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A study on the effects of exchange rate and foreign policies on Iranians dates export

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Abstract The main purpose of this research was studying the impact of exchange rate on date export as one of the most important and greatest foreign currency income earned horticultural products in agriculture sector in Iran. Selected time period in this study was chosen between 1991 and 2011. For this purpose, ordinary least squares (OLS) method has used to estimate the relationships between the value of date export and the variables taken from stationary tests. Library research method has used for the analysis. In this regard, required data have collected from various scientific and research resources. The results indicated that, exchange rate is a crucial factor for dates export and also for exporters. In addition, other factors specially government policies have been placed in export model. In this field, short-term outsourcing foreign policy has decreased the export value. Results also showed that, applying exchange rate unification policy without an appropriate exchange rate to encourage exporters has negative impact on dates export. Therefore, by applying exchange rate stabilization policy, according to inflation in the country, the potential exporters' income has reduced and production costs have increased alternately.

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1. Introduction

In the literature on economic growth, it has been particular attention to foreign trade as the growth factor. Since export promotion strategy as a successful strategy has been concerned by many economists (Gujarati, 2006; Razini and Ghobadi,

2004). Prosperous export is a key factor of achieving sustainable economic growth and development in the country, which is the most important aim of applying policy in foreign trade sector. Essentially, each country's volume of export goods on the one hand represents producing power and capacity of that country, and on the other hand, indicates its degree of economic development. Export earnings assume vital importance not only for developing countries, but also for developed countries. Developed countries mainly export capital and final goods, while the main part of export of developing countries consists of mining-industry goods, especially natural resources (Hasanov and Samadova, 2010). In this case, economic studies and also experiences of developing countries especially in Southeast Asia show that export could serve as a motive force for economic growth and development (Dollar, 1992).

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In this regard, problems of single-product economy and excessive reliance on oil revenues have made country's economy severely affected by external factors including world oil price fluctuations. Occasional oil price drops in world markets clearly have shown negative effects of excessive reliance of country's economy on oil revenues and in fact, have highlighted warnings of country's economic experts. No doubt the government's anticipated oil revenues non-recognition not only affect various projects' implementation and country's economy, but also have multiple side effects on future of economy and programs and projects and thus cause many difficulties at various sectors of country's economy. It is very important to pay attention to developing non-oil export and its position at the programs of country's economic development.

Basically, there are various ways and strategies to promote non-oil export. Meanwhile, according to scientific research and efforts have been made as regards, the exchange rate is the key factor which considered in the liberation from dependence on oil export and a variable affecting on non-oil export (Asadi, 2008). The importance of agriculture sector in Iran's economy that has a special nature and is almost less foreign currency intensive as compared with other sectors and also since this sector has been able after industry and petrochemical in the country in recent years, has been able to allocate a major contribution of non-oil export to itself (Mohammadi, 2009), so the government could promote export in this sector to an acceptable level in order to determine and explain the right and appropriate foreign currency policy in the near future.

In this regard, since the dates as an important and strategic product (Azizi and Yazdani, 2007) plays an important role in food security, employment, national economy, protection of the environment, sustainable development of agriculture sector, export, and foreign currency income earned (Ghasemkhani and Mousapoor, 2006).

There are some of studies that investigate the effect of exchange rate on export. In an investigation, the elasticity of the relationship between exchange rate and export depends on the analyzed region. In Eastern Asia, international trade is discouraged by exchange rate volatility, which is stronger than in Europe (Hayakawa and Kimura, 2009).

The impacts of the real exchange rate, real non-oil Gross Domestic Product (GDP), and the world income on Russian non-oil export by using an error correction model during the period 1994–2001 were analyzed. Results show that there is a robust and negative long run co-integration relationship between the real exchange rate and Russian non-oil export. Furthermore, the world income has positive effect on Russian non-oil export while real non-oil GDP causes a decline in non-oil export (Algieri, 2004).

Also in another investigation, determinants of export performance in India with system of simultaneous equations method and using annual data between 1970 and 1998 were examined. This research, shows that, among the factors investigated of demand for export from India has a relationship negative with effective exchange rate (Sharma, 2000). The effects of exchange rates on price in low-income sections of agriculture in a research study, are expressed that internal devaluation has a great influence on trade volume and has the greatest influence on goods that were not tradable previously and they can find export advantage after monetary devaluation (Barrett, 1999). In another study, the effect of exchange rate and price indexes and also their volatilities on

the agricultural export of Nigeria in the period of 1986–1993 was analyzed. Results of Autoregressive Integrated Moving Average (ARIMA) and Ordinary Least Square (OLS) estimations indicate that appreciation of exchange rate and its volatility has negative impacts on agricultural export earnings (Adubi and Okunmadewa, 1999).

Fountas and Berdin have applied co-integration technique and error correction model for studying impact of exchange rate changes on Irish export to UK (Fountas and Berdin, 1998). In this study, long term relationship of Irish export has been estimated by applying co-integration technique. Error correction model has been applied for determining short term relationship between exchange rate changes and export. Meanwhile, moving standard deviation index of foreign currency's real growth percentage has been used as a measure of exchange rate changes. Results of this investigation show that export in the long term significantly depends on importer country's revenue and relative prices. According to estimated error correction model, exchange rate changes causes reduction in Irish export to UK only in the short term (Fountas and Berdin, 1998).

Meanwhile, presentation of researches and studies conducted by internal researchers could be useful and help in better analyzing the subject. In a research study, instability effect of weighted real exchange rate on Iran's non-oil export was analyzed. That index of the standard deviation of the conditional and standard deviation of the moving average was used to quantify the instability exchange rate. Results show that effect of exchange rate on non-oil export is positive but the rate instability has a negative impact on non-oil export (Ehsani et al., 2009). Karami and Zibaei were analyzed effects of exchange rate volatility on export supply of agricultural products in different countries. Findings, show that exchange rate volatility, have different effects on the export of pistachios and dates to different countries, so in relation to agricultural trade policies in countries different, should be considered the impact of exchange rate volatility in relation to the target country (Karami and Zibaei, 2008).

Another study has dealt with the estimation of supply and demand functions of Iran's dates export by a simultaneous equations system, using time series data between the years 1971 and 2003. Results show that variable of real exchange rate has become significant in demand function of dates export (Kazemzadeh and Aboonouri, 2006).

Other study has researched impact of short and long term exchange rate changes on export price of Iranian pistachio, applying auto-regressive distributed lag (ARDL) model for the period 1971–2000. The results show that short and long term exchange rate changes are the most important factor of pistachio's export price (Torkamani and Tarazkar, 2005).

Deciding factors in export of Iran's agriculture sector has also been researched, in another study, for the period 1962–1999. Results show that among the deciding factors, impact of exchange rate on supply of agricultural products export is not significant, which in turn, implies inappropriateness of the Government's foreign currency policies concerning agricultural products export for the period studied (Khalilian and Farhadi, 2002).

In another research report, the effect of exchange rate disequilibrium on supply of agricultural products export has been researched for the period of 1966–1997. Islam and Subramanian's model has been applied to studying the effect of quantitative variables on supply of agricultural products.

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