

Arbitrage will be pursued (Iranian edition)

Written by Administrator
Thursday, 01 May 2014 18:12

When something is subsidized, people use more of it....and smuggle/sell it elsewhere to cash out on the subsidy. Case in point, fuel in Iran.

The Economist [reports](#) "An estimated \$40-100 billion is paid every year to keep Iranians, poor and rich, supplied with cheap energy, water, fuel and basic food. Consumption has soared. Shopkeepers in Tehran spray their verandas to drive away the dust. Cars clog the country's roads. Iran's energy consumption is reckoned to be 80% above the Middle East's average. Worse, **billions of dollars are squandered every year by smugglers taking Iran's cheap fuel across borders to Iraq and Pakistan.**"

The subsidies have just been reduced but are still substantial...."On April 28th President Hassan Rohani raised petrol prices by 75%, from 4,000 to 7,000 rials (\$0.16 to \$0.28) per litre."