Eight-month trade exceeds $75b: *IRICA*

Economy Desk

The head of the Islamic Republic of Iran Customs Administration announced on Sunday that the country's foreign trade reached about $75.5 billion during the first eight months of the current Iranian year (March 21-November 21).
Iran imported 25 million tons of non-oil commodities worth about $42.5 billion during the eight months to November 21, said Mohammad Rezvani-Far, adding that the country exported 90 million tons of goods, valued at about $33 billion in the period, IRNA reported.
"Considering the figures for the exports of electricity and techno-engineering services, Iran will have a $10-billion trade surplus for the eight months," the official noted.
IRICA will soon release statistics on the exports of oil, electricity and techno-engineering services, so the trade balance of the country will be more accurate, Rezvani-Far stated.
"A developed customs system will be unveiled before the International Customs Day (January 26), in order to eliminate many faults of connecting to other systems as well as fulfilling customs responsibilities in the field of trade and data exchange with other systems."
He explained that with the establishment of the system, the capability of electronic exchange of information with the customs offices of other countries will be provided.

Catch-22 of energy pricing in Iran

By Mostafa Shirmohammadi
Staff writer

The way energy carriers are priced could directly affect the livelihood of millions of Iranians, whose country has been subject to sanctions for years, leaving behind a struggling economy and underdeveloped infrastructure.
Since November 2019, fuel prices have remained unchanged, following a sharp 200% hike in gasoline prices that sparked nationwide protests and left more than 200 people dead, according to what the then interior minister said.
But rumors have it that the government might increase fuel prices again as they are heavily subsidized. Currently, Iran distributes some 230 million liters of fuel each day, with gasoline priced at 30,000 rials (6 cents) per liter and diesel at 6,000 rials (1.2 cents) per liter. Hugely underpriced fuels have created a lucrative business for smugglers who systematically ship gasoline and diesel to mainly neighboring countries such as Pakistan, Turkey, Armenia, and Afghanistan where such commodities are sold even 15 times more expensive than in Iran.
The economic consequences of the illicit trade are far-reaching for Iran as the estimated daily loss of 20 million liters of gasoline and diesel costs the country an arm and a leg, amounting to $5 billion annually.
Other carriers including electricity and gas also receive huge amounts of subsidy that have virtually rendered efficiency and saving measures ineffective. Every kilowatt hour of power comes at the expense of around 8,000 rials (1.6 cents) but it is delivered to household customers at 1,000 rials (0.2 cents). In other words it is eight times lower than the production cost. Fuel prices are simply unfair when compared to other goods. For instance, a one-liter bottle of mineral water which costs 120,000 rials (24 cents) – four times more than gasoline.
"When the prices are not appropriate at all, consumption automatically goes out of control," Moslem Mousavi, the director general of Iran Renewable Energy Association told IRNA.
A key factor contributing to the unfavorable economic conditions and a lingering budget deficit is energy subsidies which have become a huge drain on public earnings. According to the Oil Ministry, the government allocates around $100 billion of its income to energy subsidies annually which is more than twice its oil revenues.
Such wallet friendly prices for energy carriers leave no motivation for consumers to take efficiency measures seriously. It's no surprise to see the energy consumption rate off the charts, being twice the global average and up to four times that of developed nations.
Under a sweeping government-proposed bill, known as the Seventh Development Plan, a substantial reduction in energy consumption has to occur in the next five years, amounting to a daily use of around 1.3 million barrels of oil.
The target seems to be an uphill task for the government. A major roadblock in the way of implementing energy optimization plans is how to bring on board consumers who extravagantly burn highly subsidized energy carriers.
It is a bitter irony for a country that is ranked first globally in terms of having oil and gas reserves to face an electricity shortfall in the summer and gas shortage in the winter. Energy experts sounded the alarm more than a decade ago that Iran would face shortfalls in gas, electricity, and gasoline by early 2020s.
"We have failed to properly implement energy efficiency measures," Mousavi says. "Around ten years ago, projects and ambitious initiatives were outlined; however, in practice, there hasn't been any notable success. This is primarily due to the lack of economic viability in investing in optimal energy consumption."
The country has no way but to "reform" its energy pricing to hopefully stop fuel smuggling, provide motivation for energy efficiency measures, and set free huge financial recourses being drained by subsidies. The reform plan will definitely have social and political ramifications, but at the end of the day it will benefit the whole nation.

Win-win situation in Tehran-Riyadh trade with prioritized private sector

By Reza Abesh Ahmadlou
Staff writer

Iran and Saudi Arabia are two major regional powers in the Middle East, with significant economic, political and cultural influence. However, their relations have been strained for years over various geopolitical issues including oil export policy.
In March 2023, after discussions brokered by China, Iran and Saudi Arabia agreed to reestablish diplomatic relations, ending a seven-year rift that had severely hampered trade and cooperation between the two countries. This historic move was welcomed by the international community, as well as by the private sectors of both countries, which saw new opportunities for expanding trade and investment.
The private sector plays a vital role in the economies of both Iran and Saudi Arabia, as it provides products and services to meet the needs of their large and diverse populations, as well as contributes to their economic diversification and growth.
The private sector in both countries has been severely affected by the COVID-19 pandemic, which has disrupted supply chains, reduced demand, and increased costs. Therefore, the private sector needs more support and incentives from the governments to overcome these difficulties and to enhance its competitiveness and innovation.
One of the ways that the governments can support the private sector is by facilitating trade and investment between Iran and Saudi Arabia, which have complementary economic structures and potentials. Iran has a diversified economy, with strengths in sectors such as agriculture, industry, mining, petrochemicals, pharmaceuticals, information and communication technology, and tourism. Saudi Arabia has a more oil-dependent economy, but it is also developing sectors such as renewable energy, health, education, and entertainment.
By increasing trade and investment between the two countries, the private sector can benefit from access to new markets, lower tariffs, cheaper inputs, technology transfer, joint ventures, and economies of scale. This can also create more jobs, income, and welfare for the people of both countries, as well as reduce their dependence on oil revenues and foreign imports.
The Iranian minister of economic affairs and finance in April said Tehran aims to raise annual trade with Riyadh to $1 billion in the first step of resuming economic ties.
Ehsan Khandouzi added that the target was set by the Trade Promotion Organization of Iran and is based on the two countries' capacities.
Therefore, there is a huge potential for increasing trade between the two countries, especially in sectors such as food, construction materials, chemicals, plastics, metals, machinery, and electrical equipment.
To realize this potential, the governments of Iran and Saudi Arabia need to take several steps, such as:
Signing a free trade agreement that would reduce or eliminate tariffs and non-tariff barriers, and harmonize standards and regulations.
Establishing a joint trade commission that would oversee and promote trade and investment cooperation, and resolve any disputes or issues.
Creating a joint chamber of commerce that would facilitate business-to-business contacts, exchange of information, and matchmaking of potential partners.
Developing transport and logistics infrastructure that would connect the two countries by road, rail, sea, and air, and reduce the time and cost of trade.
Providing financial and legal support to the private sector, such as access to credit, insurance, and guarantees.
By taking these steps, the governments of Iran and Saudi Arabia can create a win-win situation for their private sectors, and foster a positive and constructive relationship that would benefit not only their economies, but also their stability in the region.

Monthly inflation rate drops by 0.1%: *SCI*

According to the latest figures released by the Statistical Center of Iran (SCI), the country's monthly inflation rate has dropped to 2.2% for the Iranian month ending on November 21.
The report, published on Sunday, revealed that the month-on-month inflation rate in Iran decreased by 2.2% during the Iranian calendar month of Aban (October 23 to November 21, 2023), which shows a 0.1% decrease compared to the previous month, IRNA reported.
Furthermore, the annual (point-to-point) inflation rate also experienced a drop, decreasing by 0.6%, to reach 44.9%.
During the same period, the point-to-point inflation in Iran was estimated at 39.2%.

Rasht-Caspian Railway to come on stream by yearend: *Official*

The construction operation of the Rasht-Caspian Railway is being completed, the chairman of Iran-Russia Joint Chamber of Commerce said, adding that the railway is expected to be operational by the end of the current Iranian year (March 19, 2024).
Hadi Tizhoush-Taban said the Rasht-Astara Railway is another project that can connect the country to the Republic of Azerbaijan, Tasnim news agency reported.
The 164-km Rasht-Astara railway route in Iran's northern province of Gilan has great importance in the International North–South Transport Corridor (INSTC), since it is the only remaining rail part of this transport corridor.

Iran to participate in AgroExpo Uzbekistan

Iranian new technology-based firms (NTBFs) will participate in the International Exhibition for Agricultural Machinery, Horticulture, Plant Production, and Animal Husbandry of Uzbekistan (AgroExpo Uzbekistan).
In Iran's pavilion, a total of 15 NTBFs will showcase their products and capabilities in the field of agriculture and related industries, IRNA reported.
The International event is scheduled to be held in Tashkent, November 29 to December 1, 2023.
The agriculture sector currently accounts for about eight percent of Iran's annual gross domestic product.