CHAPTER SIX

«Findings, Conclusions and Recommendations »
6- Introduction:
Since exports development policy has more effect on countries’ economic growth rather than imports substitution policy, then export incomes must appropriate growth. During two last decades in Iran, the diversifying policy to economy has been proposed. With enforcement of this policy has not still caused decrease in unemployment, inflation or increase in economic development, and so on. Because we know that a large amount of Iran’s exchange income has been depended on by oil exports during the above-mentioned period. Therefore, Iran’s economy has followed completely the changes of oil price and the amount of oil export incomes. Whereas, the oil export incomes affects the agricultural sector less than other sector in Iran, then agricultural sector has always been the most important sector in the Iranian economy. According to official statistics published by Central Bank of Iran, in 2004 agriculture accounted for 25 percent of the employed labor force, 13.50 percent of the Gross National Product (GNP), and one fifth of non-oil exports. Throughout the period under review, as noted in table 5.7 and figure 5.15, the share of agriculture output was decreasing after 1988. This decline is largely associated with the declining importance of agricultural export. It is evident from table 5.4 that agricultural output has increased at the rate of 4.83 percent per annual between 1981 and 1994.
while this rate of growth has decreased from 4.84 to below 4.00 percent per annual between 1995 and 2004. Following this small introduction, this part of the research describes the findings, conclusions, suggestion and recommendations of the study.

6.1- The main Findings of the Research

The important findings of the research bring up the list as follows:

- The share of agriculture in Foreign Investments Promotion and Protection Act (F.I.P.P.A.) is about Zero while the share of services and Industries (including mining etc.) in F.I.P.P.A. are approximately 55% and 45% respectively during the period between 1993 and 2008. Therefore, it can be seen that the role of Foreign Direct Investment in the growth of Iran's agricultural sector was ineffective during the above-mentioned period and Globalization of economy has not increased the amount of F.D.I in this sector at all.

- The elasticity of agricultural products with respect to relative price changes is 0.0484 and significant at the 10 percent level. Nevertheless, it is inelastic. That means if we hold other factors constant, a 1 percent increase in the relative price index conduced the average to about a 0.05 percent increase in the agricultural products.
Therefore, it can be said that agricultural output does not react to a change in relative prices during 1980-2004.

- The rate of change of trade openness causes statistically significantly agricultural growth in Iran. The elasticity of agricultural output with respect to the trade openness is 0.165 and inelastic. I.e. holding the other factors constant, a 1 percent increase in the trade openness index led on the average to about a 0.165 percent increase in the agricultural products. It is significant at the 5 percent of level and its sign is expected. Therefore, indicating that there is a significant relationship between the trade openness and agricultural growth for Iran during 1980 to 2004.

- The coefficient of exchange rate is not significant even at the 10 percent of level. It presents that the changes in exchange rate does not affect on the Iran’s agricultural output during the studding period.

- The coefficient of the lagged dependent variable (agricultural output) affects the Iran’s agricultural products greater than other factors in the econometric model. It is statistically significant even at the 1 percent of level, we can say, one of the factors that plays an important role in Iran’s agricultural products is the amount of the lagged of agricultural output. By the way, the elasticity of the \( \text{L}_t \) with respect to \( \text{L}_{t-1} \) is
0.96 and inelastic. Nevertheless, it is very and very close to unity and an important factor influencing the supply response of farmers.

- The sign of the coefficient per capita income importing countries from Iran, in the econometric model did not make economic sense (its sign was negative and wrong). Furthermore, this coefficient was not statistically significant as well and the absolute t value of this variable is smaller than one. So, there is no any meaningful relationship between Iran’s agricultural exports and the per capita income importing countries from Iran.

- From equation (7) we saw that in the Iran’s agricultural sector for the period 1980-2004, the elasticity of agricultural exports with respect to exchange rate, Integration of International Trade and agricultural products were (-.138), 0.419 and 0.967, respectively. In other words, over the period of study, holding the other factors constant, a 1 percent increase in the agricultural products led on the average to about a 0.967 percent increase in the agricultural exports. Similarly, if other variables remain constant, a 1 percent increase in the exchange rate variable led on the average to about a (-0.138) percent decrease in the agricultural exports and so on.
• If all other factors are held constant, a 1 percent increase in the Integration of International Trade (LIIT) index led on the average to about a 0.42 percent increase in the agricultural exports. Therefore, it can be concluded that there is a positive relationship between the agricultural exports and globalization index (IIT) during the above-mentioned period. Furthermore, there is a negative relationship between the agricultural exports and unofficial exchange rate during 1980-2004 in Iran.

• Although the coefficient of relative prices is not statistically significant and the absolute $t$ value of this variable is smaller than unity that is why, we omitted from our econometric model. However, it has a positive sign. By the way, the relative prices changes did not affect agricultural exports during 1980 to 2004.

6.2- Conclusions:

In this study, we showed that the growth in real agricultural output and agricultural exports grew sluggishly throughout the period 1980-2004. The principal findings of this study present that supply of agricultural output (model A) responds positively and significantly to the relative price of commodities, the degree of trade openness and the previous value of agricultural product or lagged output. Lagged output
is also an important factor influencing the supply response of farmers. But, the exchange rate changes are not effective on Iran’s agricultural products over the study period. Similarly, we indicated that agricultural exports (model B) responds statistically positive and significant to the integration of international trade (IIT) index, the past value of agricultural exports ($Lx_{t-1}$) and agricultural products. At the same time, the estimation results showed that the effective of exchange rate changes is statistically negative (i.e. it has a negative effective on agricultural exports) and significant at the 5 percent level. But, the relative price changes are not statistically significant even at the 10 percent level.

On the whole, it can be said that globalization and the trade openness have been effective in growing Iran’s agricultural sector during 1980 to 2004. But, its effects are not marked changes, only it is trivial. For example, as the results show, the elasticity of agricultural exports with respect to the integration of international trade (IIT) index is about 0.42. Suggesting that if the IIT index goes up by 1 percent (holding other variables constant), on average, the agricultural exports goes up by 0.42 percent. Similarly, if the trade openness index increases by 1 percent, on average, the agricultural outputs go up only 0.165 percent.
As a result, it goes without saying Iran’s agricultural sector is sensitive to global changes and globalization. But, the level of sensitive is not marked change. Only those countries can enjoy the benefits of globalization which have, firstly, proper economic structures and rules and regulations compatible with the global economy and secondly whose one or more economic fields have the potential to enter international markets. Iran’s field of agriculture possesses much potential and actual capability due to its range and variety of products. Therefore, should it be supported enough on the economic structure aspect, it is expected that by wisely advancing in the course of the globalization of economy this field will notably flourish. Nevertheless, there is a meaningful difference between the quantity of agricultural products, exports and imports before and after 1995. Also, despite some fluctuations in the integration of international trade (IIT) index it has a general increasing trend-line over the study period.
6.3- Need for Further Study and Suggestions:

The Suggestions for further studies and Recommendations of the Research can be discussed under the following heads:

Suggestions for further studies:

✓ The WTO’s Agreement on Agriculture and its effects on Iran's Agriculture.

✓ Impact of Market Access on Iran's Agriculture.

✓ Domestic Support and its effects on Iran’s Agricultural Production, Exports

✓ Export Subsidies and its effects on Agricultural productions and exports in Iran.

Recommendations:

✓ To enforce agricultural reform, according to a WTO Secretariat report on the country's trade policies and practices.

✓ To join to the World Trade Organization (WTO) for increasing agricultural exports and access to international markets as soon as possible.
✓ To increase the role of Foreign Direct Investment in the growth of Iran's Economy especially agricultural sector.

✓ To decrease the dependency of Iran’s Economy to oil incomes and increase the role of agricultural sector in Iran’s economy with enforcement agricultural reforms like increase investment in this sector.

✓ For boosting the agricultural exports, we must have to improve in infrastructural facilities like cold storage in producing areas and etc.