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Study of Transport and Transit of Goods in Iran

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ABSTRACT

Due to its exceptionally suitable geographical location, the Islamic Republic of Iran is one of the countries that enjoy significant transit advantages. Upon the development of transit network and a secured and efficient relation, the country is able to employ these advantages to increase foreign currency income and promote its strategic position in the region in a desirable way. In south of Iran, there exists the Persian Gulf, with the world's major oil producing countries located therein. This region is considered as the world's energy bottleneck. In north of Iran, there exists the Caspian Sea, that acts as a bridge linking Iran, Russia, Kazakhstan, Turkmenistan and Azerbaijan, and it can play a significant role in trading among these states. On the other hand, Iran neighbors Iraq, Turkey, Pakistan and Afghanistan from the west and the east. In other word, we can say Iran is connected to 15 countries of the world through sea and land borders, and it can, in its own turn, act as a link between these countries (within themselves and with other regions of the world). On the other hand, these countries cover a large population and maintain a large income, which issue, in its own turn, in addition to the fact that they have God-blessed national resources and wealth, is considered as an effective factor for transit and trade development in the region. The connection of Middle Asian countries with Persian Gulf and the trade relation established between Eastern Asia with European countries through Iran is cost saving, so that many countries are now considering establishing such connections through Iran.

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INTRODUCTION

Due to its exceptionally suitable geographical location, the Islamic Republic of Iran is one of the countries that enjoy significant transit advantages. Upon the development of transit network and a secured and efficient relation, the country is able to employ these advantages to increase foreign currency income and promote its strategic position in the region in a desirable way. In south of Iran, there exists the Persian Gulf, with the world's major oil producing countries located therein. This region is considered as the world's energy bottleneck. In north of Iran, there exists the Caspian Sea, that acts as a bridge linking Iran, Russia, Kazakhstan, Turkmenistan and Azerbaijan, and it can play a significant role in trading among these states. On the other hand, Iran neighbors Iraq, Turkey, Pakistan and Afghanistan from the west and the east. In other word, we can say Iran is connected to 15 countries of the world through sea and land borders, and it can, in its own turn, act as a link between these countries (within themselves and with other regions of the world). On the other hand, these countries cover a large population and maintain a large income, which issue, in its own turn, in addition to the fact that they have God-blessed national resources and wealth, is considered as an effective factor for transit and trade development in the region. The connection of Middle Asian countries with Persian Gulf and the trade relation established between Eastern Asia with European countries through Iran is cost saving, so that many countries are now considering establishing such connections through Iran (Kaplan, R.S. and D.P. Norton, 1992).

1. Advantages of Transit through Iran:

Considering the strategic and transit situation of the country, we can identify lots of opportunities and advantages for transit in Iran. Of course, the proper and timely operation of these opportunities as well as making necessary investments and wide advertisements are essential in effective employment of strategic and unique position of the country's transit. So the way these advantages and opportunities are employed, and the transit connection with target states is established, can play a significant role in facilitating the trade between

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Asia, Europe and countries of the region as well as the transit development. In general, the advantages of transit from the territory of the Islamic Republic of Iran are as follows:

I. Iran's location on the route of north-south transit corridor and as a result, making a connection between Russia, states in eastern, central and northern Europe, Middle Asia and Caucasus on one side and states of southern, southeastern and eastern Asia, Pacific and Persian Gulf states on the other side, make significant advantages for this country. In addition, because of shortened route in north-south corridor and mobilization of facilities and infrastructures as well as the vast facilities provided in different transit sectors, Iran's route maintains numerous attractions for cargo transit. Shahid Rajaei, Amirabad and Bandar Anzali Ports maintain special position in north-south transit corridor. In addition to the said ports, Shahid Bahonar, Lengeh, Bushehr, Chabahar, Imam Khomeini and Noshahr Ports, maintain their own unique role-playing potentials.

II. The established transit link between Afghanistan and Middle Asia through the country's east transit route (Chabahar-Milak Corridor); geographical proximity of Chabahar Port to Afghanistan, broad investments in different transportation sectors specially marine sector, established transportation facilities and infrastructures in the country's east route and the government's extensive supports, have changed Chabahar Port into a transit pole for Afghanistan and in case the barriers are removed, in addition to development of the East route, we will observe the booming of transit in the said route. Chabahar Port is considered as the most important port on the transit route of the state east route, but because of some structural deficiencies, in terms of cargo transit to Afghanistan, it is less important than Bandar Abbas.

III. Because of being located in the geographical center of ECO members states, Iran has found the opportunity to play an active role both in establishing trade and economic relations between ECO members states, and also in trading of export and import goods of members states under various trade cooperation and agreements.

IV. Broad discounts and facilities for transit through Iran, including come exemption and discounts with regard to port and warehousing costs, so that despite the unique facilities granted for development of transit through Chabahar particularly for Afghanistan transit goods, the transit goods enjoy such exemptions with regard to warehousing up to 10 days after unloading and 30% discount in warehousing costs up to one month thereafter.

V. Governmental supports and low-priced services rendered and the shortened route, granting necessary facilities for accelerating the cargo transit through Iran; in a coordinated move, all governmental organizations are bound to remove the barriers and facilitate the cargo transit from the country and they have taken necessary measures in this regard. In this line, we can point out the valuable measures taken for mobilization and development of ports, roads and railroads, including Bafgh-Mashhad railway project.

VI. Existence of abundant capacities and potentials in different transportation sectors of the country, quantitative and qualitative increase of equipments and development of new capacities in railway, roads and sea transport infrastructures and fleet as well as unloading and loading equipments in the ports of the country; although we have witnessed a relative decrease in volume of cargo transit over the past two years, but currently we are again witnessing the increase of the volume of transit of goods belonging to Middle Asian states, Caucasus, Iraq and Afghanistan, which is due to successful measures taken for development and flourishing of transit within the territory of the Islamic Republic of Iran.

Main corridors and transportation ports in Iran (North-South, East-West) (Divandari, A. and H. Yousefi, 2011).

2. *Iran's Transit Importance:*

Transport in Iran is inexpensive because of the government's subsidization of the price of gasoline. The downside is a huge draw on government coffers, economic inefficiency because of highly wasteful consumption patterns, contraband with neighboring countries and air pollution. In 2008, more than one million people worked in the transportation sector, accounting for 9% of GDP. Iran has long paved road system linking most of its towns and all of its cities. In 2011 the country had 173,000 kilometres (107,000 mi) of roads, of which 73% were paved. In 2008 there were nearly 100 passenger cars for every 1,000 inhabitants. Trains operated on 11,106 km (6,942 mi) of railroad track. The country's major port of entry is Bandar-Abbas on the Strait of Hormuz. After arriving in Iran, imported goods are distributed throughout the country by trucks and freight trains. The Tehran-Bandar-Abbas railroad, opened in 1995, connects Bandar-Abbas to the railroad system of Central Asia via Tehran and Mashhad. Other major ports include Bandar e-Anzali and Bandar e-Torkeman on the Caspian Sea and Khorramshahr and Bandar-e Emam Khomeini on the Persian Gulf (Henesey, L., 2006). Dozens of cities have airports that serve passenger and cargo planes. Iran Air, the national airline, was founded in 1962 and operates domestic and international flights. All large cities have mass transit systems using buses, and several private companies provide bus service between cities. Tehran, Mashhad, Shiraz, Tabriz, Ahwaz and Esfahan are in the process of constructing underground mass transit rail lines.

3. *Models of Transportation:*

1. *Road Transport:*

In total, Iran's road network covers a distance of 180,958 kilometers, with 9,124 kilometers of paved highways and freeways. In 2011, the government launched projects to construct 6,500 kilometers of additional

roads, many of them designed to enhance the travel experience between major international cities and Tehran, as well as cut transportation costs and times.

Islamic Republic of Iran has given a priority to construct, rehabilitate and upgrade the existing roads of Asian Highway Network and has made noticeable measures in this regard.

Ministry of Roads and Urban Development has paid attention to public-private partnership in construction and completion of transport infrastructure projects. In road sector, many freeways, highways projects are being constructed or rehabilitated on BOT, Partnership or other methods.

II. Railway Transport:

The rail network of the Islamic Republic of Iran is connected to middle East and Europe railways from West (Razi border), to Azerbaijan railway from North West (Jolfa border), to Caspian sea and ports of Turkmenistan, Kazakhstan, Azerbaijan and Russia from North (ports of Amirabad, Neka and Turkmenistan), to Central Asian, Russia and China railways from North East (Sarakhs border), to Pakistan railway from South East (Mirjaveh border) and to Persian Gulf and open seas of the world from South (Bandar Abbas and Imam Khomeini ports).

Railroads currently stretch across 11,760 kilometers of the country, with 3,352 kilometers currently under construction. With a wider range and increasingly useful routes, passenger traffic increased 5.3% in 2011. In 2011, 27.7 million people used the country's rail networks, and 32.8 million tons of goods were transported, accounting for 9% and 11%, respectively, of the country's total transportation.

In accordance with the fifth FYDP, the government intends to add 15,000 additional kilometers of rail to its existing network by 2015. To help achieve this goal, the Ministry of Roads and Urban Development worked to attract €17 billion in FDI, much of which will be used to expand the rolling stock of the Islamic Republic of Iran Railways (RAI) and its associate companies, Raja Passenger Train and Railway Transportation.

III. Civil Aviation:

In civil aviation sector, there are 54 airport in the country, which 8 of them are international, Iran Air is the national carrier. Today, the company services 6 million passengers per year, many of them flying on one of the 100 daily domestic flights to 28 destinations.

Domestic passenger traffic has increased by an average of 7% over the last 10 years, and at the same time international air travel in Iran has grown by a robust 9% per year, which is far above the world average. This growth trend will continue for at least the next few years. With 3,300 employees and growing, the expansion of the business may lead to a bright future.

IV. Maritime Transportation:

Promotion of capacity of ports of Chabahar and Shahid Rajaee in South and Amirabad in North as well as establishment of shipping lines in the region are among measures taken in the framework of transport cooperation vision which shall deeply affect transportation and trade in Asia and the Pacific. Ports of Shahid Rajaee, Amirabad and Anzali enjoy outstanding location in transit route of the North-South corridor. In addition, ports of Imam Khomeini, Shahid Bahonar, Lengeh, Boushehr, Chabahar and Noshahr have got their own unique potentials.

The nominal capacity of commercial ports grew to over 150 million tons in 2010-2011, marking an increase of 5.6% over the previous period.

Leading this growth is Bandar Abbas, Iran's main container port in the country and largest hub in the Persian Gulf. In 2010, the port's cargo and 52 traffic reached 2.5 million TEUs, accounting for nearly 95% of the country's total TEU handling activity. In addition, the port accounted for 37% of the country's total transit traffic in 2011.

V. Transit Operation:

Islamic Republic of Iran has targeted in transit sector in a way that it shall reach to figure of 40 million tons of goods by the end of Fifth Economic Development Program (2015).

4-Container trade:

Since 1990, container transportation growth has exceeded the growth of overall maritime trade (ESCAP/UNDP, 2001). In 2001 ESCAP published a long term Regional Shipping and Port Development Strategy, which predicted container trade developments until 2011. The world's container throughput in 2011 is expected to be approximately 122 million TEU and the distribution of the trade is presented in (Roso, V., 2008). The project stressed that Asia (South East and China) and Europe will be the most important regions in terms of container trade in the future and therefore will show the highest growth potential for long-distance container movements. In 1998, 4.18 million TEU were transported between the Far East and Europe, but by 1999 the volume had increased to 4.25 million TEU. According to ESCAP, the container growth rate projection shows

that total container traffic in 2011 on the traditional shipping route between Asia and Europe will reach 18 million TEU. With such a large growth in container movements forecast it is reasonable to presume that the opportunities for modal and route changes would also exist and in the light of this it is possible that some of this container traffic could be diverted to the rail-based Iranian route utilizing traditional shipping between the Far East and Iran and then rail links through Russia to access markets in the FSU and Eastern Europe (Roso, V., 2007). This would save considerable sailing distance by traditional ocean shipping routes passing through the Suez Canal and around the continent of Europe and as a consequence considerable costs. Table 2 presents some tentative indications of the potential for this route based around container handling capacity until 2011.

Conclusions:

The Iranian economy can grow and diversify by identifying and utilising the opportunities which are increasingly offered by the process of global change. Long held comparative advantages no longer can be seen as permanent and there has been a notable move towards dynamic advantage in international supply chain management. The Iranian economy can take advantage of these changes by planning to enter the Far East - European container transport market and acting as a landbridge as an alternative to the shipping route through the Suez Canal and Mediterranean Sea.

Scenario planning as a strategic tool can help decision-makers to plan for the future helping them use their creativity for picturing possible alternative solutions. The scenario presented in this paper would aid the Iranian national economy to overcome a number of obstacles some related to economic diversification, others associated with integrating modern supply chain management processes into the country and facilitating the exploitation of Iran's landbridge geographical position. Only 10% of the potential demand for this route would create revenues up to 30% of total non-oil exports. There is a great opportunity for Iran in this growing market but one so far which they have failed to gain access to.

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