
Research Papers



INDO-IRAN TREAD RELATIONS- (2001-2010)

Prof.Abdolmajid Yazdanpanah Sisakht and Prof.Dayanand Mane

Research Scholar, Department of Studies in Political Science,
University of Mysore, India

Abstract

There has been economic relations between Iran and India in the past centuries. The two countries traded spices, medicine, and cloth. The first commercial contract was signed in 1955 and In 1969 the first common commission of the two countries was held in Tehran with the presence of Indian foreign minister and the ministry of economy of Iran. The fourth common economic commission meeting was held in New Delhi in 1975.

There was a growing development in Iran's economic capacities in energy and participating of India in steel and metal industries in Iran was increasingly making headway. Several common economic projects have been completed between the two countries and some of them are being under process at present. Because of two quite new emerged factors like the increasing need of India to energy, the abundant supplies of energy in Iran, and the economic growth and the brilliance of India in the realm of technology, it led to the acceleration of consultations and a visit of Indian prime minister Atal Bihari Vajpayee to Tehran in 2001 which resulted in issuing Tehran Proclamation and four memorandums of understanding and two agreements. After Indian Prime minister's visit to Tehran in 2001, there was an increasing progress in political and economic relation capacities between the two countries. Inviting president Mohammad Khatami on January, 25th, 2003 to visit India and to participate

in the Indian National Day ceremony became a cornerstone for the mutual relationships and made the two countries to move toward the economic and strategic collaborations. The present study tried to have an enquiry on the amount of economic relations and the amount of import and export volume between the two countries in 2001 – 2010.

Keywords: (Economic Relations, Import, Export, Oil, Energy)

Introduction:

Iran has imported approx. 12.14 billion dollars of goods from India as of April 2001 to Feb. 2010. In contrast, 7.66 billion dollars of goods has been exported to India on the same date. Share of India out of Iran's total goods imports volume in the mentioned period stands at 3.9 percent. India has allocated 8.3% of Iran's total exports value to itself in the mentioned date. Total trade value exchanged between Iran and India in the said period stands at 19.8 billion dollars. In comparison with trade exchanges, valued at 403.1 billion

dollars, transacted between Iran and world during April 2001 to Feb. 2010, trade exchanges share of Iran and India is equaled to 4.9 percent. although Iran and India trade balance has been turned positive in favor of India in the beginning of 2000s, studies show that trade balance at the end of the said decade i.e. 2010 has been turned positive in favor of Iran. In general, imports and exports volume of goods between Iran and India has always been ascended since the beginning of 2001s up to the present time. although imports volume from India to Iran has been slumped in some periods, Iran's exports volume has always been experienced growing trend.

Figure 11.1
The trade volume between India and Iran at a Glance (2001-2010)



Objectives of the Study

1. The economic relationship between India and Iran will be discussed in a decade (2001-2010)
2. This study also throws light on the economic relations between the two countries will be reviewed in a decade (2001-2010)
3. India is the fourth economical power in the world. For this reason, India has an important place in the economic foreign policy of Iran. On the other hand, Iran is one of the most important Middle East countries with a high level of stability, political independency, and rich natural and human resources that can be a strategic alliance for India.

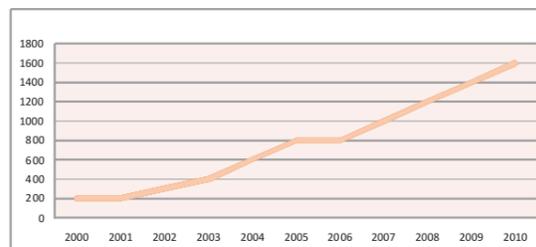
Significance of the Study

India at present is the second populated country in the world however it will be the most populated country in the world in 21 century. About the significance of studying the economic relations of Iran and India in recent years, it should be said that India has a special significance in Asia and is considered as an international power in the world.

The following Diagram shows exports

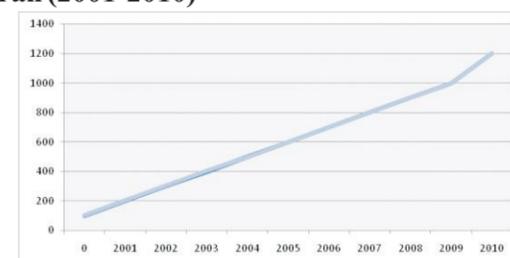
volume of Iran to India and imports volume of India from Iran during 2001-2010.

Diagram 2.1
India import from Iran and Iran exports to India (2001-2010)



The following diagram shows imports volume of Iran from India and exports volume of India to Iran during 2001-2010.

Diagram 2.2
Iran import from India and India exports to Iran (2001-2010)



The most important Goods traded between Iran and India:

Top Ten items of export from India to Iran

- Ø Primary and semi finished iron and steel.
- Ø Machinery and Instruments.
- Ø Manufactures of Metals.
- Ø Drugs, Pharmaceuticals and Fine Chemicals.
- Ø Rubber Manufactured Products except footwear.
- Ø Gasoline.
- Ø Non-alloyed Iron and Steel ingot.
- Ø Non-alloyed Iron and Steel shares.
- Ø Light oils and products other than gasoline.
- Ø Products of Flat iron or steel.

Top Ten items of export from Iran to India

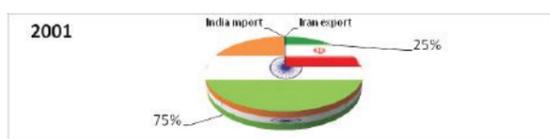
- Ø Organic Chemicals.
- Ø Metalifers Ores and Metal Scrap.
- Ø Non-Ferrous Metals.
- Ø Sulphur and Unrosted Iron Parts.
- Ø Transport Equipments.
- Ø Methanol.
- Ø Liquid gases (Propane, Butane).
- Ø Fresh or dried Pistachio.
- Ø Other Aromatic Hydrocarbon mixtures.
- Ø Ammonia without water.

Here, we study trade balance between Iran and India as of the beginning of 2001-2010s thanks

to the imports and exports value.
2001

Over 560 million dollars of goods has been exported from India to Iran, i.e. 3.1 percent. In other words, share of India out of total Iran's imports volume has stood at 3.1 percent in 2001. In contrast, India accounts for 4.4 percent out of Iran's total exports volume to the world which has been equaled to 187 million dollars. Iran and India trade balance in this year has been turned positive in favor of India (25 to 75 percent).

Figure 11.2

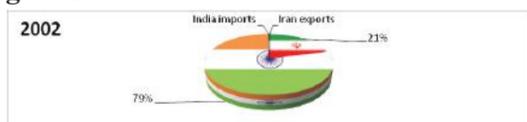


Petrochemicals, minerals, and meat were of the main goods imported to Iran from India in 2001 while dried fruits, cereals, chemicals and minerals were exported to India from Iran in the said year. In this year i.e. 2001, India was Iran's sixth exports target country and the 11th country which Iran imports goods and commodities from it.

2002

In this year, Iran's imports volume from India increased more than 156 million dollars and hit 716 million dollars. Although India is yet Iran's 11th goods importing country, Iran's total goods imports volume from India has increased. In this year i.e. 2002, India promoted its share in Iranian market, the rate of which amounted to 3.2 percent.

Figure 11.3



With the improvement of imports situation of Iran from India, exports status is changed a bit more. Iran's exports volume to India stood at approx. 189 billion dollars in 2002, showing 2 million dollars growth in comparison with the previous year i.e. 2001. In this year, India falls one step in table of Iran's exports target market, standing at the 7th rank. In this year, share of India out of Iran's exports volume with 0.3% slump hit 4.1 percent. Trade balance between Iran and India has been turned positive in favor of India in 2002 (21 to 79 percent).

2003

In 2003, India improved its status at the Iranian market with more acceleration. In this year, share of India out of Iran's imports market promoted to 3.3%. Under such circumstances, rank of India

promoted to the 10th country from among goods exporting countries to Iran. India's imports value to Iran with more than 166 million dollars hit approx. 883 million dollars at large.

Figure 11.4

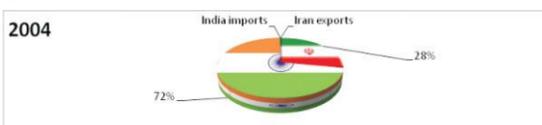


In this year, Iran also neared its exports volume to India approx. 296 million dollars. This figure will turn possible through increasing more than 106 million dollars. India is Iran's six export target country and has allocated approx. 5% total export volume of Iran to the world. Like 2001, the trade balance between Iran and India is turned positive in favor of Iran (25 to 75 percent) in 2003.

2004

Iran's trade balance is improved to some extent in 2004 and changes from 25 to 75 percent to 28 to 72 percent in favor of India. In the same direction, share of India out of Iran's exports volume increases to 6.9 percent, based on which, this country turns Iran's second exports target. With more than 176 million dollars hike, Iran reaches its total exports value to India as much as 473 million dollars.

Figure 11.5

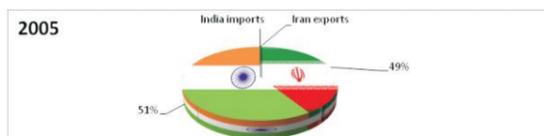


On the other hand, Indian merchants, with more than 337 million dollars hike, boosted their exports volume to Iran more than 1.2 billion dollars, exceeding one billion dollars for the first time as of the beginning of 2000s. In this year, India increases its share, in terms of exports of goods to Iran, once again and reaches its share in Iran's imports market to 2.3 percent. With standing two ranks above table of goods importers to Iran, India is turned into Iran's 8th main goods importing country. The trade balance between Iran and India has been turned positive in favor of India in 2004 (28 to 72 percent).

2005

For the first time as of the beginning of 2000s, India reduced its imports volume to Iran in 2005. With its 107 million dollars slump, India's imports volume to Iran reached to 1.1 billion dollars in 2005. Under such circumstances, status of India fell one rank below from among goods exporting country to Iran and reached to the 9th rank. Also, share of India out of imports market hit 2.8 percent in 2005 with noticeable slump.

Figure 11.6



India accounted for 3.7 percent of total exports volume of Iran to the world in 2005. The rank of India fell one step below at the table from among Iran's exports target markets, standing at the 3rd place. Unlike India which reduced its exports volume to Iran in 2005, Iran reached its exports volume to India with 290 million dollars hike to 763 million dollars. The most interesting point is this that noticeable improvement of the trade balance is in favor of Iran. In 2005, Iran's share out of bilateral trade exchanges promotes to 41% and in contrast, share of India reduces 51% at large in the same year.

2006

India's goods export volume to Iran increased in 2006. The share of India out of bilateral trade exchanges, which had been reduced in 2005 remarkably, was increased again in 2006 and reached to 63 percent. In contrast, share of Iran faced slump as much as 37 percent. In 2006, 6.5 percent of total exports volume of Iran to world has been exported to India. India placed Iran's 4th exports target market in this year. With its approx. 72 million dollar hike, Iran's exports volume to India topped 836 million dollars.

Figure 11.7



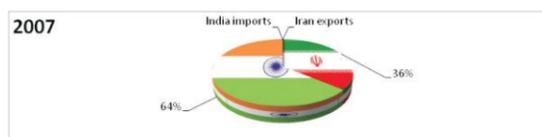
Once again, India improves its share of Iran's imports market and reached its share to 63 percent. The rank of India, which had hit 9th rank in 2005 from among goods importers, reached to the 8th once again. In 2006, India boosted its exports volume to Iran 325 million dollars, the figure of which amounted to 1.4 billion dollars. With the studies made in this regard, India boosted its imports rate to Iran once again. The trade balance between Iran and India has been turned positive in favor of India in 2006 (37 to 63 percent).

2007

In 2007, India's imports hike seemed less as compared with its previous years. Also, India's ranking downed one step among goods exporting countries to Iran, touched the ninth country in this

regard. with over 17 million dollars hike, India exported 1.4 billion dollars of goods to Iran in this year. The said figure accounted for 3% of Iran's total imports volume in 2007. As compared with its previous year i.e. 2006, India witnessed half a percent (0.5%) growth in terms of Iran's imports market share.

Figure 11.8

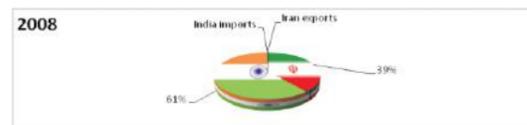


Iran's exports volume to India has a similar status. In 2006, India accounted for approx. 6.5 percent of Iran's total exports volume and in 2007, India reduced approx. one percent of its share, accounting for 5.4 percent of Iran's total exports volume. with a one-step fall in standing, India placed itself as Iran 5th export target country. with the increased 831,000 dollars, Iran reached its exports volume to India to 837 million dollars.

2008

The trade balance between Iran and India, which was in favor of India in the beginning of 2000s, changed in favor of Iran since 2008. In this year, India increased its share as much as 0.2% in Iran's imports market, the figure of which amounted to 3.2 percent. This country i.e. India is yet considered as ninth goods exporting country to Iran. India increased its exports volume to Iran more than 355 million dollars and reached the said figure to 1.8 billion dollars at large.

Figure 11.9



In turn, Iran also promoted its exports volume to India more than one million dollars for the first time in 2000s. with more than 334 million dollars hike, the said figure reached to 1.1 billion dollars. India's share and standing of this country from among Iran's exports target markets dates back to 2006. accordingly, India has allocated 6.5 percent of Iran's total exports volume. with the studies made in this regard, India turned into Iran's 4th exports target market. The trade balance of Iran and India has been turned positive in favor of India (39 to 61 percent)

2009

Although India's share from Iran imports market is improved remarkably from among other world countries, Iran has made its utmost effort to reduce

its total imports volume in this year. Accordingly, share of India from Iran's imports market reaches to 3.4 percent in 2009 and this country is placed at the 8th rank among goods exporting countries to Iran. In turn, Iran's imports value from India has slumped more than 20 million dollars, reaching to 1.8 billion dollars at large.

Figure 11.10



On the other hand, Iran increased its exports volume to India more than 90 million dollars in 2009, aimed at boosting its exports value in this country as much as 1.2 billion dollars. In 2009, India's share out of Iran exports volume increased one percent (1%), reaching to the highest rate in 2000s. The India, which was considered as Iran's 4th exports target market in 2009, allocated approx. 7.5 percent of Iran's total exports value to itself. The trade balance between Iran and India was turned positive in favor of India in 2009 (41 to 59). At any rate, the situation of trade balance has been changed remarkably in favor of Iran in this year.

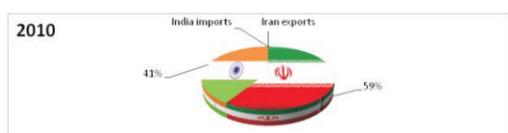
2010

In this year, 1.6 billion dollars of goods exported from Iran to India which was unprecedented in 2000s. In this period, India allocated 6.9 percent of Iran's total exports volume to itself, considering Iran's 4th exports target market.

The imports volume of Iran from India was reduced remarkably in this period. Suddenly, India was turned into Iran's 10th goods exporting country. Under such circumstances, share of India from Iran's imports market was reduced from more than 4% to 1.9% in this period.

India's total exports value to Iran has been estimated 1.1 billion dollars as of the beginning of 2001 to 2010. In 2009, imports of goods from India to Iran have been slumped more than 32 percent as compared with the corresponding figure of previous year i.e. 2009. In turn, Iran's exports of goods to India showed increasing trend, more than 46.5 percent), as compared with the previous year.

Figure 11.11



Since trade balance between Iran and India had

always been turned positive in favor of India as of the beginning of 2000s, we can observe that the trade balance of the two countries has been turned positive in favor of Iran in 2010. (59 to 41)

The imports and exports difference between Iran and India exceeds 505 million dollars, the figure of which has been turned positive in favor of Iran as well. India is a developing country and direly needs Iran's oil. Moreover requiring oil, this country is considered as one of the large importers of raw materials in Asia. Under such circumstances, Iran can take most advantage of this subject.

Table 2.1

Emport by Iran from India and Exports from India to (2001-2010)

Year	Percents of total imports	Value of imports (Dollar)	Rating	Changes (Dollar)
1 2001	3.1%	560 781 374	11	
2 2002	3.2%	716 812 377	11	156 031 003
3 2003	3.3%	883 369 015	10	166 556 638
4 2004	3.4%	1 221 311 769	8	337 942 754
5 2005	2.8%	1 113 973 577	9	107 338 192-
6 2006	3.5%	1 439 639 309	8	325 665 732
7 2007	3%	1 457 331 372	9	17 692 063
8 2008	3.2%	1 812 869 541	9	355 538 169
9 2009	4.3%	1 791 870 046	8	20 999 495-
10 2010	1.9%	1 145 451 038	10	-
TOTAL		12 143 409 418		-

Table 2.2

Emport by India from iran Exports from Iran to India (2001-2010)

Year	Percents of total exports	Value of exports (Dollar)	Rating	Changes (Dollar)
1 2001	4.4%	188 010 866	6	-
2 2002	4.1%	189 225 530	7	2 214 664
3 2003	5%	296 179 150	6	106 953 620
4 2004	6.9%	473 009 024	2	176 829 874
5 2005	7.3%	763 755 259	3	290 746 235
6 2006	6.5%	836 643 496	4	72 888 237
7 2007	5.4	837 474 794	5	831298
8 2008	6.5%	1 171 905 159	4	334 430 365
9 2009	7.5%	1 262 686 850	4	90 781 691
10 2010	6.9%	1 650 880 370	4	-
TOTAL		7 668 770 498		-

Thrust sectors of business synergy between India and Iran as identified by FICCI are Information technology, Biotechnology, Energy, Gas, Power generation, Engineering, Food processing and Textile machinery. India has substantial share of Iranian imports in the following categories: Iron ores and concentrates, oil cakes, tea, yarn, organic and in-organic chemicals like sulphonamides, heterocyclic compounds, unsaturated acyclic monocarboxylic acids; drugs and Pharmaceuticals like antibiotics; insecticides.

Conclusion:

Iran and India have had vast commercial ties from long time ago. Needed to mention that the commercial relationship of the two countries have been influenced by the commercial policies and import demands therefore these commercial relationships have been experiencing risings and fallings from time to time. During the recent years, Iran and India signed several customs agreements and collaboration memorandums of understanding on technologies, IT, electricity, energy, agriculture, communication, science and technical knowledge. They have organized their mutual collaborations through establishing a common commission and a common trade assembly. Participating of Indian companies in different industrial fields such as oil, gas, and steel are other aspects of collaborations between Tehran and New Delhi. The Indian Tata steel company has an important role in economic ties between the two countries. The total value of the reciprocal trades between the two countries have been greatly increasing in recent years. Iran and India in addition to the common cultural benefits as two ancient countries, they are also economically blessed with special benefits. Iran is endowed with ample supplies of energy, but India is suffering from energy shortage. On the contrary India enjoys management and science and knowledge of technology in which Iran is facing problem and is willing to transfer students to gain the knowledge. Iran and India can cover their needs through establishing economic collaborations. Iran and India will indeed have a main role in future economy. If they have common economic talks and manage their potentialities, both countries will gain great benefits by economic relations. Iran and India can have a great portion of assets and can own vast collaborations. These two are very important countries in the Middle East and in this period of regional powers; there are good opportunities for the economic and commercial collaborations for Iran and India. Asia is important in different aspects because its supplies got 10 times bigger in ten years and %75 of the world energy is in this great continent and the greatest rate of investment was in Asia in recent years. All the evidence shows that the future of the world is in the hand of the future of Asia. This issue is important from two aspects: one is that all the regional capacities can be used to increase the economic ties and Iran and India can act as a parallel engine for these economic ties. Therefore it should be eventually

mentioned that, although Iran and India enjoy historical friendly relationships, these relationships need to be modernized. Iran and India should discover new fields of collaborations to set a harmonious relationship between their capabilities and their needs. India is speedily making headway in its development program and this country is blessed with great capacities for mutual economic and commercial collaborations. The Iranian and Indian intellectuals' ideas would act as a powerful support to develop economic relations between the two countries and the establishment of the economic relations should be based on their mutual, regional and international needs.

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