

Analysis of Iran's Foreign Trade Structure During Three Development Plans

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Abstract: Iran's foreign trade has characteristic of mono product exports and dependent heavily on oil revenues. Export in Iranian economy can be divided into two parts, oil exports and non-oil exports. In this paper, the trend of Iran's foreign trade structure during three development plans is analyzed. The analysis shows that the second plan has the best situation in the share of non-oil exports in meeting necessary foreign exchanges for imports. But regarding the country's non oil exports share is total export, share of non-oil exports in GDP excluding oil, the third plan has the best performance.

Key words: Foreign Trade Structure • Development Plans • Import • Export • Iran

INTRODUCTION

Increasing changes and evolutions of the world trade and its fast growth, represent important role and special position of the foreign trade sector which plays as one of the main economic sectors in process of growth and development. Foreign trade through co- integration of the economy with world economy along with liberalization approach can create conditions which use economic potential abilities based on existing comparative advantages and making new advantages, on condition. The economy make knowingly with precise planning on the path. This approach and co-integration makes opportunities and helps to solve problems.

In this context, in order to describe and analyze structure of Iran's foreign trade during these development plans, present essay tries to examine some dimensions of the country's exports and imports.

Export and Import Trend: Iran's foreign trade has characteristic of mono product exports and dependent heavily on oil revenues. Export in Iranian economy can be divided into two parts, oil exports and non-oil exports. Oil export constitute a large volume of goods and services export so that annual average of non-oil export share out of total exports during these development plan has been more than 80 percent.

According to Table 1, non oil exports of the country from 1043.9 million dollars in 1989 increased to 3746.8 million dollars in 1993 [1]. But in second plan except 1998 and 1999, non-oil export in 1993, that is, 3362 million dollars. Non oil exports has faced declining trend so that

in last year of plan (1999), non-oil export value reached less than non-oil export also during third plan similar to first plan in increasing trend grew by 6383.7 million dollars in 2004 so that non-oil export value annually experienced average growth rate 33.3 and 10.3 percent during first and third plan respectively and -5.6 percent in second plan. Performance of first to third plan in the field of non-oil export an compared with plans fore easting shows that annual average performance have been realized for each plan 64.8, 61.4 and 90.3 respectively. The trend of exports and imports is also shown in Figure 1.

In the positive trend of non-oil export changes during the first plan, adoption of policies such as purchasing export exchanges in on floating rate, providing currency facilities through preferential rate in export sector and increase number of commodities which inclusive import corresponding to export and also increase in growth of intermediate and capital imports and development of infrastructural facilities in structure of economy played considerable roles [2]. But, second plan on the one hand faced execution of standardization exchange rate which in the last year of the first plan in order to eliminate multi exchange rate and improve allocation of exchange resources has been adopted which practically failed due to increase in inflation rate and maturities of foreign debts [3]. On the other hand, by executing foreign exchange obligations and commitment of exporters for the foreign exchange guarantee that had to be retuned again and generally import restriction policies ceased almost export boom. Consequently non-oil export in 1997 reached 2875.6 million dollars which during four years after 1993, these is approximately 40 percent decline in non-oil exports.

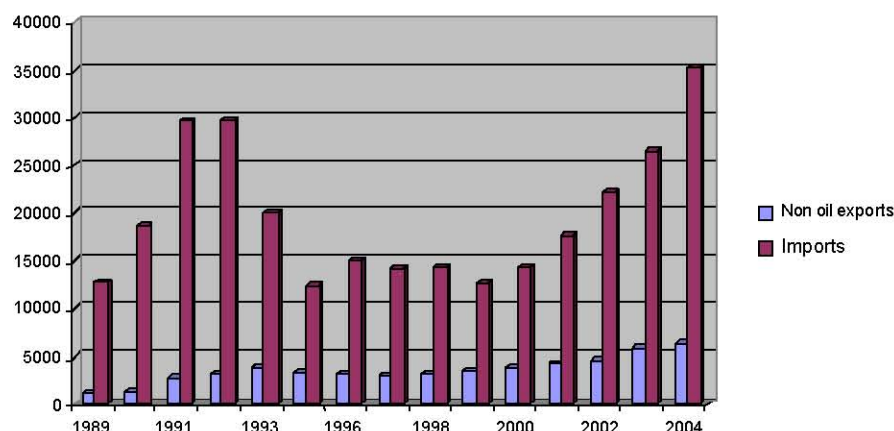


Fig. 1: Non oil export trend in comparison with import (million dollars)

Table1: Trend of Exports and Imports

	Plan I					Plan II					Plan III				
Year	1989	1990	1991	1992	1993	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
Oil Export	12037	17993	16012	16880	14444	15109.3	19285.3	15505.4	10105	17668	24698	19680	23628.6	28018.8	38019.3
Non oil Export	1043.9	1312.2	2648.7	2987.7	3746.8	3250.7	3105.7	2875.6	3013	3362	3763	4224	4608.4	5972.2	6383.7
Total Export	13080.9	19305.2	18660.7	19867.7	18190.8	18360	22391	18381	13118	21030	28461	23904	28237	33991	44403
Import	12807	18722	29677	29870	20035	12313	15117	14196	14286	12683	14347	17626	22275	26598	35388
Total	13850.9	20034.2	32325.7	32857.7	23781.8	15563.7	18222.7	17071.6	17299	16045	18110	21850	26883.4	32570.2	41771.7

The values of Non Oil Export is not Final. *

Source: 1_ Iran s Foreign Trade Statistics.

2-Central Bank Economic Report and Balance Sheet.

Table 2: Share of non oil exports in Finance of Imports (percent)

	Plan I					Plan II					Plan III				
Items	1989	1990	1991	1992	1993	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Non oil Export															
Share out of															
Total Export	8	6.8	14.2	15	20.6	17.7	13.9	15.6	23	16	13.2	17.7	16.3	17.6	14.4
Non oil Export															
Share out of															
Total Trade*	7.5	6.5	8.2	9	15.7	20.9	17	16.8	17.4	20.9	20.8	19.3	17.1	18.3	15.3
Non oil Export															
Share out of															
Total import	8.1	7	8.9	10	18.7	26.4	20.5	20.2	21	26.5	26.2	24	20.7	22.4	18

*Total Trade=Non-oil Exports + Imports

Sources: Based on table No.1, Shares are Calculated.

Also, increase in non-oil exports which can be observed during last years of second plan may be arisen from the execution of incentive policies including encouragement of sample exporters and special cart grant which exempt exporters from providing of mortgage in receipt of exchange obligation, come close export exchange state to black market exchange rate and exclusion of export from governmental fines [4]. While in third plan adopted different strategies for foreign trade improvement specialty in the field of non- oil sector.

Omission of exchange contract, remove of many non tariff barriers, persuasion of non- oil export in the form of prizes grant and compensation of exporters exchange loss and standardization of exchange rate have been most important third plans steps towards non oil export mutation and goal setting of imports [5].

Share of Non-oil Exports in Meeting Imports: According to Table 2, analysis of non- oil export situation in total export, represents this fact the share of this category of

Table 3: Value and Shares of Sectors, Export in Total Non-oil Export (million dollars- percent)

Item	Plan I					Plan II					Plan III				
	1989	1990	1991	1992	1993	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
Value of Non-oil Export	1043.9	1312.2	2648.7	2987.7	3746.8	3250.7	3105.7	2875.6	3013	3362	3763	4224	4608.4	5972.2	6383.7
Export value of Agricultural and Traditional Products	894.4	1038.4	1937.4	1995.6	2516.1	1901	1645.8	1250.7	1412.3	1478	1466	1603	1724	2104	1742
Export Share of Agricultural and Traditional Products out of Non-oil Export	85.7	79.1	73.1	66.8	67.2	58.5	53	43.5	46.9	44	39	38	37.4	35.2	27.3
Export value of Industrial Products	122.6	241.5	660	970.9	1191.7	1276.3	1413.1	1579.8	1588.2	1847.7	2259	2543	2852	3823	4206
Export Share of Industrial Products out of Total Non-oil Export	11.7	18.4	25	32.5	31.8	39.3	45.5	54.9	52.7	54.9	60	60.2	61.9	64	65.9
Export value of metallic and mineral ores	26.9	32	51.3	21.2	39	73.4	46.8	45.1	12.8	36.3	38	77	32	46	248.9
Export Share of metallic and mineral ores out of Total Non-oil Export	2.6	2.4	1.9	0.7	1.0	2.2	1.5	1.6	0.4	1.1	1.0	1.8	0.7	0.8	3.9

According to table2, its trend is similar to non-oil export share out of total trade, so that from 10.5 percent in the first plan increased by 22.9 and 22.96 respectively.

Data for 2004 are not final.*

Source: 1- Iran's Foreign Trade Statistics.

2-Central Bank Economic Report and Balance Sheet.

exports in total exports have experienced positive changes. As Table 2 indicates during second plan, in years of 1997 and 1998 along with economic recession in south east Asian countries and drastic fall in world oil price, oil export and follow it country export in second plan has given high fluctuations. so that annual average non-export share out of total exports in second plan reached 17.2 percent which increased compared to the first plan (12.9).

Also, during the third plan despite oil price has increased but since the non- oil export has considerably increased, thus, annual average of non- oil exports could reach 15.8 percent.

Important of non- oil exports in total foreign trade as well as total imports can be observed in Table 2. Non- oil export share out of total trade in the first development plan except year of 2000, has increasing trend. In second and third development plan, although has faced many fluctuations but as compared with first plan experienced better condition so that annual average of non- oil export share out of total trade from 9.4 percent in first plan reached 18.6 and 18.2 percent in second and third

development plan respectively. Non-oil export share out of imports also in the best condition (1999) includes only 26.5 percent out of total value of country's imports.

Generally, non-oil export share in total trade and imports is far from optimum point and situation of period which is under study represents foreign exchange earnings through non-oil exports have not optimum share in meeting imports.

In the beginning of the first plan share of agricultural and traditional goods out of non-oil exports experienced declining trend and industrial goods faced increasing trend. This situation during three development plan except years of 1992 and 1998 by the end of third plan has continued.

Value and Share of Sector's Exports in non Oil Exports:

As shown in Table 3, share of industrial product exports in total non-oil exports from 11.7 percent in 1989 increased by 31.8 percent in 1993 then to 54.9 and 65.39 percent in years of 1999 and 2004. On the other hand, average share of industrial product exports during the third development was 62.4 percent compared to the second development

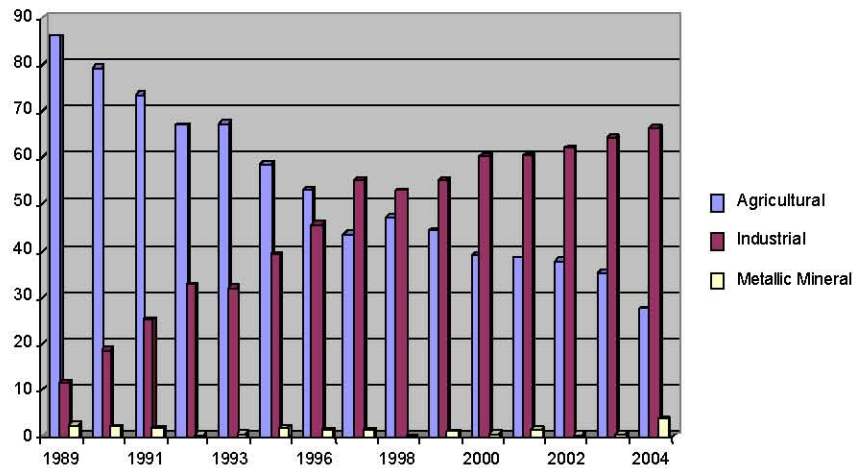


Fig. 2: Share of agricultural, industrial and metallic mineral ores in total non- oil exports (percent)

Table 4: Value and Share of Import goods in Total Imports (million dollars- percent)

Years	PlanI					PlanII					PlanIII				
Item	1989	1990	1991	1992	1993	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Import Value	12807	18722	29677	29870	20035	12313	15117	14196	14286	12683	14347	17626	22275	26598	35388
Import Value OF capital goods	2915	4363	9911	8212	5089	1858	3807	4661	6002	4510	4834	7127	3668	11226	
Import Share OF capital goods out of total Imports	22.8	23.3	33.4	27.5	25.4	15.1	25.2	32.8	41.9	35.6	33.7	40.4	43.4	42.2	
Import Value of Intermediate goods	7548	11854	16325	18195	12562	8511	9115	7524	6310	6225	7401	8228	9766	12187	
Import Share of Intermediate goods out of Total Imports	58.9	63.30	55	60.9	62.7	69.2	60.3	53	44.1	49.1	51.6	46.7	43.8	45.8	
Import Value of consumes goods	2344	2505	3441	3141	2364	1862	2194	2007	2011	1948	2112	2270	2842	3185	
Import Share of consumes goods out of total Imports	18.3	13.4	11.6	10.5	11.8	15.1	14.5	14.2	14	15.3	14.7	12.9	12.8	12	

Source: 1- Iran's Foreign Trade Statistics.

2-Central Bank Economic Report and Balance Sheet.

plan (49.9 percent) and the first development plan (23.9 percent) shows considerable increase. on the Contrary annual average share of agricultural product export out of total non oil exports from 74.4 percent in first plan declined to 49.2 and 35.4 percent in second and third development plans. While annual average share of metallic mineral ores exports by light changes from 1.7 percent in the first plan changed to 1.4 and 1.6 percent in second and third development plan. The trend of exports and imports is also shown in Figure 2.

Although outcomes of country's exports are showing high degree of concentration in export sectors so that goods including carpet, pistachio, liquid propane, skin

and gut, petrol, Iran ware, Raisin, caviars and saffron are still part of 20 items which are counted most important export goods. However, by fast movement in direction of trade liberalization through decrease in tariffs and export development and by reinforcement specialist and efficient labors and also adoption of policies keep step with rate liberalization can boost industrial sector and attain to high growth in industry [6].

Declining trend in relative share of agricultural product exports and increasing trend in relative share of industrial product exports represent to a limited extent, diversification and more producing of industrial products for the purpose of exports which are made in direction evolution and reformation of trade structure.

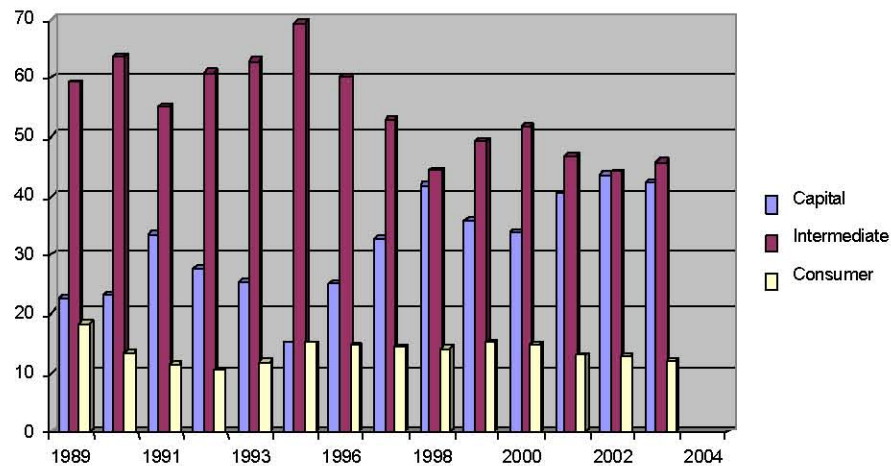


Fig. 3: share of consumer, intermediate and capital goods in total imports (percent)

Value and Share of Import Goods in Total Imports:

As shown in Table 4, the value of country's imports during the first development plan from 12807 million dollars in 1989 increased to 29870 million dollars in 1992. Then tremendously decrease and declining trend along with fluctuation continued during the second plan. Again, in the third plan experienced increasing trend so that reached 35388 million dollars in 2004. In fact, during the first development plan, at first, imports increased as a result of necessity of war region reconstructing and investment in infrastructural facilities, execution of adjustment and economic stabilization along with increase in oil revenues and debt from foreign sources. But from 1993 imports have been restricted due to refund of foreign loan and commitment to execution restrictive import policies such as restricting of import without transfer of foreign exchange and imports corresponding to exports. While during the third plan, on the one hand, policy conversion of non tariff barriers to tariff one, import facility and integration of impact duty [7] and on the other hand, increase in world price of oil, prosperity of non-oil exports have been main reasons for the increasing trend of imports generally, fluctuations of country's imports can so arise from dependent of imports on oil revenues and its changes.

Table 4 shows trend and composition of export share in total imports [8]. As observing in the years under study, the share of intermediate goods has reached to highest level in total imports. These goods experienced almost growing trend in the first plan and declining trend along with fluctuations in the second and third plan so that annual average share of intermediate imports from 60.1 percent in the first plan has fallen to 55.1 and 47 percent in the second and third plan respectively. The trend of exports and imports is also shown in Figure 2.

On the contrary, share of capital imports in total imports, generally has faced the increasing trend. Annual average share of capital imports in total imports from 26.5 percent in the first plan has increased to 30.1 and 39.9 percent in the second and third development plan respectively. Although, trend of consumers goods share in the first plan was decreasing and tremendously declined, however, annual average share of these goods with a slight change from 13.1 percent in the first plan has reached 14.6 and 13.1 percent in the second and third plan respectively.

Stability in meeting intermediate and capital goods is necessary condition for prosperity of investment in trade sectors [9], while trend of import value of mentioned goods except in the third plan have been with fluctuation. On the other hand, during the period under study, imports of intermediate and capital goods in total imports have been almost 80 to 90 percent. This composition of imports is so coordinate with import substitute policy and also in the first plan have been adopted combinations of import substitution policy and export promotion with special reference to import substitution policy as commercial policy. While in the second plan, combination of two mentioned policies with special reference to export promotions and in the third plan export promotion as major pivot of trade strategy have been considered.

Share of Imports and Non-oil Exports in GDP Excluding Oil:

According to Table 5, analysis of imports and non-oil exports shares in GDP excluding oil indicate that during the first development plan, both mentioned shared except year of 1992 have experienced increasing trend and in the second plan had quite decreasing trend. While during the third plan, import share out of GDP excluding oil, in the whole period, had increasing trend so that annual

Table 5: Import and Non-oil Export Share in GDP Excluding oil (percent)

	Plan I					Plan II					Plan III				
Years															
Items	1989	1990	1991	1992	1993	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Import Share out of GDP excluding oil	3.7	3.9	4.7	3.4	13.6	12.9	12	10.1	8.6	6	5.3	22.5	24.5	25	29.1
Non oil Export Share out of GDP excluding oil	1.0	1.1	1.9	2	2.6	3.8	2.8	2.1	1.8	1.6	1.4	5.9	5.1	5.6	5.6
Total trade out of GDP excluding oil	4.7	5	6.6	5.4	16.2	16.7	14.8	12.2	10.4	7.6	6.7	28.4	29.6	30.6	34.7

Source: 1- Iran's Foreign Trade Statistic center, annual statistic of the country.

2-Central Bank Economic Report and Balance Sheet.

Table 6: principal Sources of Imports (percent)

Country- continent	1989	1991	1993	1995	1997	1999	2001	2003	2004
Asia	32.03	28.04	31.08	29.82	26.56	31.85	36.86	41.90	44.36
Japan	7.59	10.70	12.42	6.47	6021.00	4.65	4.46	3.74	2.68
United Arab Emirates	7.40	4.69	7.01	3.85	3.96	6.06	9.26	13.29	17.21
South Korea	3.72	2.45	3.68	3.02	3.88	5.58	5.43	4.94	5.28
Turkey	5.46	3.41	2.47	2.09	2.03	1.79	1.64	1.94	2.04
China	0.37	0.96	1.49	2.06	2.77	4.83	5.03	5.79	5.82
Africa	0.86	0.36	0.52	0.88	1.89	1.60	0.97	0.57	0.43
United States	10.35	7.27	9.54	14.75	13.78	12.70	10.13	4.80	3.33
Europe	51.77	61.21	56.54	50.52	53.89	51.30	49.30	51.80	51.37
Germany	15.80	20.19	18.45	13.89	13.06	10.89	10.25	11.43	12.66
Italy	6.27	8.67	6.12	4.08	5.60	7.10	5.65	6.30	6.87
France	2.07	3.45	4.85	4.20	4.75	5.40	6.29	8.50	7.30
England	4.42	4.68	5.16	4.35	4.80	3.46	3.77	3.33	2.91
Belgium	3.85	4.08	2.85	5.82	3.22	4.71	2.49	1.94	2.04
pacific	4.96	1.77	2.29	4.02	3.87	2.60	2.71	0.88	0.49

Source: Iran s Foreign Trade Statistics

average of mentioned share in the third plan has reached 21.3 percent which has considerably increased compared to 9.9 and 5.9 percent in the second and third plan respectively. In the third plan also share of non-oil exports in GDP excluding oil, first has increased and from 1.4 percent in 2000 has reached 5.9 in 2001, then in the rest of plan has been accompanied with the slight decline and fluctuation so that annual average share of non oil export in GDP excluding oil from 1.7 percent in the first plan has increased to 2.4 and 4.7 percent in the second and third plan respectively.

Generally, increase in share of non-oil exports in GDP can represent growth of output for the purpose of development and non-oil export boom. However, as observing, annual average index in Iran's third development plan is still less than 5 percent while average of this index for developing countries with medium income is more or less 20 percent.

Since share of import, export and trade in GDP is accounted one of the determinant indices of trade policies, trade liberalization and globalization of the

economy, so, based on data which are calculated in Table 5, will be appeared for attaining to a economy which will be more liberalized and integrated in global economy, we have to make a special efforts and provide necessary conditions and devices.

Geographical Pattern of Trade: Based on the Table 6 showing the origin of imports according to continents, Europe with lowest percent of 49.3 in 2001 and highest percent of 61.2 in 1991 has been largest exporter to Iran. Then Asia with lowest percent of 26.5 in 1997 and highest percent of 44.3 in 2004 has been second continent exporter to the country. According to combinations of imports and dependent of Iran's economy on capital and intermediate imports, the high share of Europe continent is reasonable. Only four countries Germany, Italian, England and France have met 29.6 percent of import goods that the mentioned data with slight fluctuation reached 34.6, 26.9 and 28.6 percent in the years of 1993, 1999 and 2004 respectively.

Table 7: Principal Non_oil Export Markets (percent) Ó

continent country	1989	1991	1993	1995	1997	1999	2001	2002	2003
Asia	26.59	39.55	36.05	49.60	53.40	56.80	68.60	75.50	72.77
United Arab Emirates	13.72	14.69	9.38	9.15	9.94	17.81	15.18	15.34	17.90
Japan	5.07	2.59	2.90	4.01	3.62	1.70	5.65	6.03	5.00
Turkey	0.52	12.14	10.27	5.04	3.12	5.46	1.38	1.85	1.86
India	0.89	1.06	2.16	4.62	3.30	3.82	4.42	4.96	6.90
China	0.34	0.66	8.76	2.23	2.16	2.30	4.19	3.88	3.88
Africa	2.65	0.60	3.73	1.40	1.30	1.83	2.10	2.10	2.13
United States	1.32	1.36	2.88	2.10	2.70	4.00	3.70	3.30	2.68
Europe	69.14	56.05	57.01	46.40	42.40	36.90	25.30	18.70	22.09
Germany	34.40	28.84	23.62	22.21	13.62	12.61	7.39	5.81	4.76
Italia	12.87	7.96	6.93	8.09	9.58	5.35	4.53	2.84	4.51
Swiss	7.69	7.24	4.70	3.97	2.51	1.48	-	0.75	0.43
France	2.45	2.36	2.40	1.87	1.39	1.36	1.40	0.60	0.71
Spain	1.90	1.09	0.57	0.83	0.79	1.67	1.84	1.69	2.33
pacific	0.26	0.21	0.31	0.50	0.34	0.38	0.30	0.30	0.31

Source: Iran s Foreign Trade Statistics

As shown Table 7, geographical concentration of the country's exports based on continents in key high. So that the Asia and Europe totally have constituted 95.7 percent of Iran's export market in 1999. This mentioned data with slight change in 1993,1999 and 2004 reached 93, 93.7 and 94.9 percent respectively. Export growth to united states and Africa was slow and along with fluctuation so that these two continents have totally constituted 3.97 percent out of Iran's exports. The mentioned date has been changed to 6.6, 5.8 and 4.8 percent in the years of 1993,1999 and 2004 respectively.

Although, according to Tables 6 and 7 relative diversification have been made in geographical pattern of the country's trade but still showing that the dependence of Iran's economy particularly in the field of imports on the developed economies.

CONCLUSION

- Generally, during the discussion, following indices for evaluating of development plans have been determined and analyzed:
- Composition of exports
- Composition of imports
- Share of non-oil exports out of total exports, trade and imports.
- Share of non-oil exports and imports out of GDP excluding oil.
- Geographical concentration of imports and exports.

Among mentioned indices, indices no. 4, 6, 8 and 12 are more important. Thus, as observing, the second plan has the best situation in the share of non-oil exports in meeting necessary foreign exchanges for imports. But regarding the country's non oil exports share is total export, share of non-oil exports in GDP excluding oil, the third plan has the best performance.

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Index	PlanI	Plan II	Plan III
1 Average growth rate of Non-oil export value	33.3	-5.6	10.3
2 Average share of Non-oil exports out of total exports	12.9	17.2	15.8
3 Average share of Non-oil exports out of total trade	9.4	18.6	18.2
4 Average share of Non-oil exports out of Imports	10.5	22.9	22.3
5 Average share of Agricultural and Traditional exports out of total Non-oil exports	74.4	49.2	35.4
6 Average share of industrial exports out of total Non-oil exports	23.9	49.4	62.4
7 Average share of metallic and mineral ores exports out of total Non-oil export	1.7	1.4	1.6
8 Average share of capital goods import out of total imports	26.5	30.1	39.9
9 Average share of intermediate goods import out of total imports	60.1	55.1	47
10 Average share of consumer goods import out of total imports	13.1	14.6	13.1
11 Average share of imports out of GDP excluding oil	5.9	9.9	21.3
12 Average growth rate of Non-oil export out of GDP excluding oil	1.7	2.4	4.7

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