

# Identification and Analysis of Problems in Trade Relations between Iran and Afghanistan

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## Abstract

*Current research aims at identification and analysis of problems in trade relations between Iran and Afghanistan. To this end, 215 custom traders and staffs who were active in Iran- Afghanistan path were selected as sample. Questionnaire was used for research data collection. Questionnaire included 30 indices within 5 dimensions as follows: lack of change in business and destabilized existing laws and regulations, lack of preparedness in infrastructure and administrative institutions particularly in Afghanistan, lack of rail and sea lines between the two countries, lack of updated and equipped facilities and warehouses at the entry of two countries, lack of security in Afghanistan, lack of quick and inexpensive transportation in Iran and Afghanistan. T-student and MANOVA statistical tests were used for data analysis. Results indicated all 6 studied dimensions influenced trade relations between Iran and Afghanistan.*

**Keywords:** trade relations, Iran, Afghanistan.

## Introduction

Economic globalization is one of the major changes in global structure since 1980s<sup>1</sup> which represents elimination of national boundaries. Economic development is the ideal of all developing countries and different countries use different tools to achieve this goal. Considering the fact that trade is one of the main factors in the growth and development of the states<sup>2</sup> and other economic variables including employment, GDP, goods and service supply, etc. are directly affected by it, the states seek for designing mechanisms for attracting more capital from domestic and foreign resources<sup>3</sup>). Using strategies for facilitating trade between the states is one of the mechanisms used by some states to achieve this goal<sup>4-5</sup>. To this end and considering the purpose of the important of the subject, current work aims at identifying obstacles and problems for trade relations between Iran and Afghanistan and providing solutions for improvement of the current status so that a step is taken for commercial and economic development of the country.

There is no country today people of which live in a closed economic system, rather all countries are related with their outside world more or less and their economic affairs is connected to the abroad environment through complex network of goods and services and monetary and financial relations<sup>6,7</sup>. Iran is not an exception and it has had foreign commercial relations long ago with the world states. Considering special importance of tax taking and custom regulations in economic pans of the country, trade is always one of the major factors in the growth and development of the states and other economic variables including employment, GDP, goods and service supply, etc. are directly affected by it.

For a country which is moving toward industrialization and has a deep distance to the latest global industrial and technological

achievements, if foreign trade is planned appropriate to the regional and local capacities, it can be a proper road to achieving the state's growth and development.

Seeking for various ways for trade development between two friend and neighboring countries, Iran and Afghanistan, has attracted attention of designers in Iranian trade sectors and interested Afghan traders for over one decade. One way for achieving this goal is identification and investigation of existing problems and obstacle so that they are eliminated and trade relations between two countries is improved. Unfortunately, commercial communities of Iran and Afghanistan have not attempted appropriate for identification and elimination of the obstacles.

By increasing stability in Afghanistan in recent years and deep willingness of the government and private sector to development and creating prosperous living for honorable people of Afghanistan, various actions have been taken for developing commercial information to Afghan market by responsible Iranian organizations. Main actions include holding trade exhibitions, business trips and meetings of economic officials and traders in both countries for familiarization to the needs and opportunities and disseminating information for public access of businessmen and entrepreneurs. In the current work, it is attempted to describe problems and analyze them so that an even small step is taken for facilitating and developing trade relations between Iran and Afghanistan.

## Methodology

Current research is applied in terms of the purpose and it is a descriptive survey in terms of data collection (research design).

**Statistical Society and Sample:** Statistical society is composed

of those custom traders and staffs who are active in Iran – Afghanistan path. According to the figures, it is consisted of 2,500 ones. Considering preliminary survey on 30 members of the statistical society and SD estimation, sample size was calculated as 215 by sample size estimation relationship for limited societies at confidence level 95%.

**Data Collection Tool:** Questionnaire was used for data collection. Considering research hypotheses, questionnaire includes 30 indices in 6 dimensions as follows: Lack of change in business and destabilized existing laws and regulations, Lack of preparedness in infrastructure and administrative institutions particularly in Afghanistan, Lack of rail and sea lines between the two countries, Lack of updated and equipped facilities and warehouses at the entry of two countries, Lack of security in Afghanistan, Lack of quick and inexpensive transportation in Iran and Afghanistan.

The basis for answering questions was 7-point Likert Scale and options for questionnaire items include very low, low, relatively low, medium, relatively high, high, and very high which are scored as 1, 2, 3, 4, 5, 6, and 7. Cronbach's alpha coefficient obtained for the questionnaire is 0.894 denoting acceptable reliability for data collection tool.

## Results and Discussion

Findings in table-1 indicate lack of change in business and destabilized existing laws and regulations is an obstacle for facilitation of Iran – Afghanistan trade.

**Table-1**  
**Findings for effect of lack of change in business and destabilized existing laws and regulations**

Hypothesis	Decision	Sig. level	Degree of freedom	Test statistics
1	Null hypothesis rejection	0.00	214	27.681

As observed in table-2, null hypothesis is rejected at significance level 95% and opposite hypothesis is approved. It means lack of preparedness in infrastructure and administrative institutions particularly in Afghanistan, is an obstacle for facilitation of Iran – Afghanistan trade.

**Table-2**  
**Findings for effect of lack of preparedness in infrastructure and administrative institutions particularly in Afghanistan**

Hypothesis	Decision	Sig. level	Degree of freedom	Test statistics
2	Null hypothesis rejection	0.002	214	25.582

As observed in table-3, null hypothesis is rejected at significance level 95% and opposite hypothesis is approved. It means lack of lack of rail and sea lines between the two countries is an obstacle for facilitation of Iran – Afghanistan trade.

**Table-3**  
**Findings for effect of lack of lack of rail and sea lines between the two countries**

Hypothesis	Decision	Sig. level	Degree of freedom	Test statistics
3	Null hypothesis rejection	0.006	215	14.618

As observed in table-4, null hypothesis is rejected at significance level 95% and opposite hypothesis is approved. It means lack of updated and equipped facilities and warehouses at the entry of two countries is an obstacle for facilitation of Iran – Afghanistan trade.

**Table-4**  
**Findings for effect of lack of updated and equipped facilities and warehouses at the entry of two countries**

Hypothesis	Decision	Sig. level	Degree of freedom	Test statistics
4	Null hypothesis rejection	0.035	214	12.399

As observed in table-5, null hypothesis is rejected at significance level 95% and opposite hypothesis is approved. It means lack of security in Afghanistan is an obstacle for facilitation of Iran–Afghanistan trade.

**Table-5**  
**Findings for effect of lack of security in Afghanistan**

Hypothesis	Decision	Sig. level	Degree of freedom	Test statistics
5	Null hypothesis rejection	0.008	214	14.601

As observed in table-6, null hypothesis is rejected at significance level 95% and opposite hypothesis is approved. It means lack of quick and inexpensive transportation in Iran and Afghanistan is an obstacle for facilitation of Iran – Afghanistan trade.

**Table-6**  
**Findings for effect of lack of quick and inexpensive transportation in Iran and Afghanistan**

Hypothesis	Decision	Sig. level	Degree of freedom	Test statistics
6	Null hypothesis rejection	0.014	214	18.321

In order to investigate lack of difference in the effect of 6 factors (lack of change in business and destabilized existing laws and regulations, lack of preparedness in infrastructure and administrative institutions particularly in Afghanistan, lack of rail and sea lines between the two countries, lack of updated and equipped facilities and warehouses at the entry of two countries, lack of security in Afghanistan, lack of quick and inexpensive transportation in Iran and Afghanistan) on facilitation of trade relations between Iran and Afghanistan, variance analysis test (ANOVA) was used. Results are reported in table-7.

**Table-7**  
**Findings for variance analysis test**

Component	Sig. level	Degree of freedom 2	Degree of freedom 1	Test statistics
lack of change in business and destabilized existing laws and regulations	0.082	349	5	52.597
lack of preparedness in infrastructure and administrative institutions particularly in Afghanistan				
lack of rail and sea lines between the two countries				
lack of updated and equipped facilities and warehouses at the entry of two countries				
lack of security in Afghanistan				
lack of quick and inexpensive transportation in Iran and Afghanistan				

According to results in table-7, there is significance difference in importance level of 6 obstacles.

**Discussion and Conclusion: H1: Lack of change in business**

**and destabilized existing laws and regulations is an obstacle for facilitation of trade between Iran and Afghanistan:** Findings related to above hypothesis indicated lack of change in business and destabilized existing laws and regulations is an obstacle for facilitation of trade between Iran and Afghanistan. 17-year background of the state's export development policy denotes 10 times increase in export during this period. Although it is a considerable rate, it is noticeable in two ways; first, export growth rate has not been within capabilities of the state due to lack of national economic development strategy (including industry strategy and export strategy . absence of strategy leads to non-alignment of programs, policies, and regulations and lack of provision of software ground for export development. Thus, state's export has had problematic path and it is clear it is not possible to move in the same pace of global economy growth in such path.

Second, in the export development path, the government not only was present as policy maker and ground provider, but also it was present as enterprise and producer and exporter. Thus, instead of dealing with its supportive and developing role, it put backward the private sector in an unfair competition and didn't provide appropriate development and growth grounds for this sector in export. Now after 17 years, looking at background of the state and governments it is observed approximately 4 milliard dollars out of 5 milliard dollars of the last year export go to leading national exporters in 4 governmental companies. The other point is that considerable export rate growth reduction is observed in export statistics compared to the last year. While, 40 percent growth was observed last year in non-oil export, it reached to 10 percent in the current year. Of course, export growth in areas other than oil products which is done mostly by private sector, has been less than this figure and even reduction of export was seen in some fields.

Such figures result from several factors: first, investments conducted by the previous government in gas and petroleum field which reached to peak in last year, were slowed down in the new government.

Second, the government policies for supporting private sector's export have not been much successful. Third, the state's export was influenced by international political sphere. Above all, some actions by the government also affected more or less different export sectors. Cement export ban, commanding control of prices (such as dairy products), oil products export restrictions due to smuggling combat, not exiting petrochemical products from support basket despite of stipulation in budget rule, concern of major investors about the authorities treatment with large financial operations, limiting banks in granting large facilities to exporters and investors, slower and more bureaucratic process for granting facilities, purposeless continuous ups and downs of the import tariffs are among actions which have had their implicit and explicit effects on the state's export.

The other fact is that if global inflation and global price increase as well as reduced dollar value are considered, it can be argued the state even has not have growing export trend in the current year. Hence, it is good that authorities analyzed dealing the export obstacles and consider successful experience of other states; otherwise the gap with the competitor would deepen more and more.

Reasons for lack of foreign investment in Iran can be investigated in various aspects. Some experts emphasize on economical obstacles and some stress political, legal, and cultural obstacles.

**H2. Lack of preparedness in infrastructure and administrative institutions particularly in Afghanistan is an obstacle for facilitation of trade between Iran and Afghanistan:** Results indicate lack of preparedness in infrastructure and administrative institutions particularly in Afghanistan is an obstacle for facilitation of trade between Iran and Afghanistan. Absence of necessary infrastructures for increased trade relations is the first rank factor in relation with lack of preparedness in infrastructure and administrative institutions particularly in Afghanistan. Unfortunately, trade relations between Iran and Afghanistan have been somehow unilateral. Since, Iranian goods are in appropriate quality, import rate of these goods has had an increasing trend during last 7 years reaching to 590 million dollars in the last year, while Afghanistan could export merely a limited amount of fruits, vegetables, and natural materials to Iran. On the other hand, economic relations between two countries have been very limited out of commercial activities area and in industry sector. Meanwhile, although some Iranian investors invested in Afghanistan along with boundaries especially in Herat and some Afghan investors invested in Iran with some facilities in Chabahar free trade area, this investment rate is very limited.

According to Iranian authorities, one of the main reasons for Iran's failure in infrastructure affairs in Afghanistan is poor presence if Iranian companies in this area. Of course, there have been also some problems in import from Iran and it is stated some Iranian companies produce lower quality products demanded by Afghan traders and these low quality products enter Afghanistan market. Continuation of such trend leads to damage in presence of other Iranian high quality products in Afghanistan markets.

Economic relations between Iran and Afghanistan, mostly restricted to commercial activities, have had considerable increase in the last years. These relations became so important when Afghanistan confronted problems in economic relations with its other neighbors especially Pakistan and China and these states created many obstacles for development of these relations. Especially they created many obstacles for transportation facilities for Afghan goods to other countries, despite of their commitments. However, one reason for development of these relations despite of obstacles was that

both countries emphasize all the time on development of relations and even by establishment of Joint Chamber of Commerce with agencies in both countries it was attempted to overcome the problems. But it should be said there are yet many problems in trade relations between Iran and Afghanistan. Anyway as Iranian and Afghan authorities are aware there are any grounds and opportunities for economic relations development between Iran and Afghanistan which should be identified and specified accurately and professionally and obstacles should be eliminated. Unfortunately relations between Iran and Afghanistan especially in economic affairs have not been deep and serious during last years despite if what is seen in appearance, and its main reason is lack of attention by Afghan authorities and perhaps Iranian authorities in this regard. The first step for real development of economic relations between two countries is holding multiple and ongoing expert sessions and meetings for governmental authorities as well as traders and investors of both countries so that real grounds for cooperation are identified and obstacles and problems are eliminated.

**H3: Lack of rail and sea lines between the two countries is an obstacle for facilitation of trade between Iran and Afghanistan:** Findings indicated lack of rail and sea lines between the two countries is an obstacle for trade facilitation between Iran and Afghanistan. In global economy's natural growth process, various parts of transportation are developed in interaction with each other and provides a coordinated transportation network with a combination of various transport vehicles. This trend has not been natural and proportionate with community's economic needs in Iran and many states in world which are known as developing world. It is clear such imbalance results from international changes and internal and external factors. Lack of transportation network growth in our country in proportionate with economic needs and necessities is an obstacle for economic development and growth in the country. Nowadays condition of the state's transportation network is result of the conditions, consequences of which is before us. It is such a condition in which there is nonproportionality between railways and roads and the number of stations does not fit with road transport terminals and these two are not proportionate with the number of airports in the country. There are cities which do not have yet railway stations, but they have airport, etc.

Never there has been a targeted and systematic plan for transportation in Iran. Thus, investments in this sector have been also untargeted and unplanned. Various factors after Islamic Revolution including imposed war continued lack of planning and absence of strategy in this sector. Untargeted investment and allocation of the budget for constructions in this sector were so that didn't improve the past conditions and it continued for a long time. Most part of transportation in Iran is done through the roads both in passenger and loading pats. They are roads which annually cause to death of a large number of citizens and imposed considerable economic damages and require high cost for preservation and maintenance.

Beside global community assistance for Afghanistan reconstruction and development, Islamic Republic of Iran as a member of global community and its neighbor country always has supported Afghan devotees and emigrants. Iran has participated in construction of connective paths using assistances allocated to Afghanistan reconstruction. It has implemented several plans using national budget for developing Iranian connection paths to Afghanistan destination and creating appropriate facilities for trade development and goods transit to Afghanistan from Islamic Republic of Iran territories. 250 million dollars of these expenditures have been paid as donation for implementation of the projects in Afghanistan.

Chabahar as one of the main southern ports of Iran is located in northern part of the Gulf of Oman. This port has a special place in transactions of Iran with other countries in the region due to its strategic situation and access to international open waters. On the other hand, because of proximity to such countries as Afghanistan, Pakistan, and Central Asia, this port with connections to the national rail network is especially important in good transit to these countries. Also, this port is regarded as the only Oceanic Port of Iran and one of the key points in the Persian Gulf and Oman Sea and plays an important role in north - south corridor.

Iran's normal railway (known as European) shall be established for connection of Afghanistan with two mentioned regions, and by revival of Silk Road Corridor, Afghanistan and its neighboring countries can utilize three strategic and dynamic depths of the today world in east, China and beyond it, and they can benefit from their economic development and growth through Western Corridor (first path: Iran – Turkey and Western Europe; second path: Iran, Arabic and African countries), and especially Afghanistan can overcome its junctions problem with northern and southern parts using latest technology and turn into Asia's rail bridge. Good transport has high economic – political value and sometimes transit of such goods as oil has even strategic value. Railway transportation has advantages in terms of services such as tourism development, since aerial transportation is expensive, and on the other hand, real transportation is not safe. Thus, in addition to rail transportation of goods, passenger transportation through railway is also more preferred in terms of cost and welfare. Hence, importance of role of rail transit related infrastructures and structure for Afghanistan's economic and political development is clear. However, the reason for discussing on international political economy in this work is that there is one problem for establishment of related facilities and services. That is, track differences and conflicts within neighboring areas with Afghanistan, which seems it can be solved by international political economy. Anyway, there is such problem, but connection of these regions with each other and with the outside world is so important that, for instance, Kazakhstan who wants to send their oil to China on the one hand, and on the other to Europe, is going to construct Normal railway between Iran and China despite of its high cost.

Transit incomes have changed economy in many countries, some which are in our neighboring. It has occurred while their strategic situation is not comparable with advantages of Iran territory. Software problems resulting from lack of facilitation of rules and procedures associated with the transit or hardware problem, and not providing proper infrastructure in the country have created a golden opportunity for the competitors to encourage good owners for passing from newly defined transit paths in such vacuum.

**H4. Lack of updated and equipped facilities and warehouses at the entry of two countries is an obstacle for facilitation of trade between Iran and Afghanistan:** Results indicated lack of updated and equipped facilities and warehouses at the entry of two countries is an obstacle for facilitation of trade between Iran and Afghanistan. Warehouse is regarded as an important key component in manufacturing or service system. Traditional warehouses were considered as costly and non-profitting parts, while lack of advanced and efficient warehouses today cause disturbance and slowness in service delivery and production line. Installation and mounting advanced and automation systems in warehouse part of manufacturing units as well as in piers, wharfs and port facilities and customs has created huge development in developed and industrial countries.

High willingness of Afghan traders to trading with Islamic Republic of Iran and purchase of most goods from Iran quoted by Afghan traders may be due to belief in purchasing goods needed by Afghans from Muslims, unsparing help by Iranian nation and government to Afghanistan in hard days, full familiarity with Iran's market and Iranian products, superior quality of Iranian goods, need for Iran as the safest and most cost effective transit route for imports and exports of Afghanistan, having good economic and social status in Iran, common language, common religion, common culture, common traditions and the like.

**H5. Lack of security in Afghanistan is an obstacle for facilitation of trade between Iran and Afghanistan:** Results indicated presence of occupying forces in Afghanistan and social security related problems are not considered as obstacles for security in Afghanistan and do not affect trade relations between Iran and Afghanistan, however, other components are effective in this regard. Trade transactions between Iranian and Afghan traders have been long as a traditional way, only in some time periods it have had some ups and downs due to the policy or crisis, but it never stopped. Following new developments in Afghanistan and fall of Taliban in 2001, tens of thousands of foreign troops led by the United States participated in various regions of the country to provide security and stability in Afghanistan. By provision of security, Afghans hoped to move on the path of progress and reconstruction. However, insecurity increased in different forms in different parts of Afghanistan. Thus, North Atlantic Treaty Organization, NATO, the largest military organization in the world, entered Afghanistan in its first cross-border mission so that it could help

provision of security in the country. However, insecurities increased. There are different factors beyond Afghan political events. States which sent their forces to Afghanistan consider themselves somehow entitled to involve in political mechanisms and army situation in Afghanistan, they play various games in Afghanistan and mostly care for their personal profit rather than security in Afghanistan. Afghan people perfectly are aware of this fact considering their experience of the current and past policies in Afghanistan. Given America never has had good relation with Islamic Republic of Iran, it always has attempted to create problems for Iran including prevention of Iranian traders participation in bids for Afghanistan reconstruction by America and some western states.

Influence of the states on (political) changes in Afghanistan is shown in the figure-1 (Sharbati, 2002).

**H6. Lack of quick and inexpensive transportation in Iran and Afghanistan is an obstacle for facilitation of trade between Iran and Afghanistan:** Results indicated lack of quick and inexpensive transportation in Iran and Afghanistan is an obstacle for facilitation of trade between Iran and Afghanistan. In order to prepare grounds for obtaining latest knowledge, novel technologies and gaining timely technical and professional data, active participation in international decision making for provision of the interests and its professional ideas in framework of policies specified by the government, Islamic

Republic of Iran's custom has acted for providing needed facilities and resources through communication with international professional organizations and utilization of cooperation, experience and thoughts of customs in other countries especially neighboring customs in dealing with drug smuggling and customs fraud detection methods and further strengthening the commercial position of IRI in West Asia as a bridge between three populated continents of the world (Asia, Europe and Africa) through absorption of goods transit from the country's territory. Iran's custom has attempted to create unilateral and multilateral relationships with custom international and regional specialized organizations.

To this end, active participation of Iran in the meetings and decisions of World Customs Organization, active participation in the meetings of the Economic Cooperation Organization (ECO) by customs of member states at various levels of management and expert, effective participation in meetings and communications with the World Customs Organization Regional liaison officers and communication with other professional organizations related to the United Nations such as United Nations Conference on Trade and Development (UNCTAD), as well as participation in agreements and memorandum for establishing or expanding bilateral relations between professional customs in other countries are examples of broad communications of Islamic Republic of Iran's Custom at international arena.

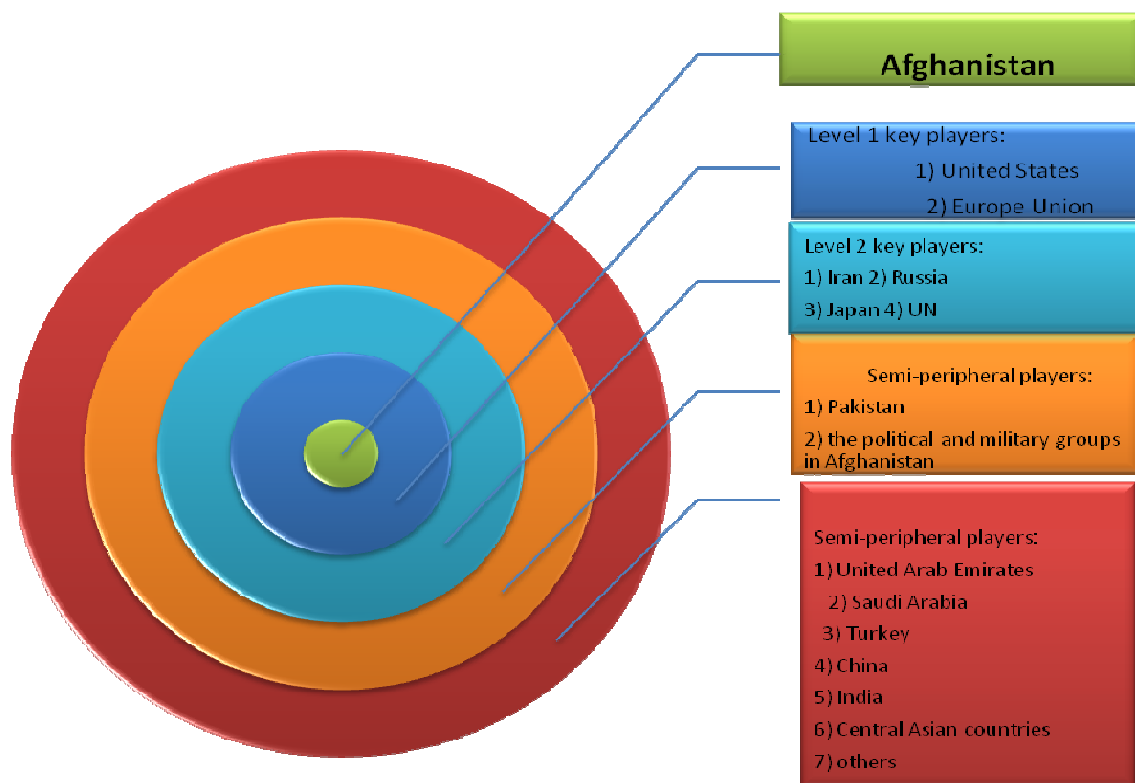


Figure-1  
Influence of the states on (political) changes in Afghanistan

Given security has not yet established in Afghanistan, custom interactions between two countries are not considerable despite of above mentioned facts. For example, lack of prosperity in the Dogharoun Border Market can be mentioned, despite of joints attempts by the authorities in two countries. The other point is about Iran-Afghanistan Joint Chamber of Commerce. Although it was to held it annually in one of two countries, the second session was not held in Tehran despite of passing three years after its first session in Kabul. The other fact is about facilities which are provided for holding exhibitions in Afghanistan. 70-80 percent facilities are given to participants for the exhibitions held in Iraq, while no facilities are provided for the exhibitions in Afghanistan. It is hoped the authorities take some actions in the future so that problems are reduced and relations are more developed.

## Conclusion

Considering objectives of the July Convention and the need to paying attention to transit in our country with such great geographical scope and privileged situation, as well as Hyperbaric approaches to electronic systems for the exchange of information, moving toward mechanized systems is inevitable. Thus, IRI's custom using Automated System for Customs Data (ASYCUDA) has attempted to take steps toward mechanization for achieving above goals.

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