Investigating the Impact of Preferential Trade Agreement between Iran and Turkey and Implementation of Customs Automation on Trade Costs in Iran: Based on Dynamic GTAP Approach

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Abstract

Preferential trade agreements with major trade partners can play an important role in maintaining and deepening of current trade. This is especially important in the case of Iran; because it needed to develop non-oil exports and needs to enhance its role and level of participation in the global production value chains of various industries. As production tariffs have fallen around the world, trade agreements have shifted their focus to other issues, including: foreign investment rules, e-commerce regulations, service trade, technical standards harmonization, health regulations, and simplify the rules. International trade occurs in physical space and moving goods requires time. The customs process of international trade and the movement of goods takes time. This article examines the importance of time as a trade barrier, estimates the cost of time, and relates it to patterns of trade and the international organization of production. The relative decline in transportation prices over time reduces time costs, and this is a convincing explanation for the growth of total trade, the combined effects on trade growth. The present study intends to investigate the simultaneous effect of the economic agreement between Iran and Turkey and the implementation of customs automation on reducing trade costs using a dynamic GTAP model according to the tariff reduction scenario under this agreement for the period 2011-2025. In order to measure both the primary and secondary impacts of these nontariff barriers, we use the General Trade Analysis Project-GTAP- model to simulate the reduce trade costs under customs automation and PTA agreement between between Iran and Turkey. The results show that the reduction of customs costs in concluding the agreement is very significant when customs automation is implemented.
Keyword: Preferential Trade Agreement, Customs, Global Trade Analysis Project, Trade Costs.

JEL Classification: F15, F11, D23.

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1. Introduction

Preferential trade agreements with major trade partners can play an important role in maintaining and deepening of current trade. This is especially important in the case of Iran; because it needed to develop non-oil exports and needs to enhance its role and level of participation in the global production value chains of various industries.

As production tariffs have fallen around the world, trade agreements have shifted their focus to other issues, including: foreign investment rules, e-commerce regulations, service trade, technical standards harmonization, health regulations, and simplify the rules. International trade occurs in physical space and moving goods requires time. The customs process of international trade and the movement of goods takes time. This article examines the importance of time as a trade barrier, estimates the cost of time, and relates it to patterns of trade and the international organization of production. The relative decline in transportation prices over time reduces time costs, and this is a convincing explanation for the growth of total trade, the combined effects on trade growth. The present study intends to investigate the simultaneous effect of the economic agreement between Iran and Turkey and the implementation of customs automation on reducing trade costs using a dynamic GTAP model according to the tariff reduction scenario under this agreement for the period 2011-2025. In order to measure both the primary and secondary impacts of these nontariff barriers, we use the General Trade Analysis Project-GTAP- model to simulate the reduce trade costs under customs automation and PTA agreement between between Iran and Turkey. The results show that the reduction of customs costs in concluding the agreement is very significant when customs automation is implemented.

2. Method

The present study intends to investigate the impact of preferential trade agreement between Iran and turkey and implementation of customs automation on trade costs in Iran using a dynamic GTAP model (Global Trade Analysis Project) for the period 2011-2025.

3. Conclusion

The very favourable result of reducing customs costs has several explanations. First, this is the only criterion of the agreement that is non-discriminatory and benefits all

trading partners. Second, in contrast to the reduction in tariffs, which leads to a loss of revenue, the reduction of customs costs by customs automation saves time and thus lowers the effective price of the product.

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