

STRENGTHENING THE CUSTOMS AND ROAD FACILITIES TO EXPAND THE TRADE OF FOODSTUFFS AND AGRICULTURAL PRODUCTS

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Introduction

There are specific challenges related to trade between Iran and Armenia. One of the most significant issues affecting economic cooperation between the two countries is the lack of proper and direct transportation facilities. Efficient commercial roads and well-established transportation networks play a crucial role in facilitating and expanding trade. At present, there are no adequate commercial roads or railway connecting Iran and Armenia. This deficiency makes the transportation of goods and people between the two nations quite challenging.

Methodology

In our study, we have mainly used methods related to the economic analysis. For agricultural goods and transportation facilities analysis we have used the method of comparative analysis. Also, gathering statistical data from governmental sources helped us to have a more or less complete picture of current trends between the two countries. In addition, constructing statistical lanes allows to see the dynamics of some developments. Finally, we attempt to use the methods of economic forecast, which, in turn, helps to consider the current trends to foresee the future dynamics of relations between Iran and Armenia that may impact on the improvement of the state of affairs in foods security through constructing new transportation communications and other related infrastructures to facilitate bilateral relations between the two nations and to stabilize the situation in the region.

Literature review

Issues related to strengthening the customs and road facilities to expand the trade of foodstuffs and agricultural products are examined by several experts. First, Iran is now viewed as a transit transportation hub for neighboring countries [Atlantic Council, 2021], while a view on Armenia-Iran relations and their perspectives after the 2020 Karabakh war helps to comprehend the new trends in geopolitics [Aghajanyan, 2021]. According to Horvath & Katuscakova, intraday pattern of returns, volatility and trading activity on the currency market is also important [Horvath & Katuscakova, 2016], and Iranian sanctions evasion and the Gulf's (Persian Gulf) complex oil trade [Middle East Institute, 2023]

also matters for better understanding Iran's strategy in the South Caucasus [Sadegh-Zadeh, Kaweh, 2008, 7], as well as Iran's role in the South Caucasus and Caspian region [Schaeffer, 2003, 17-23]. Some of the experts pay attention to the perspectives of Armenian - Iranian economic relations within Belt and Road Initiative [Grigoryan & Arpanahi, 2022]. We are more interested in studies analyzing the One Belt, One Road initiative [Griffiths, 2017] with a focus on trade and trade facilitation along the Belt and Road initiative corridors [Ramasamy et al., 2017, 172], as well as the geo-economic challenge of China's initiative [Rolland, 2022]. At the meantime, more specific studies are required to assess the current state of food security in Iran and in Armenia. From this point, we value the necessity of addressing and equipping the veterinary quarantine post office established at the Norduz customs [Ivo, 2024], [Noordooz, 2024]. Nevertheless, issues of national or bilateral importance are also considered to look at the existing resources of Iran and the Caucasus with an aim to maintain proper level of food security and deal with local actors [Cornell, 1998, 56], and to examine Iran's strategic relationship with Azerbaijan and Armenia [Gresh, 2006, 13].

Scientific novelty

The main point of our study is to look at the strategic importance of transportation through strengthening the customs and road facilities to expand the trade of foodstuffs and agricultural products in Iran. Also, this is the first attempt to examine the opportunities of the two countries in more expanded trade and cooperation after signing an agreement between Iran and the Eurasian Economic Union in December, 2023.

Analysis

The existing unsuitable roads cannot function as a proper commercial highway, which has hindered trade and investment development. Another obstacle arises from the relatively small size of the Armenian market. With a population of approximately 3 million people, Armenia presents difficulties for Iranian companies seeking to expand their operations within the country. Despite these limitations, the Iranian market itself holds substantial potential for Armenia. Moreover, Armenia can strategically serve as a transit point for the movement of goods and services. Economic sanctions imposed on Iran have further impacted bilateral economic cooperation. These sanctions have restricted Iranian companies' access to finance and technology, limiting their ability to invest in Armenia. Banking services have also been affected due to sanctions, resulting in complexities in business activities. As a result, Armenian banks do not actively support economic relations between the two countries, and joint financial mechanisms to facilitate trade remain absent. Additionally, inadequate infrastructure for trade and transportation routes poses another challenge. To transform Armenia into a viable food trade corridor, the establishment of suitable silos, warehouses, and border customs facilities is essential. Finally, cultural and linguistic differences can also pose challenges to economic cooperation. While both countries share historical and cultural ties, there are differences in

language and business practices that can make it difficult for companies to work together effectively [Harty et al, 2022]. Another example of cross-border agricultural cooperation is the "Green Corridor" initiative, which was launched by China and Kazakhstan in 2011. The Green Corridor aims to promote trade and investment in the agricultural sector between the two countries by establishing joint ventures and improving logistics and transportation infrastructure. Cross-border agricultural cooperation can offer benefits such as increased market access, improved efficiency, and reduced transportation costs. However, it is important to consider possible risks associated with cross-border trade, such as compliance with international regulations and standards, quality control, and logistics. Some countries have devised a smart way of moving food and agricultural products through each other's land to boost food security for themselves and their neighbours. These networks or systems are solely dedicated to the transport of food and agricultural products. One example of such a system is the "Food Corridor" that Nepal and India have successfully set up. It is a network of transport links that connects food-producing areas in Nepal with markets in India. The corridor includes roads, railways, and border crossings that are specially designed for the movement of food and agricultural products. The Food Corridor has helped to lower transport costs and increase the efficiency of the food supply chain between the two countries [Nepal – India food corridor, 2009].

It could reduce the transportation costs and time, as well as the customs tariffs and procedures, for agricultural products that are perishable and need to be delivered quickly. Iran and Armenia have signed a Free Trade Agreement with the Eurasian Economic Union, which could facilitate the trade of such products [Middle East Institute, 2023].

A special virtual network can help to reduce the barriers and costs of cross-border trade, such as tariffs, customs, regulations, currency exchange, and transportation. A special virtual network can also help increase the efficiency and transparency of trade transactions, by enabling faster and easier communication, documentation, payment, and delivery [ADB, 2022].

Efforts have been made in Iran-Armenia customs to solve problems. Nordoz border in East Azarbaijan province is the only land border of Iran with Armenia and the member countries of the Eurasian Union, through which about 400 trucks pass daily. Nordoz is located 60 km east of Jolfa and opposite the city of Agarak (Meghri) of the Republic of Armenia. This terminal was designed and executed on a land of eight hectares in 2003 and includes 2 entrance and exit passenger halls with an area of 3,000 square meters on 2 floors and a commercial hall with an area of 800 square meters and other office uses with an area of 200 square meters. In a joint meeting with the Armenian side, the director of Nordoz customs emphasized the necessity of increasing the truck acceptance capacity by the customs of the opposite country, referring to the problems raised by drivers carrying export and transit goods at the Nordoz border [Irna, 2024].

There are two areas of focus in this context: the expansion of roads and customs facilities, both of which play a crucial role in connecting countries. Regarding the Iran-Armenia road, it faces challenges in the Syunik Province of Armenia and is not a universally accessible transit route. However, the Armenian government has pledged to construct a new road. Specifically, it is planned to borrow \$254 million from the European Bank for Reconstruction and Development to build a 24-kilometre section of a new highway toward the Iranian border [Tasnim News, 2024].

The reconstruction of this road can enhance cooperation and facilitate traffic, benefiting the region economically and commercially. Nevertheless, it must be accompanied by careful planning, as merely constructing a road is insufficient. There is a need to maintain a road that meets commercial standards, and customs deficiencies should also be addressed. Creating cold storage facilities for perishable goods and expanding customs warehouses can further improve trade and provide necessary storage. These measures can help to reduce transit costs and potential damages while enhancing local livelihoods, streamline clearance processes, reducing waiting times at the borders.

Another example of a system for moving food and agricultural products is the “Agrologistics Corridor” that Colombia and Ecuador have managed to set up. The Agrologistics Corridor is a network of transport links that connects farming areas in Colombia with markets in Ecuador. The corridor includes roads, ports, and border crossings that are specially designed for moving agricultural products. The Agrologistics Corridor has helped to boost trade between the two countries and improve the competitiveness of their farming sectors. These systems for moving food and agricultural products can help to improve food security by making it easier to move food from places with surplus to places with shortage. They can also help to lower transport costs, improve efficiency, and increase market access for farmers and food producers [ADB, 2022].

Iran’s roads play an essential role in regional transit. For instance, Emirati trucks now travel to Iran’s Bandar Abbas, cross the Bazargan-Gürbulak border, and proceed to Turkey’s Mersin port on the Mediterranean Sea. This route significantly reduces transit time compared to the Suez Canal route [Atlantic Council, 2021].

The limited capacity of the customs services on the Armenian side faces challenges related to infrastructure, including the ability to store goods at checkpoints. For example, in the anti-trafficking department, staff must monitor prohibited items to prevent them from entering the country. This process takes a significant amount of time and consequently reduces the speed of transit.

Another solution to strengthen trade and cooperation between Iran and Armenia is to have a close cooperation with China, particularly, within the framework of the “Belt and Road” project. Armenia and Iran are among the first countries to support and take part in

the construction of the “Belt and Road” initiative. A multimodal communication project is underway despite the slow motion in organization and issues related to regional tension. There are new trends in bilateral relations, particularly, after the 44-day Artsakh war in 2020. Other developments also take place and impact on regional and global markets. As a rule, economic ties between PRC and the Republic of Armenia are characterized as growing and beneficial for both parties with an element of trust and respect. One of the key projects that might positively effect the overall political and economic climate in the region is the “North – South” transport corridor route that starts from India, goes through Iran, and then passes Armenia and Georgia heading to Russia. According to some experts, this route is “30% cheaper and 40% shorter than the current traditional route. For this purpose, Armenia aimed to construct the “North-South” transport road, 550-km long, to facilitate communication with Iran and Georgia and beyond. Recently, India increases its interest in Armenia and would like to see the INSTC passing through the Armenian territories, keeping in mind that Armenia is also the only country in the EAEU that has a land border with Iran”[Grigoryan & Arpanahi, 2022]. One may conclude that Armenia and Iran may have even more opportunities to benefit from improved transportation facilities when Iran take steps to become a member of Eurasian Economic Union.

However, challenges exist. High construction and maintenance costs, environmental concerns, and safety issues are important considerations. While the transit roads to the Armenian border meet acceptable standards, their capacity for extensive trade remains limited. Iran’s transit roads face funding shortages, inadequate safety measures, and insufficient maintenance, which can lead to accidents and fatalities. Furthermore, the need for health centres and hospitals along these routes is evident. Notably, the passage of Armenian trucks through Iranian soil to other countries can result in journeys spanning more than a thousand kilometres.

The facilities of the customs departments themselves are crucial. On both sides of the Iran-Armenia border, delays occasionally occur for extended hours. Long queues of trucks and buses exacerbate these conditions, especially during the rainy season. Additionally, road closures due to snowfall force passengers and truck drivers to halt at the border gates for hours. Unfortunately, the existing customs office facilities are insufficient to accommodate this group. To address this, there should be a clinic within the customs building, providing medical assistance. Furthermore, a rest area is essential for travellers and transit drivers who need to stop during emergencies. In both customs departments, it is crucial to have consultants proficient in Persian, Armenian, English, and Russian languages. These experts can assist with legal matters, medical emergencies, and other essential services. Leveraging the translation capacity of Iranian - Armenian ethnic groups could enhance communication and efficiency in this critical section.

Due to Armenia's historical ties with the Soviet Union, the official languages of Armenia, commonly taught and used, are Armenian and Russian. Consequently, many truck drivers may not be proficient in Farsi or English, nor in the local languages spoken in Iran's Azeri provinces. Conversely, Iranian truck drivers also encounter language restrictions when operating in Armenia. For Iranian truck drivers travelling within Armenia, the situation is somewhat easier. Accommodation facilities often employ staff familiar with Farsi, facilitating communication. However, the reverse scenario poses challenges. While Iranians may be acquainted with Armenian at border customs areas, the vast size of Iran makes it impractical to rely on Armenian or Russian for communication elsewhere. To address this, the Armenian government should seek solutions that enable Armenian truck drivers to navigate all routes in Iran without language barriers. Offering Persian language training courses or utilizing bilingual Iranian companions could be one of the effective approaches.

Norduz Customs is located 65 km from Jolfa city, on the banks of the Aras River. It serves as the only common border crossing point between Iran and Armenia, acting as the primary communication corridor for Armenia in the north-south route. Norduz Customs have a history of 16 years and cover an area of eight hectares. Notably, it has consistently expanded over time. The current customs procedures at Norduz Customs involve internal and external transit requirements. Due to the absence of a covered warehouse, goods are exported via transit arrangements. Key commodities frequently handled at Norduz Customs include chemical fertilizers, construction materials, cement, and fruits and vegetables [Jolfa Customs, 2024].

There are also problems related to the crossing of livestock across the border. In the border areas and at the points of exchange of goods, it is necessary to increase the necessary equipment and manpower, as well as the facilities of the post office, veterinary quarantine, and the preparation of the necessary conditions for the inspection of goods, raw livestock products, and live animals. Finally, import, export and transit related to veterinary control tasks are required at Noorduz Border Customs of Aras Free Zone. There is also a need for a warehouse to store live animals, meat and goods [Ivo, 2024].

Iran and Armenia are jointly pursuing customs development plans. The enhancement of road transit between the two countries holds significant importance for the Islamic Republic of Iran, particularly the Ministry of Roads and Urban Development. This initiative serves as a foundation for the economic growth of both nations. To achieve this goal, Iran has thoroughly reviewed the master plan for the Norduz border crossing, which is expected to handle transit for up to 1000 trucks per day. Implementation of this plan is scheduled for the upcoming year. However, it's essential to recognize that the expansion of customs facilities aligns with the growing trade volume between Iran and Armenia. As

trade aspirations extend to regional and global levels, the demand for substantial customs infrastructure becomes evident [Iran press, 2024].

Conclusion

Recent developments and particularly, the opportunities, opened after signing an agreement between Iran and the EEU, makes less important Iran's isolation by the Western countries and Armenia's blockade by Turkey and Azerbaijan. These two nations share a common goal of breaking up the vicious circle. Iran is haunted by internal implosion and isolation therefore it clings to its relationship with Armenia. Armenia on the other hand apart from the foster parenthood of Russia doesn't have any allies to rely on. The symbiotic relationship pertains to the two countries depending on one another for survival. It is evident that Iran does not need Armenia as an ally [Kaya, 2011, 172]. Cooperation between Armenia and Iran involves energy sector, agriculture and other sectors of the economy. Armenia attempts to diversify the sources to maintain proper level of food security as well. External isolation makes the cooperation between these two neighbors inevitable and vital. Being important parts of Christian world (Armenia) and the Muslim world (Iran), these states are an exceptional example of pragmatic relations based on trust and respect, as well as on mutually beneficial relations aimed at coinciding national interests.

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Strengthening the customs and road facilities to expand the trade of foodstuffs and agricultural products

Key words: agriculture, infrastructure, food security, transportation, regional cooperation

One of the ways of cooperation and increasing the promotion of agriculture is to establish a special virtual network for the development of online buying and selling of agricultural products between Iran and Armenia. In this way, products can be bought and sold daily between merchants at any time, and proper information about the needs of both parties is obtained. Iran's transit roads offer numerous advantages for transportation, including faster travel times, reduced congestion, and also lower transportation costs. These roads play a significant role in trade and commerce, connecting different regions and facilitating the country's economic growth. Additionally, transit roads provide access to remote areas, improving access to essential services such as healthcare and education, and contributing to the development of surrounding regions.