

Cuba vs. Iran: Which is the better bet for your business?

For the first time in generations, two countries are on the verge of opening opportunities for U.S. businesses – Cuba and Iran. With this opening, U.S. businesses have an opportunity for new but complex international growth, and questions as to the when, how, and what businesses can do in these countries abound. A panel of experts from The Fletcher School discussed aspects that could impact expansion into these markets, and the resulting opportunities and challenges that a company should consider. Once the experts spoke, the audience was challenged with a business case: if you were making a recommendation to Uber, which country would you suggest they enter first, and why.

Professor Katrina Burgess began by painting a picture of Cuba, which has been closed to U.S. investment since the 1950's. In December 2014, as relations began to open and diplomatic ties normalize, change is emerging slowly. However, many challenges remain, including Cuba's dual currency system, the limited internet infrastructure, and the U.S. embargo. On the other hand, significant cultural affinity for the U.S. and a growing tourist population could make Cuba an appealing market for Uber and others.

The focus then shifted to Iran, which Arthur Sculley portrayed as a country of contrasts, with the old and new in a cultural civil war. Sculley described the intense political atmosphere within the country, and the discrepancies in thinking between the revolutionary guard and technocratic government. He believes that Iran is a more attractive market compared to Cuba, simply given the sheer size of the market and the highly educated population, complimented by its diaspora around the world. Scully then discussed the very real challenges presented by Iran's complex and unclear political atmosphere, the enduring economic sanctions, and the already-stiff competition that Uber would face with its potential competitor, Snap. Sculley concluded his discussion highlighting the market's huge potential, but tempering that with the reality that U.S. businesses still do not have the right to enter Iran.

Nadim Shehadi and Professor John Burgess proceeded to highlight several additional points that Uber should consider when entering either of these complex new markets. Shehadi believes the greatest challenge for Uber will be U.S. government bureaucracy and therefore, to achieve success, Uber should hire individuals that can help the company most effectively overcome these challenges. He sees an entrance through the expatriate network as a potential first step, especially in Iran. He emphasized that working with the government will be a necessity in both cases. Keeping this in mind, John Burgess proceeded to draw attention to the legal course of conduct that would be advised for Uber. The challenges he sees relate to the

U.S. Foreign Corrupt Services Act, which Uber would be subject to, and that the sanctions on each country are not likely to change significantly in the short-term.

The audience proceeded to evaluate the opportunities and risks and pitch the country they thought provided the best opportunity for Uber's continued international expansion.

Cuba's primary advantages were identified as its likelihood to open its economy to foreign investment sooner, its status as a WTO member, the potential for developed telecom infrastructure (a hurdle for Uber), and the relative political stability. In addition, the audience posited that the target Uber market in Cuba would be mainly tourists, a growing market in the coming years. The acknowledged challenges – in addition to the need for congressional approval to have sanctions lifted – involved Cuba's current lacking telecom infrastructure and network accessibility, posing communication and payment issues for Uber.

Those favoring Iran argued that the much larger market size means more cars on the road, a strong network of potential drivers, and a larger passenger base. Additionally, established competition could help pave the way for market growth. The country has a wealthy, smart phone-carrying population – enough potential customers to incentivize new businesses. The biggest drawbacks were identified as the potential of snapback sanctions from the nuclear deal, concerns surrounding passenger and driver security, and political volatility.

An overwhelming majority of the audience concluded that Cuba was the better bet, but acknowledged that should many of the biggest challenges be lifted, Iran would also pose a strong market for Uber and additional foreign businesses.