



Tropentag, September 11-13, 2024, hybrid conference

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## Assessing navigating currency fluctuations on sustainable agricultural trade balance: Insights from Iran’s economic sanctions

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### Abstract

The agricultural sector is always mentioned as the axis of economic growth and development, and with the expansion of the scope of trade in this sector, the exchange rate acts as a bridge between different sectors of the economy, and its fluctuations affect other economic variables of countries. On the other hand, Economic sanctions have long been considered a common and peaceful tool in the interaction between governments, so since the 90s, economic sanctions have become a common political confrontation between countries and a tool to achieve goals and promote foreign political interests. Therefore, in this study, the effect of currency Fluctuations on the trade balance of the agricultural sector was investigated, emphasising the economic sanctions of Iran from 1980 to 2022. After determining the factors affecting the trade balance in the form of the gravity model, the exchange rate fluctuations were calculated through the asymmetric generalised conditional variance model (TGARCH), and the effectiveness of each of the variables affecting the trade balance was investigated in the form of the vector error correction model (VECM). The results of the long-term relationship show that the coefficient of the exchange rate uncertainty index is negative and statistically significant. Therefore, the increase in the fluctuation of the exchange rate causes the deterioration of the trade balance of the agricultural sector of Iran. The results related to the virtual variable of Iran’s economic sanctions showed that the existence of these sanctions causes the deterioration of the agricultural trade balance. Consequently, the study underscores the necessity of formulating tailored Stabilisation and support policies for the agricultural sector and strategies to mitigate currency uncertainties in agricultural trade. By deepening our understanding of these dynamics, it becomes feasible to implement measures aimed at controlling and reducing currency uncertainties more effectively. Through rigorous inquiry into these areas, policymakers and stakeholders can develop targeted interventions to bolster the resilience of the agricultural sector amidst fluctuating currency landscapes. This, in turn, contributes to the broader goal of fostering sustainable economic development and bolstering the resilience of agricultural trade in Iran and beyond.

**Keywords:** Agricultural trade balance, currency fluctuations, economic sanctions, Iran