

Comparing Export and Import Sport Goods in Iran in 2014 to Implement Resistive Economics

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Abstract

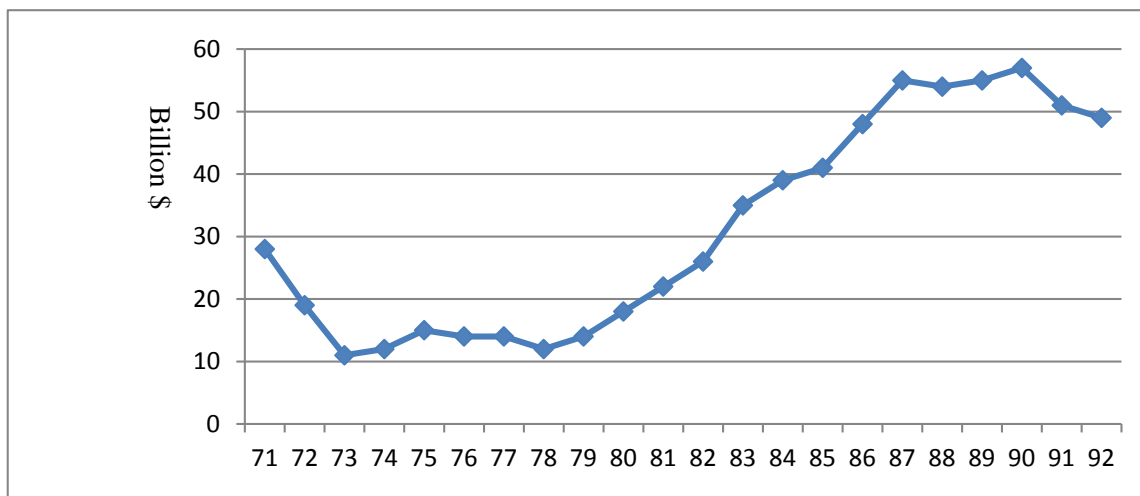
The purpose of the research was to compare export and import sport goods in Iran in 2014 to implement the Resistive Economics. There was used laboratory and past vision method in the research. The registered comprehensive statics in official website of Chamber of Commerce, industries, mines and agriculture of Tehran were used to collect data. Its population included all registered export and import goods in Iran; among them, export and import sport equipments in Iran in 2014 were considered as the research sample. Goods exporter and importer countries to Iran were classified in 14 and 7 categories respectively. Then sport goods were 10 categories homogenously. Ranking export and import of sport goods was measured according to commercial partners and their dollar worth. The goods were compared by considering their Rial worth. The descriptive test and independent t-test were used to analyze data. Meanwhile, $\alpha = 0.05$ was considered as significant level. The research findings showed 64% of importers of sport goods to Iran were China (36%), UAE (21%) and Turkey (7%). The imported sport goods were prioritized according to their Rial worth as follows: toys (56%), treadmill (24%), various rockets (5%), various balls (3%) and game facilities in open air (3%). In contrast, in terms of Rial worth, Iran exported sport goods to Iraq (70%), Turkmenistan (8%) and Afghanistan (7%). However, 100% exported sport goods included toys, treadmill and game facilities in open air. Finally, the research final findings showed no significant relationship between export and import sport equipments in Iran in 2014, in terms of their Rial worth. Now, it is suggested to explain necessary facilities to establish workshops and manufacturer factories based on ranking the imported goods within Iran. However, the imports should be controlled to support new established firms. It results in job creation and reduces foreign currency exit. Consequently, we should export sport goods and find consumer countries. Finally, free business policy should be considered to improve quality of the goods. As a result, we can satisfy consumer and control prices. In this way, we can improve Iran's commercial balance and implement the Resistive Economics.

Keywords: imports, exports, the Resistive Economics, sport goods

Introduction

Imports are one of the most important variables affecting economies of developing countries such as Iran. Most developing countries require importing raw materials, manufacturing machineries, capital goods and consuming goods to expand industries and meet needs of people. In addition, the required technology for developing countries to move from traditional manufacturing

to industrial production and economic development processes are provided through latent technology in imports. Looking back on process of Iranian imports it can be said that imports in Iran has always had ascending trend with same draft before the Revolution because oil has been income source of the country with an increased rate and same draft. However, from 1974 due to oil shock and quadrupling of world oil prices as well as increasing foreign exchange revenues of the government, many trade barriers were eliminated and import increased suddenly, as which it increased 4% from 1973 to 1977 annually. The imposed war provided difficulties in oil exports and decreased the government oil revenues. After the war, custom imports of the country increased due to necessity of the country's economic reconstruction, reduce various shortcomings on capital, intermediate and consuming goods, by considering trade liberalization policies. During 1993-1994, imports decreased 41% due to restrictive policies. During 1995-1996, the imports increased again because in these years, along with increasing foreign currency revenues from oil exports, imports restrictive policies continued with less intensity. In 1997, imports of goods decreased by 6% because of reducing foreign currency revenues due to sharp decline in oil prices in world markets. It continued until 1999; but from 2000, imports have increased due to increase crude oil price in addition to deregulation and liberalization of business environment to encourage and facilitate foreign trade (Samimi et al, 2014). Most goods have been imported from 2005 to 2013 (ISNA). However, imports are affected by many factors including inflation in dealing state parties, custom tariffs (Samimi et al, 2014), final demand, reserves, restrictions on foreign exchange (Abrishami, H, 2001), foreign exchange rate (Zamanian & Behrad, 2014) and tax tariff rate (Maddah & Ne'matollahi, 2011).



By applying this policy to import growth in normal conditions and dependency of domestic production to import capital goods and spare parts, this can decline domestic production; as a result, we will face reducing economy domestic supply such that economic dependency occurs finally. Economic dependency includes conditions that a country suffers conditions in terms of exports and imports according its economic and political structure, as which the dominant country provide major interests. In long-term, it causes vulnerability of dependency country and will result unpleasant consequences for the dominated countries politically and economically.

On the other hand, scientific studies have demonstrated that for some reasons, economic growth of countries associated with their exports (Sadeghi et al, 2012). Classical and neoclassical economists consider certain important for foreign trade in development process and call it as engine of economic growth. In fact, it is concluded that developing foreign trade in connection with

industrial development, which will ultimately lead to economic growth and development, is engine driving of economy (Shahikitash, 2014). Export promotion has various advantages including mass production, foreign currency revenue, increasing employment, improving quality and reducing cost of the produced goods. Of course, exports should be considered as a key strategy in the country rather than a complementary for shortages of foreign currency. Oil revenues should be only used for infrastructure investments and needs of foreign currency are provided by exporting non-oil goods (Sadeghi et al, 2012). Therefore, countries export various goods by considering their development. For example, the industrialized countries consider high importance to export industrial and processed goods that they have high added value; while countries such as Iran emphasize on export of agricultural and mineral commodities (Ghorbani, 2002). In other words, the developed countries tend to import products with low added value, while developing countries import products with high value-added due to weakness of domestic production (Bayat Kashkouli, 2010). Iran can be more active in business fields because it is one of exporter countries of oil and non-oil goods and it has many blessings such as sea, mines etc. In this context, economists believe that the process should be reverse and choose method of resistive economy because resistive economy has various requisites such as completing movement toward reforming consumption pattern, increasing efforts and works, recognizing human and material resources and using them to implement objectives of the country, considering criteria such as economic growth, job creation and increasing productivity rate, necessity of compensating economic backwardness, preparing necessary infrastructures overcome threats of economic sanctions, overcoming consuming and unproductive culture in the society (Razavi & Mehrzad, 2013). However, it seems that sports industry can play a role in this field.

As a lucrative industry, sport has a high economic importance because of growing tendency of people to sport and need to consumption of sport goods and services, as a result, quality and quantity of this industry in different countries depend on size and scope of producing sports goods in those countries. Sport events, information, education and goods and services can be effective in value added and GDP of each country, as four different categories of sports products. Studies have shown that most of sport costs in urban families were related to sport shoes (42%), sports apparel (30%) and ticket and membership fees (8%). In 1998, sport bikes (42%) and sports apparels (0.6%) were the most and the least imported sport goods respectively. Meanwhile, from 1998 to 2001, sports shoes and sports boats were the most and the least exported sport goods respectively. As sport goods have the lowest share among components of the country's GDP (Askarian et al, 2004), there should be considered necessary fields to increase domestic production, in order to compensate shifting demand from imported goods to domestic products (Rajai & Ahmadi, 2010). Increasing investment in sport sector will increase investment in the country's health and reduce treatment cost; therefore, creating the required facilities in this field is necessary. Now the researcher's questions are as following: what are criteria to rank the imported sport goods in terms of dollars in 2014? In contrast, what are criteria to rank the exported sport goods in terms of dollars in this year? Is there a difference between dollar wealth of the imported and exported sport goods? By answering the questions, we can take necessary actions to reduce imports and increase exports, and consequently, economic growth.

Methodology

There was used laboratory and past vision method in the research. The registered comprehensive statics in official website of Chamber of Commerce, industries, mines and agriculture of Tehran were used to collect data. Its population included all registered export and import goods in Iran; among them, export and import sport equipments in Iran in 2014 were considered as the research sample. Goods exporter and importer countries to Iran were classified in

14 (China, UAE, Taiwan, Italy, Germany, Turkey, France, Korea, Spain, Austria, Hong Kong, Singapore, others) and 7 (Iraq, Turkmenistan, Afghanistan, Georgia, Turkey, UAE, Azerbaijan) categories respectively. Then sport goods were 10 categories homogenously (toys and parts such as dolls, carousels, swing, mobile circus and theater, mobile zoo; treadmill systems, gymnastics physical objects or athletics; badminton racket, tennis and its types; devices to play in open air such as shooting, polo and golf; balls of football, basketball, volleyball, handball, paintball, squash, sepaktakraw; skating on ice, snow and grass, skating shoes and hockey sticks; computer and video games; billiard and bowling tables and their devices; hunting and fishing equipments; others). Ranking export and import of sport goods was measured according to commercial partners and their dollar worth. The goods were compared by considering their Rial worth. The descriptive test and independent t-test were used to analyze data. Meanwhile, $\alpha = 0.05$ was considered as significant level.

Research Findings

1. The research descriptive findings in Figure 1 and Table 1 show Rial shares of sport goods importers to Islamic Republic of Iran respectively.

2. The research descriptive findings in Figure 2 and Table 2 show Rial shares of sport goods importing to Islamic Republic of Iran respectively.

3. The research descriptive findings in Figure 3 show shares of sport goods importing to Islamic Republic of Iran without calculating Rial value.

4. The research descriptive findings in Figure 4 show Rial shares of sport goods exporting from Islamic Republic of Iran.

5. The research descriptive findings in Figure 5 prioritize Rial shares of sport goods exporting from Islamic Republic of Iran. Fig. 2. Rial share of the imported sport goods

Table 1: Ranking importer countries based on Rial value (with exception of other countries)

Row	Country	Rial value	Dollar value
1	China	77078734768	2926742
2	Emirates	46195312279	1743168
3	Turkey	15224977721	578303
4	France	11263620799	420946
5	Austria	11069992284	414964
6	Italy	8095027321	302701
7	Butter	6885049010	257676
8	Taiwan	5971019251	225320
9	Germany	5923140815	225649
10	Thailand	4627431001	175811
11	Singapore	2697410707	101282
12	Spain	2111358932	81941
13	Hong Kong	1043864028	40110
14	Other	17656770294	664577
15	Sum	215843709210.00	8159190

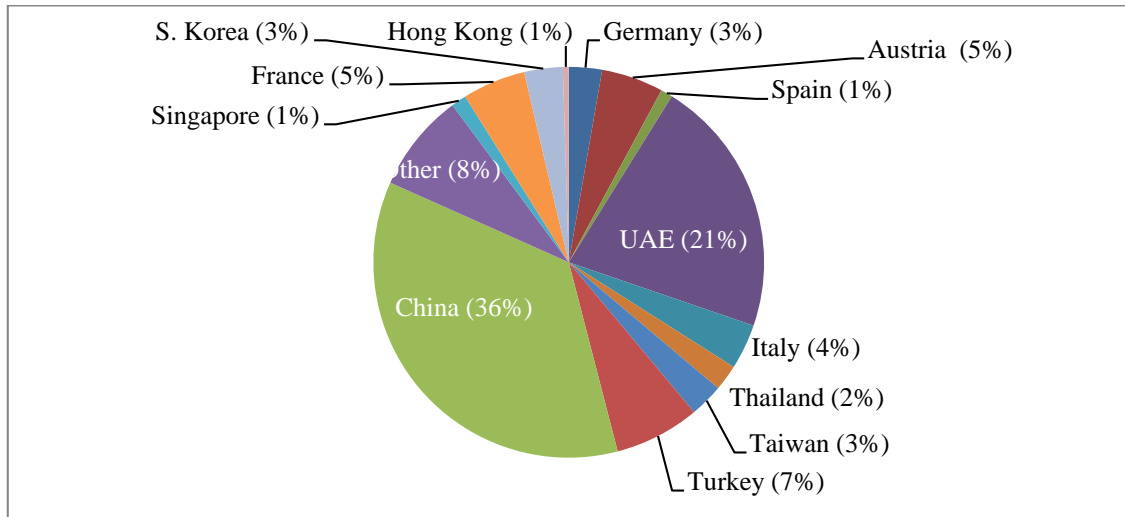


Figure 1: Rial share of importer countries of sport goods

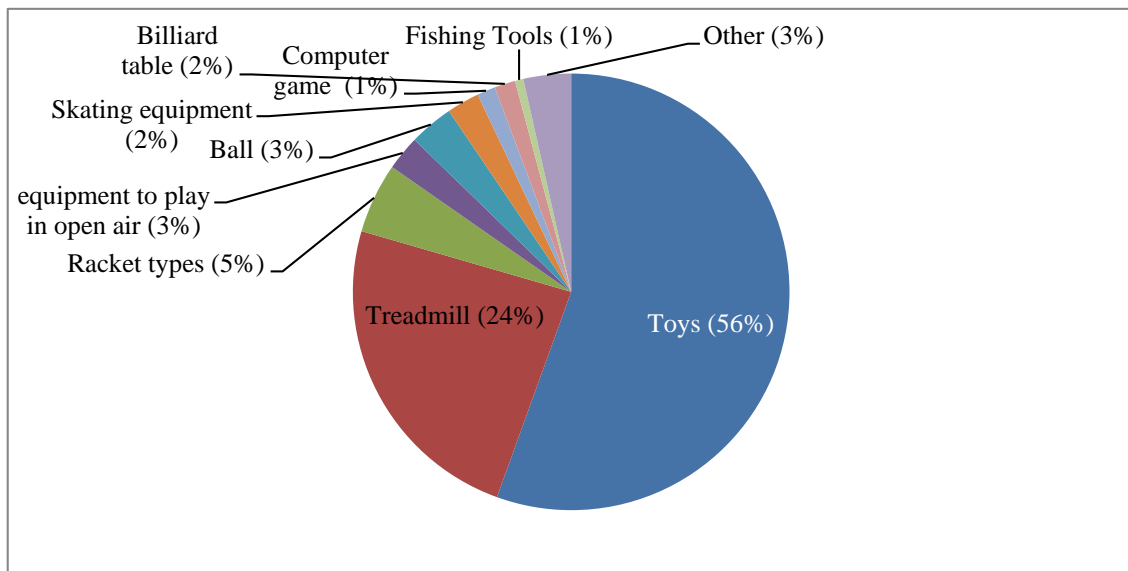


Figure 2: Rial share of the imported sport goods

Table 2: Ranking sport goods' importing based on Rial value (with exception of other countries)

Row	Country	Rial value	Dollar value
1	Toys	1068069523278	40281614
2	Treadmills and physical objects	460901986085	17412002
3	Types of rockets	99990974267	3788426
4	Ball	63043132994	2373482
5	Game devices	49533148420	1864215
6	Skating equipment	46416640933	1748090
7	Billiard table	29696422799	2108089
8	Computer game	26151448297	987759
9	Fishing Tools	11998963168	457392
10	Other	67751819690	1563171
11	Sum	1528971509363	57693616

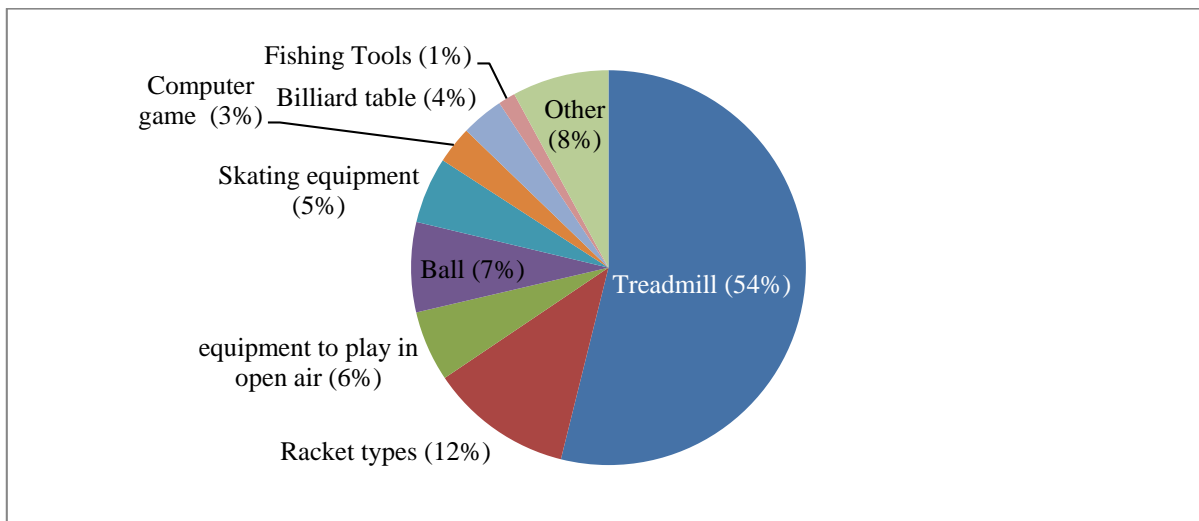


Figure 3: Rial share of importing sport goods without calculating Rial value of toys

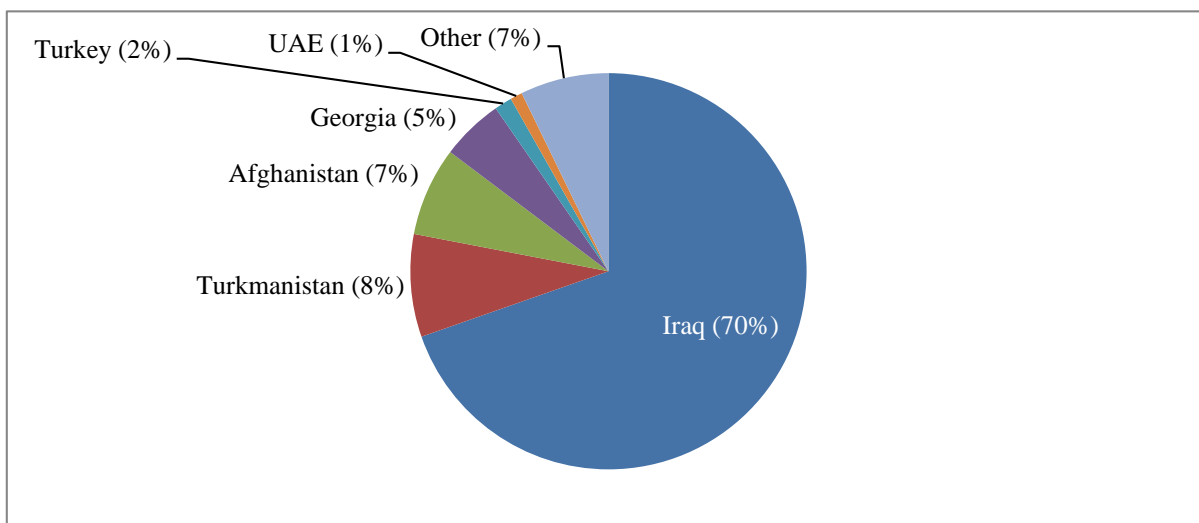


Figure 4: Share of the exported sport goods by Iran in importer countries

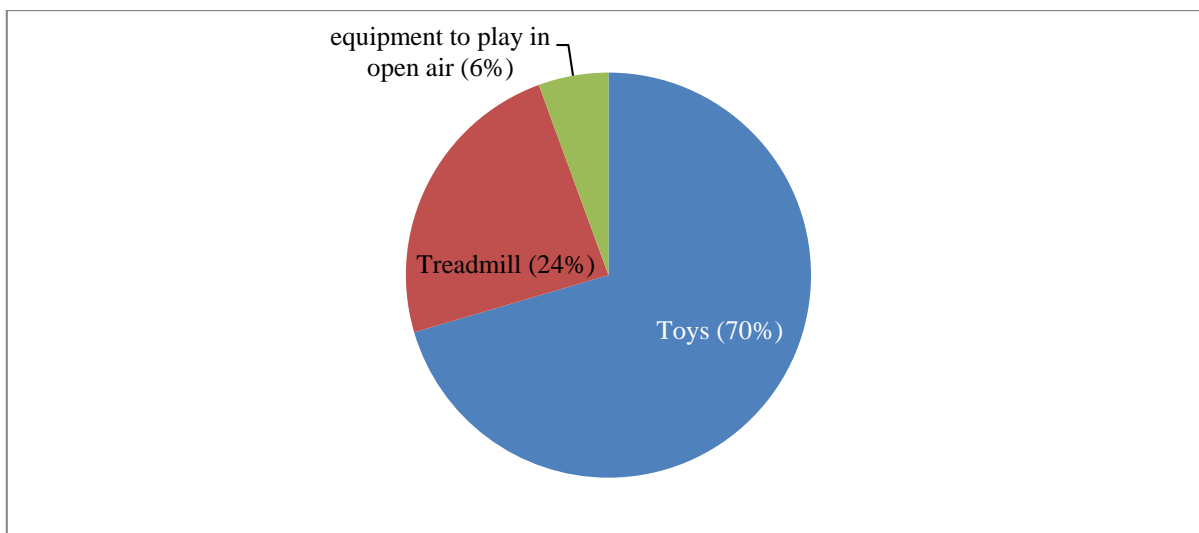


Figure 5: Share of the exported sport goods by Iran in based on Rial value

6. The research final finding showed a significant difference between import and export of sport goods in 2014 (Table 3).

Table 3: Comparing mean of importing and exporting sport goods of I. R. of Iran in 2014

Variable	Statistical indicator	Mean	SD	Mean difference	F	Sig
Sport goods	Imports (Rails)	137396718566	345477087592	-122228892593	2.811	14
	Exports (Rial)	15167725973	27849273134			7

Conclusion and Discussion

Basic descriptive findings of the research revealed that the most important trade partners of Iran or importing countries of sporting goods include China (36%), UAE (21%), Turkey (7%), France (5%), Austria (5%), Italy (4%), Korea (3%), Taiwan (3%), Germany (3%), Thailand (2%), Singapore (1%), Spain (1%), Hong Kong (1%) and other countries (8%). Obviously, three major importers are China, UAE and Turkey that totally import 59% of the goods to the country. As UAE has no sport goods industry, it seems that the country plays interface role for producer and consumer of sport goods. Therefore, if Iranian traders can directly buy their goods from destination country, cost of final goods will be the lowest possible for Iranian consumers. Thus, lower foreign exchange will exit from the country and consumption pattern reform of resistive economy is implemented.

The research findings prioritized share of importing sport goods based on Rial value. Such that prioritizing sport goods based on Rial value include toys (56%), treadmill (24%), types of rockets (5%), ball types (3%), equipment to play in open air (3%), skating equipments (2%), billiard table (2%), video games (1%), fishing tools (1%) and other sport equipments (3%). If percent of toys is removed because of heterogeneity with sporting goods, percent of importing sport goods will be treadmills (54%), types of rockets (12%), ball types (7%), equipment to play in open air (6%), skating equipments (5%), billiard table (4%), video games (3%), fishing tools (1%) and other sport equipments (8%). The most widely consumed sport goods in Iran will be determined by ranking the goods. Therefore, there should be taken into account measures to prevent importing these goods.

Since the set econometric models in Iran often divide imports into two groups –consuming and investment goods- (Rajai & Ahmadi, 2010), most sport goods are in consuming goods. Since imports follow demand of national economy for goods and services, thus in normal conditions, due to wear and consume sport goods, re-importing them will be necessary annually. As a result, every year, a large amount of foreign exchange will be exited from the country that it results to devalue value of national money. Since increasing domestic production capacities to reduce dependence through replacing domestic products rather than imported ones are main objectives of economic policies of the Islamic Republic of Iran (Rajai & Ahmadi, 2010), there should be prevented from exit currency of the country by creating workshops and factories as well as producing sport goods such as toys, treadmills, types of rockets, different kinds of balls and equipments to play in open air. Then the country's trade balance can be improved by reducing import demand, employment and increasing turnover (Zamanian and Behrad, 2014). Of course, increasing the added value to industry is main reason to improve trade balance because it is considered as an indicator of domestic production that can be substituted for the imported goods (Rajai & Ahmadi, 2010).

Thus, the value added of industry sector allocates large share in production of sport goods. In the other hand, oil, petrochemical or textile resources are main raw materials of sport goods that they are abundant primary sources in Iran. Therefore, we can hope to increase economic trade balance of Iran by establishing manufacturing industries. Of course, along with establishing sport goods' manufacturer industries in the country, authorities must adopt economic policies that can prevent importing sport goods in optimum level, in order to support manufacturers of the industries

inside the country. Some items to control imports are changes in exchange rates, restrictions on foreign exchange, foreign exchange reserves, reserves of bank system, tariff and non-tariff restrictions, restrictions on amount of goods and final demand (Abrishami, 2001).

In contrast, there should be considered some factors to export sport goods such as quality of sport goods, proper advertising and marketing for products, proper quality of packaging, economic sanctions, increasing final cost of goods and currency inequality than other countries. These factors have prevented playing significant role of sport sector in increasing exports. At the same time, we should consider factors affecting exports such as individual factors (education, experience, export knowledge and public relations), economic factors (export markets, governmental subsidies, export pricing and export marketing), environmental factors (rules and regulations, culture, technology, informal communications and political factors), side factors (design, packaging, product quality, warranty, after-sales services, distribution channels and products' brand) (Sadeghi et al, 2012). In this way, we can be successful to export sport goods. Of course, free trade policies should be selected for the produced sport goods in the country exclusively because in less developed countries, firms consider higher prices for consumers instead of improving their efficiency and productivity; as a result, they form a monopoly power market by taking more monopoly power. At the same time, free trade policies encourage competitive pricing behavior in domestic industries.

Therefore, it is suggested to control behavior of the focused firms that act exclusively. It is also suggested to provide basis for presence of foreign products through reducing barriers of foreign trade including reduction of import tariffs, in order to expand structure of competitive market in industries. In this way, domestic enterprises can compete with foreign firms and producers. To increase compete among domestic industries, it is suggested to provide proper beds for decreasing focus on market and increasing number of firms as well as equal market distribution among them by considering basis for attendance of new-established firms through granting financial facilities, permissions and limited and programmed supports. Generally, according economic theories, free trade leads forming production in countries based on their relative advantage, which it results to encourage producing and exporting goods and services. On the other hand, reducing trade barriers can have economic benefits for importer and exporter countries because consumers can access to cheaper and better products and producers will have better performance under competition pressure. Therefore, free trade between countries will result to further solidarity and faster economic integration (Shahikitash, 2014). Finally, we must move in this direction because of importance of sport industry's share in world trade and economic potential and actual capacities of the country.

The research results showed exports of Iran's sport goods to other countries based on their Rial value. Such that As Iraq, Turkmenistan, Afghanistan, Georgia, Turkey, UAE and other countries imported 70%, 8%, 7%, 5%, 2%, 1% and 7% of sport goods from Iran respectively. However, given that Iran has high safety, young and educated manpower and ability to produce sport goods, and as neighbor countries such as Iraq, Pakistan and Afghanistan involve civil war and change of power in their political leaders, we must seized the opportunity and utilize the vast market fully. Meanwhile, Iranian authorities should welcome to domestic production by granting financial services, permissions to establish knowledge-based manufacturer firms and factories of sport goods, in this way, trade balance of Iran's economy can be improved, in addition to exit country's economy from recession. Also, given that 100% of sport goods include toys, treadmill and equipment to play in open air, it seems that exporting other sport goods can provide proper exchange-making because oil, petrochemical or textile resources are main raw materials of sport goods that they are abundant primary sources in Iran. So we should consider value-added of materials to continue our economic growth.

The research final finding showed no significant difference between import and export of sport goods in 2014. In other words, in this year, import and export of sport goods were not significant in terms of Rial value. It seems that its reason can be world oil prices, external shocks of Iran or smuggling over the years. Of course, another research showed that nominal exchange rate shocks have had special importance in fluctuations of price index for imports and exports in Iran (Mehrabi Basharabadi et al, 2011). In one hand, most economists believe that the Organization of Petroleum Exporting Countries (OPEC) has played an important role in instability of demand for imports, and on the other hand, researches have shown that Iran's economy could reduce its dependency on the imported bodies in face of external shocks in long term. During loss of foreign exchange earnings, Iranian economy can create structural adjustments required to reduce dependency on imports in long term (Abrishami, 2001). It is necessary to mention that increasing imports' tariffs is one of ways to gain revenue of government during loss of foreign exchange earnings because tax incomes compensate 45% of the current costs of government (Maddah & Ne'matollahi, 2013). Consequently, cost of importing goods will be increased that it results to increase motivation of producing domestic products. Then resources will be directed toward the supported goods by government. In this way, government will provide public goods and services using tax incomes and exploit it for distributive objectives in the society. In contrast, taxes, regulations, restrictions and bribes are the most important factors in formation of informal economic activities (Maddah & Ne'matollahi, 2013).

As researches have shown, tax evasion in imports increases 0.9% by increasing 1% of tariff. Tax evasion indicates that some goods are imported to the country secretly and without paying taxes and customs duties, which it is clear cases of smuggling into the country. Tax evasion in foreign trade is one of main problems in developing countries that will be done in different ways. In this context, a study divided subjects of illegal transferring goods including 1) untrue customs declaration (there is written name of a product in the statement with low tax); 2) less evaluation of the imported goods (manipulating commercial paper of the imported goods); 3) incorrect classification of goods (inserting the imported goods in products with lower tax rates); 4) fake reporting (for illegal transporting goods in customs).

Therefore, in each case, all or part of the tax not paid on imported goods. Of course, the research background shows that this is not increase tax revenues but reduces tax revenues of government and prevents possibility of optimal planning in production and employment from government. It affects quantity and quality of supplying public goods and services that has a negative effect on optimal allocation and distributive policies. To confirm the issue, it is noteworthy that there have been conducted non-registered and illegal actions on goods that had the highest rate of tariff during the studied. For this reason, it is suggested strategies to reduce tax evasion of the imported goods such as reducing tariff rates until at least the mean level, considering targeted tariffs for the imported goods, developing cooperation to reduce tariff barriers on trade between member states and avoiding various tariffs with different rates that facilitate possibility of tax evasion. It is necessary to mention that average and the best applied tariff rate on the imported goods is 28% (Maddah & Ne'matollahi, 2013). By considering the above-mentioned descriptions, the imported sport goods should be prioritized firstly; then take necessary actions to establish manufacturer industries and factories. In the following, we should control imports to support new-established firms, and then find consuming countries; and finally, it should be selected free trade policy to improve quality of sport goods, in order to satisfy consumer and control price. Finally, it is hoped to improve trade balance of Iran by following the process.

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