Foreign Wood Furniture Trade in Iran from 1991 to 2005

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Abstract: Wood furniture is among the wood products to which the highest economic value can be added through the manufacturing process. International trade in wood furniture and related products has increased significantly in recent years. This paper investigates and reviews Iran's import/export of wood furniture over a 15 year period from 1991 to 2005. This trend will be analyzed to give a general forecast for near future changes in this trade in Iran. Further detail and better comparison of foreign trade changes and drives during these 15 years, including main business partners will be named and demonstrated by choosing four index years (1991-1996-2001-2005) and drawing import/export diagrams for each of them. In this paper, we will see that in less than 11 years, Iran, once an exporter, transformed to an importer of furniture. Therefore, the present paper will remark on and explain changes in this industry in the country and finally, some suggestions for a better future in export of furniture will be given.

Key Words: wood furniture, Iran, export/import, trade

INTRODUCTION

Wood furniture trade in the world is growing year by year. This trade is of good profit especially for developing countries, due to its mass manpower utilization & law capital investment needed to establish a production line, compared to those of other industries. This is much more profitable for countries with commercial forests and those located in tropical zones having high quality tropical timbers.

Generally, global exchange of wood furniture is of more interest for countries located in South-East Asia (esp. China, Indonesia, Malaysia and Thailand), East Europe (Poland, Slovenia, Czech Republic and Romania) and South America (Brazil) & to a limited extent in Africa. Limited because most of them have not yet gained advancement in secondary wood processing & some of them with good natural tropical forests such as Gabon, are still mainly importers of furniture. This statement no way contradicts with the role of other countries like Italy, Canada, Denmark, Mexico, Spain, Sweden and the rest in this huge trade in the world, rather it emphasizes the increasing role of developing countries.

Iran is one of those countries in Asia (Middle-East) that, though a little, but have had contribution to the international trade of wood furniture. In this paper we will try to show the foreign exchange of wood furniture in Iran over a 15 year period from 1991 to 2005. Although this exchange in comparison to the trade of countries such as China can be quite small and therefore negligible, it is interesting to analyze the trends to have better insight into the current situations.

MATERIALS AND METHODS

Main approaches to find the required information were:
1. Library research: Extracting data from Iran's business statistical year books and CD’s as well as articles, related books and the World Wide Web.
2. Field research: Distributing questionnaires among manufacturers, arranging interviews with business owners and producers which were mostly carried out during the corresponding author's M.Sc. thesis and partially formed efficient suggestions at the conclusion section of this paper and are related to the tips for improving furniture export in Iran.

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Wood furniture in statistical year books is categorized into six sub-branches (HS Codes) as:

1. Tariff in HS; 9401/61-69) seats with wooden frames (upholstered and others).
2. (HS; 9403/30) wood office furniture.
3. (9403/40) wood kitchen furniture.
4. (9403/50) wood bedroom furniture.
5. (9403/60) other wood furniture.
6. (9403/90) wood/metal/plastic furniture parts.

Adding up all the figures in each tariff gave one figure in each year (one export and one import) and 30 figures in the whole period of 15 years; which is presented in Graph 1 indicating changes in the study period.

As it can be seen, Iran's export of furniture started from the year 1992, about a year after Soviet Union collapse in 1991 (relation will be argued later on) and reached its peak (Golden age, if it can be called) four years later in 1996, then it experienced a relative decline which continued to 2005.

On the other hand, imports of wood furniture with more dramatic changes esp. after 2003 is crystal clear in Graph1. The only exception in the whole 12 years prior to 2003 is 1992. In this year an unbelievable amount of import recorded as 475 million US dollars from Germany is observed. Effort was made to find the reasons behind this bold import, but the more we tried, the less we found. The most probable reasons for it, is governmental import, because before and after this date there is no record of furniture import. This is not a usual trend in ordinary business exchange and emphasizes the role of government in this case.

Table 1 shows the net trade of Iran's wood furniture export/import in 15 years.

**RESULTS AND DISCUSSIONS**

Graph 1 and Table 1 show that in recent years the amount of furniture import into the country exceeded the amount of export and Iran, once an exporter of furniture about 11 years ago, changed into an importer of furniture today. Hereafter, the present paper will try to explain the hidden appearance of these changes and by this description gives a near future forecast of export/import trends in the country. To better analyze the issue and to have deeper concentration, four index years namely 1991, 1996, 2001 and 2005 were chosen and detailed information on them are presenting in Graph 2, Table 2.

### Table 1: Net trade of Iran's wood furniture export/import in 15 years

<table>
<thead>
<tr>
<th>Years</th>
<th>Export (Million US $)</th>
<th>Import (Million US $)</th>
<th>Net Trade (Exports minus Imports)</th>
</tr>
</thead>
<tbody>
<tr>
<td>*1991</td>
<td>0.053</td>
<td>0.008</td>
<td>0.045</td>
</tr>
<tr>
<td>1992</td>
<td>3.128</td>
<td>475</td>
<td>- 471.872</td>
</tr>
<tr>
<td>1993</td>
<td>2.56</td>
<td>0.031</td>
<td>2.529</td>
</tr>
<tr>
<td>1994</td>
<td>12.293</td>
<td>0</td>
<td>12.293</td>
</tr>
<tr>
<td>1995</td>
<td>9.067</td>
<td>0</td>
<td>9.067</td>
</tr>
</tbody>
</table>
*1996  | 24.782                | 0.06                  | 24.722                           |
| 1997  | 20.091                | 0.041                 | 20.05                            |
| 1998  | 12.744                | 0.099                 | 12.645                           |
| 1999  | 10.854                | 0.49                  | 10.364                           |
| 2000  | 13.248                | 0.052                 | 13.196                           |
*2001  | 10.566                | 0.221                 | 10.345                           |
| 2002  | 10.964                | 0.961                 | 10.003                           |
| 2003  | 9.269                 | 7.083                 | 2.186                            |
| 2004  | 6.549                 | 13.138                | - 6.589                          |
*2005  | 5.846                 | 17.864                | - 12.018                         |

* Index years.

### Table 2: Four index years and total value exchange in this period.

<table>
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<tr>
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<td>0.06</td>
<td>0.221</td>
<td>17.864</td>
</tr>
<tr>
<td>Total value exchange</td>
<td>0.061</td>
<td>24.842</td>
<td>10.787</td>
<td>23.71</td>
</tr>
</tbody>
</table>
3.1) Index year 1991:
3.1.1) Export: roughly nothing to mention. (less than 100,000 US $ total, see Table 1)
3.1.2) Import: roughly nothing to mention. (see Table 1)

3.2) Index year 1996:
3.2.1) Export:
Graph 3 shows Iran’s main partners and buyers of wood furniture in 1996. Briefly this diagram tells us that Iran’s main target countries for exporting wood furniture in 1996 were:
1. Asia Minor and Caucasus countries (mainly Azerbaijan, Armenia, Georgia, Kazakhstan and Turkmenistan) with the contribution of about 64% (6,748,000 US $) still as the main stimulant, but with considerable decrease in the value. (To about 30% (one third) of the value of 1996.)
2. Ukraine located in the north of Iran with the contribution of about 9% (936,000 US $) as the second stimulant.
3. Iraq as a new partner with the purchase value of 647,000 US $ or 6% of total.
4. U.A.E. with purchasing 7% of Iran’s exported wood furniture in 2001 (432,000 US $).
5. Germany 2% (222,000 US $), U.S.A. 1% (109,000 US $), Brunei 1% (111,000 US $).
6. And the rest of countries with purchasing 13% of the total Iran’s exported wood furniture (1,362,000 US $).

Another fact that can be understood from this summery is that, despite the considerable decrease in Iran’s export of wood furniture to Asia Minor and Caucasus countries in 2001, the number of countries to which Iran exported also increased. This can mean that more manufacturers compared to 1996 were welcoming export, but simultaneously it tells us that this is not a systematic export endeavor, because in 2005 still the number of countries to which Iran exported increased, but the whole value of export decreased.
From 1996 toward 2001 and then to 2005, a decline in Iran’s wood furniture export is obvious. Main reasons behind this increase (1991 to 1996) and decrease (1996 to 2005) can be summarized as:

Increase up to 1996:

(+) Soviet Union disintegration and the subsequent emerging new, independent markets in the region (Main Motivation).

(+) Low transportation cost from north of Iran to the mentioned region compared to any other neighboring countries. (Iran’s natural forests are located in north of the country and most of wood processing industries are concentrated there.)

(+) The possibility of buying new or secondhand cheap machinery by the dollars gained from selling furniture in these countries.

Decrease, after 1996:

(-) Decrease in the quality of furniture in order to make it cheaper and more competitive in short term. (lack of standardization and export supervision)

(-) Entrance of Turkey into the region which is fundamentally more industrialized than Iran.

(-) Low knowledge of international business among Iranian new exporters and swindling in export markets by both sides esp. from some Russian merchants caused shrinkage and defensive reaction in export. The best proof of this claim is that Iran’s export of furniture to Russia in 1996 was about 1,048,000 US $, but in 2001 it amounted to only 28,000 US $.

3.3.2) Import: roughly nothing to mention. (see Table 1)

3.4) Index year 2005:

3.4.1) Export:

Graph 5 the same as before shows the changes and the main importers of wood furniture from Iran in 2005 by the value and percentage.

In 2005 the export value of Iran’s wood furniture is still going down. This value is just 24% (one fourth) of the value of 1996 or 55% (half) of the value of 2001. This is not a good news esp. when we see that import dramatically increased. We are still losing market in Asia Minor and Caucasus countries. We could just keep the value of export to Armenia during these 15 years (1996: 2,734,000 US $ - 11/100), (2001: 2,618,000 - 25%), (2005: 2,287,000 - 40%) and Georgia (1996: 584,000 US $ - 2/100), (2001:715,000-7%), (2005:811,000-14%).

On the other side, Iran lost its biggest foreign market; Azerbaijan, during these years (1996: 11,543,000 US$ - 47/100), (2001: 2,957,000 - 28%), (2005: 419,000 - 7%). At the end of 2005 the value of wood furniture export to Azerbaijan was only 3.5% of the export value in golden age, 1996. Azerbaijan, Armenia and Iran are all neighbors, but why did this happen?

This question can be answered by observing political issues. Political relations between Armenia and Turkey is disturbing because of the issue of assassinating Christian (Armenian) people about a century ago in Turkey and also with Azerbaijan over the issue of Karabakh war. At the same time the relationship between
Azerbaijan, Georgia and Turkey is fairly good, recently they even planned to build a railroad that will be passing through these three countries and by this progress Turkey can be linked to the Caspian sea through Azerbaijan. This tells us 1) Iran could have kept the amount of wood furniture export to Armenia not because of the quality or price competitiveness of its production, but because of the relationship break-up between Turkey & Armenia. 2) Turkey’s access to Caspian sea by railroad means it will soon be entering the Asia Minor countries market faster and cheaper than before. 3) Turkey’s joining the European Union means increasing the probability of improving political affairs between Turkey and Armenia and even Iraq and this means a good business opportunity for Turk manufacturers.

These are enough to conclude that in this situation Iran’s export of furniture is not strong enough to last for a long time and export is vulnerable and for import as the trend showed up to now, will increase in near future.

Also in export graph of 2005, similar to 2001, we see the number of countries to which Iran exported increased again. This is of more importance when we remember that the total value of export decreased by 50% compared to 2001.

Another important change in export graph of 2005 is that we see Italy ranked 4 in buying furniture from Iran. This country as one of the world’s largest exporters of furniture mostly bought furniture parts from Iran. This buying trend may continue in near future.

And the last case to point out is the export to Iraq and Afghanistan which can be considered as a future business opportunity for Iran, but the threat of seizing this opportunity by Chinese producers in high.

All above clues alert us that in near future Iran will still import more and export less or at least the same as before, so Iran needs more fundamental activity to become a real exporter of furniture.

Summary of the graph 5 and Iran’s export stimulant countries in 2005:

1. Caucasus and Asia Minor countries (mainly Armenia, Georgia, Azerbaijan and Kazakhstan) with the total import value of about 65% (3,750,000 US $) still as the main stimulant, but with decrease in the value. (which is about 17% of the value of 1996 and 55% of the value of 2001.)
2. Italy 6% (360,000 US $), mostly importing wooden parts from Iran.
3. Afghanistan 6% (339,000 $); Iraq 5% (310,000 $); Canada 2% (133,000 $); U.A.E. 2% (111,000 $);
4. Others 14% (843,000 $) of the total value of import from Iran.

3.4.2) Import:

Graph 6 shows the booming import of furniture into the country in 2005. As mentioned before, Turkish furniture with competitive price, modern look and finer textile especially for upholstered furniture and better after sales services, penetrated into Iran’s domestic markets. To better demonstrate this situation it is enough to say that one of Turkish manufacturer in last 5 years established about 20 showrooms in Iran.

China as everybody knows has spread its goods all over the world. In Iran, over the last 3 years, import from China increased and will continue to increase in near future.
U.A.E. is located in the south bank of Persian Gulf at the south of the country and is Iran’s biggest business partner among Arab countries. Iran imports lumber from this country too, but this doesn’t mean that they are producers. Rich people in this country invest in Africa and the rest of the world and buy commodity from different countries and Iran imports from this country. There are many Iranian merchants that have an office in there and this firmly connects these two countries to each other.

Finally Iran’s import of wood furniture origins can be summarized as:

1. The first place is occupied by Turkey with penetration rate of 36% and the value of 6,339,000 US $.
2. China & South-East Asian countries (including: Malaysia, Taiwan and Indonesia) with the share of 30% and the value of about 5,316,000 US $.
3. U.A.E. by 22% and 3,912,000 US $. Import from this country means buy from a broker, since it is only a re-exporter country.
4. Germany and Italy in Europe by 5% and 1,012,000 US $.
5. The rest of countries with 7% share and 1,285,000 US $ value.

Conclusions:

Iran’s biggest business partner among Arab countries is U.A.E., among European countries is Germany and in Central Asia and Caucasus region countries is Azerbaijan. So that is why they are all present in Iran’s export and import diagrams every year.

In the present situation, Iran’s import of wood furniture will increase, unless the government imposes high tariff and tax to it and export will probably not grow. Meanwhile, the best approach to expand a reliable export is to work on part/piece production. This means expanding primary wood industries first. Past records of big exporters of wood furniture and current domestic records of export to the countries like Italy prove the feasibility of this approach. We can work on many small and medium sized production lines within the country and unite them to manufacture export-oriented products, as by having each manufacturer produce one small part rather than all parts of a piece of furniture. For developing countries, this kind of production may have many advantages, the most important ones are as follows: a) full use of production line capacity b) improving efficiency in small shops c) faster production d) ease of standardization, due to simple production line e) ease of quality control f) more specialized production as each shop produces only a single part g) ease of changing production line for another product h) faster adoption with market changes and i) lower overhead costs. This industrial scale production system is now practical in car manufacturing factories in Iran and the world.

Generally if a company wants to have a reliable export, it must first have a reliable domestic market, unless the company is initially formed aimed at overseas markets.

In this regard, many Iranian producers are not strong enough to enter and remain in international markets for a continuous period of time and keep a fix share exchange for themselves.

During these 15 years, two main markets were always available for Iran’s export as: Asia Minor and Caucasus markets in the north of Iran and rich Arab countries around Persian Gulf especially U.A.E in the south of Iran.

New markets appeared during these years for example Iraq in 2001, and Italy and Afghanistan in 2005. As Graph 7 shows we nearly lost market in Persian Gulf Arab countries and are now importing from them. As mentioned before, most of these imports are their re-exports. About Asia Minor and Caucasus countries as it is clear in Graph 8, we had dramatic reduction in export, but there are still chances to keep it alive. About new countries in the list of export we have to be careful and protect our share in the market of two neighboring countries which are Iraq and Afghanistan. Also Germany and esp. Italy are important too. We must not neglect the rest of countries and even new markets, but first we have to investigate our other competitors there and then draw our strategy.

Finally some points to consider for necessary correction can be listed as:

1) At early stages of international marketing, consider export as an organizational activity that needs direct attention, help and navigation of official specialized institutes or unions.
2) Strengthening industrial institutions and related units such as export unions, research institutions and universities, export consultant companies, marketing units, design centers, and...
3) Develop production standards and if necessary make them obligatory according to the needs of potential buyers with the aim to have the same level of quality in each export cargo.
4) Smart use of import in order to upgrade the efficiency of production in the country.
5) Seriously establishing and expanding related university fields to furniture industry as well as different courses related to various aspects of furniture production and design such as aesthetics, engineering, ergonomic, production process in industrial scale and so.

6) Extend and develop national training programs for: a) Middle level managers & technicians to upgrade their management skills and techniques and export/import procedures b) training of craftsmen through formal or informal apprenticeship schemes. c) Improving skills in the correct use of modern adhesives, surface finishes and hardware fittings. d) Support the training of machine operators for factories that produce in long series, e.g. by means of staff exchange programs e) Develop training course curricula and launch an educational program for furniture designers specializing in creating marketable designs of contemporary products for industrial production. f) Investment promotion and joint ventures production with successful foreign companies and participating in national and international trade fairs. g) Supporting research institutes analyzing marketing studies, raw materials, costs, furniture strengths and production standards which all are very effective in helping an industry progress in a country, like what is present in Malaysia, Brazil and top of all Italy. h) Pay attention to e-commerce as a new marketing gate and design websites for their products as the main gate to enter e-commerce.

Figure 7: export & import of wood furniture to Arab countries around Persian Gulf in the south of Iran.

Figure 8: Export & import of wood furniture to Asia Minor and Countries in north of Iran.

Figure 9: Graphs 7 and 8 at the same time.
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