

Armenia could ease Iran's access to Eurasian market

Economy Desk

PERSPECTIVE

Armenia can serve as a crucial gateway for Iran to expand its trade in the Eurasian Economic Union, as it is one of the few remaining routes connecting Iran to Europe and the EAEU. Recently, government officials and private sector representatives have emphasized the importance of strengthening trade relations between the two countries, setting a target of \$3 billion in trade at a major Iran-EAEU trade summit.

A report by the Tehran Chamber of Commerce's Economic Research Department, titled "Armenia: A New Player in the Region's Trade Developments," examines Armenia's economic situation, its trade with the world, and Iran-Armenia trade relations. The report reveals that the volume of trade between Iran and Armenia has undergone significant fluctuations between 2014 and 2022. In 2014 and 2015, the total trade volume remained relatively stable, ranging from \$100 to \$150 million, with a positive trade balance and Iranian exports exceeding imports from Armenia. The peak in trade between the two countries occurred in 2017, when the total trade value reached approximately \$250 million.

This growth was driven by a significant increase in Iranian exports to Armenia, indicating strengthened economic ties and growing demand for Iranian goods and services. However, from 2017 to 2019, trade between the two countries declined due to various factors, includ-

ing sanctions, the COVID-19 pandemic, and economic fluctuations. Nevertheless, from 2020 onwards, trade between Iran and Armenia experienced a remarkable resurgence, particularly after the Karabakh war, and reached new heights in 2021 and 2022. During this period, Iranian exports to Armenia increased substantially, reaching approximately \$300 million in 2022, while imports from Armenia remained at a low level.

Iran's export to Armenia

In the export sector, "pig iron, iron, and steel" top the list of export items, with a value of \$89.1 million and a 24% share of Iran's total exports to Armenia. These products are crucial for various Armenian industries, particularly in construction and industrial production. The second most important group of export goods is "mineral fuels, mineral oils, and products obtained from their distillation," with a value of \$53.3 million and a 14% share, playing a vital role in meeting Armenia's energy needs. These products mainly comprise petroleum products and mineral fuels, which are used for industrial and household purposes.

In third place, "plastics and articles made from these materials" with a value of \$37.4 million and a 10% share, reflecting Armenia's demand for plastic products for various industrial and household uses. Additionally, "milk and dairy products, eggs, honey, and foodstuffs" make up an 8% share, indicating a high demand for Iranian agricultural and food products.



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In terms of imports from Armenia, "nuclear reactors, boilers, machinery, and mechanical appliances" with a value of \$3.6 million and a 28% share, takes the top spot. "Optical, photographic, and other instruments" with a value of \$2.8 million and a 22% share, is another significant import item from Armenia, widely used in medical and industrial fields. "Metal ores, slag, and ash" with a value of \$1.7 million and a 13% share, is also a major import item from Armenia, used in the metallurgy and construction industries.

According to data published by the International Trade Centre (ITC), the products with the highest export potential from Iran to Armenia include shaped iron or steel bars, pistachios, and polyethylene

with a specific gravity of 0.94 or higher in its primary form. Iran also has the highest supply capacity in the field of handmade textile floor coverings, pistachios, and dates. On the other hand, products such as shaped iron/steel bars and aluminum have the highest demand potential in the Armenian market.

Trade barriers

The topic of trade between Iran and Armenia has been gaining attention recently, with government officials and private sector representatives attending a major trade summit with the Eurasian Economic Union in Armenia. On the sidelines of the meeting, the Minister of Industry, Mine, and Trade discussed several key issues, including

the threefold growth in trade between Iran and Armenia, which reached over \$700 million in the past year, and the significant progress made in implementing Iranian infrastructure projects in Armenia. The governments of both countries have also expressed their commitment to increasing trade volume to \$3 billion.

In addition, the Head of the Tehran Chamber of Commerce and Industries signed a cooperation agreement with the President of the Armenian Chamber of Commerce and Industry to establish a joint industrial park in Armenia.

During the meeting, Hervik Yarijanyan, Chairman of the Iran-Armenia Joint Chamber of Commerce, highlighted several challenges hindering trade between the two countries, including the lack of a postal system and high airport fees in Armenia. He also called for exemptions for Iranian goods from import restrictions and suggested that the joint chambers of commerce produce goods with a shared brand and export them to other countries. By leveraging Armenia's regional influence, the two countries can collaborate on production and participate in exhibitions, thereby reducing costs.

It's worth noting that Armenia's strategic location makes it an important gateway for expanding Iran's trade in the region, as it is one of the few remaining routes connecting Iran to Europe and the Eurasian Economic Union. Conversely, Iran can also play a more significant role in Armenia's economy by meeting the country's needs in the fields of energy, machinery, and consumer goods.

Kazakhstan offers ample opportunities for Iranian cooperation

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The Republic of Kazakhstan, a member-state to the Eurasian Economic Union (EAEU), boasts numerous mineral and agricultural resources that Iranian engineers can tap into to contribute to the country's development. Iranian experts have already constructed a part of Kazakhstan's first tunnel, and several urban development projects have been implemented through the export of Iranian technical and engineering services. However, opportunities such as transboundary farming are still available for Iranian engineers in this country.

Kazakhstan is the fourth-most populous country among the Commonwealth of Independent States (CIS) nations. As the world's largest landlocked country, Kazakhstan has a relatively low population density. With a population of 19 million, Kazakhstan is the eighth-largest country in the world and the second-largest among the former Soviet republics, covering an area of 2,717,300 square kilometers. The capital, Almaty, is the largest and most populous city, although the capital has been transferred to Astana, located in the north of the country, in recent years.

Agricultural and mineral resources

The economy of Kazakhstan is heavily dependent on agriculture. With the highest GDP and per capita income among the newly independent states, Kazakhstan is also a member of the Shanghai Cooperation Organization. The country is rich in mineral resources, with over \$40 billion in foreign investment in the sector since 1993. Kazakhstan is estimated to have the world's second-largest reserves of uranium, chromium, zinc, and lead, and the third-largest reserves of manganese. The country ranks

among the top 10 in the world for coal, gold, and copper reserves, and has the 11th-largest reserves of oil and natural gas.

Technical and engineering services

Investing in joint ventures in the fields of technical and engineering services and agriculture is one of the priorities being discussed in relation to Kazakhstan, as Iran has had good experiences in this area in the past. Strengthening bilateral cooperation with this country is one of the goals of the Iran-Kazakhstan Joint Chamber, and in this regard, Amir Abedi, the Chairman of the Iran-Kazakhstan Joint Chamber, discusses opportunities for cooperation between Iran and Kazakhstan, from transboundary farming to investing in Kazakhstan's mines and ways to optimize the use of the North-South Corridor.

Abedi says, during the past 30 years, "Kazakhstan has joined regional agreements such as the Shanghai Cooperation Organization,

the EAEU, and international treaties like the World Trade Organization (WTO), and has managed to establish a good position in international relations. The country has ranked 25th in the ease of doing business index and is among the developed countries."

He says, "Kazakhstan is located on the Silk Road and the North-South Corridor, and its proximity to the Caspian Sea and the 'One Belt, One Road' project has created an important opportunity for the country to play a more significant role in regional exchanges. Kazakhstan has a unique position in terms of mineral resources, and its vast territory makes it the ninth-largest country in the world. It also has a favorable position in terms of natural resources and produces 20 million tons of grain annually, more than half of which is surplus and exported."

Mining cooperation

Given the commonalities in the mining industry and similarities in the mining chain, including steel production and downstream

industries, Iran and Kazakhstan have opportunities for cooperation in the exchange of raw materials.

An official from the Iranian Mines and Mining Industries Development and Renovation Organization (IMIDRO) has stressed the need for cooperation between the two countries in the mining sector, referencing the strategic document signed between Iran and Kazakhstan. Director of International Affairs at IMIDRO Fazlollah Heydari Farzan, in his meeting with the country's ambassador to Iran, Oantalap Ounalbayev, in April 2023, highlighted Iran's progress in the mining industry and the capabilities of its specialized workforce, stating, "Iran is ready to cooperate in the transfer of technical knowledge by Iranian experts to Kazakhstan."

Urban development by Iranian engineers

A portion of Kazakhstan's first and longest road tunnel, Shakpak Baba Pass, located in the Shakpak Baba pass, 600 kilometers from Almaty, has been constructed by Iranian engineers. Part of this project, which is a significant section of the international highway 'Western China - Western Europe,' has been implemented by an Iranian company over a distance of 40 kilometers between the cities of Taraz and Chimkent in southern Kazakhstan, at a cost of \$100 million. The project was implemented with the participation of 170 Iranian experts and 700 experienced Kazakh workers.

Majid Damirchilu, the former Iranian Ambassador to Kazakhstan, during his visit to the tunnel project has stated, "The export of technical and engineering services in Kazakhstan, particularly in the field of road construction, demonstrates the high capabilities of Iranian engineers, and we hope that experienced Iranian companies will enter this competitive field in other areas of technical and engineering services."



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