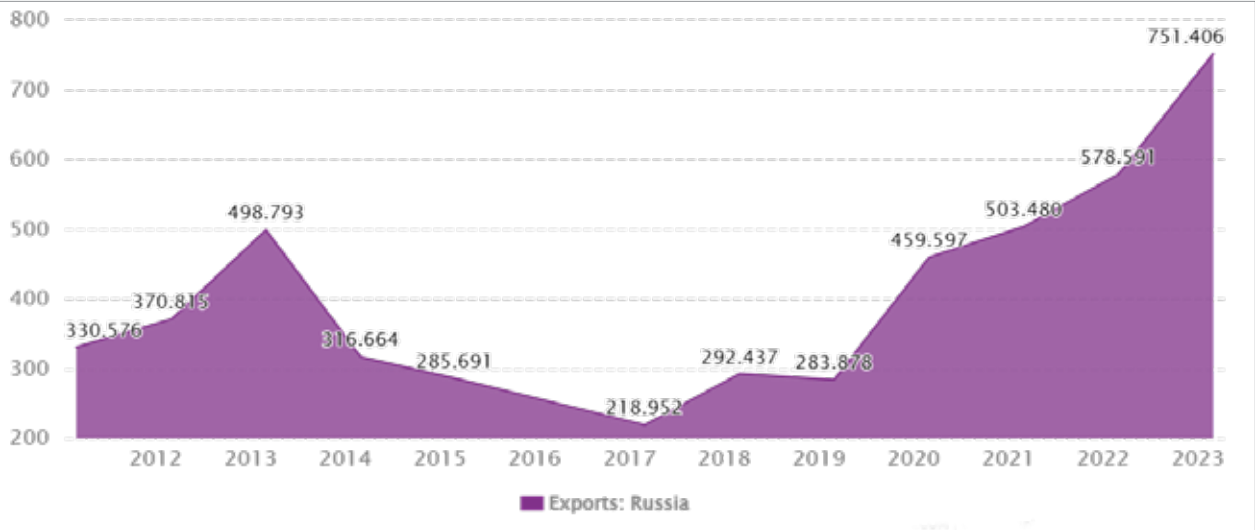




We have two fundamental matters; one is the issue of currency and the other is logistics. In the domain of logistics, the cost of transportation between Iran and Russia is extremely high. We use trucks for the transfer of goods, and various types of trucks, from ordinary trucks to refrigerated trucks, traverse this route, but the existing capacity does not respond to the volume of trade that we can have with Russia. The railway has good capacity and can play an important role in the trade of the two countries, but its capacity is also limited and cannot alone respond to the need. In the maritime domain, we also have capacities in the Caspian Sea, but this capacity has not yet been utilized sufficiently. In the east of the Caspian Sea, there are also five countries, and the bureaucracies existing in these routes have caused a portion of the logistical capacity of the region to remain unused.

Do these limitations also have a political aspect?

No. We do not have a serious political problem in relations with our northern neighbors. On the contrary, by virtue of the good relations that exist between the countries, in many instances efforts are made for obstacles to be removed. The principal problem is that our logistical capacity is insufficient for the volume of trade that can take shape. Greater investment must be undertaken in the development of transportation infrastructure, particularly maritime and rail transportation.

If these obstacles are removed, to what extent will it affect the capacity of Iran's exports to Russia?

As I stated, \$10 billion in exports is attainable and is not an unrealistic figure. Of course, to reach it, serious measures must be undertaken. One of the most important measures is the development of maritime transportation. Although, in future years, we can increase exports, with the current infrastructure we will encounter ceilings.



A man shops at a supermarket in Moscow, Russia, on January 30, 2023.
● NATALIA KOLESNIKOVA/GETTY IMAGES



Therefore, the development of the fleet and transportation capacities must be pursued simultaneously with the increase in exports.

Alongside logistical problems, what role do domestic regulations play in limiting trade with Russia?

An important portion of our problems is domestic. Between Iran and Russia, good understandings have been reached, and the parties have also endeavored for the development of economic relations. However, within our country, we face regulations disruptive to business, parallel systems, the multi-tiered nature of the currency, and numerous directives. An economic actor cannot have long-term planning under such conditions. Suppose an Iranian exporter wishes to conclude a long-term contract with a Russian merchant. When the Iranian producer faces daily changes in price, a new directive, or a change in regulations, how can he guarantee the price and conditions of a long-term contract? This instability causes the exporter and even the foreign counterpart to lack the necessary confidence for long-term contracts.

Do such instabilities also cause the formation of informal routes in trade?

Yes. When regulations and prices are not appropriately adjusted, informal routes take shape. Even Russian counterparts have seen these problems. For example, a Russian company may undertake the purchase of Iranian goods through informal routes or by way of intermediary companies, and the goods end up cheaper and less troublesome for it than purchasing directly from the official representative of that very company. These deviations arise from incorrect policies and price controls. At a juncture, the use of single-use cards increased so that certain laws might be circumvented. A single-use commercial card is, in reality, the commercial card of an individual that, temporarily and in exchange for a specified amount, is placed at the disposal of third parties. In other words, the principal holder of the card, for various reasons, leases it to other individuals and, in exchange, receives an amount. This method causes individuals,



The chart shows the trajectory of Iran's exports to Russia from 1995 to 2023.
● CBI/CEICDATA

without undergoing the complicated and time-consuming procedures of obtaining an official commercial card, to be able to engage in international trade. But this task, from a legal standpoint, possesses serious problems and risks. Later, efforts were made for these routes to be closed, but when we only close the route and do not rectify the root of the problem, a portion of exports may also be damaged.

What is the current state of banking relations between Iran and Russia?

At present, the possibility of conducting banking exchanges between the two countries exists, and companies can work with rubles and rials. But the principal problem is the distrust arising from past experiences. For example, there has been a precedent where an Iranian company concluded an export contract with a Russian company, announced its rial account, and the Russian counterpart was ready to pay. But at the time of transferring the currency, the conversion of currency was performed at a different rate, and afterward it became clear that this matter was by order of the Central Bank. These types of occurrences cause the economic actor to not possess complete confidence in the banking system. Consequently, the Russian counterpart or the Iranian exporter may prefer to conduct a portion of the exchanges through intermediary companies and accounts in Dubai or Turkey. This matter both increases the risk of transactions and causes financial resources to exit from the official banking route.

What countries are Iran's competitors in the Russian market?

We have serious competitors in the Russian market. China, India, and Turkey have an extremely extensive presence in this market. Of course, some European countries, due to limitations arising from existing conditions, have encountered prob-

lems for trade with Russia. In the banking domain, they also have limitations. Iran, due to its neighboring status with Russia, its possession of several land and maritime routes, and favorable political relations, has advantages that we must utilize. These conditions are an important opportunity for the development of trade.

Can the current conditions assist Iran in capturing the Russian market for the long term?

Yes, but our perspective must not be merely short-term. The goal must not be that we export goods only under conditions in which some competitors face limitations. We must understand the taste of the Russian market and produce our products based on the needs of that market. Some Iranian producers have undertaken measures in this domain; they have produced their products in accordance with the Russian market, changed the packaging, and endeavored to stabilize their brand there. This task must be undertaken on a broader scale so that even if international conditions change, the Russian consumer still chooses the Iranian good and brand.

For the realization of this goal, what measures must be undertaken?

The chambers of commerce and the Trade Promotion Organization must strengthen the presence of Iranian companies in Russian exhibitions. This presence must not be only in Moscow; exhibitions and trade events are also held in various cities of Russia. Since the cost of presence in international exhibitions is high, the provision of exhibition subsidies and facilities to Iranian companies can assist their greater presence. On the other hand, the Iranian producer must not constantly have the concern of the currency rate and changes in directives. When the manager of a company is supposed to participate in a foreign exhibition, but, at the same time, his mind is occupied with what the currency rate will become tomorrow or what directive will be issued, he cannot enter the international market with focus.

Is the free trade agreement with Eurasia alone sufficient?

No. The free trade agreement is a great and important step, but the necessary conditions for its utilization must also be provided within the country. We cannot, on one hand, have a free trade agreement with a country or economic bloc and, on the other hand, limit commercial activity with domestic regulations. For neighboring countries, mechanisms for trade facilitation must be taken more seriously. The chambers of commerce, also, due to their connection with the parliament and decision-making bodies, must endeavor more for the rectification of disruptive laws and regulations.

Ultimately, for the utilization of Russia's capacity, what change in Iran's economic policy is necessary?

We require a change of approach. In many domains, the same past approaches continue, while the economic conditions of the country have changed. Foreign trade must be facilitated for the private sector. The producer and exporter of the private sector, if supported, both creates employment and generates foreign currency. The decision-making authorities of trade are multiple, and sometimes even the economic bodies know what task must be undertaken, but existing laws and regulations have bound their hands. This very polyphony and intense bureaucracy cause decisions to not reach the desired outcome. We must first resolve our own domestic obstacles and then expect the trade counterpart countries to remove other problems. The Russian market is an important opportunity for Iran, but the utilization of this opportunity requires stability of regulations, rectification of currency policies, development of logistics, facilitation of banking relations, and reduction of bureaucracy. If these amendments are undertaken, the increase of exports to Russia from the current level and movement toward multi-billion-dollar figures will be entirely imaginable.



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