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An Analytical Review and Prioritization of Barriers to the Development of Non-Oil Exports in Iran: FAHP Approach

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EXTENDED ABSTRACT

INTRODUCTION

One of the serious issues that has been considered and examined by policymakers, economic, and trade professionals in Iran for many years is the development of non-oil exports and the existing obstacles to its development. This issue arises from the fact that export development, as a trade strategy, is recognized as the engine of economic growth, progress, and development in countries. Similarly, identifying and striving to remove the factors that hinder export development is also of particular importance. This is because export development and foreign exchange generation, in addition to increasing national income and improving the foreign balance, can also enhance the country's bargaining power on the international stage, especially in times of economic sanctions and from a political perspective.

Some of the problems and shortcomings in export development or target market expansion are domestic, such as the high production cost of Iranian goods compared to competing products due to the unreal exchange rate, exporters' lack of awareness of various banking export services, the lengthy process of granting loans, and low productivity of production factors, among others. On the other hand, some problems are external, such as the hostile trade policies of powerful global countries and the inability to participate in international trade-facilitating forums and organizations. Prioritizing these issues and challenges for resolution is of great importance."

METHODOLOGY

The research follows an applied methodology using a descriptive-survey approach for data collection. It analyzes customs records from 2001 to 2018

and qualitative data from a 2017-2018 survey of exporters by the Trade Promotion Organization of Iran to identify and prioritize export barriers.

The data analysis is conducted using the Fuzzy Analytical Hierarchy Process (FAHP), a method designed for decision-making under uncertainty. FAHP uses triangular fuzzy numbers to evaluate and compare export barriers based on multiple criteria. This method allows for flexibility in the number of independent variables but may face reliability issues if expert judgments are inconsistent. The study aims to systematically rank the key barriers to non-oil export development.

FINDINGS

The findings of this article reveal that the country's non-oil exports from 2001 to 2018 fell short of the projections outlined in the Sixth Development Plan. Both market concentration and the diversity of exported goods have declined. On average, 25% of the total annual value of non-oil exports during the study period came from the sale of just five products. The number of countries importing goods from Iran also decreased from 170 in 2008 to 147 in 2018. In 2018, more than 80% of the value of non-oil exports was concentrated in just nine countries. This indicates that despite an increase in export value, non-oil exports have become heavily concentrated in a few countries, largely due to factors like political and economic sanctions. In fact, the combined export value to four countries—UAE, China, Iraq, and South Korea—exceeded the total export value to the other 145 countries in 2018.

CONCLUSION

According to the prioritization of export development challenges in this article, the most important issues relate to the "production of export goods," followed by the "export process" and the "overall political and economic environment" of the country. The ten main barriers to the development of non-oil exports in Iran are:

1. High production costs,
2. High exchange rates for imported raw materials,
3. U.S. sanctions against Iran,
4. High transportation costs to target markets,
5. Short-term product pricing strategies focused on immediate profit,
6. Foreign policy issues,
7. Lack of understanding of customer preferences and needs,

8. High tariff rates imposed by target countries,
9. High costs for obtaining sales permits from domestic authorities,
10. High taxes on the import of raw materials and high customs clearance costs.

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Appendix

The 30 Main Issues and Barriers to Non-Oil Exports in Iran

(Source: Research Findings)

Issues and Barriers
High production costs
High exchange rates for imported raw materials
U.S. sanctions against Iran
High transportation costs to target markets
Short-term product pricing strategies focused on immediate profit
Foreign policy issues
Lack of understanding of customer preferences and needs
High tariffs imposed by target countries
High costs for obtaining product sales permits from domestic authorities
High taxes on the import of raw materials and high customs clearance costs
Poor product design and packaging
Unfavorable business environment and lack of foreign investment
High insurance premiums for exported products
High taxes on export income
Lack of attention to distance to target markets and its effect on packaging design
High miscellaneous costs (marketing, utilities, gifts, commissions, etc.)
Lack of international market research and understanding of target markets
Exporters' unfamiliarity with modern marketing techniques
Ineffective communication for marketing and selling products
Banking sanctions, issues with money transfers, and non-adhesion to FATF
Inadequate advertising in target markets
Neglecting environmental concerns in packaging
Severe exchange rate fluctuations
Lack of product diversity and absence of branding
Failure to fulfill exporters' commitments on time
Poor packaging
Use of low-quality materials to reduce costs and compete with foreign products
Neglecting climate conditions in target markets compared to domestic market
Low quality of raw materials for production
High cost of quality raw materials