

# Iran's Economic and Foreign Policy Challenges

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In recent days all eyes have been on the Russia-Ukraine war, the rising tensions between US and China as well as continuing strains between the West and Russia — as was evident at the G20 foreign ministers meeting held in Delhi. As a result of differences between both sides, the G20 foreign ministers' meeting was unable to even issue a joint communique.

Amidst all these important developments of the past few days, the worrisome state of the Iranian economy has been relegated to the side lines. Apart from rising inflation (estimated at over 50% for the month ending February 2023), the currency has faced a continuous downfall. Last month, the Rial surpassed the 500,000 mark per U.S. dollar. This depreciation of the currency took place despite certain measures announced by the government to check the fall of the currency which has been taking place since September 2022.

If one were to look at the key factors for Iran's current economic situation they are; the US withdrawal from the Joint Comprehensive Plan of Action (JCPOA) 2015/Iran Nuclear deal, which resulted in imposition of economic sanctions on Iran, and then the covid19 pandemic. In 2022, the revival of the JCPOA seemed a distinct probability — especially in the aftermath of the Russia-Ukraine war — in order to keep global oil prices in check. Here it would be important to point out that in spite of sanctions, Iran's oil exports have risen over the past few months and it has been argued by many that the US has turned a blind eye to the same.

## US sanctions against Iran

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Ever since Iran has expanded its nuclear program, the violent suppression of protests after the death of activist and Iran's sale of drones to Russia ties between Iran and West have deteriorated further. The US has imposed a series of sanctions against senior Iranian officials, including those belonging to the Islamic Revolutionary Guard Corps (IRGC) for the violent crackdown against protests which broke out after the death of activist Mahsa Amini in moral police custody in September 2022. In January 2023, while commenting on the sanctions imposed against Iran for the sale of drones to Russia, US Secretary of State Anthony Blinken said: "Iran is fuelling Russia's war in Ukraine with its provision of UAV technology. Today, the United States sanctioned seven people involved in Iran's UAV and ballistic missile programs — programs Moscow is using to target Ukraine's critical infrastructure."

The chances for the revival of the Iran nuclear deal have further dimmed in recent days. According to a restricted report of IAEA (International Atomic Energy Agency), to which CNN managed to get access, uranium particles enriched to 83.7% purity had been found in Iran's Fordow Fuel Enrichment Plant (FFEP). In order to make a nuclear bomb, 90%

enrichment levels are needed. The FFEP is an underground nuclear facility 20 miles northeast of the city of Qom. A US Defense Department official stated that Iran could not produce “one bomb’s worth of fissile material” in “about 12 days,

Iran’s Foreign Minister Hossein Amir-Abdollahian in an interview with CNN did not comment on the enrichment, but said: “We have a roadmap with the IAEA. And on two occasions, Mr. [Massimo] Aparo, Mr. [Rafael] Grossi’s deputy, came to Iran in the past few weeks, and we had constructive and productive negotiations. And we have also invited Mr. Grossi to come and visit Iran soon.”

Another problem which Iran faces is that China has not been willing to circumvent US sanctions. In spite of its public utterances with regard to China-Iran relations, Beijing has been very cautious with regard to pursuing economic ties – beyond the purchase of discounted oil – from Tehran.

Even after the signing of the signing of the 25-year agreement – referred to as the Iran-China 25-Year Comprehensive Cooperation Agreement – between Iran and China in March 2021, China has not made any significant investments in Iran (it has been cautious not to violate US sanctions). During his visit to China, last month, Iranian President Ebrahim Raisi alluded to the lack of dynamism in the China-Iran economic relationship. It would be pertinent to point out that China’s ties with Gulf Cooperation Council (GCC) states have also strengthened immensely much to the discomfort of Iran. While since the announcement of the 25 year agreement between Iran and China, the latter has invested \$ 185 million in Iran, it has invested \$ 5.5 billion in Saudi Arabia. This raises serious questions with regard to whether Iran’s ‘Pivot to East’ policy which focuses on strengthening ties with Russia and China can help it in dealing with its economic problems.

It is important for Iran to shed rigidity in its foreign policy, and prioritise dealing with its domestic economic challenges. The west – especially the US – needs to bear in mind the geopolitical ramifications, especially for the Middle East, of further turmoil in Iran and should also be more open towards reducing tensions.

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*The views and opinions expressed in this article are those of the author.*

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