering goods only the ones that remain in the country, that is they become definite, are subject to tax and duties. All other commodities that are considered as transit or temporary are exempted from customs tax and duties. According to customs laws and regulations, the value of goods entering Iranian customs are calculated on the basis of the CIF value plus registration fees and all other expenses and charges applicable to the goods and commodities in question until their arrival to the first port of entry. Furthermore, this calculation is done on the basis of the documents submitted by the owner of the goods and commodities and on a floating rate of exchange basis. Some important exemptions and limitations concerning clearance of goods from Iranian customs are mentioned below.

The customs tariffs, duties and commercial duties of commodities are stated below:

Commodity	Tariff (%)
Chemical industry products/ordinary metals & relevant products/ measurement instruments /medical equipment and the like	10
Food industry /mining raw production leather/ industry paper and wood fabrics /mechanical machinery	15
Agricultural raw production electric machinery	25
Transportation vehicles & parts non permitted commodities	25-50

Table 3: Tariffs put on Commodities

Source: Abed Al Aziz El Zein, *Medicals International Report, Iran Office, 2006*, p.27

Since Medicals International is involved in the field of health items and medical equipment, its management was interested in the tariffs set on medical equipment and the like and in this case it is 10%; therefore, all the decisions concerning this issue were set accordingly.

Finally, after a deep analysis of the research field that Medicals is accessing in terms of market size, resources, banking sector, currency, customs and taxes. It was realized that Iran is a big market and an essential key for the company's growth and development. In addition, to it being a gateway to other neighboring countries. These valuable information helped Medicals team, who was responsible for this project, make easier steps towards implementing its prepared plan. Also, understanding the nature of doing business in Iran and how to tackle legal issues and financial transactions assisted the company to act rapidly and efficiently.

The importance of this chapter is to help Medicals assess the way daily operations are made in terms of banking transactions and exchange rates. A company who is involved in doing business needs to know all about the necessary procedures that have a direct impact on its operations in order to adapt to sudden changes in these factors. Furthermore, knowing these elements can assist in better planning and time managing. In addition to these benefits it can help the company save money and delegate authority in order to become more efficient. For example, Medicals has some banking transactions to achieve on time or else the deadline for submitting a proposal will be over, if the company's representative has no idea about the procedure needed in order to get the related documents, the drawn plan will fail.

The next chapter will deal with all the potential risks that might face a foreign company who is planning to penetrate the Iranian market. Knowing these risks can better help Medicals International take all the necessary precautions to overcome these threats.

Chapter Five: Risks behind Investing in Iran

Whenever a certain company decides to invest in a foreign country, it is very crucial for its management to analyze all the potential risks that it might face, since it is planning to introduce a huge amount of capital in this market. Medicals needs to weigh the risks versus the rate of return on investment. Even though high risks yields high returns, the company has to ask questions such as is it worth it? Will its penetration grant it advantage over competitors? Can such investment open gateways to other nearby rich countries?

5.1 The Nuclear Crisis: The U.S. and European view towards the Iranian Regime

Despite Iran's importance as a big market with essential resources, it is considered as a country with high risk factors. The nuclear crisis with the Western world especially with the United States, led to cutting trade and foreign investment with American companies and such actions were accompanied by sanctions put on Iran by the United Nations. As such a company like Medicals International has to consider these elements since such actions can increase and the overall economic situation can severely deteriorate. In addition to the sanctions, the United States consider Iran's current regime as supportive of many terrorist organizations and it believes that risk factors are very high. Stuart Levey, Under Secretary for Terrorism and Financial Intelligence said that "Iran under its current regime is an example of a country where there are heightened risks to investing." Europe also shares the same concerns with the United States, the European Union is worried that Iran's capabilities of developing its nuclear weapon might have a negative impact on the union's interests in the region. Medicals International business will be directly affected especially if it had close contact with the government itself, whether to make a transaction or solve a legal issue. Also, the company needs to realize that its contact with the Iranian government might affect its relations or probably its operations elsewhere in countries that oppose this regime. Another important element Medicals has to consider is the relation with its Western suppliers who are against Iran's nuclear program and foreign policy. Management has to make sure that the suppliers are fully aware of Medicals actions and its consequences. Most probably these multinational companies are open to any additional investment that might bring extra cash and increase market share, but the problem occurs with their national governments and their reaction towards this development.

5.2 Unexpected change in laws and regulations

The sudden change in laws by the Iranian regime makes its behavior unpredicted and some of the decisions taken have direct impact on the people and the society as a whole thus affecting the companies operating in Iran. The recent daily quota put on fuel for personal consumption caused complete chaos among citizens and led to unstable environment. "In an interview with an Iranian TV channel, the president explained government measures to implement Majlis approval concerning fuel rationing and said this is a complicated job and Majlis wanted it to be done sooner, because gasoline consumption in the country was increasingly high and country's resources could not allow more imports of the product." If the regime decided to take extreme measures with respect to the field in which Medicals International operates the result would be negative on the company's operations. Any other change in foreign investment rules can impose additional costs on the company and the plans put by the company's management to deviate from its original goal.

5.3 Possibility of a regional war outbreak

Indeed the biggest threat stems not from economics but from politics. The risk of a full-scale Middle Eastern war is very high. Analysts say that the Western world and the U.S. in particular intend to attack the Iranian regime and destroy its nuclear compounds. The results of such actions would be catastrophic on Iran, the neighboring countries and the world as a whole. Furthermore, the economy will probably crash and all the companies will become bankrupt or lose a lot of their capital. Since Medicals is part of the businesses in Iran, it would fail to achieve its goals and lose its investment in the market. In addition to the negative influence of such actions on operations in the Islamic Republic, this war can harm all of Medicals offices in the gulf area and especially in Saudi Arabia since any attack on Iran will follow by the response of Iran on the U.S. bases that are located all over the gulf. In addition to the high risks of an external war outbreak, there are risks related to internal conflicts, investment profile, socioeconomic conditions and government stability.

Country	Government stability				Socioeconomic conditions				Investment profile				Internal conflict				External conflict			
	1	2	3	A	1	2	3	B	1	2	3	C	1	2	3	D	1	2	3	E
IRAN	3	3	2	8	1.5	1.5	2.5	5.5	2	2.5	2	6.5	4	2	2.5	8.5	2.5	2.5	1	6

Table 4: Political Risk Points by Subcomponent

Source: An Extract from International Country Risk Guide, The PRS Group, July 2007

The above table shows subcomponents that make up the first five political risk components

Each subcomponent has a maximum risk point score of 4 and a minimum of 0

4 Risk points indicate Very low risk and 0 indicates very high risk. The sum of the subcomponents within each political risk component is the risk point score of that component.

Government stability	Socioeconomic conditions	Investment profile	Internal conflict	External conflict
1-Government Unity	1-Unemployment	1-Contract viability	1-Civil war	1-War
2-Legislative strength	2-Consumer confidence	2-Profits repatriation	2-Terrorism	2-Cross border conflict
3-Popular support	3-Poverty	3-Payments delay	3-Civil disorder	3-Foreign pressures

5.4 Natural Catastrophes

One of the major risks that have direct impact on businesses in Iran is its location, where the number of earthquakes is continuously on the rise. For example, in 2004 a strong earthquake registering 6.3 magnitude has killed many people and injured dozens in northern Iran. "The quake which hit about 5:10 pm Friday was centered about 70 km north of the capital Tehran, according to officials with the U.S. Geological survey and the Geological survey of Iran." Many earthquakes hit Iran along the years and their results are catastrophic on the Islamic Republic with a toll of thousands of people killed and massive destruction in infrastructure and housing. This risk applies to all companies operating in Iran and particularly Medicals International. An earthquake can destroy the company's headquarters along with its warehouses, inventory and other facilities. Not to mention, the possibility that some of the employees can be harmed or even killed.

5.5 Ethnic Conflict

The continuous rivalry between the Arabs and the Fars makes the situation in the Middle East turmoil. Historically, the Arabs were in constant clash with the Fars. When the war between Iran and Iraq occurred, the Arabs supported Iraq because they were considered as Arabs even though the president of Iraq was Saddam Hussein, who was considered as a dictator. Where there is tension there is instability. Instability scares away all potential investors, since investors are cowards. No company will ever invest in a country or a region where there is a possibility of war and continuous tension.

5.6 Political Regime

Iran is considered as a theocratic republic where the Islamic Sharia law is applied. This law can be considered as a setback to all foreign companies who are planning to operate in the Islamic Republic. For instance, some laws can prevent certain ways of doing business or even call for boycotting some products. The result would be huge loss of capital since the possibility of selling or marketing certain items would be impossible. The Sharia can have certain judgments on certain products, preventing Muslims from wearing them. In such a regime a fatwa might say that wearing colored contact lenses by men or women is completely forbidden. This is why a company who is planning to introduce certain products to the Iranian market or any other market for that matter, needs to study the culture, traditions, behavior and beliefs of its people to better assess and make the necessary actions to protect its investment.

5.7 Tension between Iran and Israel

Another major risk is the ascending pressure between Iran and Israel. On one hand, Israel is supported by the U.S. and Iran is an ally of Syria. The continuous political instability and the high risks for a war outbreak in the region prevent big companies to put their capital in Iran or other related neighboring countries. The U.S. is backing Israel with weapons in order to stand up against Iran. Even though Israel has nuclear power and many other U.S. allies in the world do, the United States' biased attitude towards Israel gives it the right to have such weapons whereas Iran is not allowed to build nuclear power because the Islamic republic is against U.S. policies in the Middle East and the world as a whole. "Israel's political and military leadership have repeatedly and openly declared their

preparation to militarily attack Iran in the immediate future. Their influential supporters in the US have made Israel's war policy the number one priority in their efforts to secure Presidential and Congressional backing." With the uprising tension among two regional powers and the political and economical instability that follows, it would be very difficult to encourage investors to enter the Iranian market. This matter needs to be analyzed by Medicals' management in order to make the right decision on whether to invest or not in the Islamic republic.

5.8 Iran's self-sufficiency

Since Iran became a regional power capable of manufacturing weapons, industrial and agricultural material, competition with foreign products became fierce. "Iran will join wheat exporting countries in the current Iranian year (commenced March 21), a senior Agriculture Jihad official said."

"In a talk with the Persian daily Iran, deputy agriculture minister, Mohammad Jahansouz pledged that the Islamic state would soon export the strategic food thanks to rising wheat production."

The capability of producing locally made Iran become a self-sufficient country. In addition to the previously stated materials, Iran might be able to produce health care items such as contact lenses, surgical, optical and dental products. Then the competition with foreign products will be strong. Iran's regime might apply certain rules that prevent importing any product that can be locally manufactured to avoid direct competition with its own production. Furthermore, Medicals International has to study Iran's potential currently or in the near future to produce items that are similar to those introduced by its management.

All the risks that have been stated previously can have a negative impact or even affect the management's decision towards the entire project, since any risk is directly related to the company's daily operations. Doing business in these conditions might be very difficult and in some cases impossible, therefore it is crucial for Medicals International to study these threats thoroughly and act accordingly. The top management has to keep in mind more than one case scenario and needs to have many options to face any sudden incident.

After exposing all the potential risks that any company might face when penetrating the Iranian market, the operational part in the next chapter will be the focus. The practical part and the steps that follow will be tackled. It is worth mentioning that Medicals' representative, who was operating in Iran, in coordination with Beirut team decided after studying the Iranian market to penetrate using the strategy that will be revealed in the coming chapter. Also top management will monitor these actions in order to maintain certain standards set by the drawn plan.

Chapter Six: Suggested Operational Plan

In previous chapters, the company's resources were assessed and the opportunities that Iran can offer were studied. To better know a newly penetrated market the risks are a major factor in making the decision; for this reason, chapter five showed what a foreign company can face when entering Iran in order to better handle any sudden obstacle. In this chapter, the Operational plan supported with numbers and statistics to the market penetration will be analyzed. Also the steps for the office establishment will be listed, to have a certain outlined map to the strategy Medicals International intends to apply for its market penetration. Finally, a forecasted sales target will be set and the way to achieve it will be discussed. Since the time factor plays a major role in the success of any business or product line, a time cycle will be drawn in terms of the years it takes Medicals to reach its planned destination.

6.1 Office Establishment Plan

A-Renting

As planned Medicals representative will visit Iran in May 2008. One of the tasks will be to search for an office and an apartment. The office will be located in Tehran, the capital. Tehran is divided into three parts: South, Middle and the North. Our main search will be in the Northern area, as it was advised by all the people who are experienced in the Islamic Republic. The main issue for renting an office is to have a legal entity address in order to start preparing all official issues related to the establishment.

B-Legal Issues

The next step is to meet with some lawyers in order to sign a contract so that we can start establishing Medicals International, Tehran Office.

Medicals' lawyer from Beirut Office will help the representative with the legal issues.

During May, the following needs to be prepared with the help of both lawyers:

- Opening a new bank account (Bank Melli or Bank Saderat Iran)
- Preparing all documents needed for the Commercial Registration
- A partners meeting should be appointed with the selected lawyer
- Commercial registration should be issued
- Get the Importation license
- Goods approval and registration from the Ministry of health
- Applying for the foreign investment (according to the preference of partners)

Below is the way to get the license for the foreign Investment application:

Stage 1: Submission of application to the OIETAI

Applicants are advised to ensure that the information contained in the application form is diligently sorted out, preferably from feasibility studies and in case of the unavailability of a feasibility study, by way of latest information and data on the project in which they are intending to invest. The OIETAI staff may be consulted during the preparatory work for application submission.

Stage 2: Review of the application by the Foreign Investment Board (FIB)

The OIETAI will prepare a report on the application to be reviewed for a decision by the FIB. This process usually will not take more than 15 working days from the time of the receipt of the application. Representatives of the foreign investors are usually invited to take part in the FIB meeting. However, the board has to make its decision not later than one month.

Stage 3: Communication of the draft license to the foreign investor

In order to ensure that the investor is satisfied with the decision of the board, a draft license will be communicated to the investor before issuance of the final investment license. This gives the opportunity to the investor to review the details of the content of the license as a sign of his no objection before the final delivery.

The OIETAI welcomes any contrary commentary to the decisions made and would be ready to take the matter to the board once again for reconsideration.

Stage 4: Issuance of the Investment License

The final license shall not be issued at any circumstance unless the OIETAI is officially informed by the investor of his confirmation to the content of the draft license. Having received the investor's confirmation on the draft, the final investment license will be issued earmarked by the signature of the Minister of Economic Affairs and Finance.

In order to facilitate the preparation of documentation for submission to the OIETAI, four different application forms have been designed, each of which appropriate for the type of investment that the investor is willing to apply for. The forms may be used for the following types of investment:

- Form 100-1 to be used for foreign direct investment (FDI) and civil partnership arrangements in Greenfield projects
- Form 100-2 to be used for foreign direct investment in existing firms, whether quoted on the stock exchange or not
- Form 100-3 to be used for foreign investment under various build, operate and transfer (BOT) schemes
- Form 100-4 to be used for investment under buy-back and project financing arrangements

6.2 Operation

To summarize Medicals plan would be to divide the year 2008 into four segments: Quarter 1 of year 2008, Quarter 2 of year 2008, Quarter 3 of year 2008, Quarter 4 of year 2008.

Quarter 1: January till March 2008

- Recruit an Iranian Sales Representative and send him to Lebanon for training purposes
- Buy telephone lines and fax
- Rent the office and other facilities.
- Prepare legal forms
- Give lessons in Persian language for Medicals staff that intends to work in Iran

Quarter 2: April till June 2008

- Receive the first shipment
- Recruiting and Training for Customer Service
- Start issuing Invoices
- Organize importation and inventory

Quarter 3: July till September 2008

- First product Line Launching (Contact Lens Line)

Quarter 4: October till December 2008

- Launch second product line
- Recruit a second sales representative
- Recruit a delivery officer (if needed)
- Organize the whole operation and go on with the business
- Prepare the importation license for the Surgicals line. This new line will be launched in Quarter 1, 2009
- Prepare a financial forecast for the year 2009

6.3 Financial Forecast for 2008 and for the coming 3 years after**A-Year 2008**

Medicals plan would be to reach USD 28,000 by the end of December. The expenses ratio and the COGS ratio will be much higher than the ones that are targeted. The reason behind the high expenses ratio is because the sales figures are expected to be low. The COGS ratio will also be high because Medicals is at a starting point and a launching period.

Below is a table showing the figures that should be achieved in 2008:

USD	Sales	COGS	Expenses	Profits before tax	Profits after tax	ROI
July	0	5,000	10,000	-15,000	NA	-1.5%
August	10,000	8,000	8,000	-6000	NA	-0.6%
September	15,000	10,500	8,000	-3,500	NA	-0.35%
October	19,000	13,300	8,000	-2,300	NA	-0.23%
November	23,000	16,100	8,000	-1,100	NA	-0.11%
December	28,000	18,200	10,000	-200	NA	-0.02%
Total	95,000	71,100	52,000	-28,000	NA	-2.8%
Average	15,834	11,850	8,667	-4,667	NA	-0.47%

Table 5: Forecasted Income Statement for the year 2008

Source: Adapted from Abed Al Aziz El Zein, Medicals International Report, Iran Office, 2006,p.32

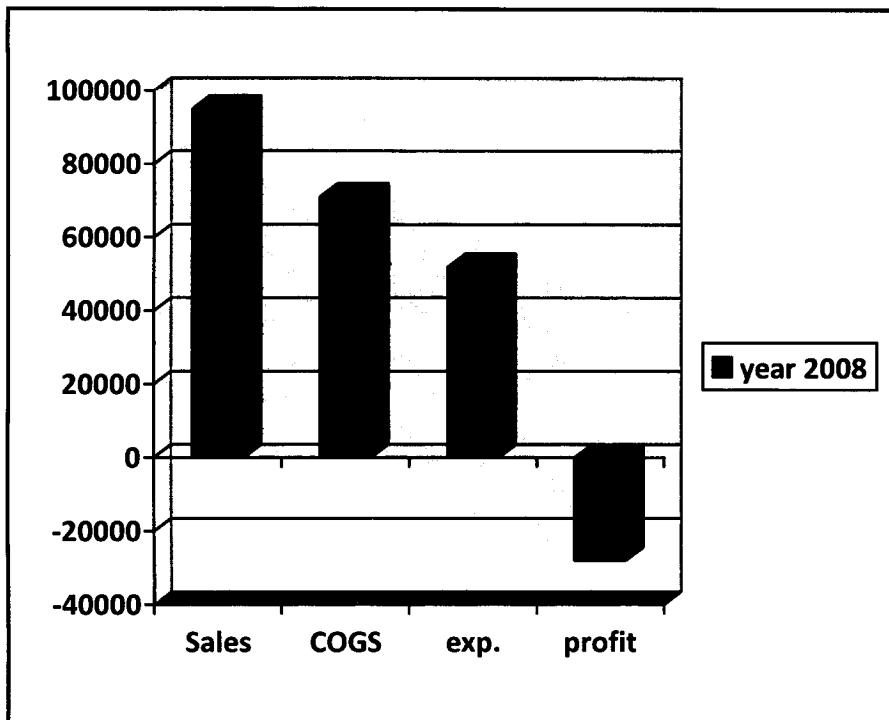


Figure 5: Expected results for the year 2008

Source: Abed Al Aziz El Zein, Medicals International Report, Iran Office, 2006,p.32

B-Year 2009

In 2009, Medicals International will introduce to the Iranian market its Surgical line. The consumables from the surgical line are expected to increase sales. Furthermore, there will be a possibility for selling few laser and phaco machines. The figures below are received only from Contact lenses and consumables.

The target for this year is to reach USD 76,000 in sales by the end of December 2009.

Also other targets in this year would be to achieve the following ratios:

- COGS ratio over sales = 65%
- Expenses ratio over sales= 20%
- Profit before tax ratio= 15%

These ratios will not be achieved before mid year 2009, after all recruitments are done.

Below is a table that will further explain and show how the previously mentioned ratios can be achieved.

USD	Sales	COGS	Expenses	Profit before tax	Profit after tax	ROI
January	32,000	22,400	10,000	-400	NA	-0.04%
February	36,000	25,200	10,000	800	600	0.06%
March	40,000	28,000	10,000	2,000	1,500	0.15%
April	44,000	30,800	10,000	3,200	2,400	0.24%
May	48,000	33,600	10,000	4,400	3,300	0.33%
June	52,000	33,800	10,400	7,800	5,850	0.59%
July	56,000	36,400	11,200	8,400	6,300	0.63%
August	60,000	39,000	12,000	9,000	6,750	0.68%
September	64,000	41,600	12,800	9,600	7,200	0.72%
October	68,000	44,200	13,600	10,200	7,650	0.77%
November	72,000	46,800	14,400	10,800	8,100	0.81%
December	76,000	49,400	15,200	11,400	8,550	0.86%
Total	648,000	431,200	139,600	77,200	57,800	5.78%
Average	54,000	35,934	11,633	6,433	4,817	0.48%

Table 6: Forecasted Income Statement for the year 2009

Source: Abed Al Aziz El Zein, Medicals International Report, Iran Office, 2006,p.33

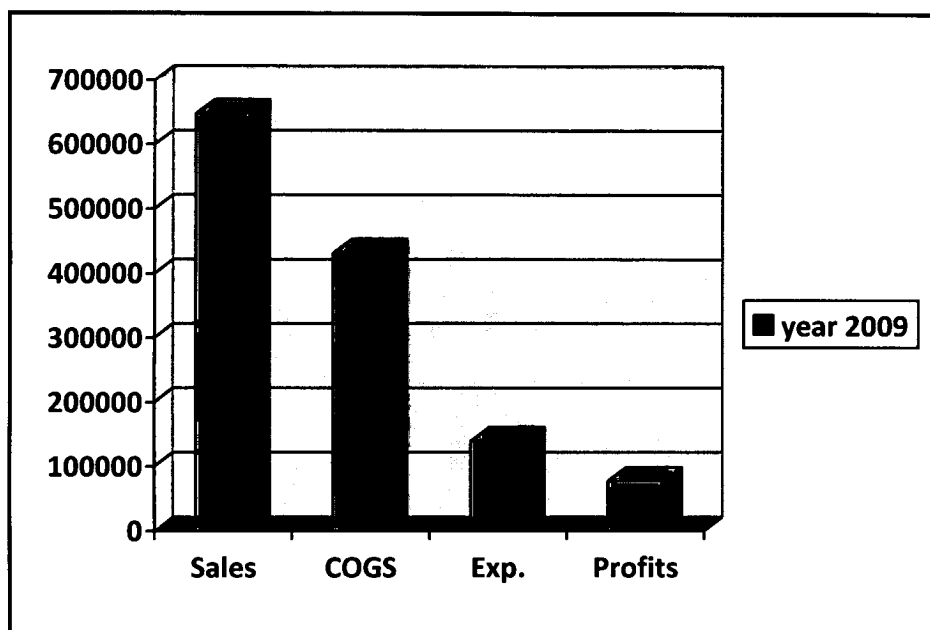


Figure 6: Expected results for the year 2009

Source: Abed Al Aziz El Zein, *Medicals International Report, Iran Office, 2006*, p.33

C-Year 2010

In year 2010 Medicals International Tehran office will start to sell outside the capital and it will open new markets in Iran. The target will keep the same ratio levels that it started with in the mid of year 2009.

As for sales the company will target average sales of USD 150,000 through the year 2010 and by the end of year 2010 Medicals will reach total sales of USD 225,000.

In order to achieve such numbers Medicals International needs to have a very well devoted staff whether internally or its sales force. Since the capability to reach these targets in a country like Iran, where there could be some limitations is considered as a challenge by itself.

In the below table we will see how can these numbers be achieved and what Medicals need to make in order to reach its target.

USD	Sales	COGS	Expenses	Profit before tax	Profit after tax	ROI
January	90,000	58,500	18,000	13,500	10,125	1.01%
February	100,000	65,000	20,000	15,000	11,250	1.13%
March	110,000	71,500	22,000	16,500	12,375	1.24%
April	125,000	81,250	25,000	18,750	14,062.5	1.41%
May	135,000	87,750	27,000	20,250	15,187.5	1.51%
June	150,000	97,500	20,000	22,500	16,875	1.69%
July	160,000	104,000	32,000	24,000	18,000	1.8%
August	170,000	110,500	34,000	25,500	19,125	1.91%
September	180,000	117,000	36,000	27,000	20,250	2.02%
October	190,000	123,500	38,000	28,500	21,375	2.14%
November	210,000	136,500	42,000	31,500	23,625	2.36%
December	225,000	146,250	45,000	33,750	25,312.5	2.53%
Total	1,845,000	1,199,250	369,000	276,750	207,562.5	20.76%
Average	153,750	99,937.5	30,750	23,062.5	17,297	1.73%

Table 7: Forecasted Income Statement for the year 2010

Source: Abed Al Aziz El Zein, Medicals International Report, Iran Office, 2006,p.34

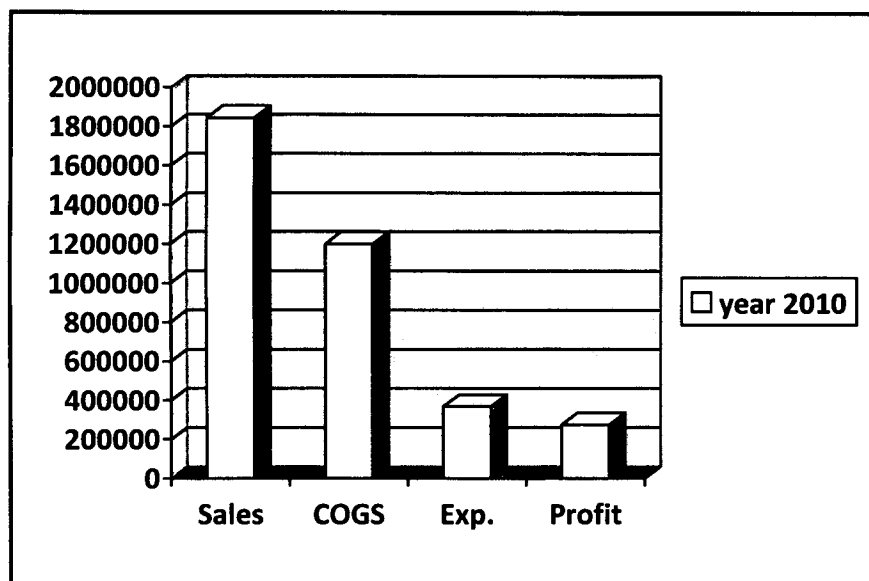


Figure 7: Expected Results for the year 2010

Source: Abed Al Aziz El Zein, Medicals International Report, Iran Office, 2006,p.34

D-Year 2011

Medicals International expects that its sales will grow enormously. Ratios will be kept the same as the previous year and it will reach total sales of USD 350,000 by the end of the year. Average sales should reach USD 290,000.

This year will be the beginning of the continuous progress in terms of profits. After the first build up years with respect to facilities, human resource, logistics and shipments, Medicals International began gaining profit on its initial investment. Its return on investment ratios have increased tremendously.

Finally, Medicals plan would be to achieve the 100% ratio from return on investment by the end of the year 2013.

USD	Sales	COGS	Expenses	Profit before tax	Profit after tax	ROI
January	235,000	152,750	47,000	35,250	26,437.5	2.64%
February	245,000	159,250	49,000	36,750	27,562.5	2.76%
March	255,000	165,750	51,000	38,250	28,687.5	2.87%
April	270,000	175,500	54,000	40,500	30,375	3.04%
May	280,000	182,000	56,000	42,000	31,500	3.15%
June	290,000	188,500	58,000	43,500	32,625	3.26%
July	300,000	195,000	60,000	45,000	33,750	3.38%
August	310,000	201,500	62,000	46,500	34,875	3.49%
September	320,000	208,000	64,000	48,000	36,000	3.6%
October	330,000	214,500	66,000	49,500	37,125	3.71%
November	340,000	221,000	68,000	51,000	38,250	3.83%
December	350,000	227,500	70,000	52,500	39,375	3.94%
Total	3,525,000	2,291,250	705,000	528,750	396,562.5	39.66%
Average	293,750	99,937.5	58,750	44,062.5	33,047	3.31%

Table 8: Forecasted Income Statement for the year 2011

Source: Abed Al Aziz El Zein, Medicals International Report, Iran Office, 2006,p.35

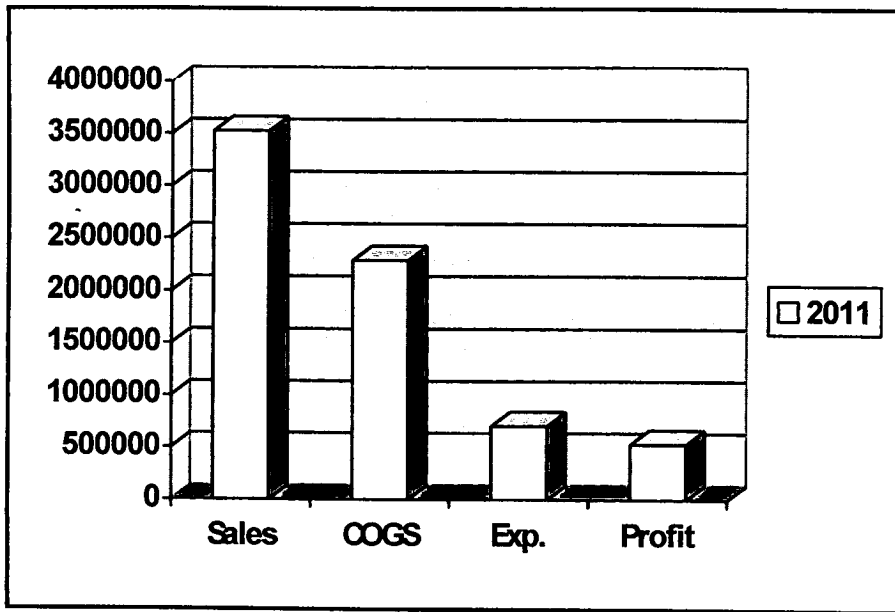


Figure 8: Expected results for the year 2011

Source: Abed Al Aziz El Zein, Medicals International Report, Iran Office, 2006,p.35

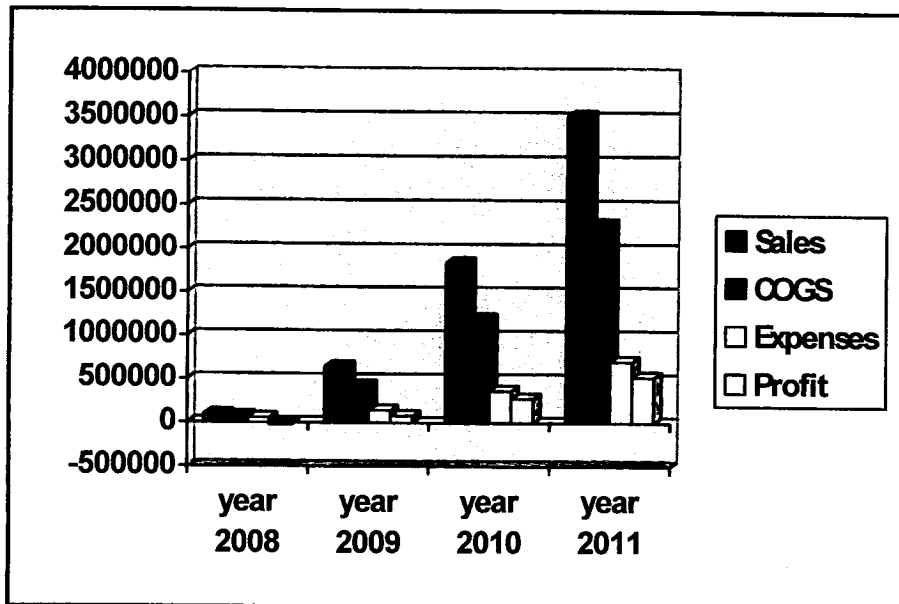


Figure 9: Comparison between forecasted years

Source: Abed Al Aziz El Zein, Medicals International Report, Iran Office, 2006,p.36

Medicals International forecasted sales targets do not follow any commonly used software such as SPSS but rather the technique applied is based on Iran's market size, the product line intended to be introduced and previous data taken from other similar markets like Egypt. Furthermore, our experience and judgment are two additional factors that played a major role in setting the numbers. Some markets where Medicals operates somehow look like the Iranian market in terms of population helped in setting the targets. Furthermore, the products that are intended to enter the Iranian market have already penetrated other similar markets and the results assisted in having an idea of the return on investment from such items. Previous experience in other markets contributed in drawing the plan for the company's figures in Iran. In addition to the above mentioned reasons there is the percentage of expected growth that Medicals International has as a criteria for its development and success. Therefore, management has to take into consideration the results it aims for in the coming years and set the targets accordingly.

In analyzing the above forecasted numbers, we say that the first year yields a negative return on investment ratio (ROI= -2.8%) due to the payback period. Every company who is doing business and has invested a huge amount of capital will show this negative indication, since the expenses and the cost of goods sold are very high and despite there is some kind of income that is flowing, the expenses remain high in a way that it would be very difficult for the limited amount of income to cover them all. In year 2009 and after the surgical line has been introduced, sales are expected to rise; thus, showing an increase in the ROI ratio and the positive ratios begin to appear. As time passes, Medicals International will increase in terms of sales and profits. In year 2010, when the company started its operations outside Tehran there was an upward shift in numbers and market share grew bigger, we can notice that the ROI ratio began to increase further (An average ROI of 1.73% per month). A company who is selling more and more will reach a point where it will overcome the negative indication to have a null ratio and after this period the company will start to make profits. In the year 2011, we can realize that the ROI ratios have grown enormously (An average ROI of 3.31%); this indication proves that Medicals managed to cover all of its expenses and it started to gain profits, after a three year period.

To achieve the set targets and the drawn plan, Medicals International has to abide by strict rules, whether through a strong sales team and an internal crew to make the operations easier and much more efficient. Continuous auditing and supervision are needed to see whether the numbers are reached every quarter or some deviation occurred. In the case where numbers are not met, management needs to make quick changes in order to avoid loss of capital. Not to mention, the need to monitor expenses and minimize them as much as possible.

After all forecasted numbers have been stated and analyzed, the last chapter will give the final conclusion and recommendations on whether Medicals International should penetrate the Iranian market, put the project on hold or cancel it entirely due to previously mentioned risks and threats.

Chapter Seven: Conclusions and Recommendations

Finally after all has been said, Medicals International has the capability and the plan to enter the Iranian market. The suppliers got excited when they knew about this project and they were pushing us to start the operations as soon as possible. They knew as much as we know the importance of such a market in this area. The forecasted numbers clearly showed that if Medicals International applied the drawn plan and was committed to achieving results, it will start gaining profits after the third year from doing business in Iran.

First, the ROI ratios showed a negative indication (-2.8%) which is a normal thing for a company just starting to operate in a foreign market. Since it is spending a lot of money on expenses; therefore, its generated income is limited and is not capable of covering all the expenses. But after a year or so the ROI will start to increase (5.78%) because the company's sales are also increasing in a way that grants the company an opportunity to cover costs. After Medicals International starts to cover its expenses it will reach a point where it has a ratio of zero, then it will begin to generate profits, giving it a chance to grow further and the ROI ratio will automatically increase (3.31% on average).

Iran will lead Medicals to new openings and occasions. It is not considered as an adventure but rather an opportunity to grow and develop outside the Arab world.

The company knows its potential and where to operate or not. Medicals International has been in the industry for more than 10 years, and it has dealt and met with different people, cultures and traditions.

From our experience at Medicals International, management realized one important thing represented by Universal Operation, every office the company has looks the same.

Medicals' team is very well trained and organized to achieve growth and development.

In conclusion Medicals has realized its power and resources that makes it eligible to enter a foreign market like Iran. Also all the opportunities, benefits and advantages from such a penetration was thoroughly analyzed and no doubt about it that the return on investment would be high and the ability to spread to nearby countries is also very high. Furthermore,

all the risks from doing business in the Islamic republic were put to the test and the result was clearly stated.

Medicals contribution to Iran would be enormous in terms of giving updated technology to all opticians, optometrists, ophthalmologists and dentists. In this way it will assist in developing the medical sector so that all the population can benefit and make use of the services presented to them. Just the idea of operating in Iran is an added value to the Iranian economy. In addition to increasing the job employment for locals, thus; contributing to decreasing the unemployment rate which is considered somehow high.

7.1 Limitations

Many factors play a major role in making a decision for such a plan. Some are advantageous some are risky and can affect the entire management judgments. Therefore, before making the decision on whether to enter Iran or not there are some limitations that need to be stressed upon. First, there is the issue of the Persian language. Iranians rarely speak other than their native language, so this could be an obstacle, since any employee who needs to do business in Iran has to learn it. In addition to the difficulty of this language, the employee has to be committed to learning it and this can lead to a slower pace with respect to growth.

Another limitation is the Iranian regime itself, since it is considered as a theocratic republic where religion and the Islamic sharia is the code for living and doing business. So some products might be forbidden in Iran or the sharia says that women are not allowed to wear colored contact lenses. This will cause loss of capital and an obstacle for introducing such kinds in the Iranian market.

Also the bureaucratic system can negatively affect the process of operation. Paper work and administrative documents are difficult to attain through the governmental ministries. Time factor is a major issue in doing business and in introducing products to a certain market, since inventory and operational costs are very high therefore it is crucial to sell more in order to gain more in a very short period of time in order to cover all expenses and start gaining profits. So any system can be either a push or a setback for any company operating, in the case of the Iranian system it is for sure considered as having a negative impact on Medicals operations.

The legal requirements to start a business in Iran along with the actual personnel available to support the complexity of this start up is considered to be very demanding.

Also there could be some margin of error with respect to forecasted numbers taken from Egypt to apply for Iran, since Egypt has some factors that are different from Iran and might affect the final result. For instance, there is a difference in culture; habits and behavior that can prevent the company from achieving certain numbers. The nature of the regime in both countries is different and therefore its impact on the company's operations can be completely the opposite. Operations in Egypt can be facilitated for Medicals International, since the company is considered to be an Arab entity that is operating in an Arab country, whereas in Iran operations can be much more difficult because Arab and Persians are in constant challenge and competition to obtain better results.

Concerning the limitations shown in the Literature Review in chapter two, we say that it was proven that operating in Iran in the days of the Shah was much easier than nowadays in the current regime. For instance, the sanctions imposed on Iran by the U.S. is considered as a setback for companies operating in Iran since these sanctions can have a direct impact on the Iranian economy; thus, affecting the company's operations in the Islamic Republic. Another limitation is the Nuclear Crisis and the possibility of a war outbreak that will damage the entire operations, along with the risk of losing huge capital and probably the risk of aborting the entire project.

In general the risk of political instability will greatly affect the economy, due to the direct relation between politics and economy. The growing tension between Iran and the Western world (G-8 in particular) makes foreign investors flee and withhold from investing with huge capital in Iran, prevent business from growing and makes it difficult to build chains with other investors in order to grow faster and have bigger opportunities to develop.

7.2 Recommendations

When thinking about the final recommendations on whether to enter Iran or not, one has to take into consideration all of the advantages and disadvantages for such a penetration. On one hand, this plan is definitely achievable and the return on investment from such operations will be very high. The development and growth for Medicals International would be enormous. Also this will grant the company additional power to make business with other nearby countries that are considered to have excellent relations with the Islamic Republic. The forecasted financial results clearly show that if everything was on the right pace with the suitable human power Medicals can start gaining profits in three years time. On the other hand, many limitations that have been stated earlier can put this project on hold. Language, Legal issues, bureaucratic system and the theocratic regime are major players in rejecting this plan.

Adding to what have been said before, many risks can occur in Iran and in the very near future. Political instability, risk of war outbreak that can cause bankruptcy to many companies and Medicals International is one of them. Sudden change in rules and regulations set by the Iranian government without any prior notice can cause deviation to any firm from its original targets and goals.

Our recommendations are based on three options. The first would be to put this project on hold for the time being if the management feels that the risks are high and the chance to operate in these conditions is very difficult. It is recommended to wait until the political dilemma is cleared and after a while reevaluate the company's status and the outside threats in order to start operating in Iran.

As for the second option, if the management is eager to operate in Iran as soon as possible, we recommend that the management implications would be to penetrate at a slower pace and be aware about sudden changes in laws, political status, possibility of a war outbreak and potential loss of capital; thus, management needs to invest with a very limited amount of capital and choose one product line in order to avoid penetrating at large, so if anything wrong occurs losses would be limited, but at the same time invest with the right amount that is capable of giving an indication about future investments if conditions were much more stable.

The third option is based on building a joint venture with an Iranian counterpart, but this option has some limitations. Dispute settlements and legal issues are a major setback for such an option. For instance, there are no guarantees that Iranian courts are not going to take sides with the local partner. Furthermore, culture needs to be taken into consideration. One has to expect certain conflicts arising from the difference in norms, values and behavior. In order to build a partnership with a foreigner, there should be mutual goals and some chemistry among both parties in order to reach targets. Failing to have basic standards in common might lead to catastrophic results.

Management believes that Iran is a great market and it is one that Medicals International will be in, sooner or later, but further attention to what is going on in the region needs to be deeply taken into consideration.

Finally, the lack of data and the discrete flow of information from Iran and its official ministries and embassies made the research very difficult and some material impossible to retain. In the future, further research can be made on whether additional product lines or sectors can be introduced to Iran.

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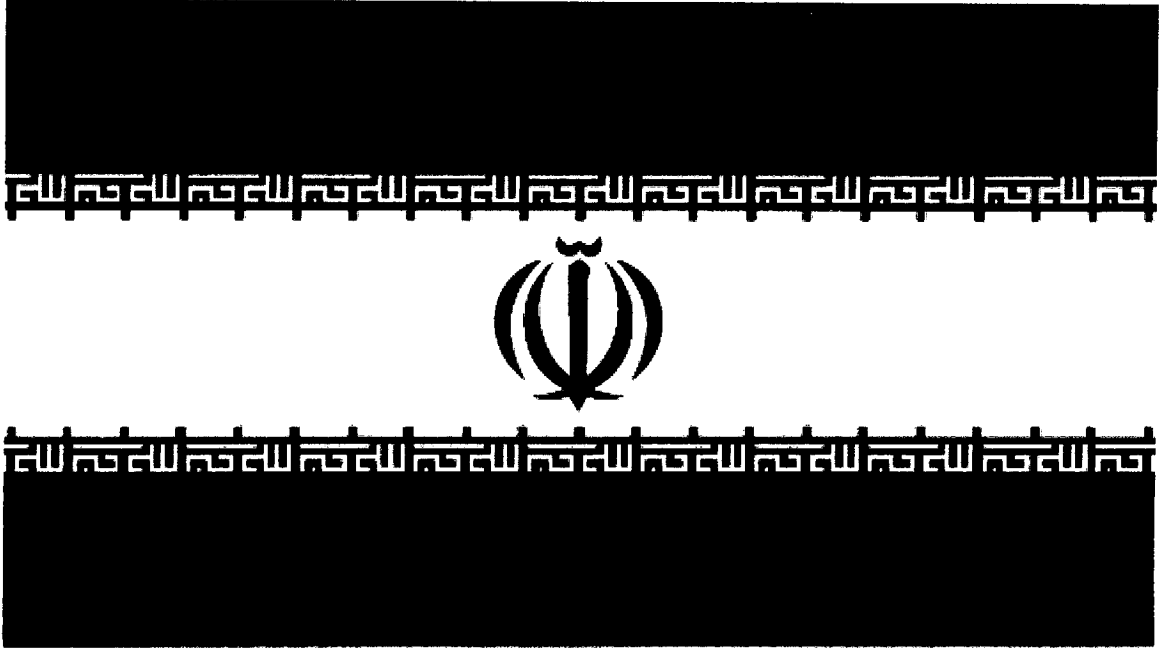
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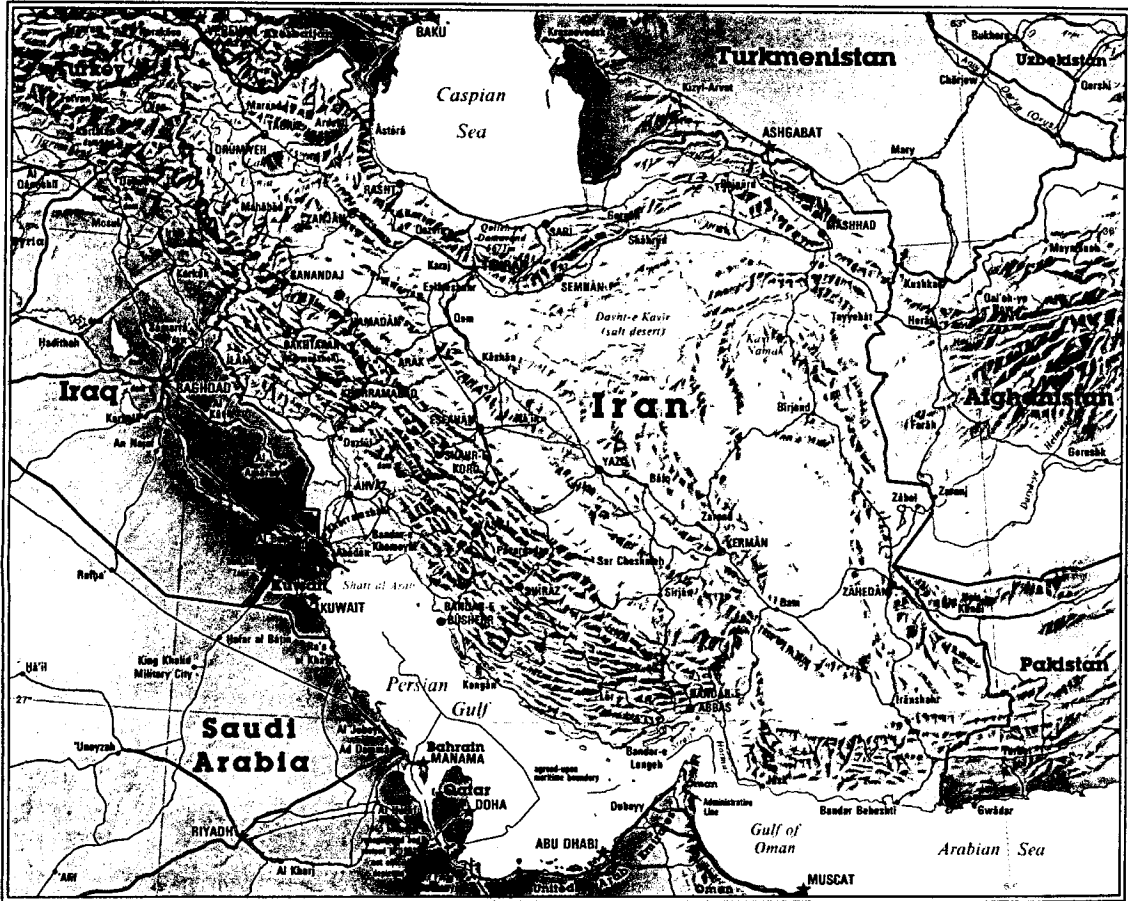
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APPENDIX A: IRAN PROFILE

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SCALE 1:11,250,000
0 100 200 300 Kilometers
0 100 200 300 Miles
Lambert Conformal Conic Projection,
standard parallels 12°N and 36°N

- International boundary
- ★ National capital
- Province capital
- Railroad
- Expressway
- Road

Country profile: Iran



Iran became a unique Islamic republic in 1979 when the monarchy was overthrown and religious clerics assumed political control under supreme leader Ayatollah Khomeini.

An eight-year war with Iraq followed, which diminished the country's oil wealth.

In 2002, US President George W Bush declared Iran as part of an "axis of evil". Washington accuses it of undermining its efforts in Iraq and of trying to develop nuclear weapons.

Iran, which is building its first atomic power station with Russian help, says its nuclear ambitions are peaceful.

In 2006 the government announced that it had succeeded in enriching uranium. President Ahmadinejad said Iran has an "inalienable right" to produce nuclear fuel.

The country has an abundance of energy resources - substantial oil reserves and natural gas reserves second only to those of Russia.

AT-A-GLANCE

Politics: Conservatives have kept reformers at bay and retain power in the complex system of religious and democratic government

Economy: Iran holds 9% of world oil reserves; a critical shortfall in jobs has hit the young

International: Iran has defied international pressure over its nuclear programme; it is accused of funding terrorism and some fear its burgeoning regional influence

Iran has been led by a conservative elite since 1979, but appeared to be entering another era of political and social transformation with the victory of the liberals in parliamentary elections in 2000.

But the reformists, kept on the political defensive by powerful conservatives in the government and judiciary, failed to make good on their promises.

Former President Mohammad Khatami's support for greater social and political freedoms made him popular with the young - an important factor as around half of the population is under 25.

But his liberal ideas put him at odds with the supreme leader, Ayatollah Khamenei, and hardliners reluctant to lose sight of established Islamic traditions.

The elections of June 2005 dealt a blow to the reformists when Mahmoud Ahmadinejad, Tehran's ultra-conservative mayor, became president.

Persia, as it was, had been one of the greatest empires of the ancient world, and has long maintained a distinct cultural identity within the Islamic world by retaining its own language and adhering to the Shia interpretation of Islam.

- **Full name:** Islamic Republic of Iran
- **Population:** 71.2 million (UN, 2007)
- **Capital:** Tehran
- **Area:** 1.65 million sq km (636,313 sq miles)
- **Major language:** Persian
- **Major religion:** Islam
- **Life expectancy:** 69 years (men), 73 years (women) (UN)
- **Monetary unit:** 10 Iranian rials = 1 toman
- **Main exports:** Petroleum, carpets, agricultural products
- **GNI per capita:** US \$2,770 (World Bank, 2006)
- **Internet domain:** .ir
- **International dialling code:** +98

Supreme leader: Ayatollah Ali Khamenei

The supreme leader - the highest power in the land - appoints the head of the judiciary, military leaders, the head of radio and TV and Friday prayer leaders.

Ayatollah Khamenei, the authority on matters of state

Moreover, he selects six members of the Guardian Council, an influential body which has to pass all legislation and which can veto would-be election candidates.

Ayatollah Ali Khamenei was appointed for life in June 1989, succeeding Ayatollah Khomeini, the founder of the Islamic republic. He served two consecutive terms as president in the 1980s.

He has intervened on behalf of conservatives, coming into conflict with former president Mohammad Khatami and other reformists.

President: Mahmoud Ahmadinejad

Mahmoud Ahmadinejad, Tehran's ultra-conservative mayor, won a run-off vote in elections in June 2005, defeating his rival, the former president Akbar Hashemi Rafsanjani, to become Iran's first non-cleric president for 24 years.

Promising an administration of "peace and moderation", he said his government would press on with Iran's controversial nuclear programme.

Months into his presidency, a furore erupted over Mr Ahmadinejad's comment that Israel should be "wiped off the map". His claims that the Holocaust was a "myth" drew further international condemnation.

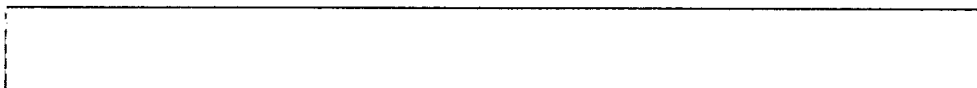
Local elections in December 2006 - his first major test at the polls since coming to power - saw his allies trailing moderate conservatives and reformists.

Born near Tehran in 1956, Mahmoud Ahmadinejad is a former provincial governor and Revolutionary Guards officer. He was actively involved in the Islamic revolution and was a founding member of the student union that took over the US embassy in Tehran in 1979. But he denies being one of the hostage-takers.

His predecessor, the reformist Mohammad Khatami, was often frustrated in his attempts to deliver political and social changes.

Hardline conservatives repeatedly blocked legislation during his eight years in office and the disqualification of moderates from parliamentary elections left him politically isolated.

The struggle for influence and power in Iran is played out in the media.



The relatively free press, a tangible achievement of former President Khatami's government, has been targeted by conservatives. Many pro-reform publications have been closed and reformist writers and editors jailed. The conservative judiciary has also campaigned against the liberal media.

There are some 20 major national dailies, but few Iranians buy a newspaper every day. Sports titles are the biggest sellers.

Broadcasters are more restricted than the press. Despite a ban on owning dishes, foreign satellite TV channels are widely watched; this is largely tolerated by the authorities. Stations operated by exiles in the US were said to have played a role in student protests in 2003.

State-run Islamic Republic of Iran Broadcasting - IRIB - operates national and provincial networks. Its Jaam-e Jam international TV channels are available worldwide via satellite. IRIB targets Arabic speakers in Iraq and the Middle East via the Al-Alam and Al-Kawthar TV networks.

It launched an English-language satellite station, Press TV, in 2007. President Ahmadinejad said its mission would be "to stand by the oppressed of the world".

Television is very popular, with more than 80% of Iranians being regular viewers. The most-watched network is the third state channel, the youth channel.

IRIB's radio channels include a parliamentary network and Radio Koran. The Voice of the Islamic Republic of Iran, an external radio service, broadcasts via shortwave and the internet.

Millions of Iranians have access to the internet, which has been used as a way of circumventing censorship. Internet service providers are prevented from allowing access to sites deemed to be pornographic or anti-Islamic, but the web remains the main forum for dissident voices. Access is easy to arrange and affordable for middle-class households.

Iran online: Internet use has mushroomed

There are said to be tens of thousands of weblogs, with bloggers active both in Iran and among the diaspora. Government officials, including President Ahmadinezhad, have launched blogs under their own names.

Foreign broadcasters target audiences in Iran; they include the Washington-backed Radio Farda, a music-based station aimed at younger audiences.

The press

- [Tehran Times](#) - English-language daily, published by state-run body
- [Iran Daily](#) - English-language, published by official news agency IRNA
- [Iran News](#) - English-language
- [Aftab-e Yazd \(Sun of Yazd\)](#) - reformist daily
- [Kayhan \(Universe\)](#) - conservative daily
- [Resalat \(Message\)](#) - conservative daily
- [Etemaad \(Confidence\)](#) - reformist daily
- [Jomhuri-ye-Eslami \(Islamic Republic\)](#) - conservative daily
- [Shargh \(East\)](#) - reformist daily
- [Jaam-e Jam \(Jam's Cup\)](#) - large-circulation daily, published by IRIB, reflects broadcaster's editorial line

Television

- [IRIB](#) - state-run, operates four national networks, provincial and international services
- [Press TV](#) - IRIB's English-language satellite channel

Radio

- [IRIB](#) - state-run, operates eight national networks, provincial services and an external service

News agencies

- [Islamic Republic News Agency \(IRNA\)](#) - state-run, English-language pages
- [Iranian Students News Agency \(ISNA\)](#) - English-language pages
- [Fars News Agency](#) - affiliated to judiciary, English-language pages
- [Iranian Labour News Agency \(ILNA\)](#)
- [Mehr News Agency](#) - affiliated to Islamic Propagation Organisation, English-language pages

Story from BBC NEWS:

http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/middle_east/country_profiles/790877.stm

Published: 2008/02/19 11:31:23 GMT

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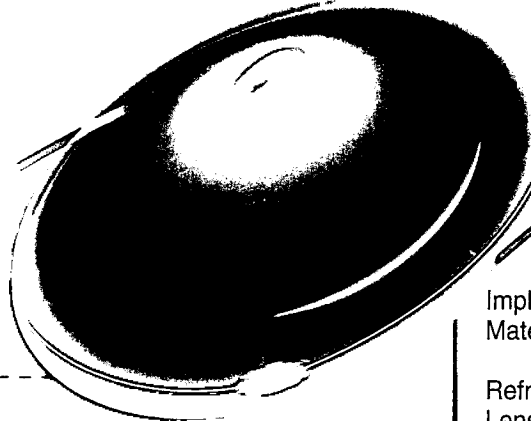
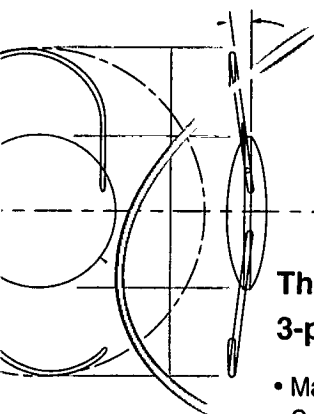
APPENDIX B: PRODUCT CATALOGS

O.I.I. P.U.R.E. System*
Optical clarity

Get the advantages
of acrylic lenses with the
proven stability and durability
of monofilament haptics:

AQUA-Sense™ III

CE
0473



**The best qualities of acrylic and
3-piece lenses come together:**

- Made from ultra-high-purity hydrogel polymer
- Square edge design
- High biocompatibility--ultra-pure hydrogel
- Easy insertion--smooth shape
- Low water content
- UV blocking--part of the acrylic chemistry
- Blue modified-C loop haptics

AQUA-Sense™ III Lens Specifications

Indication:	Cataract surgery with phacoemulsification
Implant Site:	Capsular bag
Materials:	Hydrophilic acrylic polymer Blue monofilament haptics
Refractive Index:	1.46
Lens Design:	Three-piece
YAG Laser:	Compatible
Overall Diameter:	12.5mm
Optic Diameter:	6mm
Optic Design:	Equal biconvex
Edge Design:	Square
Haptic Angulation:	5°
A Constant:	118.2
ACD:	4.96mm
Power Range:	+2.0D to +30.0D in 0.5 diopter increments
Sterilization:	Moist heat



*** precision resolved-materials extraction**



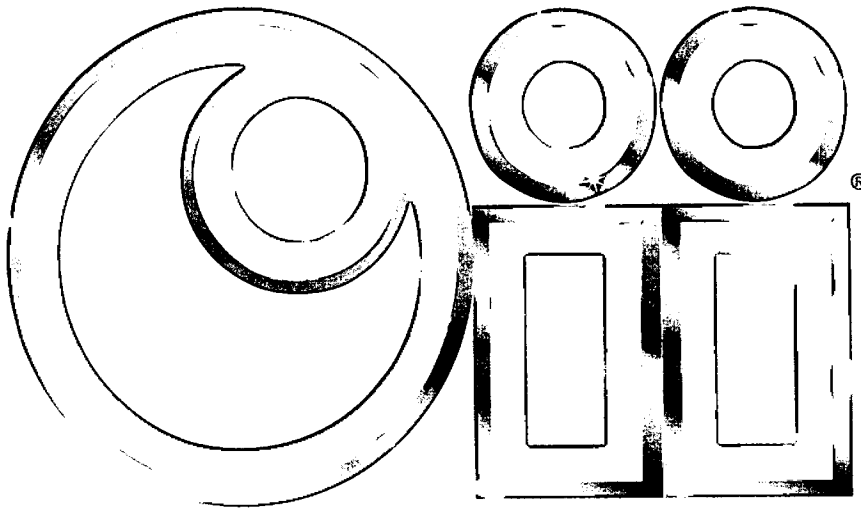
P.U.R.E. is a unique molecular cleaning method developed by OII to remove trace materials and extraneous processing materials found in hydrophilic lenses that are not fully polymerized.

OII lenses that go through the P.U.R.E. System have enduring optical clarity and enhanced biocompatibility. All OII Hydrophilic Acrylic Lenses are currently being treated with this proprietary system.

A Constants are estimated and not based on clinical data.

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Family of Products

Acrylic Lenses
Refractive Lenses
Silicone Lenses
Capsular Tension Rings
Viscoelastics
Heparin Surface Modified Lenses
PMMA Lenses











CE 0473

SEIKO



P-1W 1.67 AS

- Highest viewing comfort in index 1.67
- All-round progressive lens, suitable for all situations
- Notably large far zone
- Aspheric front surface
- Progression lengths 14 or 16 mm
- Best compatibility and extreme slim quality
- 100% UV protection

sph. +4,00 dpt	sph. -4,00 dpt	P-1W 1.67	
		 <p>nearly unbreakable in normal use</p>  <p>reflection free coating</p>  <p>65% lighter than conventional high-index mineral lenses</p>	 <p>scratch resistant</p>  <p>40% thinner than normal plastic lenses</p>  <p>100% UV protection</p>



JULY 2006

THIS ISSUE

SLT User Group

ICGS

Clinical Tips

News from ARVO

Real Expectations

Value-Added SLT

APAO 2006

PAGE Study

Highlights

"This is the first, large, long-term study confirming the efficacy of SLT as primary therapy."



**SLT News from
ARVO 2006
Annual Meeting**

by Michael Belkin

continued, page 3

User Group

SLT User Group Inaugurated

ay, the Ellex User Group officially launched a lively lunch hosted by Ellex g Streit UK. ating, which t in Manchester, a forum ange ideas, results and user ce with SLT.



he many topics discussed by experienced, new, and potential SLT users ictical tips and insights for incorporating SLT into clinical practice. Dr. agar and her team at Wakefield Hospital, who have treated the majority atients in the UK, added important perspective to this discussion. For , attendees learned that although SLT initially takes more time to perform ply writing a prescription, it can actually decrease workload for physicians where IOP fails to decrease with medication and multiple follow-up visits ired.

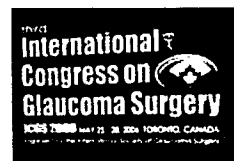
rcruiting potential SLT patients, members agreed that a thorough nding of the procedure and its benefits was essential to adoption.

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ICGS

The International Congress on Glaucoma Surgery (ICGS) Meeting attracted over 300 glaucoma specialists to Toronto, Canada on May 25 – 28, 2006. Among the many papers presented and topics discussed was the role of SLT in the effective management of IOP.

Represented by prominent glaucoma specialist Ike Ahmed, M.D., the University of Toronto presented a paper investigating the efficacy of SLT as both primary and adjunctive therapies. In all, 1,529 eyes from 879 patients were followed over a two-year period between 2003 and 2005.

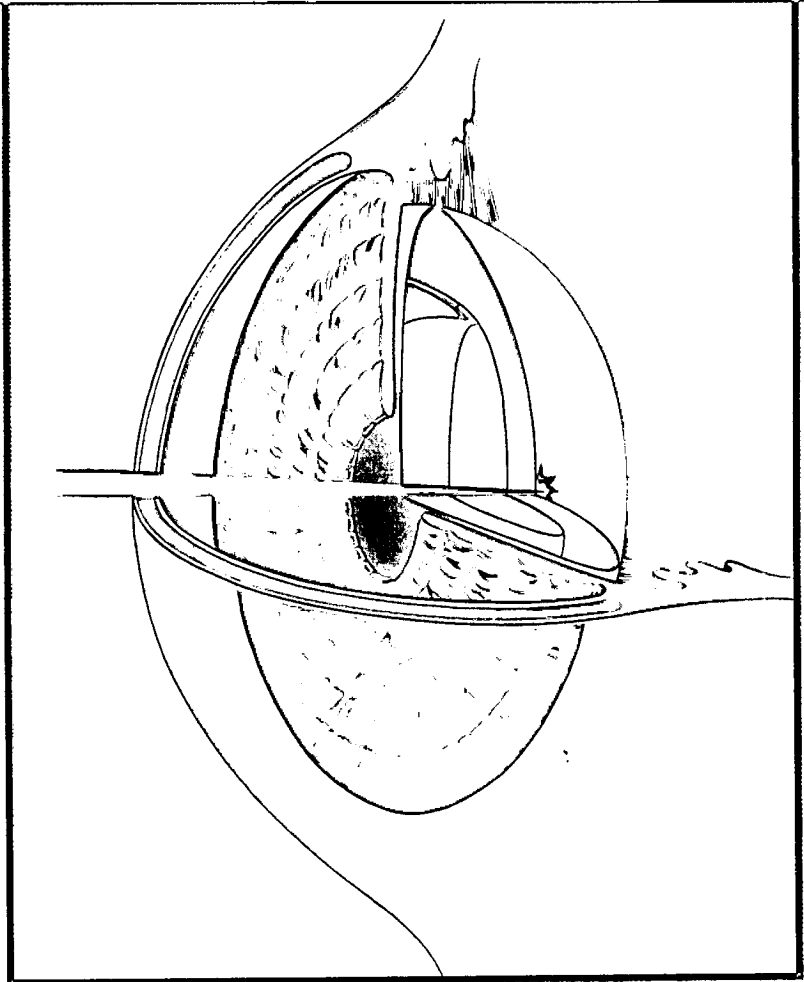


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*The cutting
edge in
photodisruption*

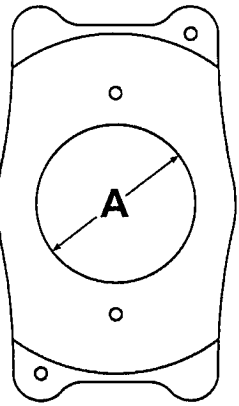
The Ultra Q™ Advantage



Laserex

ICL™ Phakic IOL

Implantable Contact Lens – Myopia

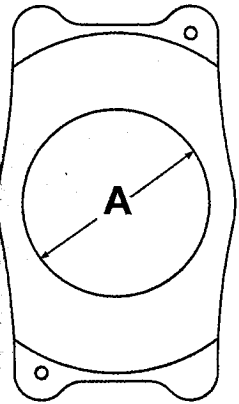


Spherical Power in half-diopter increments	Optical Diameter (A)	Optic/Haptic Thickness (B)	Overall Height (C)
-3.0D to -12.0D	5.50 mm	0.3 – 0.5 mm	1.15 – 1.77 mm
-12.5D to -13.5D	5.25 mm	0.5 mm	1.08 – 1.78 mm
-14.0D to -16.5D	5.00 mm	0.5 – 0.6 mm	1.12 – 1.89 mm
-17.0D to -23.0D	4.65 mm	0.5 – 0.7 mm	1.19 – 2.05 mm

The ICL™ for myopia is available in the following lengths:

115 mm, 120 mm, 125 mm, 130 mm

Implantable Contact Lens – Hyperopia



Spherical Power in half-diopter increments	Optical Diameter (A)	Optic/Haptic Thickness (B)	Overall Height (C)
+3.0D to +12.0D	5.50 mm	0.2 mm	1.25 – 2.29 mm
+12.5D to +13.5D	5.50 mm	0.2 mm	1.61 – 2.36 mm
+14.0D to +16.5D	5.50 mm	0.2 mm	1.68 – 2.49 mm
+17.0D to +21.5D	5.50 mm	0.2 mm	1.82 – 2.79 mm

The ICL™ for hyperopia is available in the following lengths:

110 mm, 115 mm, 120 mm, 125 mm

Material:

Hydrogel-Copolymer (Collamer™)
 Precedented Biocompatibility
 Refractive Index 1.45 @ 35°C
 Optically Clear
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Manufacture:

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 Single-Piece Design

Manufactured by:

STAAR Surgical AG

Alte Hauptstrasse 104

CH-2560 Nidau

Switzerland

+41 32 332 88 88

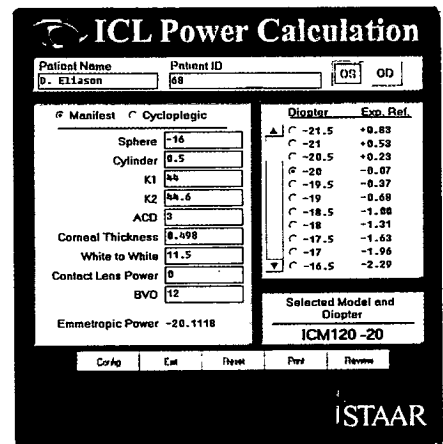
+41 32 332 88 98

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ICL™ Power Calculation Software:

The software provides the surgeon the ability to calculate the proper diopter and lens size for given preoperative measurements. The software is part of the didactic course kit provided by STAAR Surgical AG.



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AR-Diaccoat 1.50 High Quality Lens

- Spherical organic lens in index 1.50
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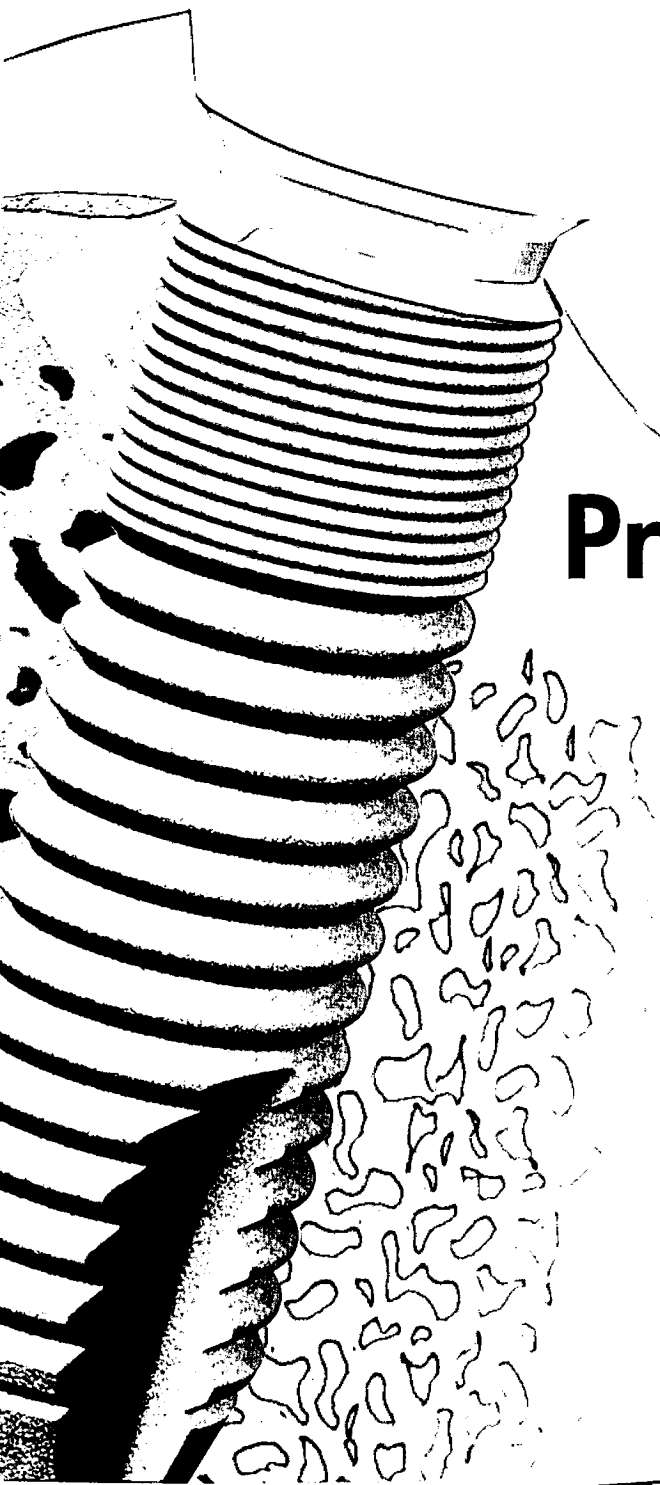
sph. +4,00 dpt	sph. -4,00 dpt	AR-Diaccoat	
		 <p>nearly unbreakable in normal use</p>  <p>reflection free coating</p>  <p>50% lighter than conventional high-index mineral lenses</p>	 <p>scratch resistant</p>  <p>100% UV protection</p>

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Refraction Unit

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Product Catalog

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REMOVES DEPOSITS

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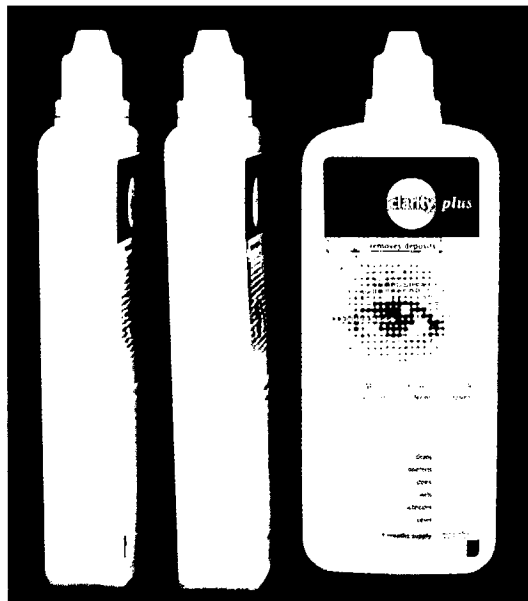
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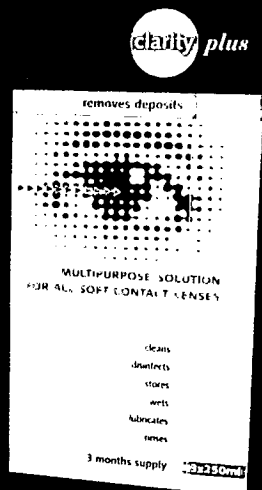
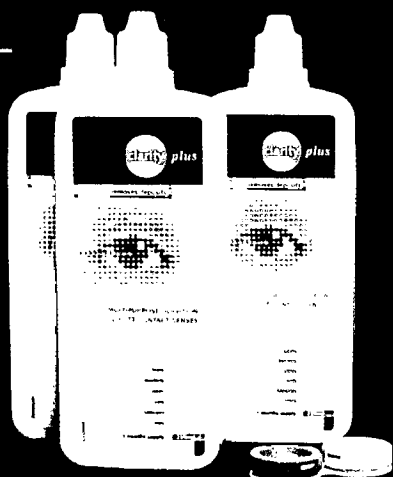
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FOR ALL SOFT
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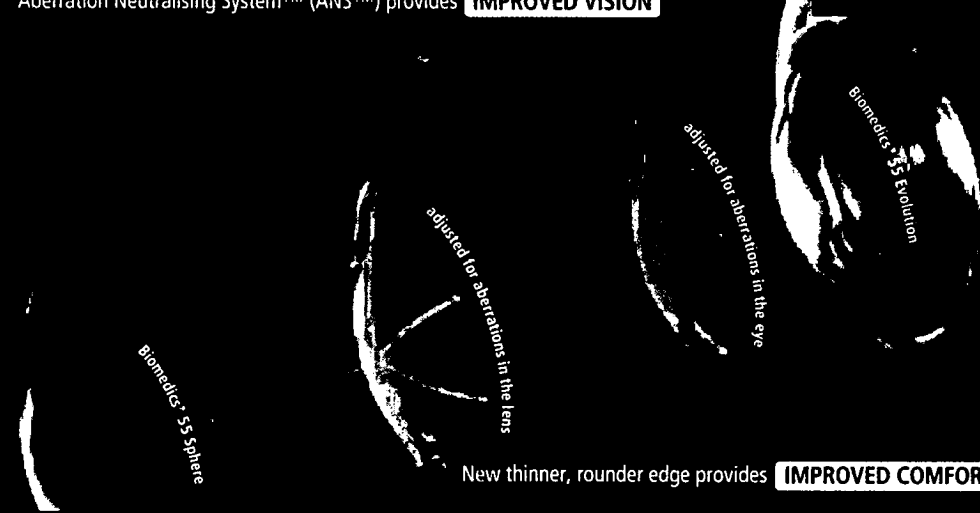
3 x 250 ml



One full economic package
for 3 months,
one pack containing
3 x 250ml bottles
and one soaking case.

Aberration Neutralising System™ (ANS™) provides IMPROVED VISION

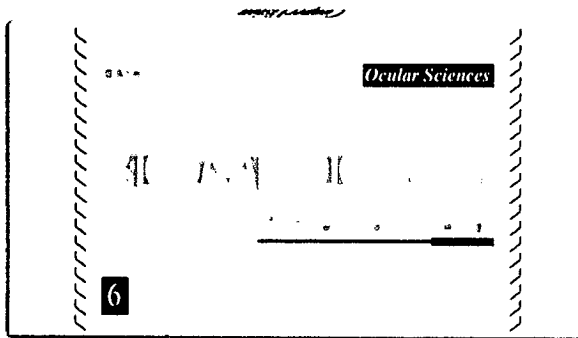
Our Best,
Made Better.



BIOMEDICS® 55 Evolution

Optimised comfort and vision for
all myopes and hyperopes

Biomedics



BIOMEDICS 55 Evolution's unique edge and optical design gives improved comfort and vision.

A thinner more rounded edge gives greater all day comfort while the Aberration Neutralising System™ (ANS™) provides improved vision by neutralising the spherical aberration inherent in the contact lens and the eye.

BIOMEDICS 55 Evolution fits and handles in exactly the same way as BIOMEDICS 55 because the thickness profile, back surface and lenticulated design remain unchanged from the original BIOMEDICS 55.

Improved Comfort

- Reduced edge thickness
- More rounded edge
- Precisely controlled edge thickness

Improved Vision

- Unique, Aberration Neutralising System™ (ANS™)
- Neutralises aberrations in the contact lens **AND**
- Neutralises aberrations in the eye

Improved Packaging

- Smaller, neater packaging
- Easier to open
- More convenient to store and carry



New, precisely controlled, thinner,
more rounded edge for greater
all day comfort

BIOMEDICS range:

BIOMEDICS® Evolution

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BIOMEDICS® 1 day

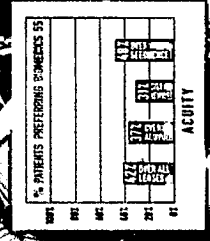
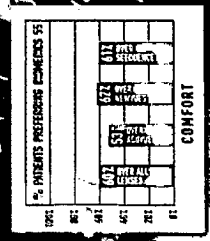
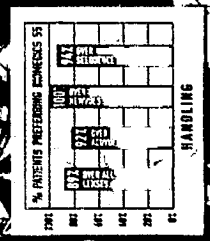
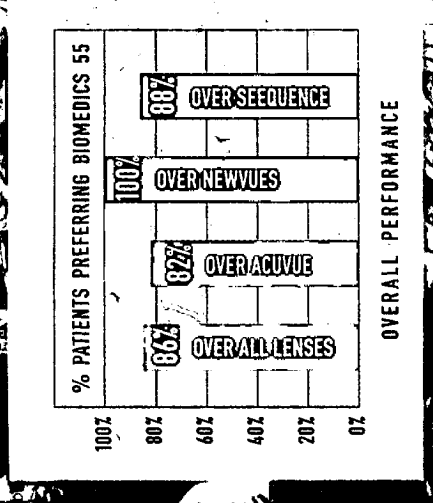
BIOMEDICS® 73 multifocal



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Ocular Sciences



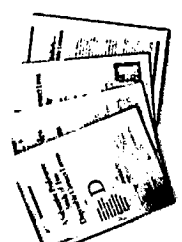
86% OF PATIENTS OVERWHELMINGLY PREFERRED BIOMEDICS 55.

Recently, an independent optometrist came to us with his own clinical evaluation and conclusions based on fitting 289 patients. We didn't request the study. The optometrist simply conducted this refitting evaluation to prove his theories of what makes a lens fit, feel and function better. In this case, 86% of his patients chose our Biomedics 55 over the leading disposable brands.

Patients resoundingly preferred the Biomedics 55 for visual acuity, comfort, handling and overall performance. All of which demonstrate a truly

better fitting contact lens. And how interchangeable the Biomedics 55 is with the leading brands. Again, proof positive that patients will appreciate your switching them to the Biomedics 55.

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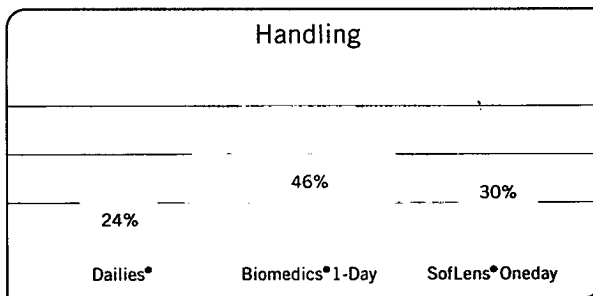
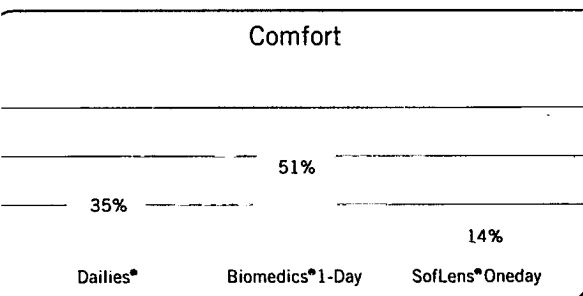
Find Out About The Overwhelming Clinical Success Of The Biomedics 55 Contact Lens.

Biomedics® 1-Day.

Proven Clinical Performance, Powerful Patient Loyalty.



Now your patients will enjoy the ultimate convenience of the Biomedics® 1-Day soft contact lens and benefit from the outstanding clinical performance that has made Ocular Sciences' lenses a success with practitioners and patients around the world.



[In a recent independent Northern European study, 180 patients showed a preference for the Biomedics 1-Day comfort, handling, and reduced dry eye that contribute to increased patient satisfaction.*]

The Biomedics 1-Day offers your patients a practitioner-trusted alternative to consumer-promoted disposables that have a tendency to handle poorly, tear easily and lose shape. Comfort. Handling. Visual performance. All are made possible through our proprietary development process:

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- Lenticular parallel carrier ensures consistent handling throughout the power range.

*Data on file



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EMMETIC CONTACT LENSES

Embellish your Look

Enhance your Vision



Blue



Hazel



Gray



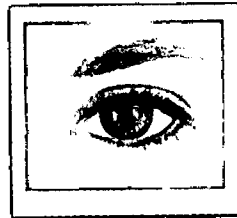
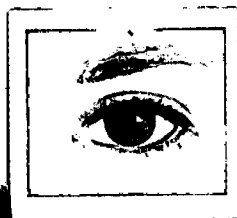
Green



Lilac

Dark Green

Dark Green Blue Gray



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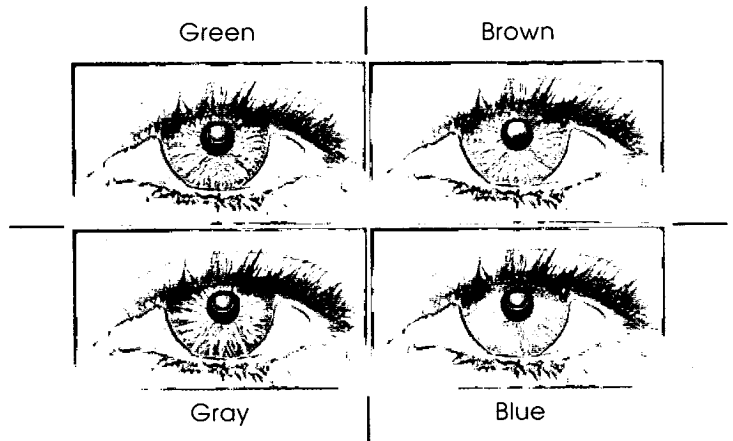


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Your patients will appreciate the comfort and natural appearance of the Biomedics® Colors contact lens. And just as important, they appreciate your professional recommendation in giving them the very best.

Biomedics® Colors lenses are safe and easy for every patient to wear. Even your non-corrective patients can experience the beauty, ease and convenience of a contact lens—they will quickly become confident lens wearers and loyal patients.

Parameters	Biomedics® Colors
Available Colors	Green, Brown, Gray & Blue
Material	Ocufilecon D
Water Content	55%
Diameter (mm)	14.2
Base Curve (mm)	8.6
Available Sphere Powers	Plano to -6.00D (in .25D steps)
Packaging	6 pack
Diagnostics	Plano, marked with "test"



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