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## Perspectives of economic collaboration between Georgia and Iran

### Abstract

Our report is related to the relations of the Islamic Republic of Iran with my country-The Republic of Georgia. The aim of our report is to demonstrate the position and role of the Islamic Republic of Iran in South Caucasus and Middle East region and therefore, the importance of collaboration, including the economic collaboration, between these two countries.

In the report, we will try to explain that in many cases, political processes and the geopolitical location of countries affect the establishment of collaborative relations between two countries and impede it. However, in the modern world, we cannot deny the importance of economic relations and in many cases, diplomatic and political decisions gain a positive direction as a result of the increased significance of the economic relations. For this reason, notwithstanding the fact that not only economic, but also other types of relations are not developing successfully between Georgia and Iran, we would like to emphasize the importance of these relations.

During the process of working on the report, we used the quantitative study method, namely, The Documents Analysis method.

We researched and studied the scientific literature available in Georgian language about the economic relations between the Islamic Republic of Iran and Georgia and about Iran itself. We also reviewed the materials related to this subject, which are available in international scientific bases (EBSCO, J-STORY). In addition, we reviewed press materials and information published on official web pages of the relevant authorities. On the basis of the collected data, we have tried to draw conclusions and to analyze the character of processes, which are ongoing between these two countries.

We believe that our study will modestly contribute to the expansion of studies related to the relations between Georgia and Iran and once again, it will emphasize the high political and economic benefit of close relations between these two countries.

**Keywords:** Economic collaboration; Georgia-Iran relationship; perspectives of economic relationship.

## I. Introduction

After the geopolitical changes which took place in the world at the end of the XX century, the Islamic Republic of Iran started to establish relationships with Georgia, as an independent country. During the era of the Soviet Union, the relationships were not only limited, but also strictly controlled and the borders were closed. After gaining independence, both countries had to start to regulate relationships from the very beginning and defining the fields of collaboration.

The economically strategic partners in foreign trade policy of Georgia were slowly identified from the 90ies and Turkey, Russia, Ukraine, Germany and Azerbaijan were established as leading economic partners.

The economic relationships with Iran are extremely curtailed. There are several reasons for this. One of the primary reasons is the political situation established in the South Caucasian region. Notwithstanding the above mentioned, both countries strive to establish good partnership relations and as officials also declare, this opportunity has great potential on both sides. Collaboration in the field of Agriculture, transport and power are defined as priorities.

Economic relationships, increased demands on resources and the desire to control the raw materials in the world politics, often result in certain political processes. We should evaluate the relationships between Georgia and Iran following the above mentioned reality as a result of which, the relationships established between the two countries during the last 25 years would become highly comprehensible.

Notwithstanding the above mentioned, the non-usage of the available important potential is also an incorrect approach and therefore, both states should promote the usage of this potential.

## II. Geopolitical aspects of Economic Collaboration

The South-Caucasus region and the states of this region are up to now unable to implement a successful foreign policy due to their complex geopolitical location. It is true that any country has to take certain circumstances in consideration when implementing economic or political actions, however, the above mentioned particularly relates to the category of states, such as states having developing economy.

The period following the Cold War happened to be difficult enough for the South-Caucasus region. Despite the fact that the states obtained independence, they faced the toughest economic challenges. While Russia used all available leverages in order to ensure that these countries remain attached to the former metropolitan country. The conflicts factor was added to all the above mentioned, which turned out to be the best leverage for Russia. Therefore, the established geopolitical situation forces Georgia (as well as Armenia and Azerbaijan) to plan foreign economic relations within an extremely limited choice. From the foreign and domestic factors, which influence the success of these relations, we have to distinguish the foreign factors, because Georgia has to take in consideration the requirements of its strategic partners and to make these types of relationships more active or less active. As to the domestic factors, it should be mentioned that the underdeveloped economic sector and numerous problems impede Georgia in establishing more fruitful trade relationships.

The main factor in the development of trade and economic relations with the Islamic Republic of Iran is the geopolitical situation established around Iran. We mean the creation of blockade conditions against Iran. This fact affected the development of Iran's foreign economic relations in a remarkable way and not only. Within these limited possibilities, it is very difficult to make the trade relations fruitful. Notwithstanding the above-mentioned, both parties, especially during the recent period, try to make these relations as profitable as possible.

## III. Georgia-Iran Economic Relations' trends

Georgia-Iran relations have existed for centuries. However, these two countries had to start the establishment of economic, political, cultural or other types of relations from the beginning since the nineties.

Notwithstanding the fact that in general, political processes have a significant influence on any type of relations, we would like to emphasize the importance of economic relations and we would like to note that if countries are able to become good trade partners, they will also be able to make the political dialogue between them successful as well. Our approaches are founded on this principle and we wish that Georgia-Iran economic relations trend develops in this direction.

However, let's follow the facts: if we consider particular examples and convert these relations to numbers, we will see that in many cases, Iran is not included even in the first dozen of Georgia's trade partners. If we review the data of the National Statistics Bureau of Georgia, the trade turnover in the nineties was extremely low. However, it is characterized by an increasing trend in the 2000 -s and is lower than the average compared to similar data of other countries:

Figure 1: Trade Export-Import: Trade Turnover between Georgia and Iran 2000-2010 Years (in dollars):

2000	6,801.5	5,879.8	12,681.3
2001	4,311.4	6,315.3	10,626.7
2002	3,316.4	8,096.8	11,413.2
2003	3,426.3	6,995.7	10,422.0
2004	4,500.7	15,157.9	19,658.6
2005	4,681.2	25,999.8	30,681.0
2006	2,699.4	40,301.8	43,001.2
2007	6,050.0	51,732.9	57,782.9
2008	10,060.0	52,080.0	62,140.0
2009	6,425.8	29,895.0	36,320.8
2010	12,140.7	55,079.5	67,220.2

Source: website of the Georgian Ministry of Foreign Affairs and Geostat-National Statistics office of Georgia.

The corresponding figures of 2013-2014 is as follows:

Export to Iran: 2013-46 946,3 and 2014-28 198,5.

And in accordance with 2015 data, the export amount was 52 150, 8 and the import- 20 163, 7 within the period of January-July.

After imposing of sanctions on Iran by the USA and the Western Countries, numerous Iranians try to build a business in Georgia. During the last recent years, according to official data, up to six thousand Iranian enter Georgia legally (კვირის პალიტრა (2013, 22 აპრილი) <https://www.kvirispalitra.ge/ras-weren-chvenze/16758-zogierthi-iranelisthvis-saqar-thvelo-samothkhea.html>) and many of them carry out successful activity within our country. 150 small and medium companies having Iranian capital are already registered in Georgia (ნატროშვილი, 2013). The airline company "Fly-Georgia" is founded by Iranian businessmen. Georgian party also tries to make investments in Iran and in this regard, the undertaking "Madneuli" is particularly active.

In the Georgia-Iran trade sector, agricultural products, livestock, household appliances, chemical products and food products prevail. Iran mainly imports household appliances and chemical products to Georgia. Negotiations are currently ongoing related to the importation of agricultural machinery at lower prices and the construction of factories processing the products produced in the field of livestock.

The importation of energy resources to Georgia has a great potential. Iran owns huge energy resources, while Georgia, currently and especially in the future, needs a reliable partner for energy safety. Iran can be a reliable partner for Georgia. In 2006, during the gas blockade of Russia against Georgia, Tehran provided the Georgian population with gas supply (ტაბულა (2010, 31 მაისი) <http://www.tabula.ge/ge/story/52627-saqartvelo-iranis-urtiertobe-bi-rusetis-nerviulobis-axali-mizezi>).

#### IV. Water-a resource, the crisis of which the Middle East is experiencing.

It is very well known for everyone that the majority of the Middle East countries have serious problems of water resources. On the other hand, water is the resource that Georgia has in huge reserve, with its whole diversity: in each region of Georgia, there are plenty of natural sources, sulfur, mineral waters and waters containing large amounts of iron.

One interesting example of Georgia-Iran trade collaboration would be the importation of water resources to Iran. This proposal is topical already since the nineties, but the project cannot be realized to the political conjuncture. The subject is related to pumping water from the river Mtkvari and the Lake Sevani to the Lake Urmia by means of three special stations. All of the three stations are located on the territory of Iran. As to the Lake Urmia, it is in the UNESCO list of biosphere reserves since 1976 and special environment protection measures application is planned on it. The studies showed that from 1972 to 2014, only 12% of water supply volume is left in the Lake Urmia. Pursuant to the statement of the Minister of Labor and Social Protection-Ali Rabiei in August 2015: "Georgia has great water resources, which can solve the deficit created in the Lake Urmia" (ნიკლაური, 2015). In case of implementation of this presumable plan, Iran will provide Georgia with gas supply, which creates interesting perspectives of trade collaboration.

#### Conclusion

The dynamics of Georgia-Iran economic relations do not allow us to speak about the successfulness of the trade relations between the two countries. It is very secondary to define if the reason of the above-mentioned is the geopolitical conjuncture or the economic development figures of these countries themselves. The main point is that the Islamic Republic of Iran is one of the leading countries in the Middle East and South-Caucasus region and it is recommendable to improve the quality of relations between these two countries.

Despite the fact that the trade turnover and economic relations in general are quite modest, we think that the existing trend should be assessed as positive.

It is true that the existing political conjuncture greatly impedes the development of these relations, but on the other hand, exactly within the political context, the deepening of Georgia-Iran relations would be quite interesting. Georgia, due to its strategic location, can play an irreplaceable role for Iran and exactly the development of economic relations can result in the positive trend of political processes. From 2010, the enforcement of visa-free regime between Georgia and Iran allowed many Iranians and Georgians to cross the borders and try to arrange their lives. Although there are many unpleasant moments in these processes, for example, certain banks refuse to make financial transactions/transfers to the Islamic Republic of Iran (გოგუა, 2013), but these problems can be solved.

In our opinion, the governmental and non-governmental sectors of both countries should fully utilize the potential available in regard to the development of relations between Georgia and Iran.

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